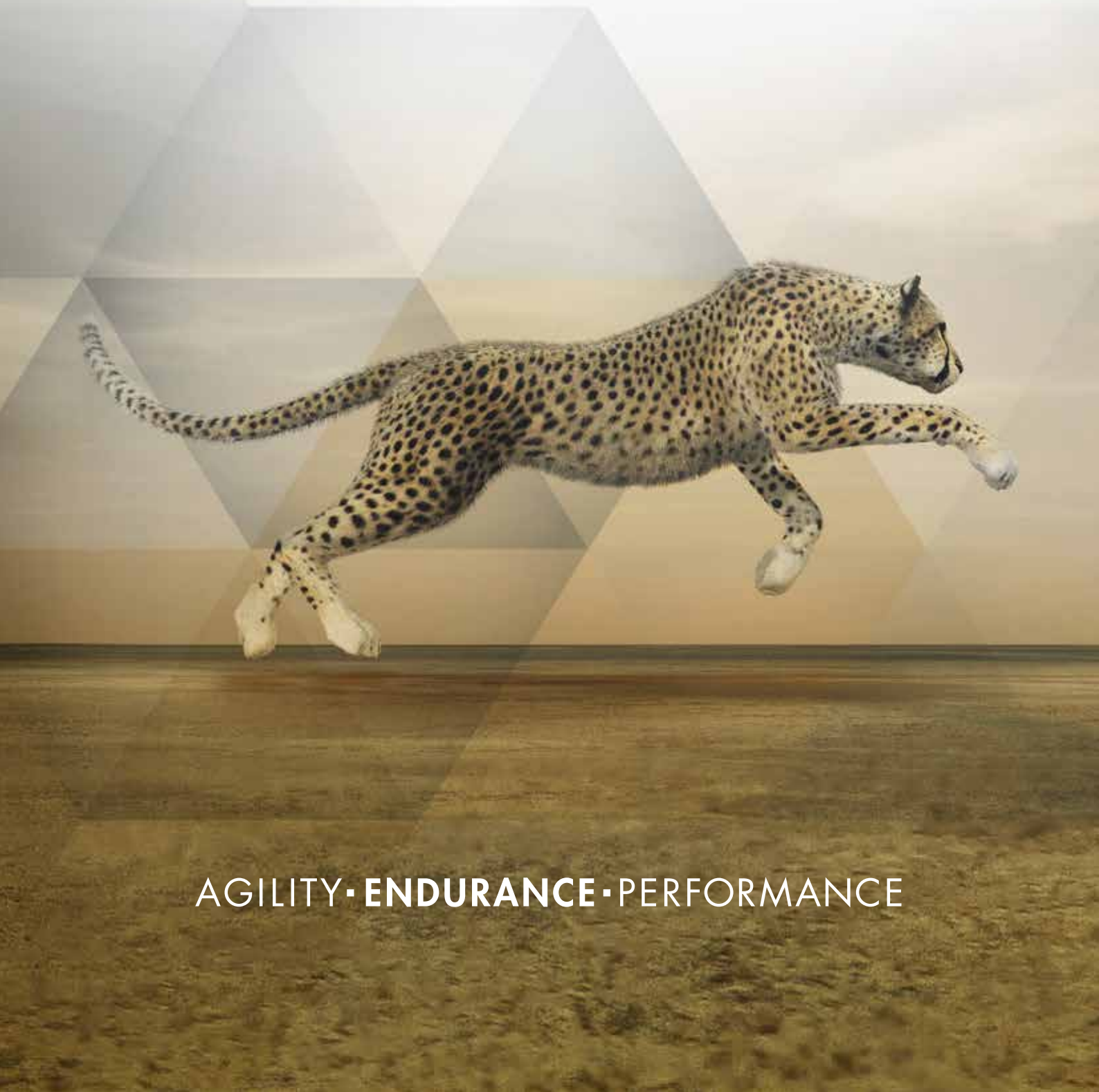
VUNANI

LIMITED

INTEGRATED REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2020



AGILITY · **ENDURANCE** · PERFORMANCE

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ABOUT THIS REPORT

Vunani is an independent black-owned and managed diversified financial services group with a unique positioning in the South African financial services sector.

This integrated report aims to present comprehensive information which will assist stakeholders to properly assess the group's economic, social, environmental and governance performance. It promotes a consistent and efficient approach to reporting, enhances our accountability to stakeholders and supports integrated thinking, decision-making and actions.

Scope and boundary

The integrated report covers the financial period from 1 March 2019 to 29 February 2020.

Vunani's scope of reporting remains focused on its reportable business segments, which are detailed on pages 28 to 43. The content included in this integrated report is considered beneficial and relevant to Vunani's stakeholders. The content specifically aims to provide stakeholders with an understanding of the economic, environmental, social and governance matters pertaining to the group and their related impact on the group in order to enable stakeholders to evaluate the group's ability to create and sustain value.

Approach to reporting

Vunani strives to provide a holistic view of the group in one document and regards this process as a valuable opportunity to engage with its stakeholder groups. In compiling the report, we were guided by international and South African reporting guidelines and best practice including King IV™*, the International Integrated Reporting Framework issued in December 2013, as well as South African legislation including:

- Companies Act
- JSE Listings Requirements
- International Financial Reporting Standards
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee

Responsibility for the integrated report

This report was prepared under the supervision of the chief financial officer, Tafadzwa Mika CA(SA).

The board of directors is ultimately responsible for ensuring the integrity of the integrated report, assisted by the audit and risk committee and further supported by management, which convened and contracted the relevant skills and experience to undertake the reporting process. The board, after applying its collective mind to the preparation and presentation of the report, concluded that it was presented in accordance with the relevant standards, legislation and guidelines described in the "About this report" section and approved it for publication on 9 September 2020.

Establishing materiality

The board has considered matters viewed as material to the business of Vunani and its stakeholders. These are determined through board discussion, market research, engagement with our stakeholders, continuous risk assessments and the review of prevailing trends in our industry and the global economy. The report discloses the group's approach to sustainability and identifies and explains the material social governance and environmental issues facing the group and their impact.

The issues we have identified as material in terms of the impact on Vunani's long-term sustainability include:

- the uncertain economic conditions in South Africa;
- consistently low economic growth;
- muted investor confidence; and
- the fluctuating value of the rand.

These material issues are addressed throughout this integrated report.

Assurance

We undertake the following assurance to ensure reporting integrity:

Business process	**Nature of assurance**	Assurance provider
Consolidated annual financial statements	External audit	KPMG Inc.
B-BBEE	B-BBEE scorecard review	Empowerlogic Proprietary Limited
B-BBEE	B-BBEE rating	Empowerlogic Proprietary Limited
Internal audit	Independent internal audit	MASA Risk Advisory Services
JSE requirements	Compliance with listings requirements	Grindrod Bank

The information relating to sustainability has not been assured for the current reporting period. An overview on the group's strategy and sustainability is presented on pages 13 and 44 of this integrated report.

Key improvements

This year we continued to focus on providing stakeholders with insight into the group's business model, and how the six capitals influence value creation. In addition, we provided additional insight into our operating environment, linking our response to our strategic imperatives and risk management strategies.

Forward-looking statements

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 29 February 2020. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. 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.

FY20 HIGHLIGHTS

Financial highlights

Revenue:
R462.2 million
(2019: R425.3 million)

Profit:
R39.5 million
(2019: R90.3 million)

Basic earnings per share: **22.3c**
(2019: 54.7c)

Net asset value per share: **302.2c**
(2019: 291.2c)

Acquired significant stake in **Oracle Insurance Eswatini**

Acquired significant stake in **Vunani Fund Managers Botswana**

Non-financial highlights

Transferred listing from AltX to **JSE main board**

Secondary listing on **A2X**

Financial Mail rankings: Execution: Fixed interest instruments: **Vunani Securities ranked 8th**

Fairheads awarded **IRFA Best Practice award** in the category of Governance

A MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Lionel Jacobs
Independent non-executive chairman

Butana Khoza
Chief executive officer

The year under review saw the Vunani Group make some strategic acquisitions in the SADC region. This was in keeping with the strategy to consolidate strong financial services businesses in the region. These activities saw our first foray into insurance, through the acquisition of a majority interest in Oracle Eswatini. This sizeable operation introduced the group to employee benefits, health and short-term insurance. Our acquisition of Vunani Fund Managers Botswana expanded our fund management platform into another adjacent African country.

To mitigate the low domestic growth environment, which was characterised by a stressed economy, power outages and ratings downgrades and ultimately a blow-out in the currency, we adopted a similar approach as in the previous year, namely continued cost rationalisation, increased focus on client retention and organic growth of the various businesses. Globally, the trade wars between the US and China caused significant volatility in the market, creating unfavourable trading conditions. The last quarter of our financial year was dominated by the emerging Covid-19 pandemic which required major changes to the way we operate.

Vunani was fortunate to enter the pandemic season in a strong financial and operating position – a far cry from ten years ago. As an established brand, performing well in various sectors, the business is well poised to weather the storm. There are, however, investments exposed to the industrial and mining sectors which will be impacted by the curtailed business activity and, notwithstanding that some of these are well capitalised, performance will be subdued in the 2020/2021 financial year. The situation is expected to improve post the Covid-19 season and these businesses should fare better once the economy turns around.

Vunani employs 335 people deployed across the companies in which it holds a controlling interest. Under the prevailing circumstances our priority has been to ensure the well-being of our people. In line with recommendations, we have provided our staff with the necessary support to enable them to work from home. All businesses transitioned seamlessly to digital platforms without disruption to business operations. Management has regularly monitored the impact of Covid-19 to assess and mitigate any emerging risks. Daily correspondence and weekly meetings monitor staff morale and assist with remote management. Our offices are ready to receive staff as soon as lockdown is over, and we anticipate a phased return to our offices during the second half of the financial year.

As recently announced, the Board of Vunani Limited have resolved to simplify the group organisational structure by restructuring the business. The objectives are to improve the transparency in financial reporting of the financial services operations and private equity activity, unlock the value trap inherent in the share price and allow the two distinct businesses to operate in a more focused manner, allowing each of the businesses to focus on achieving their respective strategic goals. This will entail separating the business segments through an unbundling and separate listing of the private equity assets on

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an exchange other than the JSE. It is the board's view that, over time, this should eliminate the discount between the intrinsic value of Vunani and the price at which its shares trade on the JSE, and unlock value for shareholders.

Vunani remains committed to enforcing best practice corporate governance standards in all its businesses. The group prizes treating clients fairly, embracing transparency and ethical business conduct (see page 47 for more detail on governance). We are highly sensitive to the plight of communities where we and our clients operate. This particularly extends to communities adjacent to mining operations, where there has been very little development. This is an area in which the group will continue to provide financial support through various programmes and where we will maintain an active interest.

We would like to express our appreciation to all our stakeholders and loyal clients who have been stellar in supporting our business. Our appreciation also goes to service providers and advisors for the quality of their input and service. Most importantly we thank all our employees for their dedication, teamwork and application over the last financial year. Lastly, sincere appreciation to the board for the continued strategic guidance to management in the quest to build a strong Pan-African financial services business.

Lionel Jacobs
Independent non-executive chairman

Butana Khoza
Chief executive officer

9 September 2020

INVESTMENT CASE

Leadership team focused on safe, sustainable operational delivery as an enabler for growth

Responsible business behaviour which impacts positively on all stakeholders and increases long-term shareholder value

BEE ownership of 77%

High-calibre and competent management and staff

Financial boutique business with diverse revenue streams

Strong focus on cost and cash management and capital allocation

Key player in the financial markets

Identifying and optimising investment opportunities in Africa's fast-growing markets

Strong group liquidity and balance sheet position

Technical institutional memory embedded in the leadership team

Unlocking value in private equity deals

01

VUNANI IN A SNAPSHOT

VUNANI IN A SNAPSHOT

Vunani is an independent black-owned and managed diversified financial services group with a unique positioning in the South African financial services sector. Owner-managed by professionals who have a passion for entrepreneurship, Vunani has become known as one of the country's leading boutique providers. Its robust operational platform supports an innovative and fully integrated range of products and services that can be customised and packaged to meet the needs of clients in both the public and private sectors.

Vunani's history

Vunani was established in the late 1990s and listed on the JSE's AltX in November 2007, transferring onto the main board in 2019. The group's objective right from the start was to gain a competitive advantage through meaningful black economic empowerment ("BEE") and by consistently providing the best services and expertise available in the local financial services sector. After two decades, Vunani has established a solid and respected footprint in South Africa and the rest of Africa. It has secured a differentiated market positioning through its commitment to BEE and by maintaining a management team of the highest calibre. Together with the strength and breadth of its structure, this has made Vunani a force to be reckoned with both at home and abroad.

Mission

To be South Africa's foremost boutique financial services group.

Vision

To differentiate the group through a strong focus on its commitment to BEE and operating businesses. Recruitment of high-calibre management and staff, coupled with the prudent and successful management of these businesses, is core to the group's strategy and the way in which it does business.

Key milestones

'98 Established as a wholly owned subsidiary of African Harvest Limited

'02
- First management buy-out acquiring all of African Harvest Limited operating businesses
- Second management buy-out and establishment of the Vunani brand
- ABSA Bank Limited acquired a 20% interest in the group

'07 Listed on the JSE AltX in November

'11
- Property portfolio listed on JSE Limited's main board (Vunani Property Investment Fund)

'14 Disposal of property management company which controlled (Vunani Property Investment Fund)

'15
- Acquisition of 70% interest in Fairheads Benefit Services

'18 The group continues to focus on growing its operating businesses

'19
- Acquisition of Oracle Insurance Eswatini
- Secondary listing on A2X
- Transferred Vunani's listing from the JSE AltX to the main board

'20 Acquisition of Vunani Fund Managers Botswana, previously STANLIB Investment Management Services Proprietary Limited (Botswana)

Group businesses

Our African footprint

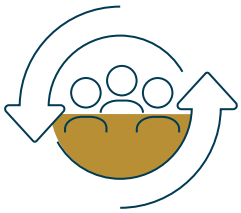
South Africa
- Johannesburg (head office)
- Cape Town

Zimbabwe
- Harare

Malawi
- Blantyre

Eswatini
- Mbabane

Botswana
- Gaborone



335 employees

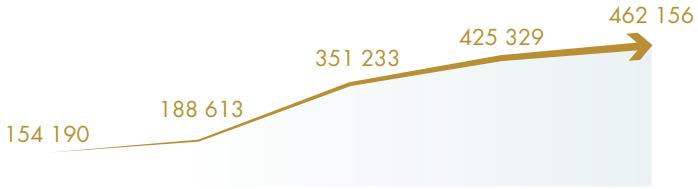
50% equity

Staff

As at 29 February 2020, the group employed 335 people in the companies in which it holds more than a 50% equity interest. Each individual employed by the group makes an important contribution to its overall success. Vunani is therefore committed to the application of employment equity in the workplace and to the transformation principles embodied within the broad-based black economic empowerment ("B-BBEE") Codes of Good Practice.

FIVE-YEAR FINANCIAL REVIEW

Statement of comprehensive income



Total revenue (R'000)

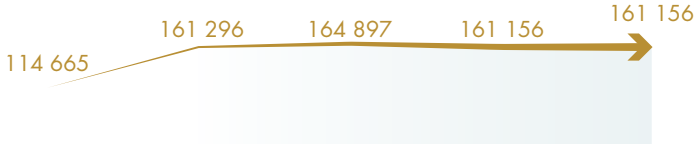
	February 2016[1]	February 2017[1]	February 2018[1]	February 2019	**February 2020**
Results from operating activities (profit) (R'000)	6 128	49 758	61 427	112 416	**56 376**
Profit for the year (R'000)	8 169	40 038	45 556	90 252	**39 468**
Headline earnings (R'000)	6 355	24 213	39 980	88 553	**884**
Headline earnings per share (cents)	5.8	19.2	25.2	54.7	**0.6**

Statement of financial position

Equity attributable to equity holders (R'000)

	February 2016[1]	February 2017[1]	February 2018[1]	February 2019	**February 2020**
Total assets (R'000)	963 730	1 284 289	1 282 156	798 944	**1 620 446**
Total liabilities (R'000)	706 579	931 510	882 819	321 295	**1 062 683**
Net tangible asset value per share (cents)	192.9	73.4	104.8	157.3	**98.3**

Share price statistics



Number of shares in issue at year-end ('000)

	February 2016	February 2017	February 2018	February 2019	**February 2020**
Closing price at end of the year (cents)	160	220	300	200	**199**
Closing high for the year (cents)	185	220	320	300	**280**
Closing low for the year (cents)	115	117	180	112	**103**
Volume traded during the year ('000)	2 880	8 504	1 531	5 483	**2 589**
Ratio of volume traded to shares in issue (at year-end) (%)	2.51	5.27	0.92	3.40	**1.61**

Notes:
Note 1 – For continuing and discontinued operations.

02

OUR STRATEGY

OUR DEFINITION OF SUCCESS

Vunani defines success in the achievement of the following key goals:

1 Add value for our shareholders and other stakeholders

- Maintain an integrated portfolio of products and services.
- Strive to improve our financial results every year.
- Enable our clients to achieve their goals.
- Maintain a culture of engagement.
- Aim for continual improvements in products and processes.
- Use best-practice employment policies and procedures.
- Leverage off strategic partnerships.

2 Be a good and responsible corporate citizen

- Adhere to all appropriate legislation, regulations and requirements.
- Adhere to the codes of good practice outlined in King IV.
- Take guidance from international best practice in corporate governance.

3 Make a real contribution to socio-economic transformation in South Africa

- Facilitate meaningful transformation in South Africa.
- Live our commitment to this objective at Vunani, which is an independent, black-owned and -managed group.
- Consistently commit to the principles of B-BBEE and the goals of the National Development Plan.

STRATEGY SCORECARD

Strategic objective	Strategic response	2020 performance	Looking forward
Achieve a positive and consistent return for shareholders	▪ Focus efforts on organic growth intergroup collaboration and synergies ▪ Addition of new products/service offerings for clients ▪ Closely monitor capitalisation of each business and redeploy capital accordingly ▪ Identify new complementary business opportunities in SADC	▪ Successful leveraging of similar clients in the asset administration and fund management segments ▪ Additional products/service offerings have been added to the asset administration and fund management segments ▪ Finalised acquisition of Oracle and VFMB	▪ Protect and grow our current client base ▪ Continued focus on intergroup collaboration and synergies ▪ Restructure the financial services and private equity segments into two separate businesses ▪ Leverage strategic partnerships
Maintain an optimal capital structure relative to the strategic objectives of the group	▪ Maintain good relationships with our bankers ▪ Identify additional sources of capital for businesses	▪ Secured additional debt to fund the Oracle acquisition ▪ Successfully secured alternative optimally structured capital to fund institutional securities broking business	▪ Improve framework for capital allocation ▪ Continue to identify alternative attractive funding options for group businesses ▪ Meet our funding requirements so as to enhance the funding relationships with our bankers
Maintain a robust and steady infrastructure that supports and facilitates opportunities in each segment. Innovate through technology	▪ Invest in the right level of infrastructure that has sufficient capacity, backup and redundancy to support the operational requirements of the group ▪ Increase interaction with clients and service providers to understand changing needs, business requirements and available solutions	▪ Invested in improving beneficiary administration software capabilities	▪ Improve IT governance framework ▪ Develop new software to support new product ▪ Facilitate transition to alternative software providers where new acquisitions are transferred from former parent systems
Investing in talented individuals to ensure that each segment is driven by experienced leaders and staffed by skilled people who share in the group's vision	▪ Employ qualified individuals with the requisite skill set ▪ Develop our people through formal and informal training programmes based on their individual career progression objectives ▪ Appropriately reward staff for performance through short-term and long-term incentives, which are uncomplicated and transparent	▪ The group continues to be able to attract high-calibre staff ▪ The Vunani Securities and Vunani Fund Managers analyst programmes continue to produce quality analysts ▪ Staff continue to participate in short and long-term incentives	▪ Facilitate leadership development and succession plans for new set of business segment leaders ▪ Promote a high-performance culture ▪ Continue with analyst training programmes ▪ Enhance internal training programmes
Continue to improve our B-BBEE rating	▪ Contribute to the societies that we operate in ▪ Support transformation through: – Employment practices – Supplier and enterprise development – Upskilling staff	▪ Obtained Level 4 rating ▪ Contributions to various shareholder initiatives ▪ Contributed to supplier and enterprise development programmes	▪ Improve current B-BBEE scorecard rating ▪ Improve diversity through employment equity objectives

OUR BUSINESS MODEL

OUR INPUTS

Financial capital
The multi-source pool of funds that supports operating activities group-wide and enables the businesses to execute their respective focused business strategy.

- Share capital – R696.5 million (2019: R696.5 million)
- Retained income increased by R26.2 million (2019: R79.5 million)
- Operational cash flow generated of R52.5 million (2019: R20.6 million)
- Financial liabilities advanced to group of R38.0 million (2019: Rnil)
- Financial liabilities repaid of R30.8 million (2019: R29.7 million)
- Diversification of revenue streams through
  – Acquisition of Oracle – Acquisition of VFMB

Human and intellectual capital
Our people in their discipline teams, their niche skills sets, knowledge bases and experience, within our group culture, supported by our systems and processes – and how these are applied to add value to our products and services.

This accumulates into our IP assets of institutional memory, brand and reputation.

- Financial Mail rankings: Execution: Fixed interest instruments: Vunani Securities ranked 8th
- Fairheads awarded IRFA Best Practice award in the category of Governance
- Realigned BoD and management for clearly delineated leadership within defined business structure: financial; non-financial services
- Continued investment in up- and on-skilling staff
- R5.5 million investment in systems and process development

Social and relationship capital
The loyal network of our key stakeholders and the supportive dialogue that informs an effective group strategy.

- 309 shareholders as at 29 February 2020
- Continued invested in community development initiatives
- The South African Institute of Chartered Accountants (www.saica.co.za)
- The South African Institute of Stockbrokers (www.sais.co.za)
- The Chartered Financial Analyst Society of South Africa (www.cfasociety.org/southafrica)
- The Investment Analysts Society of Southern Africa (www.iassa.co.za)
- The JSE (www.jse.co.za)
- The Institute of Directors (Southern Africa) (www.iodsa.co.za)
- The Association of Black Securities and Investment Professionals (www.absip.co.za)

Natural capital
Our accountability for appreciation and preservation of natural resources consumed and deployed in delivery of our products and services, particularly, as a financial services group how our concerns in this regard impact deploying financial capital.

- Beneficiation of mine dump to reduce impact of mining in the areas we operate

OUR BUSINESS ACTIVITIES

Asset administration
Primarily administration of death benefits on behalf of minor dependants of deceased members of our retirement fund.

- Revenue of R139.2 million
- Assets under administration R6.7 billion

Fund management
Fund management services to institutional, corporate and retail clients via single-asset and multi-asset class funds (equity; bonds; money market).

- Revenue of R96.8 million.

Insurance
Insurance services included provision of short-term insurance and medical aid as well as long-term life insurance and employee benefits.

- Acquisition of 52% stake in Oracle Insurance Limited

Investment banking
Institutional securities broking, advisory services including JSE sponsor, M&A and bond origination.

Advisory services

- Revenue of R14.0 million

Institutional securities broking

- Revenue of R36.9 million

Private equity
Investing as principal in listed and unlisted opportunities (coal mining; renewable energy; fintech; gaming activities), commodity broking (coal; boron) and to a smaller extent property development in residential and commercial sectors, building property funds.

Other investments

- Revenue of R10.1 million

Commodities trading (coal processing and commodities trading activities)

- Revenue of R105.4 million

OUR FOCUS AREAS

Focus businesses into two specific areas, being financial services and private equity	Focus on adding new products/ services on current platform	Focus on maximising synergies in financial services businesses

KEY STRATEGIC OBJECTIVES

Growth | Diversification

OUR VALUE CREATED

For our shareholders

- Profit for the year R39.5 million (2019: R90.3 million)
  Segment profit as follows:
  - Fund management R10.5 million (2019: R7.9 million)
  - Asset administration R16.6 million (2019: R13.5 million)
  - Insurance R35.6 million (2019: Rnil)
- Share price high of 280c (2019: 300c)
- Dividends paid of R11.9 million (2019: R9.7 million)

For our people

- 335 employees (2019: 267 employees)
- 65% (2019: 68%) of staff are female
- R208.6 million (2019: R194.2 million) spent on salaries
- Rebranded the two acquisitions to Oracle and VFMB

For our communities and country

- Donated furniture to schools in areas we operate in
- Donations to schools in areas that we operate in
- Donations of food parcels to communities in areas that we operate in
- Enterprise and supplier development initiatives to support small businesses
- R19.2 million (2019: R15.4 million) paid in taxes

For the environment

- Recycling of old IT equipment
- Purchasing refurbished IT equipment
- Use of rain water tanks at Sandton offices
- Beneficiation of mine dump to reduce impact of mining on environment

KEY SUCCESS MEASURABLES

1. Adding value for our shareholders and other stakeholders
2. Being a good corporate citizen
3. Making a real contribution to socio-economic transformation in SA

OUR TRADE-OFFS

We acknowledge that the following have a short-term reductive effect on financial capital. The trade-off is that these are key drivers of the long-term sustainability of the group:

- Expansion of existing businesses and through acquisition
- Diversification of our offering and our footprint
- Investment in up- and on-skilling our people and improving systems and process
- Spend on good corporate citizenry including: regulatory compliance; preserving natural resources; contributing to socio-economic transformation in South Africa

Expansion boosts financial capital over the long term and offers value to our human capital by offering ever-widening opportunities for cross-skilling, learning and movement within the group and our operating regions. Similarly spend on good corporate citizenry helps build our social licence to operate with authorities and communities.

We further deem certain time and resource input critical to the outcome we are intending to create, albeit while acknowledging the trade-off as it diverts some focus from core business. This is most true with regard to stakeholder engagement. As we consider stakeholder relations to be central to our long-term sustainability, this trade-off is acceptable to the group as it enables a well-informed strategy which can deliver gains in all other capitals.

	Invest in IT systems to help improve quality of service to our clients	Improve client interaction to help retain key clients	Identify acquisition opportunities in financial services business in SADC	Identify additional mine beneficiation opportunities	Implementation of long-term incentives to retain key staff

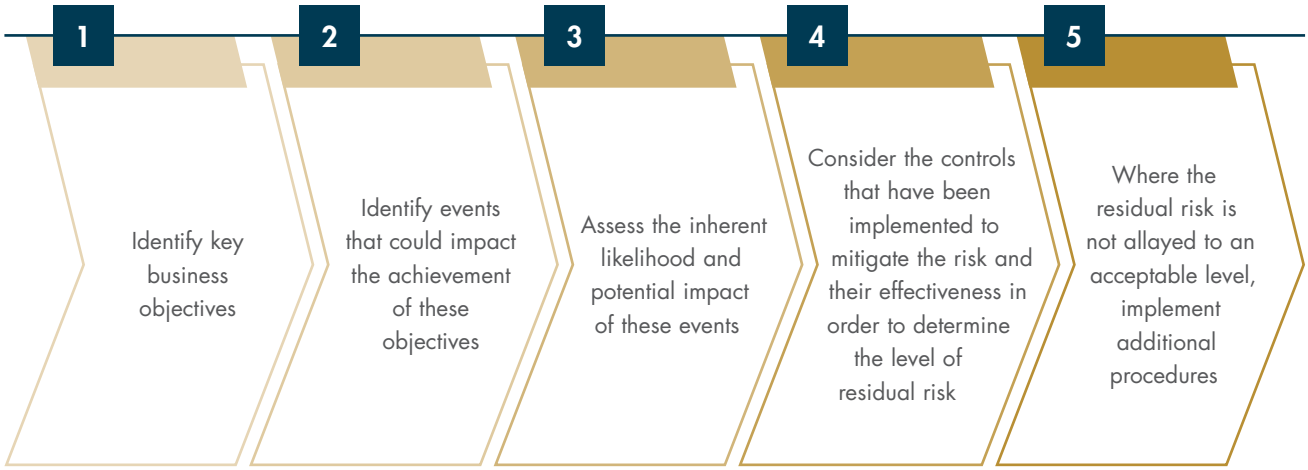
RISK MANAGEMENT

Key risks and mitigating controls

Vunani operates in a highly regulated environment and the board acknowledges that, with assistance from the audit and risk committee, it is accountable for the risk management processes as well as the systems of internal control.

Risk management is a central part of the group's strategic management. It is a structured process whereby risks associated with the group's activities are identified and plans are put in place to manage and mitigate those risks.

The process followed to identify the key risks and areas of focus is summarised below:



Objectives and approach

The group's risk management objectives ensure that strategic and operational risks are identified, documented and managed appropriately. Risk management forms an integral part of normal business practice, with a culture of risk awareness promoted throughout the group. Key to this is management working together to identify the significant risks that the group faces and developing mitigation plans. This includes implementing appropriate internal controls and identifying risk owners to take responsibility for individual risks and the management of those risks.

Given the diverse nature of the business, Vunani is exposed to a wide range of risks, some of which may have a material impact.

Identifying these risks and developing plans to manage them is part of each business unit's directive. Group management assesses these risk registers periodically and the board, through its audit and risk sub-committee, receives assurances from senior management regarding the effectiveness of the risk management process. The board remains responsible for overall risk management.

Risk management plans and processes are presented, discussed and approved at audit and risk committee meetings in line with the audit and risk committee's work plan for the year.

The process encompasses both an enterprise-wide risk assessment and divisional assessments. The plans and processes include risk registers detailing significant strategic and operational risks facing the group, existing controls, perceived control effectiveness and the level of risk tolerance. Risks that are below acceptable tolerance levels require a plan for the implementation of additional controls and management's actions to bring these risks within acceptable levels.

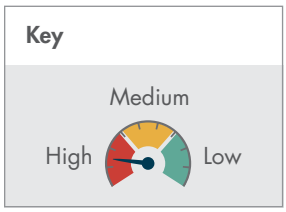
Internal audit provides a written assessment of the system of internal controls, including financial controls and risk management processes, and conducts annual reviews to assess the adequacy of the risk management process. To meet its obligations, internal audit has to work with underlying businesses and design, test and embark on a combined assurance review process that is risk-based and draws upon appropriate functional expertise.

Furthermore, each operating subsidiary that is subject to regulatory supervision has an appointed compliance officer who is responsible for liaising with the regulator and ensuring compliance with all the relevant regulations.

The process described above is undertaken both at group level and at an operating entity level.

Key risks

The group has identified the following key risks and areas of focus in terms of the capital bases employed within the group:



Capital	Key risks identified	Probability assuming no mitigating controls	Impact	Mitigating controls
Financial capital	The group's ability to meet its financial obligations and the maintenance of working capital.			▪ Executive committee manages a dashboard of metrics, designed to ensure that the group has a good sense of how individual businesses are performing and ensure timeous response to adverse developments. ▪ Daily cash management by heads of operating businesses. ▪ CFO, and ultimately the CEO, responsible for overall group cash management. ▪ Monthly management meetings with each operating business to track financial performance, cash generation and changes to the business environment. ▪ Executive management supports non-performing business areas and assists them to return to profitability. ▪ Financial management process includes profit and cash flow forecasts, taking changes in the business environment into account. ▪ Board analysis of group's performance and its ability to meet its obligations on both a short- and long-term basis.
	Unnecessarily expending resources on activities that will not yield the desired objectives.			▪ Strategy review is embedded into regular interaction between group management and subsidiary executives. ▪ Group executives and heads of business formulate strategy based on group's objectives. This is documented and implementation monitored.
Human capital	The inability to attract and recruit and retain competent, skilled, experienced and talented individuals.			▪ Recruitment and assessment procedures go beyond the conventional and decisions around key skills are discussed at different levels of the organisation. ▪ Importance given to reward and incentive mechanisms at all levels. ▪ Combination of market-related salaries and short- and long-term incentives.
Social and relationship capital	The evolution of BEE and transformation legislation and its increasing imperative means that the current level of compliance may not be sufficient to secure business.			▪ BEE is integral to doing business and transformation-centric processes are embedded into each business. ▪ Periodic interactive workshops at each business to formulate a strategy to improve BEE ratings.

