VUNANI

LIMITED

Agility. Endurance. Performance

Provisional condensed consolidated results

for the year ended 29 February 2020

Condensed consolidated statement of comprehensive income

for the year ended 29 February 2020

SALIENT FEATURES

REVENUE OF

R462.2 million

compared to R425.3 million at 28 February 2019

PROFIT FOR THE YEAR OF

R59.1 million

compared to R90.3 million at 28 February 2019

EARNINGS PER SHARE OF

34.5c

compared to 54.7c at 28 February 2019

ACQUIRED SIGNIFICANT STAKE IN

Oracle Insurance Eswatini

in December 2019

ACQUIRED SIGNIFICANT STAKE IN

Stanlib Botswana

in January 2020

Figures in R'000	Note	Reviewed 29 February 2020	Audited 28 February 2019
Revenue	1	**462 156**	425 329
Other income	2	**12 950**	2 258
Bargain purchase gain	8	**54 515**	–
Investment revenue		**12 386**	10 954
Interest received from investments		**6 023**	170
Impairments	3	**(4 264)**	(11 973)
Fair value adjustments	4	**(30 370)**	73 239
Equity-accounted earnings (net of income tax)		**9 968**	6 053
Commodities trading related costs		**(83 374)**	(100 594)
Operating expenses		**(363 988)**	(293 020)
Results from operating activities		**76 002**	112 416
Finance income		**4 813**	4 342
Finance costs		**(9 801)**	(8 801)
Net finance costs		**(4 988)**	(4 459)
Profit before income tax		**71 014**	107 957
Income tax expense		**(11 920)**	(17 705)
Profit for the year		**59 094**	90 252
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss		**(11 981)**	2 159
Exchange differences on translating foreign operations		**(8 924)**	2 159
Hyperinflation adjustments		**(3 057)**	–
Total comprehensive income for the year		**47 113**	92 411
Profit for the year attributable to:			
Equity holders of Vunani Limited		**55 365**	88 553
Non-controlling interest		**3 729**	1 699
		59 094	90 252
Total comprehensive income for the period attributable to:			
Equity holders of Vunani Limited		**47 598**	89 916
Non-controlling interest		**(485)**	2 495
		47 113	92 411
Basic earnings per share (cents)		**34.5**	54.7
Basic earnings per share from operations (cents)		**34.5**	54.7
Basic headline earnings per share (cents)	5	**0.5**	54.7
Basic headline earnings per share from operations (cents)		**0.5**	54.7

In the current year, the group acquired a controlling interest in Oracle Insurance Eswatini Limited ("Oracle Insurance"), an insurance business which has resulted in changes in the group's financial results. Refer to note 8 for more information.

The reviewed provisional condensed consolidated results have been prepared under the supervision of the Chief Financial Officer, Tafadzwa Mika CA(SA).

Condensed consolidated statement of financial position
at 29 February 2020

Figures in R'000	Note	Reviewed 29 February 2020	Audited 28 February 2019
Assets			
Property, plant and equipment *		**27 903**	10 977
Goodwill		**139 766**	139 766
Intangible assets	**9**	**188 924**	76 164
Investments in associates		**59 787**	53 390
Loans to associates		**5 285**	10 118
Other investments	**7**	**107 020**	93 565
Insurance related investments	**13**	**286 589**	–
Deferred tax asset		**45 529**	42 826
Other non-current assets	**7**	**33 302**	74 564
Total non-current assets		**894 105**	501 370
Other investments	**7**	**4 432**	918
Inventory		**65 631**	29 255
Taxation prepaid		**3 150**	1 259
Reinsurance assets	**13**	**20 136**	–
Loans to associates		**1 460**	–
Trade and other receivables		**98 328**	121 063
Accounts receivable from trading activities		**286 531**	90 561
Trading securities		**143**	72
Cash and cash equivalents		**246 530**	54 446
Total current assets		**726 341**	297 574
Total assets		**1 620 446**	798 944
Equity			
Stated capital		**696 497**	696 497
Treasury shares		**(748)**	(56)
Share-based payments reserve		**5 624**	5 506
Foreign currency translation reserve		**(9 509)**	(1 742)
Accumulated loss		**(185 303)**	(230 936)
Equity attributable to equity holders of Vunani Limited		**506 561**	469 269
Non-controlling interest		**51 202**	8 380
Total equity		**557 763**	477 649
Liabilities			
Other financial liabilities	**7**	**46 408**	46 151
Lease liabilities		**12 339**	–
Investment contracts	**13**	**310 585**	–
Insurance contract liabilities	**13**	**78 348**	–
Deferred tax liabilities		**50 562**	22 251
Total non-current liabilities		**498 242**	68 402
Other financial liabilities	**7**	**42 145**	32 168
Lease liabilities		**7 336**	–
Taxation payable		**9 031**	5 177
Insurance contract liabilities	**13**	**11 600**	–
Trade and other payables		**198 506**	114 700
Accounts payable from trading activities		**285 956**	90 840
Trading securities		**15**	22
Bank overdraft		**9 852**	9 986
Current liabilities		**564 441**	252 893
Total liabilities		**1 062 683**	321 295
Total equity and liabilities		**1 620 446**	798 944
Shares in issue (000s)	**6**	**161 156**	161 156
Net asset value per share (cents)		**314.3**	291.2
Net tangible asset value per share (cents)		**110.4**	157.3

* *The group has, as permitted by IFRS 16 Leases (IFRS 16), elected not to restate its comparative annual financial statements. Included in property, plant and equipment is the right of use assets recognised as a result of applying IFRS 16. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 Leases (IAS 17) basis. Refer to note 12 for more detail on the adoption of IFRS 16.*

Net asset value per share (cents)
Net asset value per share is the equity attributable to equity holders of Vunani Limited, utilising all shares in issue, including treasury shares.

Net tangible asset value per share (cents)
Net tangible asset value per share is the equity attributable to equity holders of Vunani Limited, (excluding goodwill and intangible assets) utilising all shares in issue, including treasury shares.

Condensed consolidated statement of changes in equity
for the year ended 29 February 2020

Figures in R'000	Stated capital	Treasury shares	Share-based payment reserve	Foreign currency translation reserve	Accumulated loss	Total attributable to equity holders	Non-controlling interest	Total equity
Balance as at 28 February 2018 – Audited	706 572	(14 842)	21 646	(3 105)	(310 453)	399 818	(566)	399 252
Total comprehensive income for the period								
Profit for the year	–	–	–	–	88 553	88 553	1 699	90 252
Other comprehensive income for the period	–	–	–	1 363	–	1 363	796	2 159
Total comprehensive income for the period	–	–	–	1 363	88 553	89 916	2 495	92 411
Transactions with owners, recorded directly in equity								
Acquisition of treasury shares	–	(1 268)	–	–	–	(1 268)	–	(1 268)
Share-based payments	–	–	7 844	–	–	7 844	–	7 844
Dividends paid	–	–	–	–	(9 677)	(9 677)	(838)	(10 515)
Delisted shares	(10 075)	–	–	–	–	(10 075)	–	(10 075)
Transfer between reserves *	–	16 054	(23 984)	–	7 930	–	–	–
Disposal to non-controlling interests	–	–	–	–	(7 289)	(7 289)	7 289	–
Total transactions with owners, recorded directly in equity	(10 075)	14 786	(16 140)	–	(9 036)	(20 465)	6 451	(14 014)
Balance as at 28 February 2019 – Audited	696 497	(56)	5 506	(1 742)	(230 936)	469 269	8 380	477 649
Total comprehensive income for the year								
Profit for the year	**–**	**–**	**–**	**–**	**55 365**	**55 365**	**3 729**	**59 094**
Other comprehensive income for the year	**–**	**–**	**–**	**(7 767)**	**–**	**(7 767)**	**(4 214)**	**(11 981)**
Total comprehensive income for the period	**–**	**–**	**–**	**(7 767)**	**55 365**	**47 598**	**(485)**	**47 113**
Transactions with owners, recorded directly in equity								
Acquisition of treasury shares	**–**	**(4 246)**	**–**	**–**	**–**	**(4 246)**	**–**	**(4 246)**
Transfer of treasury shares		**3 554**	**(3 554)**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**5 009**	**–**	**–**	**5 009**	**–**	**5 009**
Dividends paid	**–**	**–**	**–**	**–**	**(11 912)**	**(11 912)**	**(1 244)**	**(13 156)**
Transfer between reserves *			**(1 337)**	**–**	**1 337**	**–**	**–**	**–**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**843**	**843**	**(843)**	**–**
Business combination @	**–**	**–**	**–**	**–**	**–**	**–**	**45 394**	**45 394**
Total transactions with owners, recorded directly in equity	**–**	**(692)**	**118**	**–**	**(9 732)**	**(10 306)**	**43 307**	**33 001**
Balance as at 29 February 2020 – Reviewed	**696 497**	**(748)**	**5 624**	**(9 509)**	**(185 303)**	**506 561**	**51 202**	**557 763**

@ Relates to the acquisition of Oracle Insurance. Refer to note 8.

** Shares that were issued as part of the share-based payment scheme vested. The shares were transferred out of the share trust (held as treasury shares) to the qualifying employees. The cumulative share-based payment expense in the reserve has been transferred between the non-distributable reserve and retained income on vesting.*

DIVIDENDS

Figures in R'000	Reviewed 28 February 2020	Audited 28 February 2019
Ordinary dividend		
Ordinary dividend number 5 of 7.4 cents (5.92 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 30 July 2019 (net of treasury shares), (2019: Ordinary dividend number 4 of 6.2 cents (4.96 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 30 July 2018).	**11 912**	9 677
	11 912	9 677

Condensed consolidated statement of cash flows
for the year ended 29 February 2020

Figures in R'000	Note	Reviewed 29 February 2020	Audited 28 February 2019
Cash flows from operating activities			
Net cash generated by operating activities	10	**73 017**	38 752
Investment revenue received		**11 588**	10 954
Finance income received		**9 970**	4 342
Finance costs paid		**(9 720)**	(7 537)
Dividends paid to shareholders		**(11 912)**	(9 677)
Dividends paid to non-controlling interest		**(1 244)**	(838)
Income tax paid		**(19 247)**	(15 394)
Net cash generated by operating activities		**52 452**	20 602
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		**82 473**	–
Acquisition of property, plant and equipment		**(1 180)**	(2 523)
Proceeds from disposal of property, plant and equipment		**1 322**	–
Proceeds from repayment of loans to associates		**6 167**	3 000
Advances in investment and loans to associates		**(2 494)**	(3 958)
Dividends received from associates		**3 571**	785
Acquisition of intangible assets – computer software		**(5 519)**	–
Acquisition of other investments		**–**	(234)
Proceeds on disposal of other investments		**13 685**	490
Proceeds on disposal of insurance investments		**213 680**	–
Acquisition of insurance investments		**(4 349)**	–
Net cash inflow/(outflow) from investing activities		**307 356**	(2 440)
Cash flows from financing activities			
Acquisition of treasury shares		**(4 246)**	(1 268)
Advances of other financial liabilities		**38 037**	–
Repayments of other financial liabilities		**(20 830)**	(22 175)
Repayments of insurance liabilities		**(175 158)**	–
Increase in insurance liabilities		**4 350**	–
Repayment of lease liabilities – capital repayment		**(7 402)**	–
Net cash outflow from financing activities		**(165 249)**	(23 443)
Net increase/(decrease) in cash and cash equivalents		**194 559**	(5 281)
Effect of movement in exchange rates on cash held		**(2 341)**	519
Cash and cash equivalents at the beginning of the year		**44 460**	49 222
Total cash and cash equivalents at end of the year		**236 678**	44 460

Segmental reporting
for the year ended 29 February 2020

The fund management and other investments segments are geographically located in South Africa and, on a smaller scale, in Botswana, Malawi and Zimbabwe. The institutional securities broking, commodities trading, asset administration and advisory services segments are geographically located in South Africa. The insurance segment, located in Eswatini, was acquired during the year.

Figures in R'000		Revenue Reviewed 29 February 2020	Reportable segment profit/(loss) after tax Reviewed 29 February 2020	Total assets Reviewed 29 February 2020	Total liabilities Reviewed 29 February 2020
Fund management		**96 810**	**10 538**	**92 225**	**(37 034)**
Asset administration		**139 245**	**16 575**	**227 602**	**(71 209)**
Insurance *		**59 723**	**55 215**	**628 099**	**(523 501)**
Investment banking	Advisory services	**13 969**	**(403)**	**7 373**	**(2 434)**
	Institutional securities broking	**36 936**	**(757)**	**297 365**	**(293 070)**
Private equity	Commodities trading	**105 416**	**(9 425)**	**92 789**	**(91 675)**
	Other investments	**10 057**	**(12 649)**	**274 993**	**(43 760)**
Total		**462 156**	**59 094**	**1 620 446**	**(1 062 683)**

* *The Insurance segment arose as a result of the acquisition of Oracle Insurance Eswatini Limited during the period. The classification is in line with how the group's chief operating decision-maker allocates resources and assesses the performance of the group's segments. Refer to note 8 for additional information.*

Figures in R'000		Revenue Audited 28 February 2019	Reportable segment profit/(loss) after tax Audited 28 February 2019	Total assets Audited 28 February 2019	Total liabilities Audited 28 February 2019
Fund management		87 155	7 898	82 608	(19 912)
Asset administration		127 362	13 445	230 407	(86 967)
Investment banking	Advisory services	18 021	4 705	15 193	(10 252)
	Institutional securities broking	42 001	(7 211)	104 945	(99 540)
Private equity	Commodities trading	141 302	9 670	199 612	(65 971)
	Other investments	9 488	61 745	166 179	(38 653)
Total		425 329	90 252	798 944	(321 295)

Notes to the condensed consolidated financial statements
(all figures in R'000)

BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited and A2X Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The A2X Listings Requirements require issuers to prepare financial information in terms of an acceptable accounting framework, such as IFRS and in addition, disclose headline earnings per share, diluted headline earnings per share as well as a detailed reconciliation between headline earnings and earnings used in the calculation, in their interim and year-end results. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the adoption of new standards effective 1 March 2019, IFRS 4 *Insurance Contracts* as a result of the acquisition completed during the year, IFRS 16 *Leases* and IAS 29 *Financial Reporting in Hyperinflationary Economies* accounting applied for the Zimbabwe subsidiaries. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The reviewed condensed consolidated provisional financial statements have been presented on the historical cost basis, except for other investments and certain other financial liabilities, which are fair valued. These condensed consolidated financial statements are presented in South African Rand, rounded to the nearest thousand, which is the group's presentation currency.