RISK MANAGEMENT (CONTINUED)

Capital	Key risks identified	Probability assuming no mitigating controls	Impact	Mitigating controls
Intellectual capital	Group subsidiaries operate in a highly competitive market where the products are relatively commoditised. Price and service factors are an important consideration, which could have a significant impact on the performance.			▪ Operational management keeps abreast of environmental developments ensuring products and services remain relevant and in demand. ▪ Monitoring and tracking of progress in product and business development activities. ▪ Client relationship management and retention are an integral part of management's functions.
	Insufficient and/or inappropriate risk management and mitigation processes at a group and operational level.			▪ Group risk is assessed from the top-down, based on the potential risks to achieving strategic objectives. ▪ Operating businesses consider risks that are particular to their respective businesses. ▪ Risks are documented in risk registers, categorised in terms of priority and submitted to the group audit and risk committee.
	Non-compliance in terms of the regulations that govern the various business activities within the group, some of which are onerous.			▪ Dedicated personnel appointed at operational level to monitor compliance and interact with regulators as required.
	The approach to making, managing and realising investments is undertaken in a manner that is not structured and/or disciplined.			▪ Investment committee ensures that all existing and prospective investments are subjected to the necessary scrutiny to justify their inclusion in the group's portfolio and the allocation of capital. ▪ Investment committee meets regularly to evaluate progress and to ensure that there is accountability for the investments the group makes.
Manufactured capital	Significant reliance on information technology and communication systems. This is a pervasive risk that affects the group as a whole.			▪ IT steering committee as well as an outsourced IT service provider manages relationships with internal stakeholders and all external service providers to ensure that a high service level is maintained. ▪ IT steering committee and IT service provider ensure that the group's IT strategy is appropriately formulated and implemented in the most cost-effective manner. ▪ A separate IT risk register is maintained and processes are put in place to ensure that the key IT-related risks are mitigated to an acceptable level.
Natural capital	Vunani's private equity focus includes mining-related initiatives. As our interest in these types of businesses grow, the risk exists that Vunani does not extract optimal value from the natural resources on a sustainable basis.			▪ Investments of this nature are always made in partnership with well-established companies with industry experience. ▪ Ensure industry-specific knowledge and expertise is in place to ensure the group can responsibly extract value from its investments.

03

OUR PEOPLE

PERFORMANCE

OUR PEOPLE

People are the lifeblood of our business and critical to our success. We encourage our people to live by our core values and employee code that support a work culture that is transparent, respectful, non-exploitative, and fair (especially with regard to compensation and benefits).

The company complies with employment laws and is committed to protecting human rights. The head of HR is responsible for our HR strategy and ensuring it aligns with the overall group strategy. Our code of ethics and disciplinary code are communicated to all employees.

Group totals

Gender

Female **221**

Male **114**

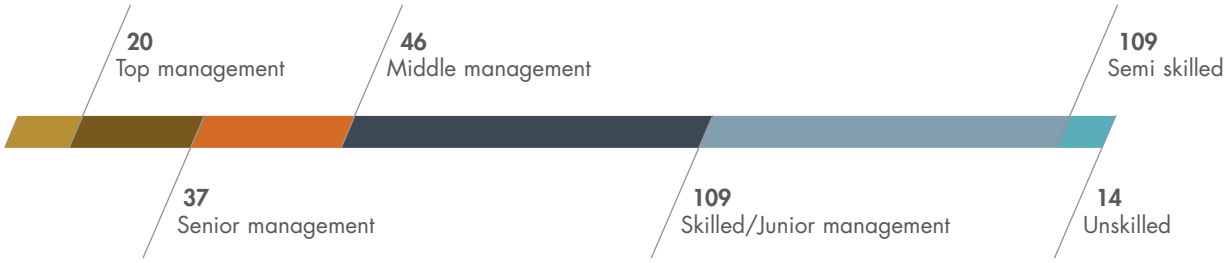
Total staff: **335**

Race

	Female	Male
African	71	40
White	22	27
Coloured	85	17
Indian	3	4
Foreign national	40	26

111	African
49	White
102	Coloured
7	Indian
66	Foreign national

Occupational Level



Oracle Insurance **45**

VFM Botswana **16**

OUR STAKEHOLDER RELATIONSHIPS

The relationship with our key stakeholders is a critical element that contributes to the achievement of our strategic objectives and creating sustainable long-term value for the group and stakeholders alike. These relationships contribute directly and indirectly to the way we do business and our reputation as a financial services group.

We strive to ensure open and transparent engagement with all stakeholders. Engagement with key stakeholders is facilitated through various levels of interaction that are aimed at providing insight into our strategy, significant business developments, material issues, operating business performance and prospects.

The manner in which we engage with our stakeholders, and the frequency with which we do so, varies according to each identified stakeholder group. We communicate with various stakeholders through our website, stakeholder presentations, site visits, annual general meetings, interaction with the media, one-on-one meetings, community forums and ongoing informal and formal discussions.

The group's executive and operational management bodies identify stakeholder groups and the issues and areas of concern that may impact these stakeholders. The most appropriate level of management then assumes responsibility for engagement, identification of further stakeholder concerns and determining the most appropriate action to be followed to address these concerns.

The group chief executive officer oversees all stakeholder engagement and plays a key role in analysing relevant issues and concerns and providing guidance on appropriate responses.

Our key stakeholders and the issues that concern them are outlined below:

Stakeholder	Key interest	Engagement
Financiers	Reducing and managing debt Regular discussions with funders Compliance with various covenants and undertakings Liquidity management	▪ Informing funders of relevant developments ▪ Management of finance facility through performance management programmes ▪ Regular tracking of finance covenants ▪ Repayment of loans in terms of agreed timelines ▪ Regular contact sessions around status of operations and specific initiatives ▪ Quarterly submission of management accounts
Suppliers	Building relationships to ensure business continuity Service delivery and quality Agreed terms of service On-time delivery of services Honouring agreed terms of service	▪ Regular contact with suppliers ▪ Implementing enterprise and supplier development initiatives ▪ Correspondence regarding product features and service offerings ▪ Implementation and monitoring of service level agreements ▪ Maintained close relationships with suppliers
Customers	High product quality Efficient and timely delivery of product Competitive pricing structures High service levels Extensive relationship building	▪ Feedback from clients informs enhancement of products and services ▪ Regular visits to and engagement with customers ▪ Conscious effort to meet expectations where applicable ▪ Continual product and service quality monitoring ▪ Contract review processes ▪ Formalised business dealings: one-on-one meetings, telephone conversations, and corporate website ▪ Facilitation of workshops and training
Service providers	SLAs Outsourced contract agreements Regular contact with strategic service providers	▪ Maintain close relationships with service providers ▪ Implementation and continual monitoring of SLAs ▪ Adherence of outsourced contracts – daily reports, weekly production monitoring meetings and monthly reporting against plans

OUR STAKEHOLDER RELATIONSHIPS (CONTINUED)

Stakeholder	Key interest	Engagement
Shareholders	▪ Strength of board ▪ Earnings and sustainability ▪ Dividend payments ▪ Broad-based black economic empowerment ▪ Communicating the value proposition ▪ Organic and acquisitive growth of each operating business ▪ Profitability of struggling businesses ▪ Utilisation of investor relations team ▪ Strength of asset base ▪ Diversified footprint and segments ▪ Strong management team ▪ Restructuring or selling failing businesses	▪ IR strategy reviewed annually ▪ SENS announcements ▪ Interim and final results presentations and teleconferences ▪ Regularly updated website ▪ Dissemination of information through a defined contact list ▪ Calls with strategic shareholders if and when required ▪ Regular engagements with key shareholders
Employees	▪ Staff development and career planning ▪ Learning and development ▪ Diversity and empowerment ▪ Recognition of performance ▪ Work-life balance ▪ Employment equity and diversity management ▪ Giving first preference to internal staff for vacancies ▪ Succession and personal development plans ▪ Performance-based short- and long-term incentive schemes	▪ Display of key labour legislation at the workplace ▪ Monitoring of staff demographics and responding to gaps ▪ Regular staff engagement and communication, both at group and segmental levels ▪ Training facilitated, based on individual goals and company-specific requirements ▪ Annual ethical climate and employee wellness surveys ▪ Annual staff wellness day encouraging health awareness and work-life balance ▪ Periodic policies and practices audit ▪ Staff development initiatives
Communities	▪ Integrity of communications with all stakeholders ▪ Understanding the Vunani business	▪ One-on-one engagement with financial and trade editors and journalists to ensure that Vunani's strategy is well understood and accurately reported ▪ Circulation of press releases ▪ Media alerts through SENS announcements ▪ Media strategy reviewed annually ▪ Interim and final results presentations ▪ Specific direct engagements ▪ Operations visits
Regulators and Government	▪ Regulatory and legislative compliance to FSCA standards ▪ B-BBEE codes ▪ Compliance with all relevant laws and regulations ▪ Maintenance of sufficient qualifying capital ▪ Giving back to society	▪ Annual submission of annual regulatory compliance and update reports ▪ Tax certificates of good standing ▪ Compliance register system to manage and track all regulatory matters ▪ PAIA manual ▪ Periodic reporting to the FSCA ▪ Contact via compliance advisors ▪ Personal contact with relationship managers at regulatory and industry associations ▪ Formal meetings when required ▪ Reporting to: – Department of Labour – Department of Trade and Industry – South Africa Revenue Service – JSE – CIPC

04

OUR PERFORMANCE

CHIEF FINANCIAL OFFICER'S REPORT

Tafadzwa Mika
Chief Financial Officer

Executive summary

The financial year ended 29 February 2020 was a challenging one for Vunani, due to the tough economic environment, which had various challenges including ratings downgrades, rand volatility and tough markets. Despite the tough environment the group successfully finalised the acquisitions of Oracle Insurance Eswatini (previously Metropolitan Life Eswatini) and Vunani Fund Managers Botswana (previously Stanlib Investment Managers Botswana) in the last quarter of the year.

The group reported a decrease of 56% in profit for the year to R39.5 million (2019: R90.3 million), which was primarily attributable to the negative fair value adjustments from the group's private equity investments compared to positive fair value adjustments in the prior year. The group had increases in revenue from operations, revenue from investments, other income, interest on investments and equity accounted earnings during the year.

The group's earnings per share decreased by 59% to 22.3 cents (2019: 54.7 cents), while net asset value per share increased by 4% to 302.2 cents (2019: 291.2 cents). No dividend was declared in the current year due to the uncertainty of the long-term impact of Covid-19 on the economy and the group. An ordinary dividend of 7.4 cents per share (5.92 cents net of dividend withholding tax) was paid to ordinary shareholders on 30 July 2019.

The consolidated results for the group are based on the results of the business segments as summarised on pages 28 to 43 of this report. For material events between the end of the reporting period and the date on which the annual financial results were approved by the board, refer to note 48 on page 166.

Statement of comprehensive income

The group has applied IAS 29: *Financial Reporting in Hyperinflationary Economies* for the Zimbabwe subsidiary after the Zimbabwe Public Accountants and Auditors Board's announced that the country was in hyperinflation. As a result of the acquisition of Oracle Insurance the group has adopted IFRS 4: *Insurance Contracts* as part of its accounting policies with effect from December 2019.

Revenue from continuing operations increased by 9% to R462.2 million (2019: R425.3 million). The asset administration segment contributed the highest percentage of the group's revenue at R139.2 million (2019: R127.4 million) due to increased assets under administration. The private equity segment currently contributes the next highest percentage of the group's revenues at R115.5 million (2019: R150.8 million), with the decrease due to disruption at the main coal beneficiation site. This is followed by the fund management segment as the third highest contributor, with revenues of R96.8 million (R87.2 million). The insurance segment contributed R59.7 million (2019: nil) for the three months it was consolidated. The investment banking revenues decreased to R50.9 million (2019: R60.0 million) due to tough trading conditions for Vunani Securities.

Other income increased to R13.0 million (2019: R2.3 million) mainly as a result of the reinsurance recoveries from the Insurance segment. The acquisition of the Oracle and VFMB businesses resulted in a bargain purchase of R34.9 million.

Investment income of R12.4 million (2019: R11.0 million), in the form of dividends from Vunani's listed and unlisted investments, was also received during the year, as a result of improved performance from the group's investments.

During the year, Vunani continued its strategic approach of adding onto its financial services offering through the addition of Oracle and VFMB. The group believes this represents an exciting opportunity to build on its corporate brand that is known for innovation, service excellence and positive results.

The group recorded negative fair value adjustments of R30.4 million (2019: positive R73.2 million) and an impairment charge of R4.3 million (2019: R12.0 million). The negative fair value adjustments is attributable to the group's investments in Black Wattle Mining Company and JSE Limited shares. Equity-accounted earnings improved to R10.0 million compared to R6.1 million in 2019. This includes Vunani's share of post-tax earnings for Alliance Capital Limited, Betbio Zambia Limited and Workforce Holdings Limited.

Operating expenses increased by 24% in the reporting period. This increase was due to the consolidation of Oracle and VFMB in the last quarter of the year. Staff costs, including remuneration and costs for short- and long-term incentives, accounted for 57% of expenditure, remaining the group's single largest line item. This is appropriate for a financial services group, where success and sustainability is dependent on investment in human capital. Insurance benefits and claims accounted for 14% of the expenditure for the year which is in line with the additional revenue earned from Oracle. Communications and information costs accounted for 4% of expenditure, as these are critical given the nature of Vunani's business. It is important to note that many of the group's communications expenses are dollar-denominated and that fluctuations in the value of the rand had a direct impact on these. The group remains very sensitive to costs and minimising expenditure is an ongoing management priority.

Commodities trading-related costs decreased by 17% compared to 2019. This is due to the significant decrease in the coal beneficiation operations of Vunani Resources. The decrease was as a result of disruptions at the site due to community unrest.

Finance income increased to R4.8 million for the year compared to R4.3 million in 2019 as a result of the increase in cash generated from operations. Finance costs increased to R9.8 million for the year compared to R8.8 million in 2019, due to the additional debt that was used to finance the Oracle acquisition.

As a result of the hyperinflation in Zimbabwe, the group had negative other comprehensive income of R12.0 million (2019: positive R2.2 million). This is due to the negative impact of the foreign translation of PVAM of R8.9 million (2019: positive R2.2 million) and a hyperinflation adjustment of R3.1 million.

Statement of financial position

The group adopted the new IFRS 16 accounting standard with effect from 1 March 2019, replacing the IAS 17 accounting standard previously used. The adoption of this accounting standard 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. Further details related to this and the other information given here are provided in the annual financial statements and the notes to the annual financial statements from page 64.

Goodwill is tested for impairment annually and, for the year ended 29 February 2020, no impairment was necessary. Goodwill was valued at R139.8 million as at that date. The intangible assets that arose due to the consolidation of Fairheads in the 2017 financial year decreased as a result of the annual amortisation charge. As a result of the Oracle acquisition, the group recognised a new intangible asset relating to value-in-force business acquired of R119.6 million. This represents the present value of future pre-tax profits embedded in the acquired insurance or investment in DPF contracts.

CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

The group has insurance related investments of R286.6 million and insurance-related liabilities of R398.0 million as a result of the Oracle acquisition.

Vunani's unlisted investments are valued annually. The valuation of these investments is performed in consultation with the investment and corporate finance professionals within the group. For the current year, Vunani obtained third-party valuations for some of the group's unlisted investments. The valuations were submitted to the investment committee for review and were approved. Please refer to note 2.2 in the group's accounting policy, which deals with fair value investments, and note 44, which provides additional details regarding the current year's considerations, for further information.

Accounts receivable and payable from trading activities relate to outstanding settlements in the securities trading business. Trades were settled on a T+3 basis on 29 February 2020, so the receivables and payables reflected on the statement of financial position account for settlement within three business days after the end of the year.

The authorised stated capital as at 29 February 2020 was 500 million ordinary shares of no par value (2019: 500 million ordinary shares of no par value). As at 29 February 2020, 161 155 915 shares were in issue (2019: 161 155 915). The share-based payments reserve movement of R5.0 million is attributable to the current period IFRS 2 charge (2019: R7.8 million). The transfer between reserves of R1.3 million (2019: R24.0 million) relates to shares transferred to employees on vesting. The group utilised its treasury shares worth R3.6 million to settle part of its obligation to employees. The acquisition of Oracle resulted in additional non-controlling interests of R65.0 million.

There was an increase in other financial liabilities due to the debt incurred on the acquisition of Oracle. The increase was offset by the scheduled repayments of the group's liabilities. These liabilities include loans from various institutions.

As a result of the implementation of IFRS 16 the group recognised lease liabilities of R19.7 million at 29 February 2020. A corresponding right-of-use asset of R18.2 million was recognised as at year-end in line with the requirements of IFRS 16.

Cash flow

Cash flow and cash equivalents increased to R236.7 million during the reporting period (2019: R44.5 million). This increase is mainly attributable to the acquisition of Oracle. Net cash generated by operating activities increased by 155% to R52.5 million (2019: R20.6 million).

This was driven by the improved performances of the underlying operating businesses. There was an increase in cash flow from investing activities mainly attributable to the disposal of insurance investments of R213.7 million. There was a significant increase in outflows from financing activities mainly attributable to the repayment of insurance liabilities of R175.2 million. The group will continue to try and improve cash generation to assist in its expansion strategy.

Covid-19

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 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.

Conclusion

During the year Vunani continued its strategic approach of adding onto its financial services offering through the addition of Oracle and VFMB. The group believes this represents an exciting opportunity to build on its corporate brand that is known for innovation, service excellence and positive results. As part of this process, the group has continued to build the profile and capabilities of its operating businesses and to manage costs diligently. We at Vunani are optimistic that this will lead to further growth during the next financial year.

Tafadzwa Mika
Chief Financial Officer

9 September 2020

ECONOMIC CONTEXT

The financial year ended amidst the world grappling with the Covid-19 pandemic and the South African economy already in recession. Business conditions were to deteriorate even further as South Africa entered lockdown on 27 March which implied almost total shutdown of all sectors of the economy barring few exceptions.

As could be expected, local fiscal and monetary authorities responded to stem the tide. Various support measures were implemented, including a R500 billion fiscal support package and the South African Reserve Bank cut lending rates by an aggregate 300 basis points year-to-date.

Even though the lockdown has gradually been lifted from the initial Level 5 to the prevailing Level 2, business confidence slumped to an all-time low and consumption suffered as consumers struggle to make ends meet amidst wide spread job losses and salary cuts.

All was not negative, though. Precious metals commodity prices surged following an initial slump in March, while oil prices plummeted, culminating in South Africa registering sizeable monthly trade surpluses in recent months. The low oil price, coupled with a more resilient rand exchange rate subsequent to an initial period of weakening, also contributed to a steep moderation in inflation to levels around 2%, which allowed for significant monetary policy easing.

Nevertheless, South Africa's fiscal challenges and the potential lasting tax burden thereof are of particular concern, while structural challenges remain as illustrated by forced electricity loadshedding amidst lockdown and even while the economy was not operating at capacity.

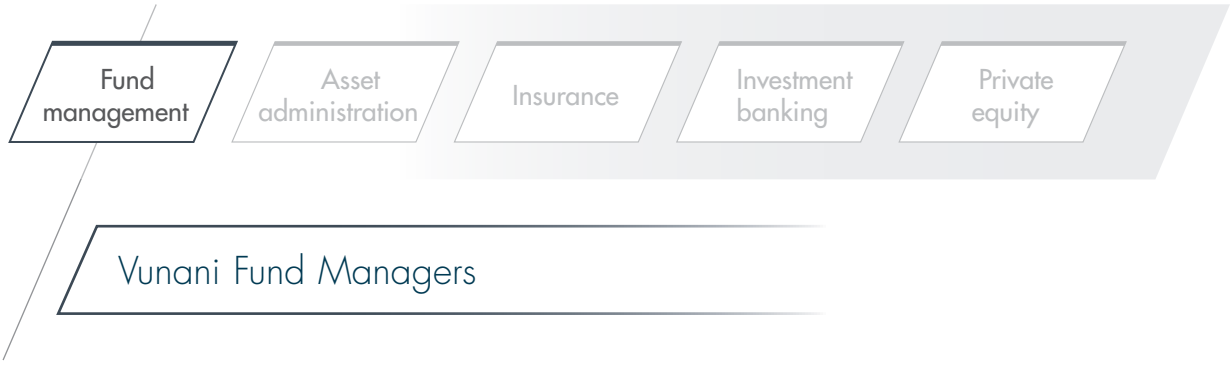
Many countries including some of South Africa's most important trading partners, have commenced a gradual unlock of their economies which should allow for the supportive impact of unprecedented stimulus measures to gain traction and culminate in improved import demand. Moreover, despite prevailing struggling economies, financial markets have been buoyed by massive stimulus measures and early indications of economic recovery. A protracted period of recovery will most likely be required for economies to fully recover, though.

Early indications are that new Covid cases registered may have peaked in many local provinces, which should allow for the further lifting of restrictions in the not too distant future. Still, the damage has largely been done as the South African economy is expected to contract by between 8% and 9% this year, while the lagged impact will be felt for many years to come. Consequently, it is expected that domestic business conditions will remain challenging over the second half of the financial year, albeit somewhat more positive than the first half.

Johan Rossouw

9 September 2020

BUSINESS SEGMENT REVIEW



Vunani Fund Managers is a boutique fund management business that has been operating since 1999. It offers a range of investment products to both institutional and retail clients, including retirement funds, medical schemes, corporates, parastatals and trusts. Its product range has domestic and global reach, which is offered through both single-asset and multi-asset funds.

The company has strong capabilities and a proven track record in the areas of specialist equity, specialist bonds, property funds and multi-asset funds. Its bespoke approach to investing is based on delivering solutions that are customised to meet client needs and on establishing strong and lasting relationships with those clients. This approach is supported by diligent risk management processes that have enabled the company to deliver positive returns, especially in the areas of absolute return funds (CPI+ range), specialist bonds, property, core domestic equity and global equity.

The portfolio construction skills and risk management capabilities of the company's team of highly experienced investment professionals enable it to deliver world-class investment solutions. Its primary objective is to achieve investment returns that exceed agreed benchmarks and, in order to achieve this, it recruits and retains talented investment professionals. It also strives to continuously improve its market share.

Performance outcomes

Revenue: **R90.3 million**
(2019: R72.7 million)

Assets under management: **R39.7 billion**
(2019: R27.6 billion)

Retained key investment professionals

Performance review

The performance of VFM has seen a significant improvement in FY2020, as the company improved its profitability. This was driven by an increase in AUM of 43% from the prior year. The underlying performance of the individual portfolios has also improved, which has resulted in the company earning performance fees.

Difficult market conditions nevertheless persisted throughout the year and inevitably had an impact on investor sentiment. Long lead times between business being secured and transactions being finalised also continued, although the company did experience good inflows, resulting in the solid improvement in fee income.

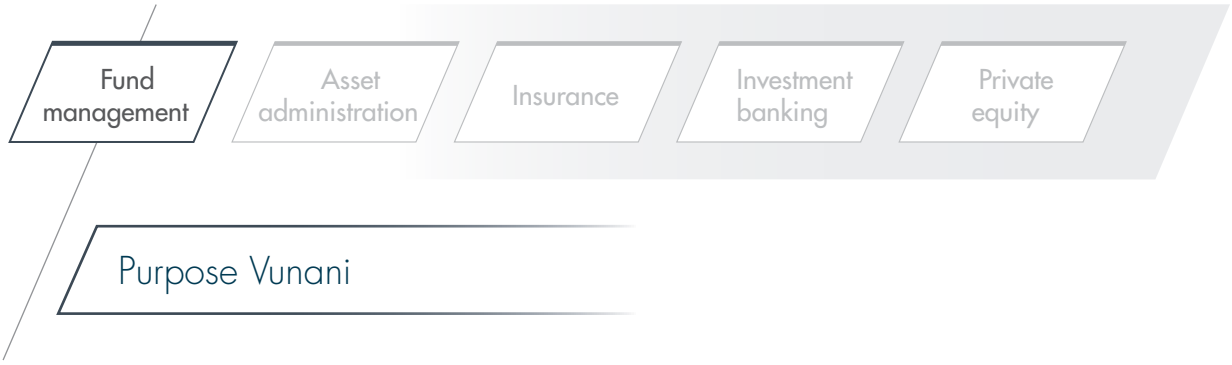
Strategic objectives	Key performance indicators	Performance achieved 2019	**Performance achieved 2020**
Generate a good annual return on equity	Minimum ROE of 25% per year	ROE of 38%	**ROE of 39%**
Recruit and retain talented investment professionals	Recruitment and retention of top investment professionals	Strong focus on the retention of existing investment professionals and on actively strengthening the investment team, especially in the areas of fixed interest and alternatives	**Retained key individuals**
Increase market share	Obtain 5% to 10% increase in market share	Top 10 black asset managers (2018 BEE.conomics survey)	**Top 10 black asset managers (2019 BEE.conomics survey)**
Provide relevant and cost-effective investment products	High levels of performance and new inflows	Second and third quartile performance on some products 32% increase in AUM	**Second and third quartile performance with some products** **43% increase in AUM**

Outlook

The company recently launched four branded unit trusts through the Boutique Collective Investments platform. The unit trusts will assist in bringing VFM's institutional quality offerings to the retail and private wealth markets. The unit trusts will allow a wider range of investors to access our product ranges across different asset classes and thereby help increase the funds under management.

The Covid-19 pandemic has emphasised the importance of client retention and as such the company will continue to focus on providing a differentiated approach to managing assets in different product categories, solid investment performance, client-centred solutions, effective cost management, and fair and ethical service. VFM will also look to leverage on group synergies by identifying opportunities as a result of the Oracle acquisition. While economic conditions are unlikely to improve during the current period, the outlook for the segment as a whole and for the company in particular is conservatively optimistic.

BUSINESS SEGMENT REVIEW (CONTINUED)



Purpose Vunani is an independent asset management company that offers diversified solutions to corporate clients, insurance companies, pension funds and individuals. The Zimbabwean-based company was established in 2005 and is partly owned by Vunani Capital, which has a 65% share in the business. Its key activities include money market portfolio management, stock market portfolio management, investment advisory services, cash management services and outsourced treasury solutions.

The company's vision is to exceed its clients' ROI expectations through the focused and continuous pursuit of highly rewarding investment opportunities that deliver superior performance. It also strives to position itself for further growth in the market within which it operates.

Performance outcomes

Revenue: **R1.9 million**
(2019: R14.5 million)

Assets under management: **ZWL30.9 million**
(2019: ZWL28.2 million)

Decrease in treasury bills traded

Performance review

FY2020 proved to be a difficult one for Purpose Vunani, with revenue dropping in response to hyperinflation in the country, deterioration of the local currency as well as unstable trading conditions. The company nevertheless remained profitable before the effects of hyperinflation and increased assets under management by 10% to ZWL30.9 million (2019: USD28.2 million).

As a result of the deterioration of the local currency and the impact of inflation the group had to account for negative comprehensive income of R12.0 million for Purpose Vunani for foreign currency translation and hyperinflation.

Strategic objectives	Key performance indicators	Performance achieved 2019	**Performance achieved 2020**
Improve returns for shareholders	Minimum ROI of 10%	ROE of 38%	**Negative ROI due to losses**
Maintain profitability	Profitability	Profit of R1.5 million	**Loss of R2.7 million**
Grow assets under management	Achieve a target of ZWL40 million	AUM of USD28.2 million	**AUM of ZWL30.9 million**
Grow revenue	Achieve at least 10% growth	Decrease of 18%	**Decrease of 87%**

Outlook

Political, social and economic conditions in Zimbabwe continue to be highly unstable and the impact these will have on the business in the current period is uncertain. The business nevertheless aims to return to profitability and to continue to grow assets under management.

BUSINESS SEGMENT REVIEW (CONTINUED)

The asset administration segment comprises the group's investment in Fairheads Benefit Services Proprietary Limited (Fairheads), which is held through Mandlalux Proprietary Limited (Mandlalux).

Fairheads is a niche trust and beneficiary fund administrator responsible for administering funds on behalf of minor dependants of deceased retirement fund members. It has two key client groups: members and their guardians, who make use of its services; and retirement fund trustees, who make the decision to place the funds due to beneficiaries in the company's care.

Fairheads' primary objective is to provide impeccable service delivery to its members because, in many cases, the funds it pays to them contribute significantly to their overall household income and, as importantly, to educational outcomes. The company has therefore developed strong relationships with members and their guardians based on openness and transparency.

Performance outcomes

Revenue: **R139.2 million** (2019: R127.3 million)

Profit: **R16.6 million** (2019: R13.4 million)

Assets under administration: **R6.7 billion** (2019: R6.3 billion)

Number of members: **91 751** (2019: 75 061)

Maintained market share to: **25%** (2019: 25%)

Delivered enhanced operating efficiencies

Continued with the next phase of the company's client-centric information technology solution, which is due to be completed in the current period

Performance review

Fairheads performed well during the reporting period, contributing R139.2 million to group revenue (2019: R127.3 million). This was attributable to a growth in assets under administration ("AUA"), which increased revenue, as well as to a reduction in costs and finance charges on external debts. As a result, profit increased by 24% to R16.6 million (2019: R13.4 million).

Like the rest of the group, the company nevertheless operates in a constrained economic environment that shows little growth and is highly price competitive, but which is also marked by poor service delivery to members. It differentiates itself on the quality of its service and on the personal relationships it cultivates with members and their guardians. In this way it aims to maintain a premium market positioning in relation to its competitors.

Strategic objectives	Key performance indicators	Performance achieved 2019	**Performance achieved 2020**
Generate a good annual ROE	ROE of 25% per year	ROE of 9%	**ROE of 11%**
Increase market share	Progressively increase market share year-on-year	25% market share	**25% market share**
Increase AUA	Progressively increase AUA year-on-year	AUA of R6.3 billion	**AUA of R6.7 billion**
Enhance operating efficiencies	Continuously improve AUA per employee	AUA of R35.4 million per employee	**AUA of R36.5 million per employee**

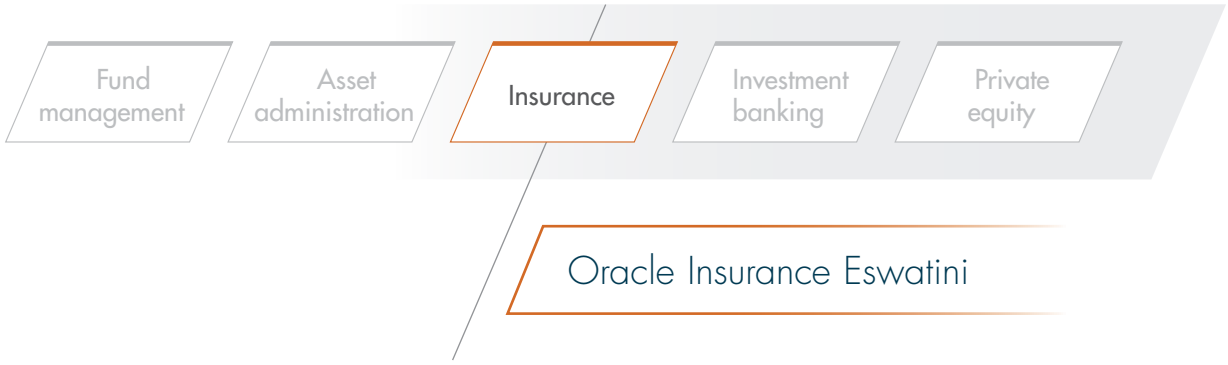
Outlook

The immediate outlook for Fairheads is positive, with the company continuing to gain clients from competitors and growing market share as a result.