These reviewed condensed consolidated provisional financial statements incorporate the financial statements of the company, its subsidiaries and entities that, in substance, are controlled by the group and the group's interest in associates. Results of subsidiaries and associates are included from the effective date of acquisition up to the effective date of disposal. All significant transactions and balances between group enterprises are eliminated on consolidation.

Estimates and judgements

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 28 February 2019, with the exception of the valuation of value of in-force business acquired (refer to notes 8 and 9), the adoption of IFRS 16 *Leases* (refer to note 12), IFRS 4 *Insurance Contracts* (refer to note 13) and IAS 29 *Financial Reporting in Hyperinflationary Economies* (refer to note 14).

NOTES

1. Revenue

Revenue includes trading revenue, fees earned from advisory services, brokerage, fund management fees, asset administration fees, management fees, commodities trading revenue and insurance premiums.

The revenue relating to the core business operations of the group has been disaggregated as follows:

Figures in R'000	Reviewed 29 February 2020	Audited 28 February 2019
Fund management	**96 810**	87 155
Asset administration	**139 245**	127 362
Insurance	**59 723**	–
Advisory services	**13 969**	18 021
Institutional securities broking	**36 936**	42 001
Commodities trading	**105 416**	141 302
Other investments	**10 057**	9 488
	462 156	425 329

2. Other income

Sundry income	**6 576**	1 945
Directors' fees	**484**	301
Accounting fees	**4**	12
Reinsurance recoveries	**5 886**	–
	12 950	2 258

3. Impairments

Impairment loss on trade and other receivables	**(4 564)**	(2 972)
Impairment reversal/(loss) on loans to associates	**300**	(9 001)
	(4 264)	(11 973)

The decrease in the impairment of loans to associates is as a result of these advances being classified as Stage 1 and have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

Figures in R'000	Reviewed 29 February 2020	Audited 28 February 2019
4. Fair value adjustments		
Fair value adjustments on financial assets and liabilities	**(26 387)**	73 239
Fair value adjustments to third party liabilities	**3 184**	–
Fair value adjustments to investment contract liabilities	**(7 432)**	–
Reinsurance assets fair value adjustments	**265**	–
	(30 370)	73 239
The decrease in fair value adjustments relates to the write down of the group's investments that are carried at fair value through profit or loss.		
5. Reconciliation of headline earnings for the year		
Profit for the year attributable to equity holders of Vunani	**55 365**	88 553
Adjusted for:		
IFRS 16 *leases*		
Lease modification gain	**(120)**	–
Business combination		
Bargain purchase gain	**(54 515)**	–
	730	88 553
Headline earnings per share (cents)	**0.5**	54.7
Basic headline earnings per share from operations	**0.5**	54.7
Diluted headline earnings per share (cents)	**0.5**	53.5
Diluted headline earnings per share from operations	**0.5**	53.5

6. Authorised and issued stated capital

The authorised stated capital at 29 February 2020 was 500 million ordinary shares of no par value (2019: 500 million ordinary shares of no par value). 161 155 915 shares were in issue at 29 February 2020 (2019: 161 155 915).

Weighted average number of ordinary shares (000s)	Reviewed 29 February 2020	Audited 28 February 2019
Issued ordinary shares at the beginning of the year	**161 156**	164 897
Effect of delisting shares	**–**	(2 737)
Effect of own shares held	**(540)**	(138)
Weighted average number of shares in issue during the year	**160 616**	162 022
Number of shares in issue at the end of the year	**161 156**	161 156
Dilutive weighted average number of ordinary shares (000s)		
Issued ordinary shares at the beginning of the year	**161 156**	164 897
Effect of delisting shares	**–**	(2 737)
Effect of own shares held	**(540)**	(138)
Effect of dilutive shares *	**–**	3 372
Diluted weighted average number of shares in issue during the year	**160 616**	165 394
Number of shares in issue at the end of the year	**161 156**	161 156

* *The shares issued as part of the employee share incentive scheme could potentially dilute basic earnings in the future. The employee shares do not have a dilutive effect in the current year.*

7. Other investments, other non-current assets and other financial liabilities

Unlisted investments are fair valued annually by the directors. Listed investment prices are determined with reference to the share price at period-end.

Both listed and unlisted investments are measured at fair value through profit or loss. Financial liabilities are either accounted for at amortised cost or classified at fair value through profit or loss. The group classifies other non-current assets at fair value through profit or loss.

Ring-fenced special purpose entities have historically been used to house the group's geared equity investments and any financial liabilities that relate to such investments. Financial assets and liabilities that arise in terms of these ring-fenced structures are both fair valued through profit or loss in terms of IFRS 9 *Financial Instruments.*

For additional information on the fair values of other investments, insurance related investments, other non-current assets and other financial liabilities, please refer to note 11 of these financial results.

8. Business combination

Acquisition of Oracle Insurance Eswatini Limited

Vunani acquired an effective 52% of Oracle Insurance Eswatini Limited ("Oracle Insurance") (previously Metropolitan Life Swaziland Limited) on 5 December 2019. The acquisition is in line with the group's strategy to expand its footprint in the financial services business, thereby diversifying the group's product offering. The consideration for the investment amounted to R35.0 million. The acquisition was funded by financing provided by the group's bankers.

An after tax profit of R7.2 million has been included in Vunani's profit or loss for the year ended 29 February 2020. R3.4 million of this profit is attributable to non-controlling interests. R59.7 million has been included in Vunani's revenue since the acquisition of Oracle Insurance for the period 1 December 2019 to 29 February 2020.

The acquisition resulted in the recognition of intangible assets of R119.6 million and deferred tax on intangible asset of R32.9 million at acquisition date. The acquisition resulted in the recognition of a bargain purchase gain of R54.3 million at acquisition date which has been presented separately in the statement of comprehensive income.

Trade receivables acquired are at fair value and are expected to be collected in their entirety. No contingent liabilities arose as a result of the business combination. The valuation of the non-controlling interest was based on the fair value of the net asset value of Oracle Insurance at acquisition date and amounted to R45.4 million.

A preliminary purchase price allocation in terms of IFRS 3 is presented below:

Figures in R'000	Oracle
Net assets acquired	
Value of in-force business acquired	**119 643**
Deferred tax on intangible	**(32 902)**
Property plant and equipment	**2 906**
Financial instruments measured at fair value profit or loss	**490 616**
Trade and other receivables	**20 825**
Insurance and other receivables	**8 892**
Reinsurance contracts	**8 915**
Cash and cash equivalents	**118 500**
Insurance contract liabilities	**(95 895)**
Financial liabilities at fair value through profit or loss	**(473 961)**
Income tax liability	**(3 097)**
Trade and other payables	**(29 732)**
Non-controlling interest	**(45 394)**
Net asset value acquired	**89 316**
Purchase price	**(35 000)**
Bargain purchase gain	**54 316**
The following intangible assets and the related deferred taxation were identified at acquisition date consisting of:	
Value of in-force business acquired	**119 643**
Deferred taxation	**(32 902)**
	86 741
The intangibles will be amortised as follows:	
Value of in-force business acquired	**360 months**

8. Business combination (continued)

Acquisition of Stanlib Investment Managers Proprietary Limited

Vunani acquired 100% of Stanlib Investment Managers Proprietary Limited ("Stanlib Botswana") on 1 January 2020. The acquisition is in line with the group's strategy to expand its footprint in the financial services business, thereby diversifying the group's product offering. The consideration for the investment amounted to R2.0 million and a contingent consideration liability of R2.4 million should certain conditions be met. The acquisition was funded by cash.

An after tax profit of R0.04 million has been included in Vunani's profit or loss for the year ended 29 February 2020. R4.6 million has been included in Vunani's revenue since the acquisition of Stanlib Botswana for the period 1 January 2020 to 29 February 2020.

The acquisition resulted in the recognition of a bargain purchase of R0.2 million at acquisition date. The gain on bargain purchase has been presented separately in the statement of comprehensive income.

Trade receivables acquired are at fair value and are expected to be collected in their entirety. A contingent consideration liability of R2.4 million arose as a result of the business combination. The were no non-controlling interest as a result of the acquisition.

A preliminary purchase price allocation in terms of IFRS 3 is presented below:

Figures in R'000	Stanlib
Net assets acquired	
Property plant and equipment	**2 830**
Financial investments	**12 501**
Inventory holdings in unit portfolios	**4 370**
Trade and other receivables	**1 819**
Cash and cash equivalents	**973**
Taxation	**978**
Trade and other payables	**(13 362)**
Employee benefits	**(839)**
Amounts due to group	**(4 158)**
Amounts due from group companies	**809**
Notes payable and long-term debt	**(1 214)**
Deferred tax liability	**(158)**
Net asset value acquired	**4 549**
Purchase price	**(2 000)**
Contingent consideration liability	**(2 350)**
Bargain purchase gain	**199**

9. Intangible assets

The previously reported intangible assets arose on the acquisition of Mandlalux Proprietary Limited. In the current year, the group acquired Oracle Insurance Eswatini Limited. Additionally, the group has internally generated computer software intangible assets. Intangibles assets are tested for impairment when there is an indicator the asset is impaired. The value in-force acquired is reviewed for impairment losses through the liability adequacy test and written down for impairment if necessary.

As at 29 February 2020, the intangible assets comprised:	R'000
Balance at 1 March 2019	**76 164**
Value of in-force business acquired *	**119 643**
Computer software	**5 519**
Amortisation	**(12 402)**
	188 924

* *Refer to note 8 for further details relating to the acquisition of Oracle Insurance.*

10. Net cash utilised by operating activities

Figures in R'000	Reviewed 29 February 2020	Audited 28 February 2019
Profit before income tax expense from operations	**71 014**	107 957
Adjusted for:		
Depreciation of property, plant and equipment	**3 197**	3 067
Depreciation of right of use assets	**7 787**	–
Equity-accounted earnings (net of income tax)	**(9 968)**	(6 053)
Fair value adjustments	**26 387**	(73 239)
Fair value adjustments to third party liabilities	**(3 184)**	–
Fair value adjustments to investment contract liabilities	**7 432**	–
Reinsurance assets fair value adjustments	**(265)**	–
Short-term insurance: Incurred but not reported (IBNR)	**1 891**	–
Short-term insurance: Unearned premiums	**872**	–
Bargain purchase gain	**(54 515)**	–
Impairment (reversal)/loss on loans to associates	**(300)**	9 001
Impairment loss on trade and other receivables	**4 564**	2 972
Amortisation of intangible assets	**12 402**	11 224
Share-based payments expense	**5 009**	7 844
Foreign currency translation loss	**1 885**	834
Lease straight-line adjustment	**–**	186
Interest received from investments and finance income	**(10 836)**	(4 512)
Investment revenue	**(12 386)**	(10 954)
Finance costs	**9 801**	8 801
Changes in working capital:		
(Increase)/decrease in trading securities	**(78)**	299
Increase in inventory	**(36 647)**	(29 255)
Decrease/(increase) in trade and other receivables	**22 836**	(41 221)
Increase in trade and other payables	**33 071**	53 637
Increase in reinsurance assets	**(3 074)**	–
Decrease in insurance liabilities	**(2 763)**	–
Increase in accounts receivable and payable from trading activities	**(1 115)**	(1 836)
Cash generated by operating activities	**73 017**	38 752

11. Financial instruments carried at fair value

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

The existence of published price quotations in an active market is the best evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. Financial instruments fair valued using quoted prices would generally be classified as level 1 in terms of the fair value hierarchy and when fair valued indirectly (i.e. derived from prices) will be classified as level 2.

Where a quoted price does not represent fair value at the measurement date or where the market for a financial instrument is not active, the group establishes fair value by using valuation techniques. These valuation techniques include reference to the value of the assets of the underlying business, earnings multiples (e.g. unlisted investments), discounted cash flow analysis (e.g. unlisted investments, loans and advances) and various option pricing models.

Inputs used in valuation techniques for loans and advances, other investments, investments in associates and other financial liabilities, include discount rates, expected future cash flows, dividend yields, earnings multiples, volatility, equity prices and commodity prices.

Valuation methodologies and techniques applied for level 3 financial instruments include a combination of discounted cash flow analysis, application of earnings multiples on sustainable after tax earnings and current and projected net asset values to determine overall reasonability. The valuation technique applied to specific financial instruments depends on the nature of the financial instrument and the most appropriate valuation technique is determined on that basis.

After the valuations of the unlisted financial assets and liabilities are performed, these are presented to the group's investment committee for independent review. All significant valuations are approved by the investment committee.

11. Financial instruments carried at fair value (continued)

The valuation methodologies, techniques and inputs applied to the fair value measurement of the financial instruments have been applied in a manner consistent with that of the previous financial period.

Fair values Figures in R'000	Reviewed 29 February 2020 Carrying amount	Fair value	Audited 28 February 2019 Carrying amount	Fair value
Financial assets measured at fair value				
Other investments	**111 452**	**111 452**	94 483	94 483
Insurance related investments	**286 589**	**286 589**	–	–
Other non-current assets	**33 302**	**33 302**	70 881	70 881
Trading securities	**143**	**143**	72	72
Financial assets not measured at fair value				
Loans to associates	**6 745**	**4 986**	10 118	8 464
Loans in other non-current assets	**–**	**–**	3 683	3 826
	438 231	**436 472**	179 237	177 726
Financial liabilities measured at fair value				
Other financial liabilities at fair value through profit or loss	**(6 499)**	**(6 499)**	(5 663)	(5 663)
Trading securities	**(15)**	**(15)**	(22)	(22)
Insurance contracts	**(310 585)**	**(310 585)**	–	–
Financial liabilities not measured at fair value				
Other financial liabilities at amortised cost	**(82 054)**	**(79 256)**	(72 656)	(61 927)
Insurance liabilities	**(11 600)**	**(11 600)**	–	–
	(410 753)	**(407 955)**	(78 341)	(67 612)
Total	**27 478**	**28 517**	100 896	110 114

The carrying amounts of cash and cash equivalents, accounts receivable from trading activities, trade and other receivables, insurance assets, reinsurance assets, bank overdraft, accounts payable from trading activities and trade and other payables reasonably approximate their fair values and are therefore not included in the table above.