Its primary objective for the current period is to retain its existing client base by delivering excellent service and to grow this client base within the constraints of the market. It also aims to diversify its product and services range and to finalise the implementation of its new information technology platform, which will enable it to take the company confidently into the next decade.

The company will continue to diversify its revenue streams with an increased focus on growing its unclaimed benefits and tracing businesses in the next financial year.

BUSINESS SEGMENT REVIEW (CONTINUED)



Oracle Insurance Eswatini (previously Metropolitan Life Swaziland Limited) is an insurance business that has been operating in Eswatini since 2008. The company specialises in both long-term and short- term products. The acquisition of an effective 52% of the business was finalised by the group as part of a consortium with key Oracle management in December 2019.

The company's long-term insurance products are split into life products and pension and provident fund products. The life products include group life assurance, group life cover, group funeral policies, income continuation benefits and disability benefits. The pension and provident fund products are both defined contribution products.

Through its 100% held subsidiary the company provides various short-term insurance products. These include car, household, building, bicycle, watercraft and all risk insurance. It also provides health insurance products which include major in-patient benefits, major disease benefits, medical savings, health platform benefits and a rewards programme. The company also provides short-term commercial insurance products. These include car, contents, building, electronic equipment, business interruption, all risk insurance, personal liability, public liability, fidelity guarantee, money insurance and motor traders insurance.

Oracle has reinsurance agreements with A-rated reinsurers. For the long-term insurance business Hanover Re has been contracted since July 2019 as our reinsurance partner. For the short-term business African Re Corporation (SA) Ltd leads the short-term treaty and they are supported by XL RE Europe SE (Dublin), GIC Re South Africa Ltd, Echo Rucksversicherungs, Bryte and Ezulwini Re-insurance Co Ltd (legislated). All of these partners are market leaders.

The portfolio construction skills and risk management capabilities of the company's team of highly experienced investment professionals enable it to deliver world-class investment solutions. Its primary objective is to achieve investment returns that exceed agreed benchmarks and, in order to achieve this, it recruits and retains talented investment professionals. It also strives to continuously improve its market share.

Oracle's management team has several years' experience in the insurance industry.

Performance outcomes

Revenue:
R59.7 million

Profit:
R35.6 million

Introduction of new innovative insurance products

Performance review

Oracle contributed R35.6 million to the group's profit for the three months it was consolidated. The significant contributor to this was a bargain purchase of the R34.7 million that arose as result of the acquisition. As part of the acquisition of Oracle, the group recognised a value in force business intangible asset. This represents the present value of future pre-tax profits embedded in the acquired insurance or investment in DPF contracts.

Strategic objectives	Key performance indicators	Performance achieved 2019	**Performance achieved 2020**
Generate a good annual return on equity	Minimum ROE of 25% per year	N/A	**ROE of 52%**
Increase market share	Obtain 5% to 10% increase in market share	N/A	**Secured two new clients**
Provide innovative products to retain and attract customers	Introduce two new products a year	N/A	**Two new products introduced**

Outlook

The company successfully relaunched its new brand at the end of February 2020 and this has been received positively by the market. Oracle will continue to look at developing new and innovative products to help increase its customer base. The Covid-19 pandemic has resulted in a renewed focus on retaining clients. It has also resulted in increased opportunities from potential clients who would not have previously required any insurance. The company will actively target these opportunities to increase its client base. The economic conditions are unlikely to improve during the Covid-19 pandemic. However, the outlook for the segment as a whole and for the company in particular is conservatively optimistic.

BUSINESS SEGMENT REVIEW (CONTINUED)

The institutional securities broking segment manages equity, derivative and capital market trading services for institutional clients. These are delivered through Vunani Securities, which handles equity, derivative and related trading; and Vunani Capital Markets, which handles fixed-interest business offerings in bonds and money market instruments.

Despite difficult trading conditions throughout the reporting period, Vunani Securities continues to focus on becoming the foremost stockbroking service provider in South Africa. The company trades primarily in domestic stocks and has wide coverage in the mid-cap section of the market. Its highly experienced research analysts and advisors offer clients both top-down analysis of the market as a whole, as well as bottom-up research on approximately 90 listed companies.

Vunani Capital Markets, in turn, has a deep understanding of the money markets and bond markets and exceptional execution capabilities. The company is also renowned for its high standard of ethics and its uncompromising work ethic.

Performance outcomes

Revenue: **R36.9 million**
(2019: R42.0 million)

Loss: **R0.8 million**
(2019: Loss: R7.2 million)

Ranking out of 56 brokers: **29**
(2019: 29)

Performance review

The segment was restructured during the prior year to take into account the changes in the operating environment. The impact of the restructure began to take shape in the 2020 year and the loss was significantly reduced.

The unfavourable market conditions during the reporting period resulted in a drop-off in trade volumes compared to the prior year. This in turn resulted in a decrease in revenue of 12% to R36.9 million (2019: R42.0 million).

Strategic objectives	Key performance indicators	Performance achieved 2019	**Performance achieved 2020**
Generate a good annual return on equity	Minimum ROE of 15% per year	Negative ROE due to losses	**Negative ROE due to losses**
Increase market share	To rank amongst the top 20 brokers in terms of volume traded on the JSE	Achieved a ranking of 29/56	**Achieved a ranking of 29/56**
Diversify revenue streams through addition of new product	Add one new product offering every year	No new offerings finalised	**Introduced transition trading services**
Develop and expand relationships with clients	Increase the number of institutional clients and develop relationships directly with asset owners	Three institutional clients added	**Five institutional clients added**

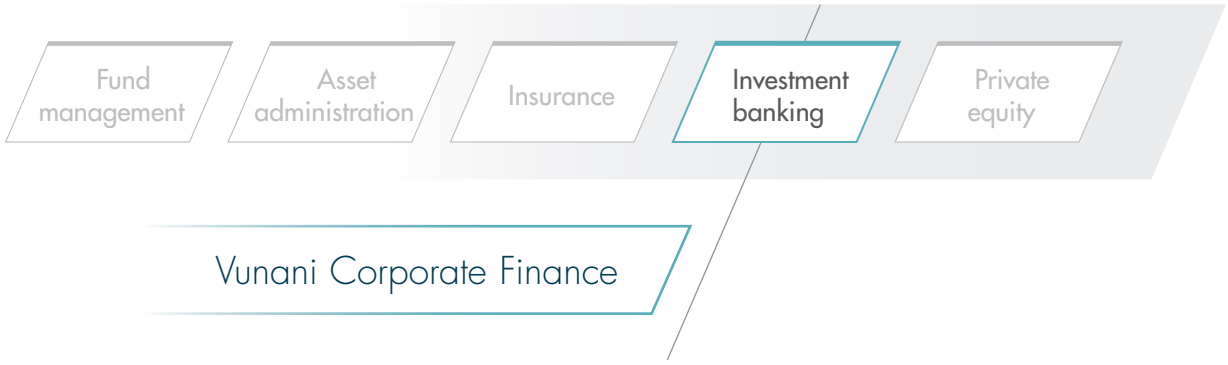
Outlook

Prior to the Covid-19 pandemic the trading environment was directly affected by low economic growth, high levels of unemployment, insecurity about electricity supply and various international issues. The Covid-19 pandemic has made the situation more complicated to understand.

Both Vunani Securities and Vunani Capital Markets have reviewed their business strategies to account for the current situation and will continue to focus on developing diversified revenue streams in order to minimise the risks inherent in the current trading environment. Both companies will also continue to focus on engaging and developing relationships with asset owners as well as institutional clients in order to secure trading potential.

The key objective for the new year is to increase revenue and to return to profitability. The introduction of transition trading services as well as stable trading volumes will help in achieving these goals. However, it is extremely difficult to determine what long-term impact Covid-19 will have on the trading environment.

BUSINESS SEGMENT REVIEW (CONTINUED)



Vunani Corporate Finance offers the full range of classic corporate finance services, enabling clients to buy and sell companies. Its services include capital raising; advice on mergers, acquisitions and disposals; and transaction structuring. As it is a JSE and 4AX sponsor, it can also assist with the listing of companies, as well as with the ongoing support required to ensure compliance and to enhance growth potential and sustainability.

The company operates across all sectors, but its core focus is in mining, financial services and the structuring of B-BBEE deals. Its capabilities in the mining sector are particularly strong, as its highly experienced advisory team is able to provide advice from both a financial and operational perspective. Clients in this sector have included exploration companies as well as some of the country's largest corporates.

The primary objective of the advisory services segment is to consistently grow revenue and profitability by providing expert professional advice and superior service to its clients. In order to do this, its supplementary objective is to maintain a good pipeline of deals.

Performance outcomes

Revenue: **R14.0 million**
(2019: R18.0 million)

Loss: **R0.4 million**
(2019: Profit: R4.7 million)

Performance review

Despite the many challenges it faced in the operating environment, Vunani Corporate Finance performed relatively well during the reporting period. However, revenue decreased to R14.0 million (2018: R18.0 million) which resulted in a small loss for the year compared to a profit in the prior year.

Socio-economic uncertainty, low growth and muted investor confidence mean that large, multi-billion-rand mergers and acquisitions remain rare. The mid-cap market nevertheless continues to be active, with many corporates and large companies disposing of non-core assets and entering into B-BBEE transactions. At present – and for the foreseeable future – deals such as these are expected to make up the bulk of the company's business.

Strategic objectives	Key performance indicators	Performance achieved 2019	**Performance achieved 2020**
Consistently increase revenue year-on-year	Minimum of 10% per year	Revenue increased by 268% due to increased deal flow, especially in the mid-cap market	**Revenue decreased by 22% due to increased time to finalise deals**
Generate a good annual return on equity	Minimum ROE of 25% per year	ROE of 95%	**Negative ROE as a result of current year losses**
Entrench Vunani Corporate Finance as the advisor of choice for coal-related transactions	60% of revenue to be generated from mining	13% of revenue generated from mining-related mandates	**0.3% of revenue generated from mining-related mandates**
Grow mandates with leading B-BBEE investment companies	Add two new mandates per year	Various B-BBEE transactions were concluded on behalf of clients in the retail, IT and healthcare sectors	**New mandates were concluded on behalf of clients in the financial services and fishing sectors**
Further entrench Vunani in the SOE space	Close one transaction for SOE per year	No SOE mandate signed during the year	**No SOE mandate signed during the year**

Outlook

The lockdown as a result of the Covid-19 pandemic has worsened the business environment as companies went into a defensive position to survive the pandemic. This has meant that transactions will take relatively longer to complete as a result of increased analysis on viability of transactions. The division has had to alter its strategy to focus more on securing and strengthening repeat business (retainers, sponsor work, internal reorganisations), aggressive liquidity-based business development (lending, acquisitions, business restructuring) and long-term deal origination.

The company also intends to continue growing its portfolio of SOE transactions as struggling SOEs would need help in restructuring and raising capital.

At present, Vunani Corporate Finance has a strong pipeline of transactions, which includes mandates from blue-chip corporates and B-BBEE investment companies. The difficult economic climate nevertheless means that transactions are taking longer than normal to finalise and this will inevitably impact revenue in the short term. The ability to raise capital from lenders and price discovery also remains a challenge, leading to many transactions failing to close.

BUSINESS SEGMENT REVIEW (CONTINUED)

The private equity segment invests the group's own financial capital and human resources, rather than those of third parties, into companies with high growth potential, usually outside of the financial services sector. Vunani Private Equity is a business unit of Vunani Capital and it holds its investments either through subsidiaries or as an associate.

Vunani Resources' primary focus is on commodities trading, focusing on coal, boron and more recently agricultural commodities. Vunani Resources is operating from a discard mine dump called Schoongezicht in Witbank. Vunani Resources' main activities are the reclaiming and beneficiation of the discard dump at Schoongezicht. The company uses various suppliers in the beneficiation and transportation role, which enables it to support smaller businesses in the area. The coal that is produced is either export quality or sold to the domestic market. The coal is delivered to various sidings in the area.

The company has a joint venture agreement with Eti Maden, a Turkish company, to distribute boron products to all 54 African countries. Boron has over 400 applications, the most notable of which is as a micronutrient in fertilisers. The company also began agricultural commodity trading during the year.

Performance outcomes

Revenue: **R105.4 million**
(2019: R141.3 million)

Loss: **R9.4 million**
(2019: Profit R9.7 million)

Coal production: **104 570 tonnes**
(2019: 337 900 tonnes)

Boron sales: **25 712 tonnes**
(2019: 22 456 tonnes)

Performance review

Vunani Resources' performance was down significantly from the prior year, which was due to community unrest at the coal beneficiation operations at Schoongezicht, resulting in significant down time during the year. This was worsened by lower coal prices during the year. The boron operations made a positive contribution to group results during the year.

Notably Vunani Resources began trading in agricultural commodities during the year. The focus is on buying and selling maize, sorghum and soya beans both locally and in the SADC region.

Strategic objectives	Key performance indicators	Performance achieved 2019	**Performance achieved 2020**
Extract value from coal-related investments	Net annual return on equity of 15%	ROE of 7%	**Negative ROE due to losses**
	Production of 30 000 tonnes of saleable coal per month	28 000 tonnes of saleable coal were produced per month	**8 714 tonnes of saleable coal were produced per month**
	Establish a site to beneficiate coal	No new site secured	**No new site secured**
	Supply 25 000 tonnes of boron product	22 456 tonnes supplied	**25 712 tonnes supplied**

Outlook

Coal prices have softened considerably over the six months as the effect of Covid-19 has reduced demand for coal globally. The weaker Rand will help cushion the drop in prices, but the reduced demand will affect coal mined from the Schoongezicht discard dump. As a result, Schoongezicht is likely to experience a contraction in its business. The company continues to pursue opportunities to secure additional dumps to beneficiate to increase its production for coal that can be supplied locally.

The trade in boron has also been impacted over the past few months, as countries implemented lockdowns, resulting in a reduced ability to deliver products in Africa. The company is exploring opportunities to supply boron to the Middle East and Europe to diversify its customer base.

The company will continue to look at expanding its agricultural commodities trading business during the year.

In order to simplify the reporting in Vunani Resources the company will be restructured and the boron and agricultural trading businesses will be sold into a new company in which the group will have an interest. Certain conditions still need to be met for the transaction to be concluded.

BUSINESS SEGMENT REVIEW (CONTINUED)

Private equity investments that are not commodity-related are handled directly by Vunani Private Equity, which is a business unit of Vunani Capital. As with its commodities trading activities, the aim of the company's activities in sectors such as property, mining, healthcare and fintech (financial technology) is to invest as a principal into opportunities that enable the group to fulfil a value-adding role and thereby to grow its balance sheet.

Vunani Private Equity has a broad mandate to acquire equity stakes in both listed and unlisted companies, principally as an active black economic empowerment partner. These include private equity companies, commercial property ventures and African initiatives with partners. The investment team has extensive experience in undertaking and managing private equity investments, and has played a strategic and active role in assisting investee companies to expand and grow their operations.

The company's investment approach is to partner with skilled individuals and teams in a defined economic segment or around a specific investment theme that presents significant growth opportunities. Its long-term strategy is to progressively expand its focus into other economic sectors, which it intends to do by partnering with established market participants.

Performance outcomes

Revenue: **R10.1 million**
(2019: R9.4 million)

Loss: **R12.6 million**
(2019: Profit R61.7 million)

Fair value losses: **R24.9 million**
(2019: Fair value gains R72.8 million)

Dividends earned: **R10.9 million**
(2019: R10.9 million)

Equity-accounted earnings: **R10.5 million**
(2019: R5.9 million)

Performance review

The private equity portfolio performance decreased significantly when compared to 2019, primarily as a result of fair value losses on some of the unlisted investments in its portfolio. The significant fair value losses arose from our investment in Black Wattle, which was due to the decrease in the life of mine. Our investment in Butsanani had significant fair value gains during the year as mining operations began at its 51% controlled mining subsidiary Rietvlei Mining Company.

Butsanani is a joint venture with Anglo Coal and, through Vunani Mining, it holds a 51% shareholding in the Rietvlei Mining Company. Rietvlei delivered its first consignment of coal to Eskom in April 2019. The mine has steady-state production, Rietvlei is expected to produce 2.5 million tonnes of coal over its projected 16-year lifespan.

Cash dividends from the portfolio contributed an additional R10.9 million (2019: R10.9 million).

Strategic objectives	Key performance indicators	Performance achieved 2019	**Performance achieved 2020**
Generate a good annual return on investment	Net return on investment of 15%	ROI of 12%	**Negative ROI due to losses**
Dispose of non-core investments	Dispose of non-core assets as required and appropriate	The company's interest in BSI Steel was disposed of for R10 million	**No disposal of non-core investments**
Complete transactions in focus areas	Complete two property transactions per year	No property transactions completed	**Two property transactions completed**
	Complete one African transaction per year	One African investment transaction completed	**Two African investment transactions completed**
	Complete two fintech transactions per year	No fintech transactions completed	**Four fintech transactions completed**

Outlook

The outlook for the other investments business depends on the company's ability to raise third-party capital to expand its interests in fintech, renewable energy and agriculture. Vunani Properties has significant deal pipeline which presents interesting opportunities to expand asset management activities in both developments and rental spaces. The fintech space presents exciting opportunities that the segment will continue to actively pursue.

The economic context in which it operates nevertheless remains extremely constrained and this has worsened with the impact of Covid-19.

From a portfolio management point of view, the company therefore remains focused on disposing of long-held, non-core investments, particularly its listed investment in Workforce.

SUSTAINABILITY

Sustainability reporting is the practice of measuring, disclosing and accounting to internal and external stakeholders regarding organisational performance towards the goal of sustainable development. The information in this report sets out Vunani's sustainable business practices for the year ended 29 February 2020 and has not been assured.

Our focus on sustainability by capital

Capitals	Vunani's focus areas
Financial capital Financial sustainability is critical to business sustainability and we focus on group and segment profitability, cash generation, having sufficient capital and efficient deployment thereof and monitoring the share price and market capitalisation	▪ Ongoing monitoring of financial performance of the group, with bi-annual reporting to shareholders ▪ Regular interaction with various levels of stakeholders ▪ Projection of capital utilisation monitored by business segments ▪ Use of forecasts, budgets and cash projections to monitor and manage liquidity
Human capital Our people are the cornerstone of our business and to ensure sustainability we focus on training and development, employee incentives and health and safety	▪ Financial assistance and paid study leave ▪ Support of staff through learnership programmes ▪ Vunani training academy ▪ Short and long term incentive programmes ▪ Graduate recruitment programme See Our people page 20
Social and relationship capital Maintaining strong stakeholder relations and delivering social value – being a good corporate citizen	▪ Regular interaction with all stakeholders ▪ Promotion of B-BBEE ▪ Promoting economic growth through enterprise and supplier development ▪ Providing financial support to various education initiatives See Stakeholder engagement page 21
Intellectual capital As primarily a services company protecting our intellectual capital and institutional memory is paramount as is ensuring brand and reputation management	▪ Safeguarding the group's intellectual property through the implementation of appropriate controls ▪ Aligning employee and company interests ▪ Appointment of a public relations and investor relations manager ▪ Regular review of the brand to ensure it relates to our stakeholders
Manufactured capital Ensuring a sustainable information technology infrastructure, which includes physical hardware, off site services, internally developed and purchased systems is critical	▪ Formulation of appropriate processes to ensure ongoing availability of all information technology platforms
Natural capital Ensuring environmental sustainability includes using natural resources in a conservative manner and using technology, where possible, as an alternative. Reduce the environmental impact of coal dumps.	▪ Awareness created amongst staff of prudent consumption of water, electricity and paper ▪ Recycling facilities (including e-waste) ▪ Use of rain water tanks at buildings ▪ Beneficiation and processing of coal mine dumps

05

GOVERNANCE

KING IV IN APPLICATION

Background

The Institute of Directors in Southern Africa ("IoDSA") aims to promote good corporate governance through the application of all relevant legislation and governance guidelines in order to create a strong platform for sustainable business growth in South Africa. IoDSA is the convenor of the King Committee on Corporate Governance for South Africa and of the four King Reports on Corporate Governance for South Africa, which provide governance guidelines for both listed and unlisted companies. The most recent King report ("King IV") was published in 2016 and Vunani adheres to the codes of good governance as specified in this report.

King IV

King IV is a substantive upgrade of King III and the new governance codes contained in the report became mandatory for listed companies as from 1 April 2017. The codes were updated to bring them into line with the latest developments in corporate governance and best practice, and also to make them more accessible to, and easier to implement for, smaller companies and non-profit organisations.

Governing body's roles and responsibilities	**Governance outcomes**	Achievement of governance outcomes
Steers and sets strategic direction with regards to both: ▪ The organisation's strategy; and ▪ the way in which specific governance areas are to be approached, addressed and conducted.	Ethical culture	Vunani's Code of Conduct and Ethics, which applies to all employees, is designed to ensure that the group maintains the highest level of integrity and ethical conduct. The board monitors compliance with this code to ensure that the highest ethical standards are upheld by everyone in the group, all service providers and all stakeholders.
Approves policy and planning that give effect to the strategy and the set direction.	Good performance	The group's strategy is assessed annually, and its objectives and control mechanisms adjusted to account for changing circumstances. The executive directors are individually mandated, and held accountable for, the group's performance against its strategic objectives. The implementation function is delegated to management, which reports to the various sub-committees of the board on a regular basis. All statutory announcements and reports are released as required by legislation and the JSE.
Oversees and monitors implementation and execution by management.	Effective control	Vunani's board charter outlines the board's scope of authority, responsibilities and functions. Some of these are delegated to the various board committees, which report back to the board and every board meeting. Attendance at these meetings is disclosed in the group's annual integrated report. The performance of the board and its committees is evaluated annually by the chairman and the external company secretary.
Ensures accountability for organisational performance by means of, among others, reporting and disclosure.	Legitimacy	The board is constituted in accordance with the guidelines presented in King IV. Comprehensive board and risk evaluation processes are conducted annually and the outcomes disclosed in the integrated report.

CORPORATE GOVERNANCE

Ethical leadership

Vunani is committed to upholding the highest standards of ethics, transparency and good governance in the interest of all our stakeholders and we adopt stringent compliance measures.

The group's governance, ethics and values is the sole responsibility of the board and is supported through the social, ethics and transformation committee as a mandate. The board is obligated to lead ethically and effect leadership within a framework of prudent and effective control, thereby ensuring that ethics are managed and that Vunani is a responsible corporate citizen.

The board supports the principles of King IV and derives its rights and duties from the board charter. Vunani materially complies with the principles of King IV as set out in detail on our King IV in application report on page 46.

Employees are expected to disclose any conflicts of interest and vetting is undertaken at the point of appointment. In addition, a standard protocol for the declaration of gifts to management is implemented in line with a gifts policy. Ethics, bribery and anti-corruption policies are in place to which all employees are required to adhere. No contraventions of the codes and policies were reported during the year.

No instances of fraud, corruption or anti-competitive behaviour were reported during the year.

Governance structure

The board

Lionel Jacobs (Independent non-executive chairman)
Ethan Dube* (Executive deputy chairman)

Butana Khoza* (CEO)
Tafadzwa Mika (CFO)
Dr Xolile P Guma♦

Gordon Nzalo♦
John Macey#
Marcel JA Golding#

Mark Anderson◊
Nambita Mazwi♦
Sithembiso N Mthethwa#

** Appointed/designation changed 1 April 2020* *♦ Independent non-executive* *# Non-executive* *◊ Executive director*

Key responsibilities

- Promoting the interests of stakeholders and acting fairly and responsibly;
- Formulating and approving strategy;
- Ensuring the correct implementation of corporate governance, risk management and internal control policies and structures;
- Retaining effective control over the business;
- Providing strategic leadership;
- Leading the group in achieving its goals and objectives;
- Managing the performance and affairs of the group;
- Delegating authority to management and monitoring and evaluating the implementation of policies, strategies and business plans; and
- Embracing transparency, integrity and ethical business conduct.

Board sub-committees

Audit and risk committee	Remuneration committee	Nomination committee	Investment committee	Social, ethics and transformation committee
See for full report				
64	54	60	59	61
Members				
G Nzalo* (chairman) JR Macey* NS Mazwi*	JR Macey* (chairman) LI Jacobs* MJA Golding	LI Jacobs* (chairman) JR Macey*	JR Macey* (chairman) E Dube NM Anderson LI Jacobs* S Mthethwa A Pieterse**	NS Mazwi* (chairman) I Ross T Mika G Gould
Independent				
3/3	2/3	2/2	3/6	1/4

** Independent non-executive.* *** Appointed 1 July 2019, non-board member.*

CORPORATE GOVERNANCE (CONTINUED)

The board

The board is composed of individuals with a diverse range of skills, knowledge and experience. It is made up of seven non-executive directors and four full-time, salaried executive directors. King IV recommends that the majority of the non-executive directors be independent and, accordingly, most of Vunani's non-executive directors are independent in terms of both the King guidelines and the JSE Listings Requirements.

Female representation on the board is currently 9% and the promotion of gender diversity at board level is therefore a priority for Vunani. In accordance with the group's gender diversity policy, it aims to double this percentage by 2021.

The board composition is currently 73% black and 27% non-black directors. The promotion of racial diversity at board level is very important for Vunani. In accordance with the group's racial diversity policy, it aims to ensure that at least 50% of its directors are black. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Board performance

During the 2020 financial year, the board:

- Approved the group's strategy and focus areas
- Exercised oversight over the group's operational performance
- Exercised oversight over the group's financial performance
- Approved and published the group's financial results
- Completed the acquisition of a majority shareholding in Oracle Insurance Eswatini and Vunani Fund Managers Botswana

In the 2021 financial year, the board intends to:

- Monitor and measure progress against strategic objectives
- Support and guide the executive team
- Actively manage risk
- Measure progress against strategic objectives
- Monitor the group's operational and financial performance
- Ensure that the group adheres to best-practice corporate governance
- Continue to expand relationships with partners in southern Africa

Board and committee meeting attendance

Director	Board meetings (4 meetings)	Audit and risk committee (4 meetings)	Remune-ration committee (1 meeting)	Social, ethics and trans-formation committee (1 meeting)	Investments committee (4 meetings)	Nominations committee (no meetings)
Lionel Jacobs (Independent non-executive chairman)	4	N/A	1	N/A	4	N/A
Ethan Dube* (Executive deputy chairman)	4	N/A	N/A	N/A	4	N/A
Butana Khoza* (CEO)	3	N/A	N/A	N/A	N/A	N/A
Tafadzwa Mika (CFO)	4	N/A	N/A	1	N/A	N/A
Dr Xolile P Guma♦	3	N/A	N/A	N/A	N/A	N/A
Gordon Nzalo♦	4	4	N/A	N/A	N/A	N/A
John Macey#	4	4	1	N/A	4	N/A
Marcel JA Golding#	4	N/A	1	N/A	3	
Mark Anderson◊	4	N/A	N/A	N/A	4	N/A
Nambita Mazwi♦	2	4	N/A	1	N/A	N/A
Sithembiso N Mthethwa#	2	N/A	N/A	N/A	0	N/A

** Appointed 1 April 2020.* *# Non-executive.*
♦ Independent non-executive. *◊ Executive director.*

Board appointments

Directors are appointed in a formal and transparent manner. Nomination and approval of appointees to the board and its committees is carried out in accordance with the remuneration and nomination charter. Directors are at liberty to accept other board appointments as long as they do not conflict with Vunani's business interests and do not detrimentally affect the performance of the directors involved.

Vunani's memorandum of incorporation ("MOI") requires that one-third of the directors of the company, with the exception of the executive directors, retire by rotation and offer themselves for re-election by shareholders at the annual general meeting. Accordingly, XP Guma, N Mazwi, J Macey and G Nzalo will retire by rotation at the company's forthcoming annual general meeting. The re-election of directors will be dealt with via individual resolutions.

Directors' induction and training

A JSE induction programme is in place at Vunani and it is mandatory for all new directors to attend this course. The new directors are provided with an induction pack including the group ethics policy among other policies. The group also covers the cost of attendance at appropriate external training courses. On an annual basis the group through discussion with the board members identifies training which its members may find beneficial. The company secretary takes responsibility for managing and coordinating this process.

Declaration of interest

In line with the requirements of section 75 of the Companies Act (Act 71 of 2008), directors are obliged to disclose any material interests in contracts at every board meeting. The disclosures are noted and kept in a separate register of directors' disclosures.

Board meetings

The board recognises that careful preparation of an agenda and supporting documentation for board meetings enhances productivity and strengthens the board's strategic and supervisory role. The agenda and supporting documentation for board meetings is distributed to all directors before each meeting. The appropriate executive director provides explanations and motivations for items of business requiring decisions in the meeting. Discussions at board meetings are open and constructive and no single director has unfettered powers in the decision-making process. Consensus is sought on items requiring decisions and on emerging issues that could affect the business. When necessary, decisions are also made by written resolution between scheduled meetings, as provided for in the company's MOI and the Companies Act.

Directors have access to all relevant company information, records, executive officers and members of senior management within the group. They are apprised, whenever relevant, of new legislation and changing commercial risks that may affect the business interests of the company. In fulfilling their responsibilities, directors may seek professional advice from external professional advisors at the company's expense.

CORPORATE GOVERNANCE (CONTINUED)

A formal self-assessment by the board was conducted during the year and the board was satisfied that it operates effectively according to an approved board charter, which sets out its duties and responsibilities. The board annually undergoes a comprehensive and rigorous review and evaluation of the independence of those non-executive directors (including, if applicable, the chairman), classified as, "independent", and has satisfied itself that, notwithstanding the fact that certain directors have been on the board for over nine years, all the directors classified as, "independent", are independent and act in an independent manner. The affected directors are JR Macey, GS Nzalo and NS Mazwi.

Financial reporting

The group provides financial reports to its shareholders biannually. Details regarding significant transactions are reported in the appropriate format, as required by the JSE listings requirements, and in accordance with the International Financial Reporting Standards ("IFRS").

Internal audit

MASA Risk Advisory Services reappointment as the external provider of internal audit services to the group was confirmed during the year. An internal audit plan for the 2020 financial year was presented to and approved by the audit and risk committee.

The internal audit plan is based on an assessment of risk areas identified by the internal auditors and management and is reviewed and updated annually. The approved internal audit plan was executed in various stages throughout the 2020 financial year. This process included a risk-based assessment of the adequacy and effectiveness of the group's systems of internal controls and risk management procedures.

Internal audit reports directly to the audit and risk committee, and the internal audit representatives attended all the audit and risk committee meetings during the year. At each meeting, they provided feedback to the committee covering progress in relation to the audit plan, highlighting areas of significant control weakness and presenting recommendations to correct these weaknesses.

The key responsibilities of the internal audit include:

- evaluating the group's governance processes and ethics;
- performing an objective assessment of the effectiveness of risk management and the internal control framework;
- systematically analysing and evaluating business processes and associated controls; and
- investigating and reporting on any instances of fraud, corruption, unethical behaviour and irregularities as appropriate.

Company secretary

The company secretary plays a vital role in the corporate governance of the group and is responsible for ensuring that the board complies with statutory regulations and procedures.