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on inputs to the valuation techniques used.

The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Reviewed 29 February 2020 Figures in R'000	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	**182 738**	**117 782**	**130 823**	**431 343**
Financial assets measured at fair value	**143**	**–**	**–**	**143**
Financial assets at amortised cost	**–**	**–**	**4 986**	**4 986**
Financial liabilities designated at fair value through profit or loss	**(15)**	**(310 585)**	**(6 499)**	**(317 099)**
Financial liabilities at amortised cost	**–**	**–**	**(90 856)**	**(90 856)**
	182 866	**(192 803)**	**38 454**	**28 517**

Audited 28 February 2019	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	16 261	–	149 103	165 364
Financial assets measured at fair value	72	–	–	72
Financial assets at amortised cost	–	–	12 290	12 290
Financial liabilities designated at fair value through profit or loss	(22)	–	(5 663)	(5 685)
Financial liabilities at amortised cost	–	–	(61 927)	(61 927)
	16 311	–	93 803	110 114

Figures in R'000	Reviewed 29 February 2020	Audited 28 February 2019
Level 3 financial instruments at fair value comprise:		
Balance at beginning of year	**143 440**	76 704
Total gains or losses in profit or loss	**(19 066)**	76 580
Sales	**–**	(9 844)
Transfer to trade and other receivables	**(50)**	–
Balance at end of the year	**124 324**	143 440

A change of 10% in the unobservable inputs of the investment and liability at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

Effect on statement of comprehensive income (profit/(loss)) and equity before taxation	Reviewed 29 February 2020	Audited 28 February 2019
Equity		
10% increase	**2 392**	3 227
10% decrease	**(2 392)**	(3 136)
Cash flow		
10% increase	**2 613**	6 716
10% decrease	**(18 050)**	(7 849)
Foreign exchange movement		
10% increase	**1 250**	164
10% decrease	**1 038**	(164)

12. Adoption of new accounting standards

IFRS 16 *Leases*

IFRS 16 *Leases* introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The group has adopted IFRS 16 retrospectively from 1 March 2019, using the modified retrospective approach. Comparatives are not restated under this approach. Accordingly, the group's previously reported financial results up to 28 February 2019 are presented in accordance with the requirements of IAS 17. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was between 7% and 10.86%. This incremental borrowing rate was calculated at 1 March 2019 for each legal entity in the group.

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 28 February 2019.

The group has lease contracts for corporate offices and small office equipment. The terms and conditions of the lease contracts are negotiated on an individual basis. Extension and termination options are included in a number of leases across the group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lessee is reasonably certain to extend the lease. Each lease generally imposes a restriction that the property can only be used by the group unless permission is given by the lessor to sublet, and that the buildings must be returned to their original condition at the end of the lease.

In applying IFRS 16 for the first time, the group has used the following practical expedients: for corporate office leases with a term of less than 12 months on 1 March 2019, the group applied the short-term exemption and accounted for the leases on a straight-line basis over the remaining lease term and hindsight has been used when considering whether to include renewal and termination options in the lease term. The group also elected not to include initial direct costs in the measurement of the right-of-use asset for the leases in existence at the date of initial application.

On transition to IFRS 16 on 1 March 2019, the impact on the statement of financial position was as follows:

	28 February 2019 R'000	Impact of adoption of IFRS 16 R'000	1 March 2019 R'000
Property, plant and equipment	**10 977**	**17 949**	**28 926**
Lease liabilities *	**–**	**18 900**	**18 900**
Other financial liabilities &	**32 168**	**(951)**	**31 217**

* *Materially relates to the recognition of lease liabilities of R18.9 million on the adoption of IFRS 16.*

& *Materially relates to the derecognition of the IAS 17 straight-lined lease provision which was recorded as part of other financial liabilities at 28 February 2019. This has been adjusted against the right-of-use asset.*

12. Adoption of new accounting standards (continued)

IFRS 16: *Leases* (continued)

	Right-of-use asset R'000	Lease liability R'000
Balance as at 1 March 2019	17 949	(18 900)
Other movements *	6 833	(6 900)
Depreciation expense	(7 787)	–
Payments	–	8 718
Business combination	1 122	(1 214)
Foreign exchange difference	53	(63)
Interest expense	–	(1 316)
	18 170	(19 675)

* *The other movements relate to remeasurements of lease liabilities as a result of modifications to the lease agreements.*

Impact on the statement of comprehensive income

	R'000
Depreciation on the right-of-use asset	7 787
Rent expense	(8 718)
Interest expense	1 316
	385

13. Insurance

During the year, the group acquired a controlling stake in Oracle Insurance (refer to note 8 for details of the acquisition). As a result the group has adopted IFRS 4 *Insurance Contracts* as part of its accounting policies with effect from December 2019. The impact of applying IFRS 4 is detailed below:

Insurance and investment contracts

Oracle Insurance issues contracts that transfer insurance risk or financial risk or both. As a result of the different risks transferred by contracts, for the purposes of valuation and profit recognition, contracts are divided into investment and insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk to the group, whereas investment contracts transfer financial risk.

Classification of contracts

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime. There is one exception to this principle:

If the terms of an investment contract change significantly, the original contract is derecognised and a new contract is recognised with the new classification.

Insurance contracts

Insurance risk is risk, other than financial risk, transferred from the holder of a contract to the issuer. Insurance risk is significant if an insured event could cause an insurer to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur, excluding scenarios that lack commercial substance.

Insurance contracts may transfer financial risk as well as insurance risk. However, in all instances where significant insurance risk is transferred, the contract is classified as an insurance contract. Significant insurance risk exists even if the insured event is extremely unlikely or even if the expected present value of contingent cash flows is a small proportion of the expected present value of all the remaining contractual cash flows.

Insurance contracts are those under which the group accepts significant insurance risk from another party (contract holder) by agreeing to pay compensation if a specified uncertain future event (the insured event) adversely affects the contract holder.

Investment contracts

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract. The group designates investment contract liabilities at fair value through profit or loss upon initial recognition as their fair value is dependent on the fair value of underlying financial assets, derivatives and/or investment property are designated at inception as at fair value through profit or loss. The group designates these investment contracts to be measured at fair value through profit or loss because it eliminates or significantly reduces a measurement or recognition inconsistency, referred to as an accounting mismatch, that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Contracts with discretionary participation features

The group issues insurance and investment contracts containing discretionary participation features ("DPF").

These contracts are smoothed bonus and conventional with-profit business. All contracts with DPF are accounted for in the same manner as insurance contracts. Where a contract has both investment with DPF and investment components, the policy is classified as investment with DPF.

Measurement

The liabilities relating to insurance contracts and investment contracts with DPF are measured in accordance with the financial soundness valuation (FSV) basis as set out in professional guidance note SAP 104 – Calculation of the value assets, liabilities and Capital Adequacy Requirement ("CAR") of long-term insurers. The FSV basis uses best estimate assumptions regarding future experience together with compulsory and discretionary margins for prudence and deferral of profit emergence.

Assumptions used in the valuation basis are reviewed periodically and any changes in non-economic estimates are reflected in profit or loss as they occur. Economic changes in estimate are stabilised as they occur and are reflected in profit or loss according to a specified release pattern.

The valuation bases used for the major classes of contract liabilities before the addition of the margins described under the heading of compulsory and discretionary margins below, were as follows:

- For smoothed bonus business the liability is taken as the sum of the fund accounts being the retrospective accumulation of premiums net of charges and benefit payments at the declared bonus rates.
- For individual smoothed bonus business, the liability is taken as the sum of the fund accounts less the present value of future charges not required for risk benefits and expenses.
- For with-profit annuity business, the liability is taken as the discounted value of projected future benefit payments and expenses. Future bonuses are provided for at bonus rates supported by the assumed future investment return.
- For the above classes of business, bonus stabilisation accounts (BSAs), are held in contract holder liabilities in addition to the liabilities described above.
- For conventional non-profit business, including non-profit annuities and guaranteed endowment business, the liability is taken as the difference between the discounted value of future expenses and benefit payments and the discounted value of future premium receipts.

The major classes of contract liabilities are disclosed in below.

Compulsory and discretionary margins

In the valuation of liabilities, provision is made for the explicit compulsory margins as required by SAP 104 – Calculation of the value of the assets, liabilities and CAR of long-term insurers. The following additional discretionary margins are held in order to release profits as they are earned:

The main discretionary margins utilised in the valuation are as follows:

Additional BSAs are held for the benefit of shareholders to provide an additional layer of protection under extreme market conditions against the risk of removal of non-vested bonuses caused by fluctuations in the values of assets backing smoothed bonus liabilities. This liability is in addition to the policyholder BSA described elsewhere, and is not distributed as bonuses to policyholders under normal market conditions.

For certain books of business which are ring-fenced per historic merger or take-over arrangements, appropriate liabilities are held to ensure appropriate capitalisation of future profits in line with the terms of the related agreements.

An additional margin is held to reduce the risk of future losses caused by the impact of market fluctuations on capitalised fees and on the assets backing guaranteed liabilities. This liability is built up retrospectively and utilised if adverse market conditions cause a reduction in the capitalised value of fees or in the value of assets backing guaranteed liabilities.

Additional prospective margins are held in respect of premium and decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected. This allows profits to be recognised in the period in which the risks are borne by the group. For certain books of business, future charges arising from the surrender of smoothed bonus individual policies are not recognised until surrender occurs.

Liabilities for immediate annuities are set equal to the present value of expected future annuity payments and expenses, discounted using an appropriate market-related yield curve as at the reporting date. The yield curve is based on risk-free securities (either fixed or CPI-linked, depending on the nature of the corresponding liability), adjusted for credit and liquidity spreads of the assets actually held in the portfolio. Implicit allowance is made for expected credit losses to avoid a reduction in liabilities caused by capitalisation of credit spreads.

Embedded derivatives

The group does not separately measure embedded derivatives that meet the definition of an insurance contract and the entire contract is measured as an insurance contract. All other embedded derivatives are separated and carried at fair value, in accordance with APN 110: Allowance for embedded investment derivatives, if they are not closely related to the host insurance contract and meet the definition of a derivative. Embedded derivatives that are separated from the host contract are at fair value through profit or loss.

Liability adequacy test

The FSV methodology meets the requirements of the liability adequacy test in terms of IFRS 4 *Insurance Contracts*. However, at each reporting date the adequacy of the insurance liabilities is assessed to confirm that the carrying amount of the insurance liabilities, measured in accordance with the FSV basis, less any related intangible assets, such as the value of in-force business acquired, is adequate in relation to the estimated future cash flows.

Future cash flows are based on best estimates in accordance with the FSV basis, but excluding compulsory margins as described in SAP 104 as well as any discretionary margins.

If the liabilities prove to be inadequate the deficiency is recognised in profit or loss.

Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term

13. Insurance (continued)

balances due from reinsurers (classified as receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Impairment of reinsurance assets

If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The impairment loss is calculated using the same method adopted for loans and receivables.

Insurance premiums

Insurance premiums and annuity considerations receivable from insurance contracts and investment contracts with DPF are recognised as revenue in profit or loss, gross of commission and reinsurance premiums and excluding taxes and levies. Where annual premiums are paid in instalments, the outstanding balance of these premiums is recognised when due. Receivables arising from insurance and investment contracts with DPF are recognised under trade and other receivables.

Reinsurance premiums

Reinsurance premiums are recognised when due for payment. Included in operating expenses are reinsurance premiums of R14.0 million.

Insurance benefits and claims

Insurance benefits and claims incurred under insurance contracts and investment contracts with DPF include death, disability, maturity, annuity and surrender payments and are recognised in profit or loss based on the estimated liability for compensation owed to the contract holder. Death, disability and surrender claims are recognised when incurred. These claims also include claim events, which occurred before the reporting date, but have not been fully processed. Included in operating expenses are insurance claims of R29.5 million. Claims in the process of settlement are recognised in trade and other payables in the statement of financial position. Maturity and annuity claims are recognised when they are due for payment. Outstanding claims are recognised in insurance liabilities.

Reinsurance recoveries

Reinsurance recoveries are accounted for in the same period as the related claim. Included in other income are reinsurance recoveries of R5.9 million.

Acquisition costs

Acquisition costs, disclosed as sales remuneration, consist of commission payable on insurance contracts and investment contracts with DPF and expenses directly related thereto (including bonuses payable to sales staff and the group's contribution to their retirement and medical aid funds). These costs are expensed when incurred. The FSV basis makes implicit allowance for the recoupment of acquisition costs; therefore, no explicit deferred acquisition cost asset is recognised in the statement of financial position for contracts valued on this basis.

14. Hyperinflation accounting in Zimbabwe

On 11 October 2019 the Zimbabwe Public Accountants and Auditors Board's announced that Zimbabwe is in hyperinflation. Consequently, Vunani applied IAS 29 in accounting for the group's operations in Zimbabwe, where Vunani holds 65% of Purpose Asset Management (Private) Limited's equity. The key drivers in restating the results included:

a) not restating the carrying amounts of monetary assets and liabilities;

b) restating non-monetary assets and liabilities that are not carried at amounts current at balance-sheet date and components of shareholders' equity by applying the relevant conversion factor;

c) deferred tax items are re-measured in accordance with IAS 12 after restating the nominal carrying amounts of non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date. The deferred tax items are restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of that reporting period;

d) an impairment loss is recognised in profit or loss if the remeasured amount of a non-monetary item exceeds its recoverable amount.

e) comparative financial statements were restated by applying a year-end conversion factor of 6.21;

f) all items in the statement of profit or loss were restated by applying the relevant monthly conversion factors;

g) monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Zimbabwe dollars at the foreign exchange rate ruling at that date; and

h) all items in the statement of cashflows were stated in terms of the measuring unit current at the balance sheet date.