Together with the sponsor, the company secretary ensures compliance with listings requirements and is responsible for the submission of the annual compliance certificate to the JSE.

CIS Company Secretaries Proprietary Limited ("CIS") is the outsourced company secretary for Vunani Limited. CIS is led by Nyanisa Majavu and Future Bhonkwane is the principal consultant. He holds a Postgraduate Diploma in Compliance from UJ and an associate member of Chartered Governance Institute of South Africa (formerly CSSA). He has extensive experience in the company secretarial and corporate governance arenas. In accordance with the JSE Listings Requirements, an assessment of Mr Bhonkwane is performed annually by the entire board, including the executive directors. Based on the annual assessment conducted by the board during the 2020 financial year, the board is satisfied that Mr Bhonkwane has the requisite qualifications, competence and experience to fulfil the functions required by the group company secretary. The academic and professional qualifications of the entire CIS team were externally verified prior to the company being appointed.

The board is also satisfied that an arm's-length relationship is maintained between the company secretary and the board and its sub-committees and confirms that neither Mr Bhonkwane nor any members of staff at CIS are directors or public officers of the group or any of its subsidiaries.

Industry associations

Vunani is currently represented at the following industry associations or organisations:

- Vunani Securities and Vunani Capital Markets are members of the JSE (www.jse.co.za).

Certain Vunani employees are members of or are registered with the following professional associations:

- The South African Institute of Chartered Accountants (www.saica.co.za).
- The South African Institute of Stockbrokers (www.sais.co.za).
- The Chartered Financial Analyst Society of South Africa (www.cfasociety.org/southafrica).
- The Investment Analysts Society of Southern Africa (www.iassa.co.za).
- The JSE (www.jse.co.za).
- The Institute of Directors (Southern Africa) (www.iodsa.co.za).
- The Association of Black Securities and Investment Professionals (www.absip.co.za).

Certain Vunani group companies are:

- Licensed as financial service providers by the Financial Sector Conduct Authority (www.fsca.co.za);
- Registered with the JSE as a sponsor in terms of the JSE Listings Requirements; and
- Members of the Association for Savings and Investment South Africa (www.asisa.co.za).

Dealing in securities

A formal policy is in place whereby all directors and employees are prohibited from trading in the group's securities during defined closed periods. These periods run from the end of the interim and annual reporting periods until the financial results have been disclosed on SENS. Similar restrictions apply during any period in which the company is trading under a cautionary notice or where they may be in possession of price sensitive information.

In terms of the JSE Listings Requirements and group policy, the directors, the company secretary, employees and directors of major subsidiaries, which contribute more than 25% to Vunani Limited's revenue, require advance approval from the chief financial officer for dealings in Vunani shares. Once a trade is executed, details are released on SENS.

Information technology governance

The audit, risk and compliance committee is responsible for IT governance on behalf of the board and reviews the reports from management and external assurance providers to ensure that an adequate and effective IT system is maintained. Vunani's IT steering committee ("Steerco") is a sub-committee of the audit, risk and compliance committee and is responsible for the implementation of an IT governance framework at group level to ensure that IT expenditure and investments in IT infrastructure are managed effectively and are aligned with business objectives. The IT Steerco comprises Vunani executive directors and executive managers from the group's various subsidiaries.

The committee:

- oversaw the value delivery on IT infrastructure and operations;
- reviewed IT related risks;
- ensured that intellectual property contained in information systems is protected;
- ensured that adequate business arrangements are in place for disaster recovery;
- ensured that all personal information is treated by the company as an important business asset and is identified; and
- ensured adequate safeguards are in place to improve cybersecurity.

The committee plans to:

- implementation of cloud-based technology;
- review long-term IT strategy.

DIRECTORATE

Executive directors

Ethan Dube (61)
Executive deputy chairman
MSc (Statistics), Executive MBA (Sweden)

Skills brought to Vunani:
Strategic leadership, management, financial, board and committee experience

Butana Khoza (53)
Chief executive officer
BCom, PG Dip (Accounting), CA(SA)

Skills brought to Vunani:
Management, financial, operational, board and committee experience

Tafadzwa Mika (37)
Chief financial officer
BAcc, CA(SA)

Skills brought to Vunani:
Financial, capital management

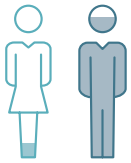
Mark Anderson (60)
Executive director
BCom (Hons), CTA, CA(SA)

Skills brought to Vunani:
Business development and corporate advisory, investment, management, leadership, board and committee experience

Board composition

- Non-executive directors: **18%**
- Independent non-executive directors: **46%**
- Executive directors: **36%**

Board gender



Female directors **9%**

Male directors **91%**

Board race

Black directors **73%**

Non-black directors **27%**

Please refer to the https://www.vunanilimited.co.za/about-vunani/leadership/ for detailed CVs.

Non-executive directors

Lionel Jacobs (76)
Independent non-executive chairman
BCom, MBA

Skills brought to Vunani:
Management, leadership, board and committee experience, negotiating, investment

Dr Xolile P Guma (63)
Independent non-executive director
MA (Economics) (Canada), PhD (Economics) (UK)

Skills brought to Vunani:
Financial, management, board and committee experience, research

Nambita Mazwi (46)
Independent non-executive director
BProc LLB, Dip Company Law, Programme in Business Leadership

Skills brought to Vunani:
Legal, strategic leadership, management, board and committee experience, corporate advisory

Sithembiso N Mthethwa (50)
Non-executive director
BCom (Maritime Economics)

Skills brought to Vunani:
Business development and corporate advisory, negotiating, investment, strategic leadership, management

Gordon Nzalo (53)
Independent non-executive director
BCom, BAcc, CA(SA)

Skills brought to Vunani:
Financial, capital management, board and committee experience, auditing

John Macey (57)
Independent non-executive director
B Bus Sci (Hons), BCom (Hons), CA(SA)

Skills brought to Vunani:
Financial, capital management, board and committee experience

Marcel JA Golding (58)
Non-executive director
BA (Hons)

Skills brought to Vunani:
Strategic leadership, mining, management, board and committee experience

- Audit and risk committee
- Remuneration committee
- Nomination committee
- Investment committee
- Social, ethics and transformation committee

REMUNERATION REPORT

The remuneration committee makes proposals to the board regarding the remuneration policy and the remuneration of individual directors.

The committee is chaired by independent non-executive director JR Macey and further comprises independent non-executive director LI Jacobs and non-executive director MJA Golding. Attendance at committee meetings is set out on page 49.

The committee assists the board in discharging its duties related to:

- motivating individuals in line with the overall business strategy in order to maximise shareholder value;
- setting levels of remuneration that are fair, reasonable, relevant and competitive;
- rewards individuals who promote ethical culture and corporate citizenship;
- consistently applying policies and practices throughout the group; and
- fostering a focus on long-term sustained performance and growth within the group.

During the reporting period, the committee:

- reviewed the allocation of conditional share awards to executives and key members of management;
- approved the executive short-term incentive pool and related payments; and
- recommended remuneration for non-executive directors for the 2020 financial year;

In FY2021 the committee intends to:

- continue to ensure that the remuneration of individuals is in line with performance and market benchmarks;
- align short-term executive remuneration with the group's long-term goals;
- review the remuneration of low-level employees to bridge the gap between the lowest and highest paid employees; and
- ensure the accurate allocation of conditional shares to executives and key members of management.

Shareholder engagement

At the AGM on 30 July 2019 the remuneration policy received a 99.99% advisory vote from our shareholders, while the remuneration implementation report received a 99.99% advisory vote from the shareholders. At the meeting there were no specific concerns raised about the policy. In the event that the remuneration policy and implementation report are voted against by 25% of the votes, the committee will engage the shareholders regarding their concerns and provide clarity to them as soon as possible. We are committed to providing any clarification on any issues raised by shareholders in the future.

The committee is comfortable that Vunani's remuneration policy largely achieved its objectives, which are detailed above. In order to improve the remuneration policy, the committee used benchmarking data from salary surveys to guide the decision-making process.

No independent remuneration consultants were used during the year.

In terms of King IV the remuneration policy and implementation report will be voted on at the AGM.

Remuneration philosophy and policy

The group recognises that it operates in a competitive environment and that one of the drivers of its performance is its people. It therefore remunerates at levels that attract, retain and motivate employees of the highest calibre and rewards them for good performance.

The group defines total remuneration as a combination of all types of reward, including financial, non-financial, direct and indirect. It rewards individual performance while nevertheless ensuring that there is a distribution of remuneration around the market median.

The executive directors have service contracts with the group, which may be terminated with one month's written notice.

None of the executive directors has a fixed-term contract.

Components of total remuneration

The components of total remuneration are split between total guaranteed pay ("TGP"), short-term incentive ("STI") and long-term incentive ("LTI").

Level	**TGP**	STI	**LTI**
Key management (including the CEO and executive directors)	Guaranteed cost to company	Performance bonus	Equity-settled share plan
Senior management	Guaranteed cost to company	Performance bonus	Equity-settled share plan
General employees	Guaranteed cost to company	Performance bonus	Equity-settled share plan

Total guaranteed pay

The levels of total guaranteed pay are reviewed and revised annually.

Criteria for determining remuneration increases include inflation ("CPI"), market comparisons, group performance, individual performance and affordability based on group budgets. The remuneration committee approves annual salary increases.

Provident fund contributions are based on a scale of between 10% and 27.5% of total annual remuneration, with individual contributions being selected by employees themselves. These contributions ensure monetary security and dignity for employees and, in the case of death, for their beneficiaries.

Remuneration consists of the following guaranteed components and is applicable to all employees:

- Basic salary;
- Group life assurance;
- Medical aid; and
- Provident fund.

Short-term incentives

Annual incentive bonuses are paid if key performance targets, which include but are not limited to financial targets, are met.

All employees are eligible to participate in the group's incentive bonus scheme, which is well established within each of the business units. The bonus is conditional on both company and individual performance. It is paid annually subject to the achievement of performance targets against key performance indicators that have been agreed to by the chief executive and the remuneration committee.

The short-term executive incentive plan is based on the following principles:

- as the group's executive directors provide leadership, support and guidance to all subsidiaries, incentives are dependent on overall group performance;
- incentives are biased towards realisations and therefore non-cash items and minority interests are discounted when determining the adjusted profit pool;
- the profit pool is split between investment activities and non-investment activities, which are treated differently;
- the incentive on the investment pool is based on a carried interest model according to which the reward is calculated as a percentage of the realised capital growth after a notional cost of capital charge has been applied; and
- the incentive on the non-investment pool is calculated as a percentage of the adjusted profit pool on a sliding scale.

The table below shows the pay mix of the executive directors at the various levels of performance:

	TGP	STI	LTI
Below-threshold performance *Position* CEO/CFO/Executive	85%	0%	15%
Target performance *Position* CEO/CFO/Executive	57%	33%	10%
Stretch performance *Position* CEO/CFO/Executive	44%	48%	8%

REMUNERATION REPORT (CONTINUED)

Performance condition and weightings	**Performance period**	Strategic purpose	**Positive outcome**
Financial (75%) ▪ Group profit ▪ Realisation of investments ▪ Cost efficiency	One year	To create a culture that rewards performance and achieving strong annual returns	Financial Improve group profitability, dividend growth and share price
Strategic initiatives (25%) ▪ Client satisfaction ▪ Be more agile, innovative and competitive ▪ Transformation	One year	Ensure all stakeholders are looked after and being a better corporate citizen	Social and relationship Improve the financial well-being of our stakeholders who will in turn produce improved social conditions of the communities

Long-term incentives

The group has one share scheme in place, the conditional share scheme, which is a long-term incentive.

The company implemented the share scheme in November 2015. The conditional share scheme entitles employees to receive performance and retention shares in the company upon the fulfilment of certain performance conditions.

The conditional awards were made on 11 November 2015, 29 February 2016, 24 February 2017 and 26 February 2018.

The shares will vest on the fulfilment of certain performance conditions at the end of a three-year period. Performance conditions include financial and non-financial measures. It is anticipated that allocations will be made annually.

Performance condition and weightings	**Performance period**	Strategic purpose	**Positive outcome**
Financial performance (60%) Individual performance (40%)	One year	To attract, retain and motivate key employees	Improved group profit that will improve the shareholder return

Executive directors' remuneration

The group adheres to the guidelines for executive remuneration as set out in King IV. Overall remuneration principles include:

- establishing an appropriate and competitive balance between fixed and variable remuneration structures in order to achieve performance excellence;
- establishing a performance-oriented culture with a pay-for-performance approach that aligns with sustainable shareholder value;
- using market and industry benchmarks to ensure competitive remuneration that is aligned to the market median; and
- driving sustainable business results through short-term and long-term performance-driven incentives.

Please refer to the implementation report below and note 43 on page 149 of the annual financial statements for details of the executive directors' remuneration.

Non-executive directors' remuneration

Non-executive directors receive fixed fees for their services as directors of the board and as members of board committees.

The remuneration committee proposes the fees for non-executive directors, and these are confirmed by the board and approved by shareholders. Fees are reviewed annually, and non-executive directors do not participate in the group's incentive bonus plan or share option schemes.

For details regarding fees paid during the current period and prior year, refer to note 43 on page 149 of the financial statements.

Prescribed officers

Prescribed officers fall into a category created by the 2008 Companies Act. The purpose of this category is to include within the scope of the Act anyone who fulfils the role of a director but who is operating – whether intentionally or otherwise – under a different designation.

In order to comply with the requirements of the Act, the group discloses all remuneration paid to prescribed officers in its annual financial statements. Details for the reporting period are available in note 65 on page 176.

Implementation report

Total remuneration (single figure)

The single figure remuneration disclosure below is in terms of the King IV principles:

Figures in R'000	Salaries	Provident fund and medical aid contributions	Bonus	Share-based payment	Total
2020					
E Dube	**4 022**	**888**	**3 319**	**906**	**9 135**
NM Anderson	**2 900**	**408**	**2 236**	**607**	**6 151**
BM Khoza	**2 714**	**594**	**2 236**	**607**	**6 151**
T Mika	**1 173**	**131**	**881**	**304**	**2 489**
	10 809	**2 021**	**8 672**	**2 424**	**23 926**
2019					
E Dube	3 765	868	2 948	1 293	8 874
NM Anderson	2 687	383	1 986	868	5 924
BM Khoza	2 563	558	1 986	868	5 975
T Mika	1 107	123	783	325	2 338
	10 122	1 932	7 703	3 354	23 111

Total long-term incentive awards

The details of the long-term awards made to the executive directors are disclosed below:

	Opening number ('000)	Awarded during the year ('000)	Forfeited during the year ('000)	Vested during the year ('000)	Award price per share (cents)	Closing number ('000)	Cash received from awards settled	Indicative value of unvested shares (R'000)
2020								
E Dube	**1 123**	**–**	**–**	**655**	**234**	**468**	**–**	**931**
NM Anderson	**751**	**–**	**–**	**441**	**234**	**310**	**–**	**617**
BM Khoza	**751**	**–**	**–**	**441**	**234**	**310**	**–**	**617**
T Mika	**357**	**–**	**–**	**250**	**234**	**107**	**–**	**213**
	2 982	**–**	**–**	**1 787**	**–**	**1 195**	**–**	**2 378**

REMUNERATION REPORT (CONTINUED)

	Award date	Vesting date	Opening number ('000)	Awarded during the year ('000)	Forfeited during the year ('000)	Award price per share (cents)	Closing number ('000)	Cash received from awards settled	Indicative value of unvested shares (R'000)
2019									
E Dube	26/02/2018	26/02/2021	2 137	1 014	–	151-234	1 123	–	2 459
NM Anderson	26/02/2018	26/02/2021	1 434	683	–	151-234	751	–	1 645
BM Khoza	26/02/2018	26/02/2021	1 434	683	–	151-234	751	–	1 645
T Mika	26/02/2018	26/02/2021	574	217	–	151-234	357	–	782
			5 579	2 597	–		2 982	–	6 531

STI performance outcomes

The STI performance outcomes for the year are set out below:

	Weight	Target	ED	MA	BK	TM	Achieved
Key performance indicator							
Group profit	**35%**	**10% growth**	×	×	×	×	×
Return on equity	**10%**	**10% growth**	✓	✓	✓	✓	✓
New business	**20%**	**10% growth**	✓	✓	✓	✓	✓
Strategic initiatives	**35%**	**Exco assessment**	✓	✓	✓	✓	✓

Payments on termination of employment

The employment contracts of members of the executive management do not contain clauses that would entitle them to additional remuneration in the event of termination of their contracts. In the event of termination of employment, any payments made to the executive will be in terms of legislation and any unvested long-term incentive scheme shares will be dealt with in terms of the rules of the scheme and reason for termination.

There were no payments for termination of employment during the year.

Compliance

There were no deviations from the remuneration policy during the reporting period.

INVESTMENT COMMITTEE REPORT

The primary purpose of the investment committee is to consider projects, acquisitions and the disposal of assets in line with the group's overall strategy.

The committee is chaired by independent non-executive JR Macey and further comprises executive directors E Dube and NM Anderson, non-executive director S Mthethwa, independent non-executive director LI Jacobs and independent committee member A Pieterse, who was appointed to the committee effective 1 July 2019. Attendance at committee meetings is set out on page 49.

The committee assists the board in discharging its duties related to:

- the disposal or transfer of any business, share, asset or other investment within the limits of its authority;
- the establishment of or acquisition of any business – either directly or indirectly;
- the encumbering of any assets in any manner whatsoever;
- any transactions or agreements with related parties as defined in the JSE listings requirements;
- the liquidation or winding-up, de-registration or the discontinuance or suspension of any business activities;
- the implementation of any re-structuring, merger or joint venture agreements;
- the amendment of the MOI of any designated group company;
- any variation to the authorised and/or issued share capital or rights attaching to any shares or class of shares of any designated group company;
- any matter concerning the financing of capital or borrowings which would have the effect of directly or indirectly reducing the proportionate shareholding of any ordinary shareholder in a designated group company;
- the issue of guarantees or other similar undertakings of any nature;
- a change in the business of any designated group company; and
- performing such other investment-related functions as may be designated by the board from time to time.

During the reporting period, the committee:

- reviewed and approved the group's valuations of unlisted investments;
- considered and approved the acquisition of a stake in Oracle Insurance Eswatini;
- considered and approved the acquisition of a stake in Vunani Fund Managers Botswana; and
- considered and approved a property transaction.

In FY2021 the committee intends to:

- review the impact of significant transactions on the group's capital;
- monitor the investment strategy and policies in order to ensure that investments are in line with group strategy;
- identify investment opportunities in order to ensure sustainable growth for the group;
- consider the disposal of non-core listed investments; and
- review and approve unlisted investment valuations.

Levels of authority

The approval of investment transactions by the committee is subject to the limits of authority as specified in the JSE Listings Requirements. Transactions exceeding a set financial limit also require shareholder approval.

The limits of authority approved by Vunani's board are as follows:

1. All investments amounting up to R3 million are at the sole discretion of the executive management of Vunani and these investments do not require committee or board approval.	R3 million The sole discretion of the executive committee.
2. All investments in excess of R3 million and up to a maximum of R30 million require approval by the committee. No board approval is required.	R30 million Requires the approval of the investment committee.
3. All investments with an exposure in excess of R30 million are reviewed by the committee and recommended to the board for approval. Any approved investment proposal is referred to the board together with the committee's recommendation for the board's final determination.	+R30 million Requires final approval from the board.

JR Macey
Investment committee chairman

NOMINATION COMMITTEE REPORT

The nomination committee makes proposals to the board regarding the remuneration, the evaluation and re-appointment of directors, and the appointment and induction of new directors.

The committee is chaired by independent non-executive director LI Jacobs and further comprises independent non-executive director JR Macey. Attendance at committee meetings is set out on page 49.

The committee assists the board in discharging its duties related to:

- reviewing the performance of the executive directors;
- developing succession plans for the CEO and executive directors;
- identifying, evaluating, recommending and approving appointees to the board and board committees;
- considering and making recommendations on a periodic basis regarding the composition and membership of the board, the needs of the board and any gaps perceived in the composition of the board;
- conducting annual evaluations of the effectiveness and performance of the board as a whole and considering the contribution of each non-executive director; and
- reviewing the board's training, development and orientation needs, including induction programmes for new directors and training and development needs arising from the annual director/board performance evaluation process and the annual board training/workshop programme.

During the reporting period, the committee:

- reviewed the membership of the social ethics and transformation committee;
- developed succession plans for CEO; and
- recommended the appointment of an additional member to the investment committee.

In FY2021 the committee intends to:

- review the nomination committee charter;
- review the racial diversity policy of the board; and
- review the gender diversity policy and targets.

LI Jacobs
Nomination committee chairman

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The social, ethics and transformation committee was established to monitor adherence to ethical standards, to provide guidelines for acceptable behaviour and to allow for formal oversight of the group's activities, all with reference to the prevailing codes of best practice.

The committee is chaired by independent non-executive director NS Mazwi and further comprises executive director T Mika and non-board members I Ross and G Gould. S Moodley and L Rankin resigned during the year. Attendance at committee meetings is set out on page 49.

The committee assists the board in discharging its duties related to:

- the group's legal obligations;
- prevailing codes of good practice pertaining to social and economic development and good corporate citizenship;
- the environment, health and public safety, including the impact of the company's activities and of its products or services;
- consumer relationships, including the company's policies and record relating to advertising, public relations and compliance with consumer protection laws;
- labour and employment matters;
- assessment of potential CSI projects;
- compliance with applicable laws and regulations; and
- transformation policies.

During the year the committee:

- reviewed laws and regulations affecting the group;
- monitored the group's CSI projects and its contribution to socio-economic development;
- monitored compliance against the group's ethics policy and employment equity plan; and
- reviewed the B-BBEE scorecards for major subsidiaries and their plans for improving on levels of employment equity.

In the 2021 financial year, the committee intends to:

- continue to monitor the implementation of the group's CSI strategy and projects;
- exercise oversight of the legal universe and changes affecting the group;
- review policies relating to labour and employment matters;
- review the membership of the committee to ensure it is in line with King IV; and
- review and implement the transformation policy.

Social, ethics and transformation committee sub-committees

The social and ethics committee has one sub-committee that assists it in discharging its duties to the board.

Health and safety committee ("HS committee")

The HS committee was established in terms of the Occupational Health and Safety Act, with a mandate to ensure the continued provision and maintenance of a safe and healthy working environment.

The committee assists the social and ethics committee by:

- conducting health and safety audits;
- identifying potential hazards, risks and dangers;
- conducting inspections of the working environment;
- investigating incidents; and
- making recommendations regarding health and safety to the social and ethics committee.

Broad-based black economic empowerment ("B-BBEE")

The B-BBEE status of Vunani's various business units is as follows:

Vunani Fund Managers	**Level 2**
Fairheads	**Level 4**
Vunani Capital	**Level 2**
Vunani Securities	**Level 2**
Vunani Capital Markets	**Level 2**
Vunani Resources	**–**

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT (CONTINUED)

B-BBEE Commission Compliance Report (in terms of Section 13G(2) of the Broad-Based Black Economic Empowerment Act)

Industry/sector	Financial Services
Relevant code of good practice	FSC Generic
Name of verification agency	Empowerlogic Proprietary Limited
Name of technical signatory	P Govender

Information as verified by the Broad-Based Black Economic Empowerment verification professional as per scorecards:

	Target score	Bonus points	Actual score achieved
B-BBEE elements			
Equity ownership	25	–	24.3
Management control	20	–	12.6
Skills development	20	–	14.45
Enterprise and supplier development	35	–	21.66
Socio-economic development	5	–	3.01
Total score	105	–	78.92
Priority elements achieved	4/5		
Empowering supplier status	Yes		
Final B-BBEE status	Level 5		

NS Mazwi
Social, ethics and transformation committee chairman

06

ANNUAL FINANCIAL STATEMENTS

The financial statements have been audited in terms of section 30 of the Companies Act of South Africa, 2008.
The financial statements were published on 9 September 2020.
The financial statements have been prepared under the supervision of the group chief financial officer, Tafadzwa Mika CA(SA).

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 29 February 2020

The audit and risk committee operates under a formal mandate that has been approved by the board and has conducted its affairs in compliance and discharged its responsibilities as stipulated in the committee terms of reference.

Audit and risk committee members

The committee's composition is in line with the requirements of the Companies Act of South Africa, comprising three independent non-executive directors. The committee held four meetings during the year as detailed below:

Committee composition and meeting attendance	17 April 2019	12 June 2019	2 October 2019	24 January 2020
G Nzalo*	✓	✓	✓	✓
JR Macey	✓	✓	✓	✓
NS Mazwi	✓	✓	✓	✓

** Independent non-executive chairman.*

The members of the committee have the necessary financial skills and experience to adequately fulfill their duties as members of the committee.

The chief executive officer, chief financial officer, group financial manager and representatives from external and internal audit attend the committee meetings by invitation.

Key terms of reference

The committee's roles and responsibilities include its statutory duties as defined in the Companies Act of South Africa and the responsibilities assigned to it by the board and these were performed as detailed below:

External audit

During the year under review, the committee undertook the following:

- Considered and satisfied itself that the external auditor was independent.
- Approved the fees to be paid to the external auditor for the 2019/2020 engagement.
- Determined the nature and extent of all non-audit-related services performed.
- Confirmed that the auditor and the designated auditor are accredited by the JSE, as required in the JSE Listings Requirements.
- Confirmed that no reportable irregularities had been identified or reported by the auditors under the Auditing Profession Act.

Internal audit

- Recommended the reappointment of the internal audit service providers.
- Reviewed and approved the annual internal audit plan and evaluated the independence, effectiveness and performance of the internal audit function.
- Reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response.
- Reviewed the effectiveness of the company's systems of internal control, including internal financial control and business risk management and the maintenance of effective internal control systems.
- Reviewed the cooperation and coordination between the internal and external audit functions and coordinated the formal internal audit work plan with external auditors to avoid duplication of work.
- Assessed the adequacy of the performance of the internal audit function and found it to be satisfactory.

Adequacy and functioning of the group's internal control

- Reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.
- As noted above, the committee also reviewed reporting around the adequacy of the internal controls and, based on this, concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

Finance function and chief financial officer

- Satisfied itself of the appropriateness of the qualifications, expertise and experience of the chief financial officer, Tafadzwa Mika.
- Considered the expertise, resources and experience of the finance function, and concluded that these were satisfactory.

Integrated report

- Reviewed the integrated report, including the audit report on the financial statements prior to board approval.
- Satisfied themselves that the financial statements were prepared on a going concern basis.
- Considered the appropriateness of accounting policies and any changes thereto and the adequacy of disclosures in the integrated report.
- Reviewed the accounts and financial statements taken as a whole to ensure they present a balanced and comprehensive assessment of the position, performance and prospects of the group and company.

Legal, regulatory and corporate governance requirements

- Confirmed the company secretary relationship is at arm's length.
- Ensured the establishment and maintenance of effective processes for compliance with applicable statutory and regulatory requirements.
- Monitored compliance with the Companies Act of South Africa, the JSE Rules and Listings Requirements, and all other applicable legislation and governance codes.
- Reviewed compliance matters that could have a significant impact on the financial statements.

Risk management and IT governance

The committee is responsible for the group's risk management and IT governance. The committee has regular feedback from those charged with governance of risk management and IT. During the period the committee:

- Reviewed and approved the group's risk management plan;
- Reviewed the group risk registers containing pertinent risks; and
- Reviewed the group's policies on the risk assessment and risk management and were satisfied with the risk management plan and policies.

Recommendation of the integrated report for approval by the board

Based on the information and explanations given by management and discussions with the internal auditor and the independent external auditor regarding the results of their audits, the committee is satisfied the consolidated and separate financial statements of Vunani Limited ("group" and "company") for the year ended 29 February 2020 comply, in all material respects, with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended.

GS Nzalo
Chairman of the audit and risk committee

9 September 2020
Sandton

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE FINANCIAL STATEMENTS

for the year ended 29 February 2020

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Vunani Limited, which comprise the consolidated and separate statements of financial position at 29 February 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate (group and company) statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company's and group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The directors have reviewed the group's and company's cash flow forecast for the year to 28 February 2021 and, in light of this review and the current financial position, they are satisfied that Vunani Limited and its subsidiaries have, and have access to, adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the consolidated and separate financial statements

The consolidated and separate annual financial statements of Vunani Limited, as identified in the first paragraph, were approved by the board of directors on 9 September 2020 and are signed on their behalf by:

BM Khoza
Chief executive officer
Authorised director

T Mika
Chief financial officer
Authorised director

9 September 2020
Sandton

CERTIFICATION BY THE COMPANY SECRETARY

for the year ended 29 February 2020

In terms of section 58(2) of the Companies Act, and Companies Regulations 2011, we hereby certify to the best of our knowledge and belief, that for the financial year ended 29 February 2020, Vunani Limited has lodged with the Companies and Intellectual Properties Commission, all such returns and notices as are required in terms of the Companies Act of South Africa, and that all such returns appear to be true, correct and up to date.

CIS Company Secretaries Proprietary Limited
Company secretary

9 September 2020
Sandton

DIRECTORS' REPORT

for the year ended 29 February 2020

Review of activities

Main business and operations

The company was incorporated on 1 December 1997 and carries on the business of a financial services company with certain strategic investments. It has operations in fund management, asset administration, insurance, investment banking (institutional securities broking and advisory services), and private equity (commodities trading and other investments).

The operating results and state of affairs of the group and company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Declaration of dividends

No dividends were declared in the current year.

Special resolutions

1. It was resolved that the non-executive directors' remuneration was approved with effect from 31 July 2019 until the next annual general meeting.
2. It was resolved by special resolution that, subject to the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements in force from time to time, the company and/or any subsidiary of the company, be and are hereby authorised to repurchase or purchase shares issued by the company.
3. It was resolved that approval was provided authorising the group to provide direct or indirect financial assistance to any related or inter-related companies.

Share capital

Details of the company's authorised and issued share capital at 29 February 2020 are shown in notes 25 and 61 to the financial statements.

Directors

The directors of the company for the financial year and up to the date of this report are as follows:

Executive directors

E Dube (deputy executive chairman)
T Mika (chief financial officer)
BM Khoza (chief executive officer)
NM Anderson

Non-executive directors

LI Jacobs (chairman) – independent
GS Nzalo – independent*
JR Macey – independent*
NS Mazwi – independent*
XP Guma – independent
S Mthethwa
M Golding

* *Having served for more than nine years as an independent non-executive director, the director's independence was considered and assessed by the board and the board is satisfied that there are no factors that impair their independence. The director continues to be classified as an independent non-executive director.*

Secretary

The company secretary is CIS Company Secretaries Proprietary Limited.

Shareholding of directors

The shareholding of directors in the issued share capital of the company as at 29 February 2020 was as follows:

Shareholding per director	Number of shares held Beneficially direct ('000s)	Total Beneficially indirect ('000s)	Number of shares ('000s)
E Dube	311	24 634	24 945
BM Khoza	–	14 779	14 779
NM Anderson	806	14 779	15 585
T Mika	275	–	275
	1 392	54 192	55 584

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Vunani Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Vunani Limited (the group and company) set out on pages 72 to 179 which comprise the consolidated and separate statements of financial position at 29 February 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects the consolidated and separate financial position of Vunani Limited at 29 February 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted investments (Consolidated and separate financial statements) *Refer to note 2.2 Financial instruments; note 3.2 Determination of fair values; notes 16 and 57 Other investments; note 21 Other non-current assets; notes 44.4 and 66.3 Fair value*	
The group and company hold significant unlisted investments included in other investments and other non-current assets in the consolidated and separate statements of financial position at values of R130.8 million and R18.3 million respectively. These unlisted investments are measured at fair value through profit or loss. Unlisted investments are classified as level 3 within the fair value hierarchy, and their fair values are determined using various sophisticated valuation techniques, which include discounted cash flow valuations and various option pricing models, and use of various sources of external and internal data, such as future cash flows, discount rates, marketability discounts, weighted average cost of capital (WACC), risk free rates, volatility rates and latest available financial information of the investee entity. Management applied significant judgement and, for certain investments, involved third parties in determining the fair values. Due to the level of judgement required by management in determining the fair values, the valuation of unlisted investments was considered a key audit matter.	Our procedures included: ▪ Testing the design and implementation of relevant controls and governance procedures relating to the valuation of level 3 financial investments. ▪ Evaluating the valuation of unlisted investments in accordance with the requirements of IFRS 9, *Financial instruments* (IFRS 9), and IFRS 13, *Fair value measurements* (IFRS 13). ▪ Involving our valuation specialists, where complex valuation techniques have been used, in assessing the appropriateness of the valuation techniques used based on the nature of the investment being valued, and independently assessing the appropriateness of certain key inputs such as the discount rates, marketability discounts, weighted average cost of capital (WACC), risk free rate and volatility rates used to determine the fair values. ▪ Where management made use of valuation experts, assessing the independence and competence of management's valuation experts based on their professional profiles and qualifications. ▪ Reviewing and challenging management and the third parties' key assumptions and significant inputs used in preparing these valuations, and through independent recalculation and verification, assessing that these assumptions and inputs were reasonable. ▪ Considering the adequacy of the disclosures in the consolidated and separate financial statements in accordance with IFRS 9 and IFRS 13.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets (Consolidated financial statements) *Refer to note 2.16 Income tax; note 12 Income tax and note 20 Deferred tax*	
The group has recognised deferred tax assets of R45.5 million, which consist primarily of tax losses carried forward. The deferred tax assets have been recognised as it is probable that future taxable profits will be available against which to utilise the tax losses. When considering the probability of future taxable profits being earned, in line with IAS 12, *Income Taxes* (IAS 12), judgement is applied by management when assessing the projections of the future taxable income which are based on approved business plans and cash flow projections for the next five years. Due to the significant estimation and judgement applied by management, the recognition of deferred tax assets was considered a key audit matter in our audit of the consolidated financial statements.	Our procedures included: ▪ Involving our tax specialists to evaluate the recognition and measurement of the deferred tax assets in order to confirm the availability of the estimated tax losses, by analysing the deferred tax calculation for compliance with the relevant tax legislation. ▪ Evaluating management's assessment in respect of the estimated manner in which the temporary differences are expected to realise by agreeing the future taxable income to cash flow forecasts, business plans, minutes of directors' meetings and our knowledge of the business, including assessing management's performance against previous forecasts. ▪ Considering the adequacy of the disclosures in the consolidated financial statements in accordance with IAS 12.
Accounting for significant new acquisitions (Consolidated financial statements) *Refer to note 2.1 Basis of consolidation; note 2.5 Business combinations; note 2.6 Goodwill and intangible assets; note 14 Goodwill and intangible assets and note 37 Business combinations*	
During the year, the group acquired significant investments which contributed R74.2 million to the group's net assets. The initial recognition and measurement, as well as the impact of any subsequent measurement considerations in terms of IFRS 3, *Business Combinations* (IFRS 3), is complex, and may therefore be susceptible to error. A bargain purchase gain of R34.9 million was recognised in the current year with respect to these new acquisitions in the consolidated statement of comprehensive income. Due to the size of the business acquisitions and the significant judgement applied by management in determining the fair value of the net assets acquired, including the recognition of the intangible asset, being the "value of in-force business acquired" (VIF) asset in the insurance business acquired, the accounting for significant new acquisitions was considered a key audit matter in our audit of the consolidated financial statements.	Our procedures included: ▪ Obtaining an understanding of the new acquisitions, which included: – Inspecting all key contract terms and conditions – Discussions with management and inspection of the documents presented to the investment committee – Reading the minutes of meetings and any other documentation supporting the decision to acquire the investee companies. ▪ Assessing the impact of any contingent considerations by assessing the reasonableness of the assumptions made underlying the contingent consideration estimates. ▪ Evaluating the appropriateness of the fair values of the net assets acquired. With respect to the acquisition of the insurance business, with the assistance of our actuarial specialist team, assessing the appropriateness of the valuation techniques used and the underlying assumptions applied relating to the VIF asset and the insurance contract liabilities acquired. ▪ Considering the adequacy of the disclosures in the consolidated financial statements in accordance with IFRS 3.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

for the year ended 29 February 2020

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities (Consolidated financial statements) *Refer to note 2ii IFRS 4: Insurance Contracts; note 30 Insurance contract liabilities and note 31 Contract holder liabilities: assumptions and estimates*	
At 29 February 2020, the carrying amounts of the group's insurance contract liabilities amounted to R89.9 million. 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. The insurance contract liabilities are measured in accordance with the financial soundness valuation basis as set out in the actuarial professional guidance note SAP 104. In valuing these insurance contract liabilities, management considers key economic and non-economic assumptions. Economic assumptions include available market information as at the valuation date. Non-economic assumptions are typically determined using past experience as a guide, which introduces significant judgement applied by management. Significant judgements are required over the inputs to the carrying amounts of these liabilities in the life business. These include inter alia mortality and morbidity rates, expense assumptions and discount rates. Given the relative magnitude and the judgement involved in determining the value of these liabilities, the valuation of insurance contract liabilities was considered a key audit matter in our audit of the consolidated financial statements.	With the assistance of our actuarial specialists, our procedures included: ▪ Obtaining an understanding of the methodologies and assumptions applied in determining the valuations of the insurance contract liabilities and identifying those areas within the valuations where specific discretion is being applied. ▪ Considering the appropriateness of the accounting and valuation methodology applied against IFRS 4, *Insurance Contracts* (IFRS 4) and compliance with the latest actuarial guidance and legislation. ▪ Independently assessing the reasonability of assumptions made and used in the valuation around mortality, morbidity rates, expense assumptions and discount rates by testing the reasonability of actual profit emerging against the expected profit in the analysis of the surplus, and the effectiveness of management actions. ▪ Considering the adequacy of the disclosures in the consolidated financial statements in accordance with IFRS 4.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Vunani Limited Integrated Report for the year ended 29 February 2020", which includes the Report of the audit and risk committee, the Certification by the Company Secretary and the Directors' report as required by the Companies Act of South Africa. The other information does not include the consolidated and the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Vunani Limited for 11 years.

KPMG Inc.
Registered Auditor

Per V Mans
Chartered Accountant (SA)
Registered Auditor
Director
9 September 2020

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2020

Figures in R'000	Notes	VUNANI LIMITED – Group 2020	2019
Revenue	5	**462 156**	425 329
Other income	6	**12 950**	2 258
Bargain purchase gain	37	**34 889**	–
Investment revenue	7	**12 386**	10 954
Interest received from investments		**6 023**	170
Impairments	9	**(4 264)**	(11 973)
Fair value adjustments	8	**(30 370)**	73 239
Equity-accounted earnings (net of income tax)	15	**9 968**	6 053
Commodities trading-related costs		**(83 374)**	(100 594)
Operating expenses	10	**(363 988)**	(293 020)
Results from operating activities		**56 376**	112 416
Finance income	11	**4 813**	4 342
Finance costs	11	**(9 801)**	(8 801)
Net finance costs		**(4 988)**	(4 459)
Profit before income tax		**51 388**	107 957
Income tax expense	12	**(11 920)**	(17 705)
Profit for the year		**39 468**	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		**27 487**	92 411
Profit for the year attributable to:			
Equity holders of Vunani Limited		**35 893**	88 553
Non-controlling interest		**3 575**	1 699
		39 468	90 252
Total comprehensive income for the period attributable to:			
Equity holders of Vunani Limited		**28 126**	89 916
Non-controlling interest		**(639)**	2 495
		27 487	92 411
Basic earnings per share (cents)	38	**22.3**	54.7
Basic earnings per share from operations (cents)		**22.3**	54.7
Basic headline earnings per share (cents)	38	**0.6**	54.7
Basic headline earnings per share from operations (cents)		**0.6**	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 37 for more information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 29 February 2020

Figures in R'000	Notes	VUNANI LIMITED – Group 2020	2019
Assets			
Property, plant and equipment*	13, 28	**27 903**	10 977
Goodwill	14	**139 766**	139 766
Intangible assets	14	**188 924**	76 164
Investments in associates	15	**59 787**	53 390
Loans to associates	15	**5 285**	10 118
Other investments	16	**107 020**	93 565
Insurance-related investments	17	**286 589**	–
Deferred tax asset	20	**45 529**	42 826
Other non-current assets	21	**33 302**	74 564
Total non-current assets		**894 105**	501 370
Other investments	16	**4 432**	918
Inventory	19	**65 631**	29 255
Taxation prepaid	32	**3 150**	1 259
Reinsurance assets	18	**20 136**	–
Loans to associates	15	**1 460**	–
Trade and other receivables	22	**98 328**	121 063
Accounts receivable from trading activities	23	**286 531**	90 561
Trading securities		**143**	72
Cash and cash equivalents	24	**246 530**	54 446
Total current assets		**726 341**	297 574
Total assets		**1 620 446**	798 944
Equity			
Stated capital	25	**696 497**	696 497
Treasury shares	25	**(748)**	(56)
Share-based payments reserve	26	**5 624**	5 506
Foreign currency translation reserve		**(9 509)**	(1 742)
Accumulated loss		**(204 775)**	(230 936)
Equity attributable to equity holders of Vunani Limited		**487 089**	469 269
Non-controlling interest		**70 674**	8 380
Total equity		**557 763**	477 649
Liabilities			
Other financial liabilities	27	**46 408**	46 151
Lease liabilities	28	**12 339**	–
Investment contracts	29	**310 585**	–
Insurance contract liabilities	30	**78 348**	–
Deferred tax liabilities	20	**50 562**	22 251
Total non-current liabilities		**498 242**	68 402
Other financial liabilities	27	**42 145**	32 168
Lease liabilities	28	**7 336**	–
Taxation payable	32	**9 031**	5 177
Insurance contract liabilities	30	**11 600**	–
Trade and other payables	33	**198 506**	114 700
Accounts payable from trading activities	23	**285 956**	90 840
Trading securities		**15**	22
Bank overdraft	24	**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)	25	**161 156**	161 156
Net asset value per share (cents)	38	**302.2**	291.2
Net tangible asset value per share (cents)	38	**98.3**	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 (refer to note 28). 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 28 for more detail on the adoption of IFRS 16.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

	VUNANI LIMITED – Group							
Figures in R'000	Stated capital	Treasury shares	Share-based payment reserve	Foreign currency trans-lation reserve	Accu-mulated loss	Total attribu-table to equity holders	Non-control-ling interest	Total equity
Balance as at 28 February 2018	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)
De-listed 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	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	**–**	**–**	**–**	**–**	**35 893**	**35 893**	**3 575**	**39 468**
Other comprehensive income for the year	**–**	**–**	**–**	**(7 767)**	**–**	**(7 767)**	**(4 214)**	**(11 981)**
Total comprehensive income for the period	**–**	**–**	**–**	**(7 767)**	**35 893**	**28 126**	**(639)**	**27 487**
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#	**–**	**–**	**–**	**–**	**–**	**–**	**65 020**	**65 020**
Total transactions with owners, recorded directly in equity	**–**	**(692)**	**118**	**–**	**(9 732)**	**(10 306)**	**62 933**	**52 627**
Balance as at 29 February 2020	**696 497**	**(748)**	**5 624**	**(9 509)**	**(204 775)**	**487 089**	**70 674**	**557 763**

* *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.*

◊ *The acquisition of NCI relates to the increase in the group's investment in Mandlamart Proprietary Limited and the accounting for the Vunani Fund Managers Share Trust (refer to note 42 for additional details relating to the Trust).*

\# *Relates to the acquisition of Oracle Insurance. Refer to note 37.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

Figures in R'000	Notes	VUNANI LIMITED – Group 2020	2019
Cash flows from operating activities			
Net cash generated by operating activities	35	**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	40	**(1 244)**	(838)
Income tax paid	36	**(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	13	**(1 180)**	(2 523)
Proceeds from disposal of property, plant and equipment	13	**1 322**	–
Proceeds from repayment of loans to associates	15	**6 167**	3 000
Advances in investment and loans to associates	15	**(2 494)**	(3 958)
Dividends received from associates	15	**3 571**	785
Acquisition of intangible assets – computer software	14	**(5 519)**	–
Acquisition of other investments		**–**	(234)
Proceeds on disposal of other investments	16	**13 685**	490
Proceeds on disposal of insurance investments	17	**213 680**	–
Acquisition of insurance investments	17	**(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	29	**(175 158)**	–
Increase in insurance liabilities	29	**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 the end of the year	24	**236 678**	44 460

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 29 February 2020

Reporting activities

Vunani Limited ("the company") is a company domiciled in South Africa at Vunani House, Vunani Office Park, 151 Katherine Street in Sandton. The consolidated and separate financial statements of the company at and for the year ended 29 February 2020 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in associated entities. The group operates primarily in the financial services industry.

1. Basis of preparation

1.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act of South Africa, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The consolidated and separate financial statements have been prepared under the supervision of T Mika, CA(SA), the group chief financial officer.

The financial statements, which have been prepared on the going concern basis, were authorised for issue by the board of directors on 9 September 2020.

1.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for certain financial instruments (which include other investments, insurance-related investments, other non-current assets, certain inventories and certain other financial liabilities), which are measured at fair value, and insurance liabilities, which are measured in terms of the Financial Soundness Valuation basis as set out in actuarial guidance issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104.

1.3 Presentation currency

The financial statements are presented in South African Rand, which is the company's presentation currency.

All financial information presented in South African Rand have been rounded to the nearest thousand unless indicated otherwise.

1.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 16, 17, 21, 27 and 44.4 – determining fair value of financial instruments based on significant unobservable inputs.
- Note 14 – impairment test of goodwill and intangible assets: key assumptions underlying recoverable amounts.
- Notes 15 and 44.3 – equity-accounted investees: whether the group has significant influence and impairment losses on loans to associates.
- Note 20 – utilisation of tax losses: the availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
- Note 22 – measurement of expected credit loss ("ECLs") allowance for trade and other receivables: key assumptions in determining average loss rates.
- Notes 29, 30 – investment contract liabilities designated as at fair value and insurance contracts and investment contracts with discretionary participation features ("DPF") valued using the financial soundness valuation basis as set out in SAP 104: *Calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers.*
- Note 37 – Business combinations – fair value estimation of assets acquired.
- Note 47 – financial reporting in hyperinflationary economies.

2. Accounting policies

The accounting policies applied in the preparation of the consolidated and separate 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. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The group has initially applied IFRS 16 at 1 March 2019. The group has applied IFRS 4: *Insurance Contracts* ("IFRS 4") as a result of the acquisition completed during the year and IAS 29: *Financial Reporting in Hyper inflationary Economies* ("IAS 29") for the Zimbabwe subsidiaries. A number of other new standards are also effective in the current year, but they do not have a material effect on the group's financial statements.

Changes to the significant accounting policies:

i. Leases

Policy applicable before 1 March 2019

IAS 17

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease. Assets held under operating leases were not recognised in the group's statement of financial position.

Policy applicable after 1 March 2019

IFRS 16

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

i. Leases (continued)

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 IFRS16 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

** For the impact of IFRS 16 on profit or loss for the period, see note 28.*

When measuring lease liabilities that were classified as operating leases, the group discounted the lease payments using the incremental borrowing rate at 1 March 2019.

	1 March 2019 R'000
Operating lease commitments at 28 February 2019 as disclosed under IAS 17 in the Group's consolidated financial statements	12 144
Operating lease commitments adjusted February 2019	8 900
Impact of discounting	(2 144)
Lease liabilities recognised at 1 March 2019	18 900

ii. IFRS 4: Insurance Contracts

During the year, the group acquired a controlling stake in Oracle Insurance (refer to note 37 for details of the acquisition). As a result the group has adopted IFRS 4 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 is 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

ii. IFRS 4: Insurance Contracts (continued)

The major classes of contract liabilities are disclosed 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* ("APN 110"), 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. 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 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 installments, 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.

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. 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.

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.

iii. IAS 29: *Financial Reporting in Hyperinflationary Economies*

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 ("PVAM") equity.

General price index
IAS 29 requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period, using a general price index, to account for the effect of loss of purchasing power during the period. The group has elected to use the Zimbabwe CPI, provided by the Zimbabwe Reserve Bank, as the general price index as this provides an observable published indicator of changes in the general purchasing power of the country.

The group applied a general price escalation factor of 6.2 based on the CPI index for the current year of 551.6 and the CPI index for the prior year of 88.8.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

iii. IAS 29: *Financial Reporting in Hyperinflationary Economies* (continued)

Impact on the statement of financial position

The group has not restated the comparative amounts relating to PVAM for changes in price levels in the current year as the functional currency of the group is that of a non-hyperinflationary economy. At the beginning of the first period of applying IAS 29, the components of equity, excluding retained earnings, are restated by applying a general price escalation factor from 1 October 2018 to the end of the reporting period. Differences are recognised directly in equity (foreign currency translation reserve).

The carrying amounts of non-monetary assets and liabilities carried at historical cost have been adjusted to reflect the change in the general price index from 1 October 2018 (or from recognition date if acquired or assumed later) to the end of the reporting period. Where non-monetary items are restated above their recoverable amount, an impairment loss is recognised directly in profit and loss. Non-monetary items that are held at fair value, net realisable value or using a revaluation model are not restated as these assets are recognised based on current price levels. Monetary items are already expressed in the measurement unit current as the end of the reporting period and do not require an adjustment for the general price index.

In addition, under hyperinflation, assets, liabilities and the statement of comprehensive income are translated from the functional currency of PVAM to the functional currency of the group at the spot exchange rate at the reporting date rather than the spot exchange rate ruling at the transaction date.

Impact on the statement of comprehensive income

All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred to the end of the reporting period.

Impact on the statement of cash flows

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period. The resultant statement of cash flows is prepared to reflect cash flows during the year measured at the current purchasing power at the end of the reporting period and as such is not reflecting actual cash flows during the year.

Deferred taxation

At the end of the reporting period, following the indexation of non-monetary items under hyperinflation accounting, deferred tax is accounted for using IAS 12 principles. The deferred taxation relating to opening statement of financial position has been determined using a two-step approach of:

(1) remeasuring the deferred taxation items in accordance IAS 12 after restating the nominal carrying amounts of its 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; and

(2) thereafter, the deferred taxation items remeasured in step 1 have been 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 the reporting period.

Exchange rate used at year-end

The results, cash flows and financial position of PVAM, which is accounted for as an entity operating in hyper-inflationary economy and has a functional currency different from the presentation currency of the group, have translated into the presentation currency of the group, at the spot rate of exchange ruling at the reporting date.

Presentation of the impact of hyperinflation on the group's results

The group presents any exchange differences resulting from the translation of a hyper-inflationary foreign operation in other comprehensive income as part of the foreign currency translation reserve.

2.1. Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the holding company, its subsidiaries and investments in associates.

2.1.1 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls the entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

The company accounts for subsidiaries at cost less accumulated impairment losses in the separate financial statements.

2.1.2 Investments in associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions but not control them.

Investments in associates are accounted for using the equity method ("equity-accounted investees") and are recognised initially at cost. The consolidated financial statements include the group's share of profit or loss and other comprehensive income of the equity-accounted investee from the date that significant influence commences until the date that significant influence ceases.

When the group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments for which settlement is neither planned nor likely to occur in the foreseeable future, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the group has an obligation or has made payments on behalf of the investee.

When the group loses control of a subsidiary and as a result of that the remaining interest is accounted for as an associate, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee.

The company accounts for associates at cost less accumulated impairment losses in the separate financial statements.

2.1.3 Non-controlling interests

Non-controlling interests are measured at either a portion of fair value or at their proportionate share of the acquiree's identifiable assets at the date of acquisition.

Changes in the group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

2.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

2.2 Financial instruments

2.2.1 Recognition and initial measurement

Trade receivables and debt securities are initially measured when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2.2.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to its initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The group classifies non-derivative financial instruments into the following categories: financial assets at fair value through profit or loss ("FVTPL") and measured at amortised cost.

The group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss ("FVTPL") and financial liabilities at amortised cost.

Financial assets – Business model assessment:

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs).

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Derivative financial assets

Derivatives are recognised initially at fair value. Any directly attributable costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in profit or loss. Included in derivative financial assets are trading securities and the Black Wattle Option (refer to note 21).

Other non-current assets

Other non-current assets consist of derivative and non-derivative financial assets not included in other investments and trade and other receivables. Other non-current assets include the derivative option which relates to the group's investment in Black Wattle and certain financial assets (refer to note 21).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances used by the group in the management of short-term commitments. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management system are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are measured at amortised cost.

2.2.3 Derecognition

Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or canceled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

2.2.4 Offsetting

Financial assets and financial liabilities are off-set and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.2.5 Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Treasury shares

Where share capital is repurchased, and held by a subsidiary or a trust, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

2.3 Dividend policy

The company distributes dividends to its shareholders as and when determined by the board of directors of Vunani Limited, subject always to:

- the liquidity and solvency requirements of the Companies Act of South Africa;
- any banking or other funding covenants by which Vunani Limited is bound from time to time; and
- the operating requirements referred to in this policy.

2.4 Property, plant and equipment

2.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within net profit or loss on disposal of assets.

2.4.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2.4.3 Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	Remaining lease period
Motor vehicles	4 years
Furniture and fittings	6 years
Office equipment	3 – 5 years
Computer equipment	3 years
Buildings	40 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

2.5 Business combinations

The acquisition method is used when a business is acquired. A business may comprise an entity, group of entities or an unincorporated operation including its operating assets and associated liabilities. On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities. A non-controlling interest at acquisition date is determined as the non-controlling shareholder's proportionate share of the fair value of the net identifiable assets of the entity acquired.

Fair values of all identifiable assets or liabilities included in the business combination are determined by reference to market values of those or similar items, where available, or by discounting expected future cash flows using the discount rate to present values. When an acquisition is achieved in stages (step acquisition), the identifiable assets and liabilities are recognised at their full fair value when control is obtained, and any adjustment to fair values related to these assets and liabilities previously held as an equity interest is recognised in profit or loss.

When there is a change in the interest in a subsidiary after control is obtained, that does not result in a loss in control, the difference between the fair value of the consideration transferred and the amount by which the non-controlling interest is adjusted is recognised directly in the statement of changes in equity.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. The consideration transferred is the fair value of the group's contribution to the business combination in the form of assets transferred, shares issued, liabilities assumed or contingent consideration at the acquisition date. Transaction costs directly attributable to the acquisition are charged to profit or loss. On acquisition date, goodwill is recognised when the sum of the consideration transferred, the fair value of the previously held equity interest and the recognised amount of non-controlling interests exceeds the fair value of the net identifiable assets of the entity acquired. Goodwill is tested at each reporting date for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

To the extent that the fair value of the net identifiable assets of the entity acquired exceeds the consideration transferred and the recognised amount of non-controlling interests, the excess is recognised in profit or loss on acquisition date as a gain on bargain purchase. The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying amount of any related goodwill.

2.6 Goodwill and intangible assets

Goodwill

Goodwill arises on the acquisition of business combinations.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Goodwill is measured at cost less accumulated impairment losses and is tested for impairment on an annual basis.

Intangible assets

2.6.1 Recognition and measurement

Intangible assets that are acquired by the group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

2.6 Goodwill and intangible assets (continued)

Intangible assets (continued)

2.6.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill and brands, is recognised in profit or loss as incurred.

2.6.3 Amortisation

Amortisation is calculated on the cost of the asset.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods is as follows:

Brand	15 years
Customer lists	8 years
Software	10 years
Value of in-force business acquired	30 years
Software – externally developed	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

2.7 Impairment

2.7.1 Non-derivative financial assets

Financial instruments and contract assets

The group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Twelve month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets
At each reporting date, the group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the group on terms that the group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Incorporation of forward-looking information
The group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. Historical loss rates are appropriately adjusted to reflect the expected future changes in the portfolio condition and performance.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery of balances from customers or receivables. The group may write off financial assets that are still subject to enforcement activity. The group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

2.7.2 Non-financial assets
The carrying amounts of the group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. For goodwill, the recoverable amount is estimated annually.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

2.7 Impairment (continued)

2.7.2 Non-financial assets (continued)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.8 Employee benefits

2.8.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The group operates a retirement scheme, the assets of which are held in separate trustee-administered funds. The retirement scheme is funded by payments from employees and the relevant group entity. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Pre-paid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2.8.2 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.9 Share-based payment transactions

Share-based arrangements in which the group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the group.

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense with a corresponding increase in the share-based payment reserve in equity over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The valuation approach is based on risk-neutral valuation principles and excludes marketability assessments. The fair value of equity-settled awards is determined at the grant date and only updated for changes to non-market conditions at subsequent year-end valuations. As a result, inputs, and assumptions such as the spot share price and dividend yield, are not updated at each subsequent year-end valuation date.

2.10 Revenue

The group generates revenue from trading activities, fees from advisory services, brokerage, fund management fees, asset administration fees, management fees from other investments and commodities trading activities. Other sources of income include investment revenue and interest income from investments.

2.10.1 Services rendered

Revenue from services rendered including management, client services and advisory fees, is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

2.10.2 Commissions

Commissions comprise brokerage, asset administration and fund management fees arise when the group acts in the capacity of an agent rather than as the principal in a transaction. The revenue recognised is the net amount of commission earned by the group. This is recognised when the transaction giving rise to the commission is concluded.

2.10.3 Trading revenue

Trading revenue consists of trading income earned from bond and money market trading activities. Trading income is recognised upon the successful conclusion of trades.

2.10.4 Investment revenue

Investment revenue is recognised in profit or loss on the date that the group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2.10.5 Interest received from investments

Interest received from investments consists of interest on financial assets at amortised cost and investments. Interest from investments is recognised as it accrues in profit or loss, using the effective interest method.

2.10.6 Commodities trading revenue

Commodities trading revenue consists of revenue from coal processing activities and revenue earned from agriculture and boron commodities trading. The revenue from commodities trading is recognised when the product is delivered to the customer.

2.10.7 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 installments, 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.

2.11 Other income

Sundry income

Income is recognised when there is reasonable assurance that the group will comply with the relevant conditions stipulated in the contracts and the income will be received.

Reinsurance recoveries

Reinsurance recoveries are accounted for in the same period as the related claim.

2.12 Leases

Finance leases

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

2.13 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and dividends on preference shares classified as liabilities. Borrowing costs are recognised in profit or loss using the effective interest method.

2.14 Commodities trading costs

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The related cost of providing services recognised as revenue in the current period is included in commodities-related trading costs.

2.15 Inventories

Inventories relating to coal and boron are measured at the lower of cost and net realisable value. Agriculture trading inventory is measured at fair value less costs to sell as the measurement criteria is excluded from IAS 2, as the sales are performed as a broker trader.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Fair value is the price that would be received to sell as an asset in an orderly transaction between market participants at the measurement date. The fair value is the price the company pays for the inventory on date of acquisition. Costs directly incurred to sell the inventory will not be capitalised to inventory and will be expensed to profit and loss.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.16 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current taxation comprises taxation payable calculated based on the expected taxable income for the year,using the taxation rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided based on temporary differences. Temporary differences are differences between the carrying amounts of assets or liabilities for financial reporting purposes and their tax bases.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets or liabilities using the taxation rate enacted or substantively enacted at the reporting date.

Deferred taxation is charged to profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination that is an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in the profit or loss, except to the extent that it relates to items previously charged or credited directly to equity or other comprehensive income.

Deferred taxation is not recognised for the following temporary differences:

The initial recognition of goodwill, initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that the parent is able to control the timing of the reversal of the temporary differences and they will not reverse in the foreseeable future.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused taxation losses and deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised. Deferred tax assets or liabilities are offset if there is a legally enforceable right to offset current tax liabilities or assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and they intend to settle current tax liabilities or assets on a net basis or their tax assets or liabilities will be realised simultaneously.

2.17 Dividends withholding tax

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividend tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of a company's tax charge, but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholding tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

2.18 Earnings per share ("EPS")

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

Headline earnings per share

Headline earnings is calculated by starting with the basic earnings number in terms of IAS 33 and then excluding all re-measurements that have been identified in terms of Circular 1/2019 issued by SAICA.

Diluted headline earnings per share

Diluted headline earnings per share is calculated by dividing the headline earnings attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding for the period after an adjustment for the effects of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

2.19 Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenue and incur expenses, including revenue or expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the group's chief executive officer who is defined by the group as the group's chief operating decision makers, to make decisions about resources to be allocated to each segment and assess its performance, and for which discrete financial information is available.

The group has the following operating segments:

- Fund management – operations comprise institutional and retail product offerings, which include equities, bonds, inflation-linked bonds and property, as well as absolute return funds and smart beta funds.
- Asset administration – a niche beneficiary fund administrator responsible for administering funds on behalf of minor dependents of deceased retirement fund members.
- Insurance – the segment provides short-term insurance, medical aid, individual life and employee benefits in Eswatini.
- Advisory services – whose function is to provide corporate advisory and investment services.
- Institutional securities broking – provides securities broking services to institutional clients. Products traded include equity trading, index futures, single stock futures, yield-X (currency and interest rate futures), equity options, over the counter options, money market and derivatives trading.
- Commodities trading – operations include coal processing and commodities trading activities.
- Other investments – the segment holds the group's listed and unlisted investments in the mining and property sectors and investments in Africa.

2.20 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets or liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets or liabilities, measured at historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates at the dates the fair value was determined.

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the group's presentation currency are translated into Rand, as follows:

- assets and liabilities are translated at the foreign exchange rate ruling at the reporting date; and
- income and expenses are translated at average exchange rates for the year, to the extent that such average rates approximate rates ruling at the dates of the transactions.

Exchange differences arising on translation are recognised directly in other comprehensive income and presented in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

2.21 New standards and interpretations not yet adopted

In terms of IFRS, the group and company are required to include in their financial statements disclosures about the future impact of standards and interpretations issued but not yet effective at the issue date.

A number of new standards, amendments to standards and interpretations are not effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these (consolidated and separate) financial statements. Those which may be relevant to the group and company are set out below. The group and company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

All standards and interpretations will be adopted at their effective dates (except for the effect of those standards and interpretations that are not applicable to the entity).