Hyperinflation eroded the value of the Zimbabwean dollar as the country transitioned from a dual-currency system to a mono-currency Zimbabwean dollar system, with the inflation index reaching 552% in December 2019.

The group presents any exchange differences resulting from the translation of a hyperinflationary foreign operation in other comprehensive income as part of the foreign currency translation reserve. The application of hyperinflation accounting resulted in a net monetary loss of R3.1 million.

15. Related party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2019 took place during the period under review. The changes relate to the acquisition of businesses in the current period as disclosed in business combinations note 8.

16. Events after reporting date

COVID 19 implications

The group takes cognisance of the recent outbreak of the coronavirus (COVID-19) that has been declared a world pandemic by the World Health Organisation (WHO). This has caused large global economic shocks and the local economy has been equally affected. The group will continue to assess the impact of this pandemic as it unfolds. Currently mechanisms have been put in place to ensure the group remains a going concern, this includes the safety of staff and business continuity for the group's clients which are of paramount importance to Vunani. Most of the group's operations have been classified as essential services.

COVID-19 is considered to be a non-adjusting post-balance sheet event. The group operates in several countries, however, none of the countries were in any form of lockdown at year-end. Management has assessed the impact of COVID-19 on the group's ability to continue as a going concern. The assessment included a detailed review of the operating subsidiaries' ability to trade at various stages of lockdown and any additional risks that have arisen due to operating under lockdown and mitigations to reduce the risks. COVID-19 did not materially impact the group's going concern assessment.

Disposal of a portion of the commodities trading business

Subsequent to year end, the group made a decision to dispose of a portion of the commodities trading business held within the group's investment in Vunani Resources Proprietary Limited. The disposal will result in a significant decrease of the group's inventory, trade and other receivables and trade and other payables. Certain conditions still need to be met for the sale to be concluded.

There have been no other material events between the period-end and the date of the approval of the condensed consolidated results.

17. Dividends

Dividends paid

A dividend of 7.4 cents per share per share was paid to ordinary shareholders on 30 July 2019, (2019: 6.2 cents (4.96 cents net of dividend withholding tax). Total cash of R11.9 million (2019: R9.7 million) (net of treasury shares held) was paid to ordinary shareholders.

Dividend declared

No dividends were declared in the current year.

18. Going concern

The condensed consolidated financial statements have been prepared on a going-concern basis. The group has recognised a net profit after tax of R59.1 million for the year ended 29 February 2020, and as at that date current assets exceed current liabilities by R161.9 million.

The board undertook processes to ensure that the going-concern principle applies, which include:

- the group's financial budgets and a 12-month rolling cash flow forecast;
- the performance of underlying business operations and their ability to make a positive contribution to the group's objectives;
- the capital structure, liabilities and quality of the assets underpinning the statement of financial position; and
- the banking facilities and the group's assets to ensure that these are sufficient to fund imminent liabilities and meet the group's working capital requirements.

Management has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and that the group will extinguish liabilities in the normal course of business at the amounts stated in the condensed consolidated financial statements.

The board is of the view that, based on its knowledge of the group, assumptions regarding the outcome of the key processes under way and specific enquiries it has made, the group has adequate resources at their disposal to settle obligations as they fall due and the group will continue as going concern for the foreseeable future.

REVIEW OPINION

The condensed consolidated financial statements for the year ended 29 February 2020 have been reviewed by KPMG Inc., who expressed an unmodified review opinion. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Overview and prospects

The 2019/20 financial year will be remembered for the unprecedented impact of the COVID-19 outbreak in December 2019 which brought world economic growth to a sudden stop over the ensuing months as countries went into lock-down and economies into shutdown to deal with the crises. Whilst the full impact will only be reflected in the next financial year, the tail end of the financial year reported on was particularly hard hit in a year when world trade volumes were in decline anyway for most of the year as world economic growth moderated and trade suffered due to escalating trade tensions. Energy commodity prices were particularly adversely affected as reflected by Brent oil prices having declined by 24% over the first two months of 2020 and the price of coal, a commodity of particular importance to Vunani due to its coal mining interests, plummeted by about 30% over the course of the financial year.

The domestic economy was already struggling in the run-up to the outbreak of the Corona Pandemic, hamstrung by internal structural issues like persistent electricity load shedding. Even though inflation remained well contained around the 4.5% mid-point of the target band, allowing for some interest rate alleviation from 10.25% to 9.75% over the course of the year, limited room to manoeuvre pertaining to fiscal stimulus largely left the economy plodding along, barely registering positive output growth. The risk of downgrade to full junk status also weighed on investor sentiment and unsurprisingly, culminated in the Rand exchange rate ending the financial year about 9% weaker at R 15.65/US$. Business conditions, therefore, remained challenging as business sentiment and confidence suffered.

Vunani's performance for the 12 months to 29 February 2020, has shown a decline of 35% when compared to the prior period to 28 February 2019.

Vunani generated total comprehensive income for the year of R47.1 million (2019: R92.4 million), while total comprehensive income attributable to equity holders of the company amounted to R47.6 million (2019: R89.9 million).

The group's reportable segments are as follows:

- Fund management
- Asset administration
- Insurance
- Investment banking
  - Advisory services
  - Institutional securities broking
- Private equity
  - Other investments
  - Commodities trading

Fund management

The fund management segment includes the group's investments in Vunani Fund Managers Proprietary Limited ("VFM"), Purpose Vunani Asset Management (Private) Limited ("PVAM") and Stanlib Investment Management Services Proprietary Limited ("Stanlib Botswana"). The segment reported revenue of R96.8 million for the year ended 29 February 2020 (2019: R87.2 million). The reportable segment profit amounted to R10.5 million for the year compared to R7.9 million at 28 February 2019.

VFM's performance improved during the year as result of increase in assets under management and higher performance fees being earned. VFM's assets under management increased from R27.6 billion at 28 February 2019 to R39.7 billion at 29 February 2020. The continued increase in assets under management is key to improving the profitability of VFM.

PVAM's performance decreased in the current year when compared to prior year due to the tough economic and political environment in Zimbabwe. During the year Zimbabwean economy was confirmed to be hyperinflationary. Despite this, the company remained profitable, before the effects of hyperinflation. PVAM's assets under management increased to ZWL30.9 million from ZWL28.2 million at 28 February 2019.

In January 2020 Vunani concluded the acquisition of a significant stake in Stanlib Botswana, a Botswana based fund management business. At 29 February Stanlib Botswana had assets under management of R5.9 billion.

Asset administration

The asset administration segment includes the group's investment in Fairheads Benefit Services Proprietary Limited ("Fairheads") which is held through Mandlalux Proprietary Limited ("Mandlalux"). During the year, the group increased its investment in Mandlalux to 100%. The segment contributed revenue of R139.2 million to February 2020, compared to R127.4 million to February 2019. The segment reported a profit of R16.6 million compared to R13.4 million in 2019. Fairheads' assets under administration amounted to R6.7 billion at 29 February 2020 (2019: R6.3 billion).

Insurance

Vunani concluded the acquisition of 52% stake in Oracle Insurance Eswatini Limited ("Oracle Insurance") (previously Metropolitan Life Swaziland Limited) in December 2019. The acquisition of Oracle Insurance is complementary to the group's other financial service businesses. The acquisition resulted in a bargain purchase gain of R54.3 million. The segment generated revenue of R59.7 million and made a profit of R55.2 million.