The directors will assess the impact of the new standards on the group's consolidated in the period in which they are effective. The table below details the standards and interpretations issued but not yet effective:

Standard	Details of amendment	Effective annual periods beginning on or after	Expected impact
IFRS 3: *Business Combinations*	Definition of a business: The amendments confirmed that a business must include inputs and a process, and clarified that: ▪ the process must be substantive; ▪ the inputs and process must together significantly contribute to creating outputs; ▪ narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and ▪ added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.	1 January 2020	The standard will impact the group when it accounts for any business combination, as such the group will apply the amendments to the definition of a business.
IFRS 9: *Financial instruments*	Interest rate benchmark reform: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs") on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.	1 January 2020	The group does not apply hedge accounting as such, the group does not expect there will be a material impact on the group's financial statements.
IFRS 10: *Consolidated Financial Statements*	Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28). Narrow scope amendment addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The effective date of this amendment has been deferred indefinitely until further notice	The impact of the standard will be assessed when its practical to do so.
IAS 1: *Presentation of Financial Statements*	Classification of liabilities as current or non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	1 January 2022	The standard will unlikely have a material impact on the classification of the group's liabilities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

2.21 New standards and interpretations not yet adopted (continued)

Standard	Details of amendment	Effective annual periods beginning on or after	Expected impact
IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*	Disclosure initiative: The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020	The standard will unlikely have a material impact on the group's financial statements as the refinements are not intended to alter the concept of materiality.
IFRS 16: *Leases*	Amendments to IFRS 16: *Leases*, Covid-19-related rent concessions 4, permit lessees not to assess whether eligible Covid-19-related rent concessions are lease modifications, and account for them as if they were not lease modifications. Eligible rent concessions are those arising as a "direct consequence" of Covid-19 and for which: ▪ the revised consideration for the lease remains "substantially the same" or is less than the consideration for the lease before the concession; ▪ any reduced payments were originally due on or before 30 June 2021; and ▪ there are no other "substantive" changes to the lease. For lessees, this is an optional practical expedient to be applied consistently to all lease contracts with similar characteristics and in similar circumstances. The practical expedient is not available to lessors.	1 June 2020	The group has not negotiated any changes to its lease agreements due to COVID-19 and such the standard will unlikely have a material impact on the group's financial statements.
IFRS 17: *Insurance contracts*	IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfillment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfillment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.	1 January 2023	There will be an impact on the group's financial statements relating to its insurance business. The detailed assessment of such impact will be done closer to the effective date.

Standard	Details of amendment	Effective annual periods beginning on or after	Expected impact
IAS 1: *Presentation of Financial Statements*	Amendments to IAS 1: *Presentation of Financial Statements*, clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument.	1 January 2022	The standard's impact will be reasonably estimated closer to its effective date.
IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*	Amendments to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract.	1 January 2022	The standard will have an impact on the financial statements when the group enters into onerous contracts.
IAS 16: *Property, Plant and Equipment*	Proceeds before intended use, introduce new guidance. Proceeds from selling items (e.g. samples) before the related PPE is available for its intended use can no longer be deducted from the cost of PPE. Instead such proceeds should be recognised in profit or loss, together with the costs of producing those items (to which IAS 27: *Separate Financial Statements* applies). Accordingly, a company will need to distinguish between: – costs of producing and selling items before the PPE is available for its intended use; and – costs of making the PPE available for its intended use. Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry in particular may need to monitor costs at a more granular level. The amendments apply retrospectively but only for new PPE that reach their intended use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. They can be early adopted.	1 January 2022	The standard will unlikely have an impact on the group's financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

2. Accounting policies (continued)

2.21 New standards and interpretations not yet adopted (continued)

Standard	Details of amendment	Effective annual periods beginning on or after	Expected impact
IFRS 1: *First-time Adoption of IFRS*	*Annual improvements cycle 2018 – 2020 cycle* The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent. If such a subsidiary applies IFRS:1.D16(a), then it may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.	1 January 2020	The standard will not have a material impact as all subsidiaries apply IFRS.
IFRS 9: *Financial instruments*	*Annual improvements cycle 2018 – 2020 cycle* The amendment clarifies which fees to include in the "10 percent" test for derecognition of financial liabilities. A borrower includes only fees paid or received between itself and the lender, including fees paid or received by either the borrower or lender on the other's behalf.	1 January 2020	The standard is unlikely to have a material impact on the group's financial statements.
IFRS 16:*Leases*	*Annual improvements cycle 2018 – 2020 cycle* The amendment removes the illustration of payments from the lessor for lessee-owned leasehold improvements. As previously drafted, this example was not clear about whether the payments meet the definition of a lease incentive.	1 January 2020	The amendment is unlikely to have a material impact on the group's financial statements.

3. Determination of fair values

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.

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

3.1 Investments in listed equity and debt securities

The fair value of listed financial assets at fair value through profit or loss is determined by reference to their quoted closing bid price at the reporting date.

3.2 Unlisted investments

Unlisted investments are fair valued annually by the directors using generally accepted valuation techniques. As with any valuation, a degree of subjective judgement is involved. These valuation techniques include reference to the value of the assets of underlying business, earnings multiples (e.g. unlisted investments), discounted cash flow analysis (e.g. unlisted investments, loans and advances) and various option pricing models. Operating businesses are valued using a combination of the following: discounted cash flow analysis, application of earnings multiples on sustainable after-tax earnings, current and projected net asset values to determine overall reasonability. The cash flows are based on expected future dividends that will be paid by the businesses.

3.3 Derivative financial assets

The derivative is measured initially at fair value and subsequently at fair value with changes in fair value recognised in profit or loss.

The valuation technique used is the Monte-Carlo Simulation technique, which includes unobservable inputs.

3.4 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

3.5 Financial liabilities at fair value through profit or loss

The group's financial liabilities held at fair value through profit or loss are all linked to listed equity investments held by the group through certain investments in associates. The fair value adjustments that relate to financial liabilities are not a result of the group's inability to discharge its obligation, but rather in terms of the agreements with its lenders. The terms of the financial liability are such that, in the event that asset fair value falls below the face value of the liability, the group is not obligated to pay the full face of the debt, but rather a value that is directly linked to the value of the related asset. The full fair value adjustment is considered to be as a result of a change in market conditions.

4. Financial risk management

The group and company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

This note presents information about the group's exposure to the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

4. Financial risk management (continued)

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board is responsible for developing and monitoring the group's risk management policies.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group audit and risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

4.1 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

4.2 Credit risk

Credit risk is the risk of financial loss to the group and company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group and company manage this risk by transacting with customers that have good credit records and good standing in the markets.

Financial assets, which potentially subject the group to concentrations of credit risk, consist principally of trade and other receivables and cash and cash equivalents.

The trade and other receivables relate to trade receivables and intercompany loans. Loans granted to group companies are reviewed annually for recoverability and impaired, if necessary.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each client. However, management also considers the factors that may influence the credit risk of its client base, including the default risk of the industry. Each client is analysed individually for creditworthiness. The group reviews accounts receivable monthly. Unless customers have good payment records, an impairment allowance is created for any accounts greater than 60 days. Other impairment indicators considered include bankruptcy and the insolvency of clients.

The group deposits cash surpluses with major banks of good credit standing to address the related credit risk. The cash and cash equivalents are held with major banks.

4.3 Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The group is exposed to interest rate risk as it borrows funds at variable interest rates. The group generally adopts a policy of ensuring that its exposure to changes in interest rates is limited by either fixing the rate or by linking the rate to the prime rate over the period of the respective loan.

The group is exposed to equity price risk on its listed and unlisted investments. The investments are not hedged. The primary goal of the group's investment in equity securities is to hold the investments for the long term for strategic purposes. Management is assisted by the investment committee in this regard. Certain investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

4.4 Currency risk

The group is exposed to currency risk on its investments in foreign operations, where fluctuations in exchange rates against the rand could impact the financial results. Exchange differences arising on translation are recognised directly in other comprehensive income. The group's investments in foreign operations are not hedged. Exchange differences on loans with foreign entities are recognised directly in profit or loss. The group monitors the impact of the currency risk arising from its foreign operations by monitoring the foreign currency translations reserve movements on an ongoing basis. If there are significant losses that the group do not believe can be recovered, the group will then consider disinvesting in the subsidiary.

4.5 Capital management

The board's policy is to maintain a strong capital base to maintain investor, creditor and market confidences and to sustain future development of the business. The board of directors monitors the return on capital, which the group defines as: result from operating activities divided by total shareholders' equity and non-controlling interests. The board of directors also monitors the level of dividends to ordinary shareholders.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The capital structure of the group consists of total debt and equity as disclosed in the statement of financial position.

In all externally-regulated entities, there are capital adequacy requirements for the day-to-day operations. Each entity has a compliance officer who is responsible for monitoring these requirements. The compliance officers report to the board of directors of each entity to ensure the requirements are met. There have been no instances of non-compliance reported to the board of directors throughout the reporting year.

Figures in R'000	2020	2019
Gearing ratio		
Total debt	**1 062 683**	321 295
Less: Cash and cash equivalents	**(246 530)**	(54 446)
Net debt	**816 153**	266 849
Equity	**486 178**	469 269
Total capital managed	**1 302 331**	736 118
Debt: equity ratio	**167.87%**	56.86%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

Figures in R'000	2020	2019
5. 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.		
Revenue	**462 156**	425 329
Disaggregation of revenue		
The revenue relating to the core business operations of the group has been disaggregated as follows:		
Major products/service lines		
Trading revenue		
Bond trading	**9 108**	7 905
Money market	**3 320**	3 228
Fees		
Advisory	**13 969**	18 021
Brokerage	**24 508**	30 868
Insurance premiums*	**59 723**	–
Fund management	**96 810**	87 155
Asset administration	**139 245**	127 362
Management fees	**10 057**	9 488
Commodities trading	**105 416**	141 302
	462 156	425 329
Timing of revenue recognition		
Services transferred over time	**319 804**	242 026
Services transferred at a point in time	**36 936**	42 001
Products transferred at a point in time	**105 416**	141 302
External revenue (per operating segments – note 41)	**462 156**	425 329

* *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 37 for more information.*

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

Revenue from contracts with customers is recognised when (or as) the group satisfies a performance obligation, this is due over time or at a point in time. Invoices are raised at the point when the goods are accepted at the customer's premises, and at the end of each month and over time when a performance obligation is met. There are no significant differences in the timing and recognition of revenue from these services or goods and therefore there is no significant impact on the financial statements.

The group recognises receivables (no contracts assets or liabilities are recognised) as it will have unconditional rights to revenue that would have been recorded from the rendering of goods or services.

Figures in R'000	2020	2019
6. Other income		
Sundry income	**6 576**	1 945
Directors' fees	**484**	301
Accounting fees	**4**	12
Reinsurance recoveries	**5 886**	–
	12 950	2 258
7. Investment revenue		
Dividend income		
Dividend income from listed investments	**1 598**	580
Dividend income from unlisted investments	**10 788**	10 374
	12 386	10 954
8. Fair value adjustments		
Fair value adjustments on financial assets and liabilities		
Adjustments on financial assets and liabilities at fair value through profit or loss comprise the following:		
Other financial liabilities (refer to note 27)	**(836)**	(579)
Inventory - derivative financial instruments	**(399)**	–
Fair value adjustments to third-party liabilities (refer to note 30)	**3 184**	–
Fair value adjustments to investment contract liabilities (refer to note 29)	**(7 432)**	–
Insurance-related investments (refer to note 17)	**(1 080)**	–
Other investments (refer to note 16)	**13 772**	53 381
Other investments – listed investments	**(5 575)**	(3 341)
Other investments – unlisted investments	**19 347**	56 722
Other non-current assets – options (refer to note 21)	**(37 579)**	20 437
	(30 370)	73 239

Refer to note 44.4 for details of assumptions used in determining the fair values of other investments and certain financial liabilities.

9. Impairments		
Impairment losses on financial assets comprise:		
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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

Figures in R'000	2020	2019
10. Operating expenses		
Operating expenses are arrived at after taking the following into account:		
Amortisation of intangible assets	**12 402**	11 224
Depreciation	**10 985**	3 067
External auditor's remuneration	**4 010**	3 372
Current year	**3 933**	3 343
Prior year	**77**	29
Internal auditor's remuneration		
Current period	**305**	289
Operating lease expense for office rentals	**–**	10 553
Directors' remuneration and benefits (refer to note 43)	**25 231**	24 355
Non-executive directors' fees	**1 305**	1 244
Salaries	**10 809**	10 122
Bonuses accrued	**8 672**	7 703
Provident fund and medical aid contributions	**2 021**	1 932
Equity-settled share-based payment charge	**2 424**	3 354
Prescribed officers' remuneration (refer to note 65)	**9 827**	12 346
Staff costs (excluding directors' and prescribed officers' emoluments)	**164 605**	143 741
Staff provident fund and medical aid contributions (excluding directors' and prescribed officers' emoluments)	**6 390**	9 282
Equity-settled share-based payment charge (excluding directors)	**2 585**	4 490
Claims incurred	**29 468**	–
Reinsurance premium	**13 989**	–
11. Finance income and finance costs		
Interest received – cash and cash equivalents	**4 813**	4 342
Finance income	**4 813**	4 342
Interest charge – bank overdraft	**(2 263)**	(1 015)
Interest charge – long-term borrowings (refer to note 27)	**(5 918)**	(7 436)
Interest charge – debentures (refer to note 27)	**(255)**	(350)
Interest charge – trade and other payables	**(49)**	–
Interest charge – operating lease liabilities (refer to note 28)	**(1 316)**	–
Finance costs	**(9 801)**	(8 801)
Net finance expense	**(4 988)**	(4 459)
Interest expense on financial liabilities measured at amortised cost	**(9 801)**	(8 801)

Figures in R'000	2020	2019
12. Income tax		
Current tax expense	**(19 350)**	(17 225)
Current year	**(19 350)**	(17 225)
Deferred tax expense		
Current year	**7 430**	(480)
Origination and reversal of temporary differences	**7 430**	(480)
Total income tax recognised in profit or loss	**(11 920)**	(17 705)
Reconciliation of effective tax rate	**%**	%
Company tax rate	**28.0**	28.0
Donations, share-based payments and legal fees	**6.5**	2.3
Impairments	**(0.2)**	2.3
Equity-accounted earnings	**(5.4)**	(2.1)
Dividend income	**(6.7)**	(2.8)
Bargain purchase	**(19.0)**	–
Fair value gains or losses at capital gains tax rate	**6.9**	0.2
Tax rate differences**	**(0.2)**	*
Unrecognised deferred tax assets	**5.0**	7.5
Fair value adjustments not taxed (asset recovered through dividends received)	**8.0**	(22.3)
Deferred tax utilised	**(0.1)**	3.3
	23.2	16.4

* *Less than 0.1%.*

** *The tax rates for Zimbabwe is at 25.75%, Malawi is 30%, Zambia is 35% and Eswatini is 27.5% corporate tax rate.*

Basis of calculation

The above is a numerical reconciliation between the average effective tax rate and the applicable tax rate. The applicable tax rate is the national income tax rate of 28.0%. The effective capital gains tax rate is 22.4%.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

13. Property, plant and equipment

Figures in R'000	Land	Buildings	Leasehold improvements	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Right-of-use asset	Total
Cost									
Balance at 28 February 2018	941	4 405	5 314	1 264	2 601	1 676	15 131	–	31 332
Additions	–	–	223	652	2	611	1 112	–	2 600
Disposals	–	–	–	(117)	–	–	(19)	–	(136)
Effects of movement in exchange rates	134	706	–	188	53	14	22	–	1 117
Balance at 28 February 2019	1 075	5 111	5 537	1 987	2 656	2 301	16 246	–	34 913
Acquisition through business combinations (refer to note 37)	**–**	**–**	**(14)**	**775**	**481**	**443**	**2 929**	**1 122**	**5 736**
Additions	**–**	**–**	**155**	**–**	**2**	**361**	**662**	**–**	**1 180**
IFRS 16 right-of-use asset	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24 782**	**24 782**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**(1 322)**	**–**	**(1 322)**
Effects of movement in exchange rates	**(513)**	**(2 032)**	**–**	**5**	**6**	**35**	**(24)**	**53**	**(2 470)**
Balance at 29 February 2020	**562**	**3 079**	**5 678**	**2 767**	**3 145**	**3 140**	**18 491**	**25 957**	**62 819**
Accumulated depreciation and impairment losses									
Balance at 28 February 2018	–	(688)	(4 430)	(565)	(2 030)	(1 572)	(11 643)	–	(20 928)
Depreciation	–	(169)	(382)	(408)	(219)	(145)	(1 744)	–	(3 067)
Disposals	–	–	–	39	–	–	20	–	59
Balance at 28 February 2019	–	(857)	(4 812)	(934)	(2 249)	(1 717)	(13 367)	–	(23 936)
Depreciation	**–**	**(20)**	**(341)**	**(314)**	**(168)**	**(267)**	**(2 087)**	**(7 787)**	**(10 984)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**–**	**4**
Balance at 29 February 2020	**–**	**(877)**	**(5 153)**	**(1 248)**	**(2 417)**	**(1 984)**	**(15 450)**	**(7 787)**	**(34 916)**
Carrying amounts									
At 28 February 2018	941	3 717	884	699	571	104	3 488	–	10 404
At 28 February 2019	1 075	4 254	725	1 053	407	584	2 879	–	10 977
At 29 February 2020	**562**	**2 202**	**525**	**1 519**	**728**	**1 156**	**3 041**	**18 170**	**27 903**

Reconciliation of property, plant and equipment	
Property, plant and equipment excluding right-of-use asset	**9 733**
Right-of-use asset (refer to note 28)	**18 170**
Property, plant and equipment per statement of financial position	**27 903**

The land and building is located on Stand 1642, Khumalo Township of Bulawayo Township Lands, 5 Chancellor Avenue, Khumalo, Bulawayo, Zimbabwe.

The land and building has been pledged to the Reserve Bank of Zimbabwe for the capital adequacy requirements of Purpose Vunani Asset Management (Private) Limited.

14. Goodwill and intangible assets

Figures in R'000	Goodwill	Customer lists	Brand	Software	Value of in-force business acquired	Computer software	Total
Cost							
Balance at 28 February 2018	192 697	87 883	7 977	34 832	–	–	323 389
Balance at 28 February 2019	192 697	87 883	7 977	34 832	–	–	323 389
Acquired through business combinations	**–**	**–**	**–**	**–**	**119 643**	**–**	**119 643**
Internally generated computer software	**–**	**–**	**–**	**–**	**–**	**5 519**	**5 519**
Balance at 29 February 2020	**192 697**	**87 883**	**7 977**	**34 832**	**119 643**	**5 519**	**448 551**
Accumulated amortisation and impairment							
Balance at 28 February 2018	(52 931)	(38 618)	(621)	(4 065)	–	–	(96 235)
Amortisation	–	(7 209)	(532)	(3 483)	–	–	(11 224)
Balance at 28 February 2019	(52 931)	(45 827)	(1 153)	(7 548)	–	–	(107 459)
Amortisation	**–**	**(7 209)**	**(532)**	**(3 483)**	**(997)**	**(181)**	**(12 402)**
Balance at 29 February 2020	**(52 931)**	**(53 036)**	**(1 685)**	**(11 031)**	**(997)**	**(181)**	**(119 861)**
Carrying amounts							
At 28 February 2018	139 766	49 265	7 356	30 767	–	–	227 154
At 28 February 2019	139 766	42 056	6 824	27 284	–	–	215 930
At 29 February 2020	**139 766**	**34 847**	**6 292**	**23 801**	**118 646**	**5 338**	**328 690**

Goodwill and intangibles in the group arose from the business combinations of Vunani Securities Proprietary Limited, Vunani Fund Managers Proprietary Limited and Mandlalux Proprietary Limited.

The previously reported intangible assets arose on the acquisition of Mandlalux Proprietary Limited. In the current year, the group acquired Oracle Insurance Eswatini Limited. 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 goodwill that arose on the acquisitions of the businesses relate to synergies from combining operations and other intangible assets that do not qualify for separate recognition.

Impairment

It is the group's policy to test the impairment of goodwill on an annual basis.

Intangible 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

14. Goodwill and intangible assets (continued)

For the purposes of impairment testing, goodwill has been allocated to the following CGUs (operating companies) as follows:

Figures in R'000	2020	2019
Vunani Fund Managers Proprietary Limited	**27 703**	27 703
Vunani Securities Proprietary Limited	**6 420**	6 420
Mandlalux Proprietary Limited	**105 643**	105 643
	139 766	139 766

Assumptions applied in testing for the impairment of goodwill

Vunani Fund Managers Proprietary Limited

The carrying amount of goodwill that arose through the business combination is R27.7 million.

The recoverable amount was determined as the fair value less costs of disposal of the company.

The fair value less costs of disposal is determined using the funds under management at the date of disposal. The fair value measurement was categorised as a level 3 fair value based on the valuation technique used.

An established industry benchmark for valuing fund management companies is to apply a percentage to the funds under management. The percentage can vary based on a combination of factors, *inter alia*, quantum of funds under management; profitability; average term of mandates; average management fees charged and growth prospects. As any or all these factors improve, the higher the percentage applied. In applying the impairment test to goodwill held in respect of the investment in Vunani Fund Managers, fair value has been determined on the basis of a percentage of the funds under management. This percentage has been set at 1%, which is consistent with previous periods, and applied to R39.7 billion (2019: R27.7 billion) funds under management at 29 February 2020 to arrive at a fair value of R396.5 million (2019: R275.5 million). The value has been determined solely for the purpose of the impairment test.

The recoverable amount of the CGU exceeds the carrying amount of the cash generating by R345.2 million (2019: R225.6 million). As a result, the group does not believe that the goodwill is impaired.

Vunani Securities Proprietary Limited

The carrying amount of goodwill that arose through the business combination is R6.4 million.

The recoverable amount was determined as the value in use of the company. The key assumptions used in the calculation of the recoverable amount are the discount rate and the EBITDA growth rate. The values assigned to the key assumption represents management's assessments for future trends in the securities broking industries and were based on internal sources and historical data.

An after tax discount rate of 15.41% (2019: 14.68%) was used in the determination of the recoverable amount based on an analysis of factors affecting the securities broking industries and the current performance of the business. The pre-tax discount rate amounted to 16.00% (2019: 15.08%).

Four years' cash flows were included in the discounted cash flow model. The cash flows were adjusted to take into account the expected growth rate of the EBITDA. An EBITDA rate of 3% (2019: 3%) was used and a terminal value of R17.9 million (2019: R35.0 million). A minimal growth in EBITDA of 3% was used due to the decline in values and volumes traded within the stockbroking industries.

Management has identified one key assumption for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The amount by which this one assumption would need to change individually in order for the estimated recoverable amount to equal the carrying amount of the CGU would be an EBITDA growth rate of negative 3% (2019: 3%).

The recoverable amount of the CGU exceeds the carrying amount of the cash generating by R1.8 million (2019: R9.8 million). As a result of the above the group does not believe that the goodwill needs to be impaired.

Mandlalux Proprietary Limited

The carrying amount of goodwill that arose through the business combination is R105.6 million.

The recoverable amount was determined as the value in use of the company. The key assumptions used in the calculation of the recoverable amount are weighted average cost of capital and free cash flows. The values assigned to the key assumption represented management's assessments for future trends in the asset administration business and were based on internal sources and historical data.

A weighted average cost of capital of 14.04% (2019:13.7%) was used in the valuation. The pre-tax discount rate amounted to 14.55% (2019:14.25%). Five years' cash flows were included in the discounted cash flow model. The cash flows were adjusted to take into account the expected growth rate of the EBITDA. An EBITDA rate of 5% (2019:5%) and a terminal value of R526.4 million (2019:R401.6 million) was used.

Management has identified one key assumption for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The amount by which this one assumption would need to change individually in order for the estimated recoverable amount to equal the carrying amount of the CGU would be an EBITDA growth rate of negative 5% (2019:5%).

The recoverable amount of the CGU exceeds the carrying amount of the cash-generating unit by R154.9 million (2019: R64.5 million). As a result of the above, the group does not believe that the goodwill is impaired.

Figures in R'000	Investment in associate	Loans to associates	Total
15. Investments in and loans to associates			
2020			
Balance at 28 February 2019	**53 390**	**10 118**	**63 508**
Decrease in investments in associates	*	–	*
Loans advanced	–	**2 494**	**2 494**
Loans repaid	–	**(6 167)**	**(6 167)**
Impairment reversal on loans to associates (refer to note 9)	–	**300**	**300**
Dividends paid	**(3 571)**	–	**(3 571)**
Equity-accounted earnings	**9 968**	–	**9 968**
Balance at 29 February 2020	**59 787**	**6 745**	**66 532**
2019			
Balance at 28 February 2018	48 108	27 387	75 495
Increase in investments in associates	*	–	*
Loans advanced	–	3 958	3 958
Loans repaid	–	(3 000)	(3 000)
Impairment loss on loans to associates (refer to note 9)	–	(9 001)	(9 001)
Translation gain on foreign investments and loans	14	–	14
Dividends paid	(785)	–	(785)
Equity-accounted earnings	6 053	–	6 053
Transfer to trade and other receivables#	–	(9 226)	(9 226)
Balance at 28 February 2019	53 390	10 118	63 508

* *Amount less than R1 000.*

\# *The loans previously granted to an associate have been transferred to trade and other receivables as a result of the change in accounting treatment of that investment from being carried as an associate to an investment carried at fair value through profit or loss.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

15. Investments in and loans to associates (continued)

Accounting considerations

IAS 28 defines an associate as an entity over which an investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control of those policies.

The group holds more than 20% of the voting power of its associate investee companies and has meaningful representation on the board of directors of these associate companies. The group has the ability to participate in policy-making processes which include dividend decisions.

The group equity accounts certain investments where it holds 50% or more of the equity of a company. This is as a result of the group not having control of the company based on the shareholders' agreements in place that limits the group's ability to direct the relevant activities of the investee company.

Impairments

The group reviews the recoverability of investments in associates and loans to associates by considering a broader range of information when assessing credit risk and measuring expected credit losses, including past events (cumulative losses are in excess of carrying amounts), current conditions (loss making investees), reasonable and supportable forecasts that affect the expected collectability of the future cash flows from the investees. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

Refer to note 44 for additional disclosures on impairment of financial assets.

Disposals

On 26 June 2019, the group disposed of its 48% investment in Autus Securities at a nominal amount. All loans advanced to the associate were repaid in full.

Material associates' statement of financial position are presented below:

Figures in R'000	Current assets	Cash and cash equivalents	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
2020								
Alliance Capital Limited◆	**59 746**	**4 677**	**10 770**	**75 193**	**(64 480)**	**(3 882)**	**(68 362)**	**6 831**
Black Wattle Colliery Proprietary Limited (refer to note 21)	**54 166**	**26 430**	**192 039**	**272 635**	**(215 811)**	**(28 636)**	**(244 447)**	**28 188**
Orion Properties 14 Proprietary Limited	**–**	**61**	**1 306**	**1 367**	**(2 921)**	**(404)**	**(3 325)**	**(1 958)**
Phakamani Impact Capital Proprietary Limited	**30 911**	**13 662**	**–**	**44 573**	**(41 475)**	**(1 000)**	**(42 475)**	**2 098**
Verbicept Proprietary Limited	**–**	**10**	**130 333**	**130 343**	**(57)**	**(77 554)**	**(77 611)**	**52 732**
Other immaterial associates#	**958**	**9 230**	**6 292**	**16 480**	**(10 211)**	**(24 032)**	**(34 243)**	**(17 763)**
	145 781	**54 070**	**340 740**	**540 591**	**(334 955)**	**(135 508)**	**(470 463)**	**70 128**
2019								
Alliance Capital Limited◆	7 179	168	3 886	11 233	(3 313)	–	(3 313)	7 920
Black Wattle Colliery Proprietary Limited (refer to note 21)	126 829	42 269	156 759	325 857	(156 069)	(100 342)	(256 411)	69 446
Orion Properties 14 Proprietary Limited	46	303	13 615	13 964	–	(15 000)	(15 000)	(1 036)
Phakamani Impact Capital Proprietary Limited	28 066	11 958	150	40 174	(38 457)	(1 000)	(39 457)	717
Verbicept Proprietary Limited	–	–	113 256	113 256	(355)	(67 234)	(67 589)	45 667
Other immaterial associates#	1 720	12 076	6 073	19 869	(13 986)	(21 261)	(35 247)	(15 378)
	163 840	66 774	293 739	524 353	(212 180)	(204 837)	(417 017)	107 336

◆ *The company is incorporated in Malawi.*

\# *The group has interests in a number of individually immaterial associates. Most of the associate companies have dormant operations or are investment holding entities which do not trade.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

15. Investments in and loans to associates (continued)

Associates' net carrying amount is presented below:

Figures in R'000	Effective ownership	Cost of invest-ment	Loans to associates	Impairments	Cumulative equity earnings net of dividends	Net carrying amount
2020						
Alliance Capital Limited	45%	4 803	–	–	955	5 758
Before Sunset Properties 37 Proprietary Limited	25%	*	–	–	–	*
BetBio Zambia Limited	45%	*	–	–	–	*
Black Wattle Colliery Proprietary Limited (refer to note 21)	37.5%	*	–	–	–	*
English Breeze Investments (Private) Limited	50%	1	–	–	–	1
K2015 (SA) Proprietary Limited	31%	*	3 398	(2 073)	–	1 325
Newshelf 1361 Proprietary Limited	25%	*	5 738	(5 738)	–	*
Marudi Proprietary Limited	50%	*	2 546	(2 472)	–	74
Micawber 534 Proprietary Limited	48%	*	5 160	(5 160)	–	*
Orion Properties 14 Proprietary Limited	39%	*	1 460	–	(979)	481
Papillon in Flight Proprietary Limited	26%	3 191	–	(3 191)	–	–
Phakamani Impact Capital Proprietary Limited	51%	5	500	–	835	1 340
Isilo Investments (RF) Proprietary Limited	51%	*	–	–	134	134
Space Launch Investments (Private) Limited	50%	1	1 860	(1 860)	–	1
Vunani Properties Proprietary Limited	70%	*	3 732	–	–	3 732
Vunani Solar Power Proprietary Limited#	26%	1 300	–	–	–	1 300
Verbicept Proprietary Limited	50%	13 465	(346)	–	39 267	52 386
		22 766	24 048	(20 494)	40 212	66 532

** Less than R1 000.*

 # Acquired in terms of vendor financed transaction (refer to note 27.2 for the corresponding liability).

A reconciliation of the movements in associates is shown below:

Figures in R'000	Investment at cost	Loans to associates	Total
Investment at cost and loans to associates	22 766	24 048	46 814
Cumulative impairments	(3 191)	(17 303)	(20 494)
Cumulative equity earnings net of dividends	40 212	–	40 212
	59 787	6 745	66 532

Associates' net carrying amount is presented below:

Figures in R'000	Effective ownership	Cost of invest-ment	Loans to associates	Impairments	Cumulative equity earnings net of dividends	Net carrying amount
2019						
Alliance Capital Limited	45%	4 803	–	–	1 445	6 248
Autus Securities Limited	48%	*	300	(300)	–	*
Before Sunset Properties 37 Proprietary Limited	25%	*	–	–	–	*
BetBio Zambia Limited	45%	*	–	–	47	47
Black Wattle Colliery Proprietary Limited (refer to note 21)	37.5%	*	–	–	–	*
English Breeze Investments (Private) Limited	50%	1	–	–	–	1
Lidtech Zambia Limited	38%	*	890	(890)	–	–
K2015 (SA) Proprietary Limited	31%	*	3 398	(2 073)	–	1 325
Newshelf 1361 Proprietary Limited	25%	*	5 738	(5 738)	–	*
Marudi Proprietary Limited	50%	*	2 546	(2 472)	–	74
Micawber 534 Proprietary Limited	48%	*	5 160	(5 160)	–	*
Orion Properties 14 Proprietary Limited	39%	*	6 760	–	(545)	6 215
Papillon in Flight Proprietary Limited	26%	3 191	–	(3 191)	–	–
Phakamani Impact Capital Proprietary Limited	51%	5	500	–	283	788
Isilo Investments (RF) Proprietary Limited	51%	*	–	–	383	383
Space Launch Investments (Private) Limited	50%	1	1 860	(1 860)	–	1
Vunani Properties Proprietary Limited	70%	*	1 238	–	–	1 238
Vunani Solar Power Proprietary Limited#	26%	1 300	–	–	–	1 300
Verbicept Proprietary Limited	50%	13 465	221	–	32 202	45 888
		22 766	28 611	(21 684)	33 815	63 508

* *Less than R1 000.*

\# *Acquired in terms of vendor financed transaction (refer to note 27.2 for the corresponding liability).*

A reconciliation of the movements in associates is shown below:

Figures in R'000	Investment at cost	Loans to associates	Total
Investment at cost and loans to associates	22 766	28 611	51 377
Cumulative impairments	(3 191)	(18 493)	(21 684)
Cumulative equity earnings net of dividends	33 815	–	33 815
	53 390	10 118	63 508

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

15. Investments in and loans to associates (continued)

Material associates' statement of comprehensive income is presented below:

Figures in R'000	Revenue/ other income	Fair value adjustments	Depreciation and amortisation	Interest income	Interest expense	Income tax (expense)	Other expenses	Profit/ (loss) and total compre-hensive income
For the year ended 29 February 2020								
Alliance Capital Limited	**19 621**	**–**	**(678)**	**4 058**	**(5 672)**	**(31)**	**(16 208)**	**1 090**
Black Wattle Colliery Proprietary Limited (refer to note 21)	**566 690**	**–**	**(35 816)**	**–**	**(2 512)**	**(7 044)**	**(503 076)**	**18 242**
Orion Properties 14 Proprietary Limited	**556**	**–**	**–**	**–**	**(14)**	**–**	**(1 664)**	**(1 122)**
Phakamani Impact Capital Proprietary Limited	**14 275**	**–**	**(131)**	**–**	**(27)**	**(395)**	**(12 342)**	**1 380**
Verbicept Proprietary Limited	**644**	**10 239**	**–**	**3**	**–**	**(3 748)**	**(74)**	**7 064**
Other immaterial associate companies#	**59 568**	**–**	**(27)**	**–**	**–**	**–**	**(52 291)**	**7 250**
	661 354	**10 239**	**(36 652)**	**4 061**	**(8 225)**	**(11 218)**	**(585 655)**	**33 904**
For the year ended 28 February 2019								
Alliance Capital Limited	7 722	141	(547)	200	–	(194)	(6 957)	365
Black Wattle Colliery Proprietary Limited (refer to note 21)	800 177	–	(36 976)	402	(8 958)	(33 100)	(636 307)	85 238
Orion Properties 14 Proprietary Limited	1 237	–	–	–	(310)	–	(1 030)	(103)
Phakamani Impact Capital Proprietary Limited	35 916	–	(62)	142	(4)	–	(34 521)	1 471
Verbicept Proprietary Limited	–	7 089	–	–	–	(2 595)	(53)	4 441
Other immaterial associate companies#	67 908	–	(10)	–	–	–	(68 833)	(935)
	912 960	7 230	(37 595)	744	(9 272)	(35 889)	(747 701)	90 477

* *Less than R1 000.*

\# *The group has interests in a number of individually immaterial associates. Most of the associate companies have dormant operations or are investment holding entities which do not trade.*

A reconciliation of the investments in and loans to associates:

Figures in R'000	Effective owner-ship	Net asset value	Share of net assets	Loans to asso-ciates	Goodwill/ (bargain purchase)	Losses not accounted for	Impair-ments	Black Wattle option	Net carrying amount
2020									
Alliance Capital Limited	**45%**	**6 831**	**3 074**	**–**	**2 684**	**–**	**–**	**–**	**5 758**
Black Wattle Colliery Proprietary Limited (refer to note 21)	**37.5%**	**28 188**	**10 571**	**–**	**–**	**–**	**–**	**(10 571)**	*****
Orion Properties 14 Proprietary Limited	**39%**	**(1 958)**	**(979)**	**1 460**	**–**	**–**	**–**	**–**	**481**
Phakamani Impact Capital Proprietary Limited	**51%**	**2 098**	**835**	**500**	**5**	**–**	**–**	**–**	**1 340**
Verbicept Proprietary Limited	**50%**	**52 732**	**52 732**	**(346)**	**–**	**–**	**–**	**–**	**52 386**
Other immaterial associate companies#		**(17 763)**	**(9 212)**	**22 434**	**4 493**	**9 346**	**(20 494)**	**–**	**6 567**
		70 128	**57 021**	**24 048**	**7 182**	**9 346**	**(20 494)**	**(10 571)**	**66 532**
2019									
Alliance Capital Limited	45%	7 920	3 564	–	2 684	–	–	–	6 248
Black Wattle Colliery Proprietary Limited (refer to note 21)	37.5%	69 446	26 042	–	–	–	–	(26 042)	*
Orion Properties 14 Proprietary Limited	39%	(1 036)	(545)	6 760	–	–	–	–	6 215
Phakamani Impact Capital Proprietary Limited	51%	717	283	500	5	–	–	–	788
Verbicept Proprietary Limited	50%	45 667	45 667	221	–	–	–	–	45 888
Other immaterial associate companies#		(15 378)	(13 370)	21 131	4 493	13 799	(21 684)	–	4 369
		107 336	61 641	28 612	7 182	13 799	(21 684)	(26 042)	63 508

* *Less than R1 000.*

\# *The group has interests in a number of individually immaterial associates. Most of the associate companies have dormant operations or are investment holding entities which do not trade.*

All associates are incorporated in the Republic of South Africa, with the exception of English Breeze Investments (Private) Limited and Space Launch Investments (Private) Limited, which operate in Zimbabwe, Marudi Proprietary Limited, which operates in Botswana and BetBio Zambia Limited and Autus Securities Limited which operate in Zambia and Alliance Capital which operates in Malawi. The carrying amounts of associates are shown net of impairment losses.

Associates that have different year-ends to the group are equity-accounted on the basis of the associates' year-end audited/ unaudited financial information (which is within three months of the group's financial year-end).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

15. Investments in and loans to associates (continued)

The group has accounted for losses incurred by associates to the extent of investments made.

The group has not recognised losses totaling R9.4 million (2019: R13.8 million) in relation to its interests in associates, because the group has no obligation in respect of these losses.

Below is a description of the nature of the operations and activities of associates:

Associate	Nature of operations and activities
Alliance Capital Limited	Asset management
BetBio Zambia Limited	Gaming activities
Before Sunset Properties 37 Proprietary Limited	Dormant entity
English Breeze Investments (Private) Limited	Investment holding company
K2015 (SA) Proprietary Limited	Property development and investment projects
Newshelf 1361 Proprietary Limited	Mining operations
Marudi Proprietary Limited	Investment holding company
Micawber 534 Proprietary Limited	Dormant entity
Orion Properties 14 Proprietary Limited	Property development projects
Papillon in Flight Proprietary Limited	Dormant entity
Phakamani Impact Capital Proprietary Limited	Enterprise development
Isilo Investments (RF) Proprietary Limited	Steel – high-volume customers
Space Launch Investments (Private) Limited	Investment holding
Vunani Solar Power Proprietary Limited	Dormant entity
Verbicept Proprietary Limited	Investment holding
Vunani Properties Proprietary Limited	Property development and investment projects

Figures in R'000	2020	2019
16. Other investments		
Balance at the beginning of the year	**94 484**	51 295
Fair value adjustments	**13 772**	53 381
Additions	**–**	234
Foreign exchange gain	**60**	138
Disposals	**(13 685)**	(10 565)
Transferred to other receivables	**(50)**	–
Acquired through business combination	**16 871**	–
Balance at the end of the year	**111 452**	94 483
Non-current	**107 020**	93 565
Current	**4 432**	918
	111 452	94 483

Refer to note 44.4 for additional disclosures on fair value of other investments.

Figures in R'000	Number of shares held ('000s)	% holding	Investments Listed R'000	Unlisted R'000	Fair value R'000
2020					
Non-current					
African Legend Investment Proprietary Limited	2 248	2.4	–	18 283	18 283
Butsanani Energy Investment Holdings Proprietary Limited	*	33.3	–	73 601	73 601
Ferrox Proprietary Limited	7 200	*	–	5 638	5 638
Johannesburg Stock Exchange Limited	95	*	9 498	–	9 498
PowerHouse Africa Holdings Proprietary Limited#	*	15	–	–	–
Other investments – non-current			9 498	97 522	107 020
Current					
Listed investments held by Purpose Vunani Asset Management (Private) Limited	709	*	1 158	–	1 158
Listed investments held by Stanlib Botswana	*	*	3 274	–	3 274
Other investments – current			4 432	–	4 432
Total other investments			13 930	97 522	111 452

** Less than 1 000 shares or R1 000 or 0.1%.*

 # The investment in PowerHouse has been fair valued to nil (2019: R2.4 million).

Determination of fair values

Listed investments

The fair values of listed investments (that are traded in an actively traded market) are determined with reference to quoted bid prices at 29 February 2020 on the relevant securities exchanges. Listed investments are classified at fair value through profit or loss.

Major unlisted investments

The fair value of unlisted investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted cash flow analysis, current and projected net asset value calculations and earnings multiple. Unlisted investments are classified at fair value through profit or loss.

The fair value of Ferrox Proprietary Limited was based on a valuation prepared by a third party, which was performed using the discounted cash flow method. Vunani applied additional discount factors to the third party valuation to take into account risks specific to its investment in order to determine the fair value. As such, additional minority and marketability discount factors were applied to determine the fair value. The investment in Ferrox was fair valued to R5.6 million from R6.8 million.

The investment in African Legend Investment Proprietary Limited was fair valued to R18.3 million from R18.0 million based on the recoverability of the assets held by the entity.

The income approach valuation methodology was used in the determination of the fair value of the group's investment in Butsanani Energy Investment Holdings Proprietary Limited. This entails discounting the budgeted and forecasted cash flows from the investment, with scenario and sensitivity analyses being performed on the inputs to the valuation.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

16. Other investments (continued)

Figures in R'000	Number of shares held (000s)	% holding	Investments Listed R'000	Unlisted R'000	Fair value R'000
2019					
Non-current					
African Legend Investment Proprietary Limited	2 248	2.4	–	18 043	18 043
Butsanani Energy Investment Holdings Proprietary Limited#	*	33.3	–	50 951	50 951
Ferrox Proprietary Limited	4 800	1.04	–	6 810	6 810
Johannesburg Stock Exchange Limited	95	*	15 343	–	15 343
PowerHouse Africa Holdings Proprietary Limited	*	15	–	2 368	2 368
Unlisted investments held by Vunani Capital Proprietary Limited	*	*	–	50	50
Other investments – non-current			15 343	78 222	93 565
Current					
Listed investments held by Purpose Vunani Asset Management (Private) Limited	709	*	918	–	918
Other investments – current			918	–	918
Total other investments			16 261	78 222	94 483

* *Less than 1 000 shares or R1 000 or 0.1%.*

\# *The investment in Butsanani Energy Investment Holdings Proprietary Limited was previously accounted for as an associate. During the year, the group lost its significant influence over the investment which resulted in it being accounted for as other investments carried at fair value through profit or loss.*

Figures in R'000	2020	2019
17. Insurance-related investments		
The insurance-related investments arose as a result of the acquisition of Oracle Insurance.		
Equity securities	**84 346**	–
Collective investment schemes	**41 527**	–
Debt securities	**13 502**	–
Funds on deposit and other money market instruments	**109 263**	–
Government stock	**37 951**	–
	286 589	–
Open ended	**125 873**	–
Non-current	**160 716**	–
	286 589	–
Instruments with no maturity date have been classified as open ended. Management is unable to provide a reliable estimate of maturity, given factors such as the volatility of the respective markets, as such these investments have been classified as non-current as the intention is to hold the investments for longer than 12 months.		
The insurance-related investments are reconciled as follows:		
Opening balance	**–**	–
Additions through business combination (refer to note 37)	**490 616**	–
Fair value adjustment (refer to note 8)	**(1 080)**	–
Interest	**6 384**	–
Additions	**4 349**	–
Disposals	**(213 680)**	–
	286 589	–

Figures in R'000	2020	2019

18. Reinsurance assets

The reinsurance assets arose as a result of the acquisition of Oracle Insurance.

The reinsurance assets are made up of:

Reinsurance assets	**9 181**	–
Premium debtors	**9 892**	–
Reinsurance debtors	**1 063**	–
	20 136	–

The reinsurance assets are reconciled as follows:

Opening balance	**–**	–
Additions	**2 064**	–
Additions through business combination (refer to note 37)	**17 807**	–
Change in reinsurance asset movement	**265**	–
	20 136	–

Reinsurance assets represent the reinsurer's share of insurance liabilities.

19. Inventory

Inventory comprises:

Stock in transit	**10 851**	5 688
Finished goods	**54 780**	23 567
	65 631	29 255

At year-end inventories of the commodities worth R65.6 million (2019: R29.2 million) was on hand. The increase in stock on hand resulted from stocking-up of products at the end of December 2019 in anticipation of price increases in the new year. Inventories recognised as an expense during the year ended 29 February 2020 amounted to R83.4 million (2019: R100.6 million). These amounts are included in commodities trading-related costs.

The group carries its inventory at the lower of cost and net realisable value and certain inventory at fair value less cost to sell.

Inventory carried at fair value less cost to sell amounted to R6.3 million (2019: Rnil).

Inventories have been reduced by R0.7 million (2019: R0.5 million) as a result of the write-down to net realisable value. The write down was recognised as an expense during the year. The write downs and reversals are included in cost of sales. The write down was due to stock on hand that was contaminated.

Inventory work in progress revenue and the associated costs for these contracts are recognised over time.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

Figures in R'000	2020	2019
20. Deferred tax		
Deferred tax comprises:		
Deferred tax asset	**45 529**	42 826
Deferred tax liabilities	**(50 562)**	(22 251)
	(5 033)	20 575
Recognised deferred tax asset and liabilities comprise:		
Fair value adjustments		
Other investments	**352**	(967)
Other financial liabilities	**1 456**	1 268
Intangible assets	**(52 684)**	(23 172)
Trade and other receivables	**955**	426
Accruals	**8 567**	6 578
Tax losses carried forward	**36 394**	36 474
Prepayments	**(73)**	(32)
	(5 033)	20 575
Reconciliation of movement in deferred tax		
Balance at the beginning of the year	**20 575**	21 055
Recognised in profit or loss	**7 430**	(480)
Business combination (refer to note 37)	**(33 060)**	–
Effect of exchange differences	**22**	*
Balance at the end of the year	**(5 033)**	20 575
Deferred tax assets acquired through business combination relate to deductible temporary differences.		
Unrecognised deferred tax assets		
Estimated tax losses available for utilisation against future taxable income	**168 144**	159 229
Recognised as deferred tax assets	**(130 008)**	(130 352)
Unrecognised estimated tax losses carried forward not accounted for in deferred tax	**38 136**	28 877
Estimated capital tax losses available for utilisation against future capital tax profit	**9 367**	9 376
Recognised as deferred tax assets	**–**	–
Unrecognised estimated capital tax losses carried forward not accounted for in deferred tax	**9 367**	9 376

** Less than R 1000.*

The group has recognised certain deferred tax assets as they are expected to be utilised against future taxable profits. The basis of future taxable profits has been established through a detailed budgeting process performed by the group. When considering the probability of future taxable profits being earned, in line with IAS 12, Income Taxes (IAS 12), judgement is applied by management when assessing the projections of the future taxable income which are based on approved business plans and cash flow projections for the next five years.

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have in instances not been recognised in respect of estimated tax losses carried forward because it is not probable that future taxable profit will be available against which the group can utilise the benefits there from.

21. Other non-current assets

Figures in R'000	Other loans	Black Wattle Option	Total
2020			
Balance at the beginning of the year	**3 683**	**70 881**	**74 564**
Fair value adjustment (refer to note 8)	**–**	**(37 579)**	**(37 579)**
Settled during the year	**(3 683)**	**–**	**(3 683)**
Balance at the end of the year	**–**	**33 302**	**33 302**
2019			
Balance at the beginning of the year	3 683	50 444	54 127
Fair value adjustment (refer to note 8)	–	20 437	20 437
Balance at the end of the year	3 683	70 881	74 564

Figures in R'000	2020	2019
Non-current		
Black Wattle Option	**33 302**	70 881
Other loans	**–**	3 683
	33 302	74 564
Current		
Other loans	**–**	–
Total	**33 302**	74 564
Other loans		
C4Life Proprietary Limited	**–**	–
The loan bears no interest and has been fully impaired.		
Non-current	**6 724**	6 724
Cumulative impairment	**(6 724)**	(6 724)
Zibuyile Healthcare Proprietary Limited	**–**	–
The loan is unsecured, bears no interest and has been fully impaired.		
Current	**798**	798
Impairment	**(798)**	(798)
Vendor financed loan	**–**	3 683
Vunani Capital Proprietary Limited advanced a loan to a non-related third party to finance their acquisition of a 10.71% investment in Mandlamart Proprietary Limited. During the year, the group acquired the 10.71%, which resulted in an increase in the group's investment in Mandlamart and a settlement of the outstanding loans.		
Non-current	**3 683**	3 683
Settled during the year	**(3 683)**	–
	–	3 683

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21. Other non-current assets (continued)

Black Wattle Option

During the 2010 financial year, Vunani Mining Proprietary Limited ("Vunani Mining"), a subsidiary of Vunani Limited, obtained a 37.5% interest in Black Wattle through a vendor financed transaction. The 37.5% shareholding consists of 22.5% A ordinary shares and 15% ordinary shares. Vunani Mining has classified this investment as an associate as it has the ability to exercise significant influence in the company.

Vunani Mining is not entitled to share in the economic benefits of ownership until such time as the debt associated with the acquisition is settled. The debt would be redeemed through dividends received by Vunani Mining on the A ordinary shares. Cash flows relating to the 15% ordinary shares will be paid to Vunani Mining. The risks and rewards of ownership have not passed to Vunani Mining and accordingly Vunani Limited equity accounts 0% of Black Wattle in profit or loss (refer to note 15).

Vunani Mining benefits from the upside of the investment being dividends and the capital growth; however, it does not bear the downside of the risk. The substance of the transaction is a call option with dividend rights. Vunani Mining has therefore recognised an in-substance call option.

The option is a derivative financial instrument as defined by IFRS and is classified at fair value through profit or loss. The derivative is measured initially at fair value and subsequently at fair value with changes in fair value recognised in profit or loss.

On day one in 2010, the fair value of the in-substance call option was significantly greater than the R375 that was paid. The fair value amounted to R17.9 million. Since only R375 was paid, this resulted in a day-one gain of R17.9 million. The full gain was recognised over a five-year period, to February 2016.

The option is revalued at each year-end, with any movements in the value of the option being taken to profit or loss for the year. A Monte Carlo simulation valuation technique is applied to the unobservable inputs in order to determine the fair value.

Figures in R'000	2020	2019
Fair value of option to acquire investment in Black Wattle Colliery Proprietary Limited	**33 302**	70 881
Carrying value at year-end	**33 302**	70 881
Level 3 fair value hierarchy The fair value measurement for the derivative financial instrument has been classified as a level 3 fair value based on the inputs of the valuation technique used (refer to note 44.5).		

22. Trade and other receivables

Trade debtors	**74 899**	90 150
Sundry accounts receivable	**28 832**	34 168
Loan receivable from holding company	**132**	120
Allowance for impairment	**(5 535)**	(3 375)
	98 328	121 063
Reconciliation of movement in allowance for impairment		
Balance at the beginning of the year	**(3 375)**	(3 170)
Increase in impairment allowance (refer to note 9)	**(4 564)**	(2 972)
Utilised	**2 404**	2 767
Balance at the end of the year	**(5 535)**	(3 375)

Factors considered in impairment

The group assesses impairment of trade and other receivables on a portfolio basis grouping those that possess shared credit risk characteristics. These have then been grouped based on the days past due. The group has therefore concluded that the expected loss rates calculated on the trade receivables are a reasonable approximation of the loss rates.

	Default rates %	2020
Ageing of trade and other receivables: (with expected credit losses)		
Not past due		**74 020**
Past due 1 – 30 days		**2 415**
Past due 31 – 60 days		**8 464**
Past due 61 – 90 days		**968**
Past due 91 days and greater		**5 324**
		91 191
Expected credit losses		
Not past due	**0.01%**	**(10)**
Past due 1 – 30 days	**0.21%**	**(5)**
Past due 31 – 60 days	**1%**	**(115)**
Past due 61 – 90 days	**8%**	**(81)**
Past due 91 days and greater	**100%**	**(5 324)**
		(5 535)
Trade and other receivables		**91 191**
Trade and other receivables – no ECLs		**12 672**
Expected credit loss allowance		**(5 535)**
Trade and other receivables net of credit loss		**98 328**

Included in trade and other receivables are other loans, prepayments and sundry debtors on which no credit losses have been raised as the risk of default immaterial.

	Default rates %	2019
Ageing of trade and other receivables:		
Not past due		95 258
Past due 1 – 30 days		22 535
Past due 31 – 60 days		2 948
Past due 61 – 90 days		1 071
Past due 91 days and greater		2 626
		124 438
Expected credit losses		
Not past due	0.05%	(73)
Past due 1 – 30 days	0.10%	(43)
Past due 31 – 60 days	2%	(98)
Past due 61 – 90 days	50%	(536)
Past due 91 days and greater	100%	(2 626)
		(3 375)
Trade and other receivables net of credit loss		121 063

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for the year ended 29 February 2020

Figures in R'000	2020	2019
23. Accounts receivable and payable from trading activities		
Accounts receivable from trading activities		
Accounts receivable	**286 531**	90 561
Accounts payable from trading activities		
Accounts payable	**285 956**	90 840

These amounts arise primarily from securities trading activities that the group, through its subsidiary Vunani Securities Proprietary Limited ("Vunani Securities"), carries out on behalf of its clients.

The accounts receivable from stockbroking activities represents amounts due from clients for the purchases of equities and the accounts payable from stockbroking activities represents amounts due to clients for sales of equities. No set-off of receivables and payables is permitted as Vunani Securities has no legal right to do so as the transactions are with different counterparties with differing settlement dates.

Vunani Securities must ensure the settlement of all transactions executed by them on behalf of clients. The Settlement Authority (which is a separate entity established in terms of the JSE Rules and Directives) is responsible for the management of the settlement of these transactions and the management of the risks associated with such settlement.

Both Vunani Securities and the Settlement Authority monitor settlements and ensure that the obligation of members and their clients are met on settlement date. The Settlement Authority monitors uncommitted settlements (i.e. trades where there is either insufficient cash or dematerialised scrip to facilitate settlement) and has the authority to take all necessary action when the settlement of a transaction in equity securities is unlikely to take place on settlement date. The Settlement Authority has the ability to buy and sell equity securities as well as borrow cash as agent on behalf of a member to ensure settlement.

Vunani Securities is protected by a clause in its controlled account mandate which states that where the controlled client fails to put the member in a position before the required time to settle the transaction on settlement day, the controlled client will forfeit any rights the client may have had in respect of the said transaction. The clause also states that the client shall remain liable for any losses, costs and charges incurred or charges imposed by the member which affect the said transaction. This is covered in the material obligations section of the controlled account mandate signed by the client.

In addition, Vunani Securities ensures that no purchase transaction takes place unless the controlled client has sufficient funds in their account, which are held at JSE Trustees Proprietary Limited, and on the sell side, that the client has sufficient equity securities in dematerialised form before a sale is executed.

Figures in R'000	2020	2019
24. Cash and cash equivalents		
Cash and cash equivalents include the following components:		
Cash at bank and cash in hand	**92 138**	12 354
Short-term deposits	**154 392**	42 092
Bank overdraft	**(9 852)**	(9 986)
Cash and cash equivalents in the statement of cash flows	**236 678**	44 460

Included in cash and cash equivalents is R0.9 million pledged to the group's banks to cover guarantees in respect of the leasehold premises.

Figures in R'000	2020	2019
25. Stated capital		
Authorised		
500 000 000 (2019: 500 000 000) ordinary shares of no par value	–	–
Issued		
161 155 915 (2019: 1161 155 915) ordinary shares of no par value	**696 497**	696 497
Treasury shares (number of shares held at year-end 314 982 (2019: 137 779)	**(748)**	(56)
	695 749	696 441
Reconciliation of movement in number of shares issued ('000):		
Balance at the beginning of the year	**161 156**	164 897
Delisted during the year	**–**	(3 741)
Balance at the end of the year	**161 156**	161 156
All issued shares are fully paid. Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last Annual General Meeting. This authority remains in force until the next Annual General Meeting.		
Reconciliation of movement in stated capital (R'000):		
Balance at the beginning of the year	**696 497**	706 572
Delisted during the year	**–**	(10 075)
Balance at the end of the year	**696 497**	696 497

In the prior year, the company delisted shares as part of a share swap agreement between the company and BSI Steel Limited ("BSI"), in which the investment in BSI Steel Limited was disposed of for the value of the company shares held by BSI.

Figures in R'000	2020	2019
26. Share-based payments		
A group share scheme was introduced in June 2011, whereby employees were entitled to receive shares in the company upon vesting (which takes place over a three-year service period)		
At 29 February 2020, 100% of all the shares issued had vested with the exception of shares issued under Tranche 3 – Grant – 26 February 2018. 66.67% of the shares issued under Grant 3 had vested at year-end		
Share-based payments reserve	**5 624**	5 506

Share option programme (equity-settled)

Grant 1 – 29 June 2011

The options issued under Grant 1 have an exercise price of R3.00. As at 28 February 2019, the options were fully exercised. All of the options issued under Grant 1 had been exercised at 28 February 2019.

Grant 2 – 28 December 2012

The options issued under Grant 2 have an exercise price of R1.48. As at 28 February 2019, the options were fully exercisable. The shares were transferred out of the share trust to the qualifying employees.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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26. Share-based payments (continued)

Conditional share scheme

The company implemented a conditional share scheme in November 2015, whereby employees would be awarded performance and retention shares in the company upon vesting (which takes place over a three-year service period) and when certain conditions have been met. The first tranche of shares was issued on 11 November 2015 and 29 February 2016. A second tranche of shares was issued on 24 February 2017. Additional shares were issued on 26 February 2018 as part of tranche 3 of the conditional share scheme. The details of the share-based payment arrangements are below:

Tranche 1 – Grant – 11 November 2015 and 29 February 2016

As at 28 February 2019, 100% of the shares that we granted on 11 November 2015 and 29 February 2016 had fully vested on 11 November 2018 and 28 February 2019, respectively. The shares were awarded and transferred to qualifying employees on vesting date.

Shares awarded on 11 November had a market value of R2.20 per share on vesting date and a grant date fair value of R1.51 per share, whereas the shares awarded on 29 February had a market value of R2.00 per share on vesting date and had been granted at R1.49 per share.

	Number of shares	
	2020	**2019**
Balance at the beginning of the year	**–**	6 991
Granted during the year	**–**	–
Forfeited during the year	**–**	(411)
Balance at the end of the year	**–**	6 580
Exercisable at 29 February 2020	**–**	6 580
Fair value of share options and assumptions		
Fair value at grant date (11 November 2015) (R'000)	**6 601**	6 601
Fair value at grant date (29 February 2016) (R'000)	**6 004**	6 004
Share price at grant date (11 November 2015 and 29 February 2016)	**1.60**	1.60
Vesting period	**3 years**	3 years
Assumed dividends payable (11 November 2015)	**1.97%**	1.97%
Assumed dividends payable (29 February 2016)	**2.31%**	2.31%

	Vesting dates		
Tranche 2 – Grant – 24 February 2017	1st tranche 24 February 2018 (33.33% vesting)	2nd tranche 24 February 2019 (33.33% vesting)	3rd tranche 24 February 2020 (33.33% vesting)

	Number of shares	
	2020	2019
Balance at the beginning of the year	**3 350**	3 805
Granted during the year	**–**	–
Forfeited during the year	**(378)**	(455)
Balance at the end of the year	**2 972**	3 350
Exercised at 29 February 2020	**2 972**	–
Fair value of share options and assumptions		
Fair value at grant date (R'000)	**6 786**	6 786
Share price at grant date	**2.20**	2.20
Vesting period	**3 years**	3 years
Assumed dividends payable	**2.32%**	2.32%

As at 29 February 2020, 100% of the shares granted on 24 February 2017 had fully vested on 24 February 2020. The shares were awarded and transferred to qualifying employees on vesting date.

	Vesting dates		
Tranche 3 – Grant – 26 February 2018	1st tranche 24 February 2019 (33.33% vesting)	2nd tranche 24 February 2020 (33.33% vesting)	3rd tranche 24 February 2021 (33.33% vesting)

	Number of shares	
	2020 R'000	2019 R'000
Balance at the beginning of the year	**3 612**	3 968
Granted during the year	**–**	–
Forfeited during the year	**(180)**	(356)
Balance at the end of the year	**3 432**	3 612
Exercisable at 29 February 2020	**–**	–
Fair value of share options and assumptions		
Fair value at grant date	**9 320**	9 320
Share price at grant date	**2.90**	2.90
Vesting period	**3 years**	3 years
Assumed dividends payable	**1.88%**	1.88%
As at 29 February 2020, 66% of the shares granted on 26 February 2018 had vested.		
Employee expenses		
Share option expenses in 2014 to 2016	**14 877**	14 877
Transferred to retained income in 2016	**(2 006)**	(2 006)
Share options expensed in 2017	**3 229**	3 229
Share options expensed in 2018	**5 981**	5 981
Transferred to retained income in 2018	**(435)**	(435)
Share options expensed in 2019	**7 844**	7 844
Transferred to retained income in 2019#	**(23 984)**	(23 984)
Transfer to treasury shares	**(3 554)**	–
Share options expensed in 2020	**5 009**	–
Transferred to retained income in 2020#	**(1 337)**	**–**
Total expense recognised as employee costs	**5 624**	**5 506**

 # 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.

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for the year ended 29 February 2020

Figures in R'000	2020	2019
27. Other financial liabilities		
Other financial liabilities comprise:		
Carried at amortised cost	**82 054**	72 656
Capital	**81 933**	71 795
Accrued interest	**121**	861
Carried at fair value through profit or loss	**6 499**	5 663
	88 553	78 319
Reconciliation of movement of other financial liabilities		
Balance at the beginning of the year	**78 319**	98 729
Accrued interest – debentures	**255**	350
Accrued interest – long-term borrowings	**5 918**	7 436
Advances	**38 037**	–
Derecognition	**(8 173)**	–
Repayments	**(27 033)**	(28 775)
Fair value adjustments through profit or loss	**1 230**	579
Balance at the end of the year	**88 553**	78 319
Reconciliation of cumulative fair value adjustments		
Balance at the beginning of the year	**5 663**	5 084
Fair value adjustments through profit or loss	**836**	579
Balance at the end of the year	**6 499**	5 663
Carried at amortised cost		
27.1 Development Bank of Southern Africa	**2 213**	4 238
Redeemable, cumulative debentures in Vunani Capital Proprietary Limited, with fixed interest at 9.09%, secured by an investment in Lexshell 630 Proprietary Limited. The debentures are redeemable on 30 September 2020.		
Opening balance	**2 132**	4 083
Accrued interest	**81**	155
27.2 Vendor financed loan – Vunani Solar Power Proprietary Limited	**1 300**	1 300
This loan relates to the acquisition cost of the investment in Vunani Solar Power Proprietary Limited. This liability is unsecured, interest-free and will be repaid using the dividends from Vunani Solar Power Proprietary Limited. No dividends are expected from Vunani Solar Power Proprietary Limited in 2020 (refer to note 15).		