Advisory services

The segment generated revenue of R14.0 million compared to R18.0 million for the year ended 28 February 2019. The decrease in performance is due to significant lead times to conclude mandates during the year. The segment reported a loss of R0.4 million (2019: profit R4.7 million) during the year.

Institutional securities broking

This segment includes equity, derivative and capital market trading services to institutional clients. The segment generated revenue of R36.9 million to February 2020 compared to R42.0 million in 2019. The decrease in revenue is due to the tough economic environment which resulted in a decrease in trading volumes in the market. The segment reported a loss for the year of R0.8 million (2019: R7.2 million), which is an improvement from prior year's performance.

Other investments

The other investments segment holds the group's listed and unlisted investments in the mining and property sectors and investments in Africa and certain equity accounted investments. The other investments segment generated revenue of R10.1 million (2019: R9.5 million) during the year. The segment reported a loss of R12.7 million for the year (2019: profit R61.7 million). The loss is attributable to negative fair value adjustments on the groups' unlisted and listed investments.

Commodities trading

The commodities trading segment is focused primarily on coal processing and commodities trading activities. The commodities trading segment includes the group's investment in Vunani Resources Proprietary Limited ("VR"). The segment generated revenue of R105.4 million (2019: R141.3 million) and made a loss of R9.4 million (2019: profit of R9.4 million). The decreased performance is attributable to disruptions at the site due to community unrest. The disruptions have been resolved and operations recommenced during the year.

Financial performance

Revenue for the group increased by 9% to R462.2 million (2019: R425.3 million) for the year ended 29 February 2020. The increase is due to the increased revenue from the fund management, asset administration and the inclusion of the insurance segment revenue in the current year.

Other income relates to income from the group's other investments segment. The increase is as a result of improved performance from the group's investments in Africa, certain once-off income realised during the year and reinsurance recoveries.

The **bargain purchase** of R54.5 million arose from the acquisition of a controlling stake in Oracle Insurance and Stanlib Botswana during the year. The one-off gain that was realised during the year would consequently not be expected to be repeated in subsequent financial periods.

Investment income is received in the form of dividends. Total investment income for the year amounted to R12.4 million compared to R11.0 million for the year ended 28 February 2019. The improvement is as result of an increase in dividend declarations from investee companies.

Negative **fair value adjustments** of R30.4 million (2019: positive R73.3 million) relate to a net decrease in the value of the groups' listed and unlisted investment portfolio that is carried at fair value through profit or loss. The insurance related liabilities had a negative fair value adjustment of R4.2 million.

Equity-accounted earnings for the year amounted to R10.0 million (2019: R6.1 million). Vunani's investment in Workforce Holdings Limited ("Workforce") is structured such that Vunani's interest is a joint venture and accordingly, the fluctuations in the fair value of Workforce are equity accounted.

Operating expenses increased by 24% from R293.0 to R364.0 million. The increase is due to the inclusion of the groups' new acquisitions during the year. Additionally, the devaluation of the Rand during the year resulted in increases in information and technology costs, which are typically dollar denominated. The group remains focused on cost containment and monitors spending on an ongoing basis.

Insurance related expenses of R29.5 million and R1.8 million were incurred for insurance claims and commissions, respectively have been included in operating expenses.

Finance income increased to R4.8 million for the year compared to R4.3 million to 28 February 2019**. Finance costs** increased from R8.8 million for the year ended 28 February 2019 to R9.8 million for the current year, as result of an increase in the group's debt as a result of the acquisition of Oracle Insurance and interest adjustments on the accounting of the group's operating leases.

Right of use assets of R17.9 million and a corresponding **lease liability** of R18.9 million were recognised at the initial adoption of the new leasing standard IFRS 16. The standard requires a lessee to recognise assets and liabilities for all leases, as such, the group had right of use assets of R18.2 million and lease liabilities of R19.7 million at February 2020.

Intangible assets increased to R188.9 million from R76.2 million, as a result of the acquisition of Oracle Insurance. R119.6 million was recognised in relation to present value in force of the insurance assets as at acquisition date.

The net increase in **other investments** was due to net positive fair value adjustments on the unlisted investments. The decrease in **other non-current assets** was due to negative fair value adjustments on the groups' investments that are carried at fair value through profit or loss.

Insurance assets and liabilities of R306.7 million and R400.5 million have been recognised at year end as a result of the acquisition of Oracle Insurance.

The **foreign currency translation reserve** increased significantly as a result of the impact of hyperinflation on the Zimbabwean subsidiary PVAM. The **share-based payments reserve** decrease is due to certain shares vesting to staff during the year. An increase of R5.0 million (2019: R7.8 million) is attributable to the current year IFRS 2 charge. The profit for the year attributed to **non-controlling interest** amounted to R3.7 million. The acquisition of Oracle Insurance resulted in a significant increase in the **non-controlling interest** at year end.

Prospects

COVID-19 has had a significant impact on the global and South African economy. Vunani's staff are critical to its success and keeping them safe and healthy through these times are paramount. The group has adopted work from home strategies where possible and are minimising the number of staff in the office in line with the government regulations. The group has begun plans to ensure that the various businesses adapt to post COVID-19 economy through improved use of technology and adopting digital strategies. The group will continue its focus on improving the performance of its operating businesses as well as improving synergies. The addition of the insurance business will enable the group to identify other opportunities in the sector that can be added to the Vunani platform to ensure the long-term success of the group. Vunani's executive believe that the group is positioned to weather the COVID-19 storm of which the effects are anticipated to last at least 18 months. Vunani is cautiously optimistic that the performance of the last year can be maintained and that it can fuel growth in the immediate and long-term future.

FORWARD-LOOKING STATEMENTS AND DIRECTORS' RESPONSIBILITY

Statements made throughout this announcement regarding the future financial performance of Vunani have not been reviewed or audited by the company's external auditors. The company cannot guarantee that any forward-looking statement will materialise and accordingly, readers are cautioned not to place undue reliance on any forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, other than as required by the JSE Listings Requirements.

The directors take full responsibility for the preparation of the condensed consolidated provisional financial statements.

Signed on behalf of the board of directors by BM Khoza and T Mika 30 June 2020.

CORPORATE INFORMATION

Executive directors

E Dube (Deputy Executive Chairman)
T Mika (Chief Financial Officer)
BM Khoza (Chief Executive Officer)
NM Anderson

Non-executive directors

LI Jacobs – independent chairman
XP Guma – independent
NS Mazwi – independent
G Nzalo – independent
JR Macey – independent
S Mthethwa
M Golding

Company secretary

CIS Company Secretaries Proprietary Limited

JSE Sponsor

Grindrod Bank Limited

Financial communications adviser

Singular Systems Proprietary Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

VUNANI LIMITED

("**Vunani**" or "**the company**" or "**the group**")

Incorporated in the Republic of South Africa

Registration number: 1997/020641/06

JSE code: VUN

ISIN: ZAE000163382

Listed on the JSE Limited ("JSE") and A2X

These results are available on our website www.vunanilimited.co.za

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