Figures in R'000	2020	2019
27.3 Other loans	–	7 002
This amount represents a loan advanced by a non-controlling interest to Mandlamart Proprietary Limited ("Mandlamart") following the non-controlling interest acquiring a 10.71% interest in Mandlamart. The group acquired the 10.71% from the non-controlling interest which resulted in the settlement of the loan.		
Opening balance	**7 002**	6 335
Accrued interest	**–**	667
Settled during the year	**(7 002)**	–
27.4 Other financial liabilities	**5 057**	3 486
Loans are unsecured, interest-free and have no fixed terms of repayment.		
27.5 Nedbank Limited	**40 250**	56 532
The loan relates to the acquisition of Fairheads International Holdings (SA) Proprietary Limited ("Fairheads") by Mandlalux Proprietary Limited ("Mandlalux"). The medium-term loan is repayable by monthly installments of capital and interest (based on a straight-line amortisation schedule) and is subject to a cash sweep. The loan is repayable by August 2022. The loan is secured in terms of surety issued by Fairheads to Nedbank Limited amounting to R75.3 million and equity cure of R12 million.		
Opening balance	**56 532**	75 453
Interest	**4 886**	6 730
Repayments	**(21 168)**	(25 651)
27.6 ABSA Bank Limited	**32 823**	–
The loan relates to the acquisition of Oracle Insurance. The medium-term loan is repayable by monthly installments of capital and interest (based on a straight-line amortisation schedule). The loan is unsecured, bears interest at prime plus 1.6% and is repayable by 28 November 2023.		
Opening balance	**35 000**	–
Interest	**992**	–
Repayments	**(3 169)**	–
27.7 Finance lease	**411**	98
This represents secured liabilities in Mandlalux in terms of an installments sale agreements for the acquisition of furniture and equipment. At year-end the book value of the assets financed were R328.928 million (2019: R12.927 million).		
Opening balance	**98**	903
Interest	**40**	39
Advances	**584**	–
Repayments	**(311)**	(844)
Total carried at amortised cost	**82 054**	72 656

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27. Other financial liabilities (continued)

Figures in R'000	2020	2019
Carried at fair value through profit or loss on initial recognition		
27.8 Force Holdings Proprietary Limited	**6 499**	5 663
This represents the value of the option granted to Force Holdings Proprietary Limited to acquire Vunani's shareholding in Verbicept Proprietary Limited, at a 10% discount to the fair value calculated in terms of an agreement with Force Holdings Proprietary Limited.		
Total carried at fair value through profit or loss	**6 499**	5 663
Total financial liabilities	**88 553**	78 319
***Less*: Current financial liabilities**	**(42 145)**	(32 168)
Non-current financial liabilities	**46 408**	46 151

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.

The fair value adjustments that relate specifically to financial liabilities are not as a result of the group's inability to discharge its obligation, but rather in terms of the agreements with its lenders. The terms of the financial liabilities are such that in the event that the fair value of the asset falls below the face value of the liability, the group is not obligated to pay the full fair value of the debt, but rather a value that is directly linked to the value of the related asset. The full fair value adjustment is considered to be as a result of a change in market conditions and no portion relates to changes in the group's own credit risk.

28. 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 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.*

	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)
Impact on the statement of comprehensive income		
Depreciation on the right-of-use asset		7 787
Rent expense		(8 718)
Interest expense		1 316
		385
Right-of-use asset		
The right-of-use asset of R18.2 million is included in property, plant and equipment.		
Lease liabilities		19 675
Current portion of lease liabilities		7 336
Non-current portion		12 339

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

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Figures in R'000	2020	2019
29. Investment contracts		
The investment contracts arose as a result of the acquisition of Oracle Insurance.		
The investment contracts are reconciled as follows:		
Opening balance	–	–
Additions	4 350	–
Additions through business combination (refer to note 37)	473 961	–
Fair value adjustments	7 432	–
Withdrawals	(175 158)	–
	310 585	–
Investment contracts with DPF – Discretionary participation features (DPF)		
Investment contracts at fair value through profit or loss	249 792	–
Investment contract liability	60 793	–
	310 585	–
Movement in investment contracts with DPF		
Balance at beginning	–	
Additions through business combination (refer to note 37)	244 741	–
Transfer to/(from) policyholder liabilities under insurance contracts		
Increase in retrospective liabilities	5 051	–
	249 792	–
Movement in investment contracts at fair value through profit/loss		
Balance at beginning	–	
Additions through business combination (refer to note 37)	229 220	–
Contract holder movements	(168 427)	–
Deposits received	4 350	–
Contract benefit payments	(175 158)	–
Fair value adjustment to policyholder liabilities	2 381	–
	60 793	–

Investment contracts with DPF

The value of investment contracts with DPF is the retrospective accumulation of the fair value of the underlying assets, which is a reasonable approximation of the fair value of this financial liability.

Figures in R'000	2020	2019
30. Insurance contract liabilities		
The insurance contracts liabilities arose as a result of the acquisition of Oracle Insurance.		
Long-term insurance contracts – gross	**78 348**	–
Less: Recovery from reinsurers	**(9 181)**	–
Long-term insurance contracts – net	**69 167**	–
Movement in long-term insurance contract liabilities		
Balance at beginning	**–**	–
Additions through business combination (refer to note 37)	**81 532**	–
Transfer from policyholder liabilities under insurance contracts	**(3 184)**	–
Balance at year-end	**78 348**	–
The insurance contracts liabilities are made up of:		
30.1 Health IBNR – Incurred but not reported	**1 847**	–
Short-term UPR – Unearned premium reserve	**7 177**	–
Short-term IBNR	**2 576**	–
	11 600	–
The insurance contracts liabilities are reconciled as follows:		
Opening balance	**–**	–
Additions through business combination (refer to note 37)	**14 363**	–
Recognition of premium income	**(872)**	–
Decrease in IBNR*	**(1 891)**	–
	11 600	–
30.2 Health insurance contracts – claims incurred not yet reported	**1 847**	–
Less: Recovery from reinsurers	**–**	–
	1 847	–
Analysis of movements in outstanding claims:		
Balance at the beginning of the year	**–**	–
Additions through business combination	**1 467**	–
Under provision in the prior year	**380**	–
Balance at the end of the year	**1 847**	–

** The decrease in IBNR was due to the implementation of new reinsurance quota treaty whereby Oracle Insurance cedes 40% of premiums and reinsurers cover 40% of claims.*

Health claims incurred but not yet reported (IBNR)

Health IBNR

The IBNR reserve for health claims is calculated taking into account available data which will influence the claiming pattern of the medical book. Adjustments are made for seasonality within the claiming patterns. On an annual basis the actual claims are compared to the reserved claims and adjustments and refinements are made to the reserving methodology in the ensuing financial year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

Figures in R'000	2020	2019
30. Insurance contract liabilities (continued)		
Short-term insurance contracts are broken down as follows:		
30.3 Short-term insurance: unearned premiums	8 660	–
Short-term insurance: claims reported	–	–
30.4 Short-term insurance: IBNR	2 576	–
Short-term insurance: DAC – Deferred acquisition costs	(1 483)	–
Short-term insurance contracts	9 753	–
30.5 Unearned premiums		
Balance at beginning	–	–
Additions through business combination	8 049	–
Movement in unearned premium provision	611	–
Balance at the end of the year	8 660	–
30.6 IBNR		
Balance at beginning	–	–
Additions through business combination	4 847	–
Decrease in outstanding claims	(2 271)	–
Balance at the end of the year	2 576	–
30.7 DAC		
Balance at beginning	–	–
Additions through business combination	(1 140)	–
Increase in DAC	(343)	–
Balance at end of year	(1 483)	–

31. Contract holder liabilities: assumptions and estimates

The valuation of contract holder liabilities is a function of methodology and assumptions. The assumptions used are best estimate assumptions, with the addition of explicit compulsory margins as required by SAP 104: *Calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers*; and the discretionary margins in the accounting policies.

The process used to decide on best estimate assumptions is described below:

Mortality and disability

Annuity business

Mortality assumptions are based on the PA 90 standard table, less two years in age.

PHI claims in payment

Disability claim recovery probabilities are based on adjusted GLTD-87 tables.

Expenses

The current level of expenses allocated to the products categories are used for setting the expense assumptions. The basis used to determine per policy renewal expenses is based on:

- Budget F2021 expenses to determine current level of expenses per policy
- A Functional Cost Analysis (FCA), unchanged from the previous valuation
- Estimated volumes for business at the valuation date

All expenses were allocated as at 29 February 2020.

Non-recurring expenses are identified and excluded from the analysis.

Investment returns

Market-related information is used to derive assumptions in respect of investment returns, discount rates used in calculating contract holder liabilities and renewal expense inflation.

These assumptions take into account the asset mix backing each liability type and are suitably adjusted for tax and investment expenses.

Yields from the published South African forward yield curve as at valuation date are used to discount expected cash flows at each duration.

The assumed renewal expense inflation rate is based on the difference between South African nominal and real yield curves rate.

Investment guarantee

A market-consistent stochastic model is calibrated using South African market data as at 29 February 2020 and the value of the investment guarantee liabilities was also calculated as at this date.

APN 110 prescribes specific disclosure in respect of the market-consistent stochastic model that was used to calculate the liabilities. The disclosure is set out below.

The following table discloses specific points on the zero coupon yield curve used in the projection of the assets.

Year	1	2	3	4	5	10	15	20	25	30
Yield (%)	6.33	6.66	7.02	7.40	7.77	9.33	10.37	10.87	11.03	11.00

Tax

Products where prospective reserves are held are not subject to tax and hence no tax assumption is necessary.

Basis and other changes

Assumptions and methodologies used in the financial soundness valuation basis are reviewed at the reporting date and the impact of any resulting changes in actuarial estimates is reflected in the income statement as they occur.

Basis and other changes increased the excess of assets over liabilities at 29 February 2020 by R4.8 million (2019: R0.2 million). The major contributors to this change were as follows:

Voluntary Group Funeral contract boundaries and methodology were updated to reflect the short-term nature of the obligations under these contracts. This led to R2.9 million release of reserves.

Credit Life manual reserves of R2.0 million were released. These reserves were held at the prior year-end, however appears to be no valid reason for these reserves.

Credit Life profit share reserves of R1.5 million were released as the related schemes had terminated.

The expense basis was reviewed and updated to align with the more recent expense allocations to the various product categories. This resulted in a strain of R2.3 million.

Other miscellaneous changes contributed R0.6 million to the basis change profits.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

31. Contract holder liabilities: assumptions and estimates (continued)

Changes to key assumptions used to value insurance contracts will lead to a change in the actuarial liabilities, profits and equity. Key assumptions are required predominantly for the Annuity and Group PHI Claims in Payment contracts, which are valued prospectively. The table below shows the effect of a change in the insurance contract liabilities (after reinsurance) while other assumptions remain unchanged.

Key assumption	Change in assumption	Increase/ (decrease) in liabilities R'000
Morbidity recovery rates	(10%)	100
Mortality rates	(10%)	400
Expense (maintenance)	10%	100
Valuation discount rates	(1%)	1 900

The insurance contract liabilities are measured in accordance with the South African professional actuarial guidance (SAP 104 guidance note). Liabilities are not very sensitive to risk rates and expenses as all prospective liabilities are claims-in-payment (where the impact of risk rates are normally limited), with small expense components. Liabilities are relatively sensitive to valuation discount rates – however the above doesn't take into account the movement in assets which can counter this movement if appropriately matched assets are held.

Figures in R'000	2020	2019
32. Net taxation payable		
The net tax payable includes the following:		
Current tax payable	1 533	1 430
Business combination	2 118	–
Dividend withholding tax (payable as a result of securities broking activities)	87	50
Securities transfer tax (payable as a result of securities broking activities)	2 143	2 438
	5 881	3 918
33. Trade and other payables		
Trade creditors	112 433	78 585
Other payables	24 507	19 907
Accrued expenses	18 821	9 655
Value added tax (VAT)	2 872	3 464
Accrued leave pay	4 865	3 089
Insurance trade and other payables	32 658	–
Contingent consideration liability	2 350	–
	198 506	114 700

34. Retirement benefits

Defined contribution plan

It is the policy of the group to provide retirement benefits to all its employees through a defined contribution provident fund, which is subject to the Pension Funds Act of 1956. The group is under no obligation to cover any unfunded benefits.

Employees make an election to join the provident fund and their contributions to the fund are included with staff costs as detailed in note 10.

Figures in R'000	2020	2019
35. Cash generated by operating activities		
Profit before income tax expense from operations	**51 388**	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**	–
Change in reinsurance asset movement	**(265)**	–
Short-term insurance: Incurred but not reported (IBNR)	**1 891**	–
Short-term insurance: Unearned premiums	**872**	–
Bargain purchase gain	**(34 889)**	–
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
36. Income tax paid		
Payable at the beginning of the year	**(1 430)**	1 352
Adjustment to payable at the beginning of the year	**–**	(951)
Current year tax charge	**(19 350)**	(17 225)
Payable at the end of the year (refer to note 32)	**1 533**	1 430
	(19 247)	(15 394)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

37. Business combinations

Acquisition of Oracle Insurance Eswatini Limited

Vunani acquired an effective 51.7% 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 R6.4 million has been included in the group's profit or loss for the year ended 29 February 2020. R3.1 million of this profit is attributable to non-controlling interests. R59.7 million has been included in the group'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 the intangible asset of R32.9 million at acquisition date. The acquisition resulted in the recognition of a bargain purchase gain of R34.7 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 R65.0 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 ("VIF asset")	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	(65 020)
Net asset value acquired	69 690
Purchase price	(35 000)
Bargain purchase gain	34 690
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

Valuation of intangible assets

On acquisition of a portfolio of insurance or investment with DPF contracts, the group recognises an intangible asset representing the VIF asset acquired. The VIF asset represents the present value of future pre-tax profits embedded in the acquired insurance or investment with DPF contract business. The VIF asset is recognised gross of tax, with the deferred tax liability accounted for separately in the statement of financial position.

Measurement

The fair value calculation of VIF asset on acquisition is based on actuarial principles that take into account future premium and fee income, claim outgo, mortality, morbidity and persistency probabilities together with future costs and investment returns on the underlying assets. The profits are discounted at a rate of return allowing for the risk of uncertainty of the future cash flows. This calculation is particularly sensitive to the assumptions regarding discount rate, future investment returns and the rate at which policies discontinue.

Impairment

The VIF asset is reviewed for impairment losses through the liability adequacy test and written down for impairment if necessary.

Acquisition of Stanlib Investment Managers Proprietary Limited

Vunani acquired a controlling stake in Vunani Fund Managers Botswana (previously Stanlib Investment Managers Proprietary Limited) ("VFMB") 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 the group's profit or loss for the year ended 29 February 2020. R4.6 million has been included in the group's revenue since the acquisition of VFMB 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

37. Business combinations (continued)

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

The group has agreed to pay the selling shareholders in a year's time an additional consideration of R2.6 million if the acquiree retains a mandate to manage a major client's assets. The group has included R2.4 million as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At 29 February 2020, the contingent consideration had not changed in value.

Figures in R'000	2020	2019
38. Basic and headline earnings per share		
Basic earnings per share (cents)	22.3	54.7
Basic earnings per share (cents)	22.3	54.7
Diluted earnings per share (cents)	22.3	53.5
Diluted earnings per share*	22.3	53.3
Headline earnings per share (cents)*	0.6	54.7
Headline earnings per share	0.6	54.7
Diluted headline earnings per share (cents)*	0.6	53.5
Diluted headline earnings per share	0.6	53.5

** The employee shares do not have a dilutive effect in the current year.*

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 29 February 2020 was based on the profit attributable to ordinary shareholders of R35.9 million (2019: R88.6 million), and a weighted average number of ordinary shares outstanding of 160.6 million (2019: 162.0 million), and 160.6 million (2019: 165.4 million) in the case of diluted earnings per share.

Headline and diluted headline earnings per share

The calculation of headline and diluted headline earnings per share at 29 February 2020 was based on headline earnings attributable to ordinary shareholders of R0.9 million (2019: R88.6 million), and a weighted average number of ordinary shares outstanding of 160.6 million (2019: 162.0 million), and 160.6 million (2019: 165.4 million) in the case of diluted headline earnings per share.

Headline earnings per share

Headline earnings per share is calculated in accordance with the Headline Earnings Circular issued by the South African Institute of Chartered Accountants ("SAICA"), as amended from time to time.

Figures in R'000	2020	2019
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)
Weighted average number of shares in issue during the year	**160 616**	162 022
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 share awards on issue – dilutive shares	**–**	3 372
Diluted weighted average number of shares in issue during the year	**160 616**	165 394
Potential dilutive shares		
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.		
In the current year, R3.003 million share options (2019: R2.025 million) were excluded from the diluted weighted-average number of shares calculation because their effect would have been anti-dilutive.		
The average market value of the company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices at the beginning of the year and at year-end.		
Shares issued as part of the share incentive scheme ('000s)	**–**	–
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.	**302.2c**	291.2c
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.	**98.3c**	157.3c
Headline earnings		
Profit for the year attributable to equity holders of Vunani Limited	**35 893**	88 553
Adjusted for:		
IFRS 16: *Leases**		
Lease modification gain	**(120)**	–
Business combination*		
Bargain purchase gain	**(34 889)**	–
	884	88 553
** The tax effect of the adjustment is R nil.*		
Number of shares in issue ('000s)	**161 156**	161 156
Weighted average number of shares ('000s)	**160 616**	162 022
Dilutive weighted average number of shares ('000s)	**160 616**	165 394

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

39. Commitments

Guarantees and sureties provided

The group has provided guarantees and sureties to third parties as at 29 February 2020 (including investments in associates) in the amount of R164.1 million (2019: R127.8 million). The probability of the liability materialising in terms of these guarantees and sureties is dependent on the performance of the underlying businesses that are servicing the debt that is linked to the guarantees and sureties.

Figures in R'000	2020	2019
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	–	8 289
– in second to fifth year inclusive	–	3 855
	–	12 144
Operating lease payments represent rentals payable by the group for its office premises and office equipment. Leases are negotiated for an average term of four years. Rentals on the office and office equipment escalate at an average rate of 8.0% (2019: 8.0%) per annum.		
Finance leases – as lessee (expense)		
Minimum lease payments due		
– within one year	**185**	110
– in second to fifth year inclusive	**226**	37
	411	147

This represents secured liabilities in Mandlalux in terms of an installments sale agreements for the acquisition of furniture and equipment. At year-end the book value of the assets financed was R328 928 million (2019: R12.927 million).

40. Non-controlling interest

The following table summarises the information relating to each of the group's subsidiaries' material non-controlling interest ("NCI") before intra-group eliminations. Intra-group transactions and balances that eliminate on consolidation are reflected separately.

Figures in R'000	VPROP714 Proprietary Limited	Purpose Vunani Asset Manage-ment (Private) Limited	Vunani Resources Proprietary Limited	Oracle Insurance Proprietary Limited – Consolidated	Telos (Proprietary) Limited	Other individually immaterial non-controlling interests	Intra-group elimi-nations	Total
2020								
NCI percentage	22%	35%	25%	48.3%	22.4%	–		
Non-current assets	481	3 326	1 080	415 787	35 000	8 694		
Current assets	26 883	2 088	99 135	213 546	4 800	12 969		
Non-current liabilities	–	(194)	–	(422 274)	–	(362)		
Current liabilities	(29 313)	(130)	(91 675)	(65 904)	(33 000)	(28 159)		
Net assets	(1 949)	5 090	8 540	141 155	6 800	(6 858)		
Carrying amount of NCI	(429)	1 782	2 135	68 131	1 523	(2 468)	–	70 674
Revenue	–	1 926	104 205	59 723	9 600	4 569		
(Loss)/profit	(962)	365	(3 462)	6 445	6 800	5 204		
OCI	–	(12 354)	–	–	–	373		
Total comprehensive income	(962)	(11 989)	(3 462)	6 445	6 800	5 577		
(Loss)/profit allocated to NCI	(212)	128	(866)	3 111	1 523	(109)	–	3 575
OCI allocated to NCI	–	(4 324)	–	–	–	110		(4 214)
Net increase in cash and cash equivalents	*	*	2 012	87 936	–	1 364		
Dividends paid to non-controlling interest	1 244	–	–	–	–	–		

** Less than R1 000.*

During the year, the group acquired 10.71% held by non-controlling interest in Mandlamart Proprietary Limited, this resulted in the group holding 100% of the shares in Mandlalux Proprietary Limited.

The acquisition of 52% in Oracle Life resulted in non-controlling interest of 48%. The interest relating to the acquisition of Stanlib Botswana has been included under individually immaterial NCI as it took place towards the end of the financial year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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40. Non-controlling interest (continued)

Figures in R'000	VPROP714 Proprietary Limited	Purpose Vunani Asset Manage-ment (Private) Limited	Vunani Resources Proprietary Limited	Mandlalux Proprietary Limited	Mandlamart Proprietary Limited	Vunani Fund Managers Proprietary Limited	Other individ-ually immaterial non-controlling interests	Intra-group elimin-ations	Total
2019									
NCI percentage	22%	35%	25%	7.5%	10.71%	30%	–		
Non-current assets	6 215	5 993	1 787	408	51 674	2 048	1 558		
Current assets	26 890	13 017	76 186	45 500	8 824	28 495	212		
Non-current liabilities	–	(194)	–	(50 159)	(7 003)	–	–		
Current liabilities	(29 042)	(1 737)	(65 882)	(73 947)	(58 438)	(6 245)	(8 382)		
Net assets	4 063	17 079	12 091	(78 198)	(4 943)	24 298	(6 612)		
Carrying amount of NCI	894	5 978	3 023	(5 865)	(529)	7 289	(2 410)	–	8 380
Revenue	–	14 507	130 684	127 243	–	72 648	–		
Profit/(loss)	(91)	1 490	6 649	14 012	(5 427)	9 715	(2 691)		
OCI	–	2 316	–	–	–	–	56		
Total comprehensive income	(91)	3 806	6 649	14 012	(5 427)	9 715	(2 635)		
Profit/(loss) allocated to NCI	(20)	522	1 662	1 051	(581)	–	(935)	–	1 699
OCI allocated to NCI	–	811	–	–	–	–	(15)		796
Net increase/(decrease) in cash and cash equivalents	(4)	65	(194)	639	–	2 556	16		
Dividends paid to non-controlling interest	–	838	–	–	–	–	–		

* *Less than R1 000.*

41. Operating segments

The group has seven reportable segments being fund management, asset administration, advisory services, institutional securities broking, insurance, commodities trading and other investments. The group's strategic business segments, offering different products and services, are managed separately, requiring different skill, technology and marketing strategies. For each of the strategic business segments, the group's chief executive officer reviews internal management reports on a monthly basis. The group's chief executive officer is the chief operating decision maker.

The fund management and other investment 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.

There are no single major customers.

The following summary describes the operations in each of the group's reportable segments:

Basis of measurement

The group uses the following principles to determine segment profit or loss, segment assets and segment liabilities:

Any transactions between segments are eliminated.

All segment profits or losses and the group's profits or losses are measured in the same manner, using the accounting policies described in notes 1 to 3.

All segment assets and liabilities and the group's assets and liabilities are measured in the same manner, using the accounting policies described in notes 1 to 3.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss, except for the impact of new standards.

Figures in R'000	Fund management	Asset administration	Advisory services	Institutional securities broking	Insurance#	Commodities trading	Other investments	Total
2020								
Revenue	96 810	139 245	13 969	36 936	59 723	105 416	10 057	462 156
Finance income and interest received from investments	1 225	2 614	–	772	5 156	31	1 038	10 836
Finance costs	*	(5 566)	–	(204)	(1 279)	(1 397)	(1 355)	(9 801)
Depreciation	(1 997)	(5 397)	(11)	(44)	(832)	(354)	(2 349)	(10 984)
Amortisation of intangible assets	–	(11 405)	–	–	(997)	–	–	(12 402)
Impairment reversal of loans to associates	–	–	–	–	–	–	300	300
Fair value adjustments	269	–	–	–	(5 062)	(664)	(24 913)	(30 370)
Equity-accounted earnings	(490)	–	–	–		–	10 458	9 968
Income tax (expense)/ income	(6 097)	(5 681)	39	(68)	(817)	(73)	777	(11 920)
Reportable segment profit/(loss) after tax	10 538	16 575	(403)	(757)	35 589	(9 425)	(12 649)	39 468
Reportable segment assets	92 225	227 602	7 373	297 365	628 099	92 789	274 993	1 620 446
Investment in associates	5 758	–	–	–	–	–	54 029	59 787
Capital expenditure	–	–	–	–	–	–	–	–
Reportable segment liabilities	(37 034)	(71 209)	(2 434)	(293 070)	(523 501)	(91 675)	(43 760)	(1 062 683)

* *Less than R1 000.*

\# *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 37 for additional information.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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41. Operating segments (continued)

Figures in R'000	Fund management	Asset administration	Advisory services	Institutional securities broking	Commodities trading**	Other investments**	Total
2019							
Revenue	87 155	127 362	18 021	42 001	141 302	9 488	425 329
Finance income and interest received from investments	705	2 461	*	1 021	60	265	4 512
Finance costs	*	(7 484)	–	(142)	(349)	(826)	(8 801)
Depreciation	(834)	(1 551)	(8)	(72)	(255)	(347)	(3 067)
Amortisation of intangible assets	–	(11 224)	–	–	–	–	(11 224)
Impairment of loans to associates	–	–	–	–	–	(9 001)	(9 001)
Fair value adjustments	408	–	–	–	–	72 831	73 239
Equity-accounted earnings	164	–	–	–	–	5 889	6 053
Income tax income/(expense)	(5 502)	(4 383)	517	(885)	(2 836)	(4 616)	(17 705)
Reportable segment profit/(loss) after tax	7 898	13 445	4 705	(7 211)	9 670	61 745	90 252
Reportable segment assets	82 608	230 407	15 193	104 945	199 612	166 179	798 944
Investment in associates	6 248	–	–	–	–	47 142	53 390
Capital expenditure	–	2 795	–	–	–	–	2 795
Reportable segment liabilities	(19 912)	(86 967)	(10 252)	(99 540)	(65 971)	(38 653)	(321 295)

* *Less than R1 000.*

** *The commodities trading (previously mining) and other investments have been refined to enable the chief decision-maker to adequately assess the performance of each segment based on the resources allocated to them. The change was also as a result of the increase in commodities trading activities.*

42. Related parties

Relationships

Ultimate holding company/parent	Bambelela Capital Proprietary Limited
Associates	Refer to note 15
Directors	Refer to note 43

Direct and indirect subsidiaries	Effective equity holding 2020	2019
Vunani Capital Proprietary Limited	**100%**	100%
Camden Bay Investments 2 Proprietary Limited*	**–**	100%
Invest West Real Estate Proprietary Limited	**100%**	100%
Ingwecron Proprietary Limited	**75%**	75%
Komur Mining (Private) Limited**	**75%**	75%
Lexshell 630 Investments Proprietary Limited	**100%**	100%
Loato Properties Proprietary Limited	**100%**	100%
Locivert Proprietary Limited	**100%**	100%
Mandlamart Proprietary Limited	**100%**	89%
Mandlalux Proprietary Limited	**100%**	93%
Fairheads Benefit Services Proprietary Limited	**100%**	93%
Fairheads International Holdings Proprietary Limited	**100%**	93%
Fairheads Financial Services Proprietary Limited	**100%**	100%
Olimonox Proprietary Limited	**100%**	100%
Pacific Heights Investments 118 Proprietary Limited*	**–**	100%
Purpose Vunani Asset Management (Private) Limited**	**65%**	65%
Spaciros Proprietary Limited	**51%**	51%
Vunani Capital Zimbabwe (Private) Limited**	**75%**	75%
Vunani Passenger Logistics Proprietary Limited	**100%**	100%
Vunani Fund Managers Proprietary Limited	**100%**	70%
Vunani Mining Proprietary Limited	**100%**	100%
Vunani Private Clients Stockbroking Proprietary Limited	**100%**	100%
Vunani Mining and Resources Proprietary Limited	**75%**	75%
Vunani Sponsors Proprietary Limited	**100%**	100%
Vunani Resources Proprietary Limited	**75%**	75%
Ginolor Proprietary Limited	**51%**	51%
Vunani Ssafen Karoo Proprietary Limited	**51%**	51%
Vunani Ssafen Amerfoot Proprietary Limited	**51%**	51%
Vunani Mion Properties Proprietary Limited	**61%**	61%
Almecel Proprietary Limited	**61%**	61%
Vunani Property Asset Management Proprietary Limited	**100%**	–
Vunani Africa Investments Proprietary Limited	**100%**	100%
Vunani Holdings Swaziland Proprietary Limited$	**80%**	80%
AME Capital (Proprietary) Limited&	**60%**	–
Stanlib Investments Management Services (Proprietary) Limited&	**60%**	–
Telos (Proprietary) Limited$	**77.6%**	77.6%
Oracle Insurance (Proprietary) Limited$	**51.7%**	–
Oracle Life (Proprietary) Limited$	**51.7%**	–
Vunani Securities Proprietary Limited	**100%**	100%
Vunani Nominees Proprietary Limited	**100%**	100%
Vunani Capital Investments Proprietary Limited	**100%**	100%
Vunani Capital Markets Proprietary Limited	**100%**	100%
VPROP714 Proprietary Limited	**78%**	78%
Dreamworks Investments 125 Proprietary Limited	**66%**	66%
Vunani Property Asset Management Proprietary Limited	**–**	78%
Wolfsberg Arch Investments Proprietary Limited	**–**	40%
Vunani Share Incentive Scheme Trust	**100%**	100%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

42. Related parties (continued)

All the above direct and indirect subsidiaries' financial results are consolidated.

* *The company was deregistered during the year. The cash flow impact of these deregistration is immaterial.*
** *The company is registered and conducts business in Zimbabwe.*
$ *The company conducts business in Eswatini.*
& *The company conducts business in Botswana.*

Other related parties

- Akkersbloom Enterprises (Private) Limited**#
- Tutuni Investments Proprietary Limited#
- Vunani Fund Managers Share Trust

* *The company is incorporated and conducts its business in Botswana.*
** *The company is incorporated and conducts its business in Zimbabwe.*
\# *Vunani has entered into a legal agreement with the shareholders and the companies which entitles Vunani,* inter alia*, to the economic benefits accruing from the activities of the companies. The directors of these companies are executive directors of Vunani. These directors are responsible for the strategic and operational activities of these companies and therefore on this basis. 100% of the company's results have been consolidated in the group's results.*

Related-party balances and transactions

All related-party balances and transactions were eliminated on consolidation except for those balances and transactions with associates (refer to note 15) and directors (refer to note 43) and disclosed below.

Loan with ultimate holding company

Vunani Capital Proprietary Limited has an operating loan with the ultimate holding company, Bambelela Capital Proprietary Limited of R132 000 (2019: R120 000) (refer to note 22).

Vunani Fund Managers Share Trust

Vunani established the Vunani Fund Managers Trust (the Trust) with the primary objective of providing long-term incentives to key staff of Vunani Fund Managers Proprietary Limited ("VFM") and to align the interests of eligible employees with the long-term goals of VFM.

To effect this transaction, a legal sale of shares and loan agreement was entered into between Vunani Capital Proprietary Limited ("VC") and the Trust in the 2019 financial period.

This agreement was concluded on commercial terms whereby VC sold 30% of its shareholding in VFM to the trust for a consideration of R16 680 000 on loan. The loan bears interest at the prime rate and will be repaid through dividends received on the VFM shares. A minimum of 20% of the dividends received with any greater amount at the discretion of the trustees will be used to repay the loan. The envisaged final repayment date is 28 February 2030. The beneficiaries of the trust will be awarded participatory interests equivalent to the Trust's 30% shareholding in VFM. Although a legal and commercial share and loan issue exists, from an accounting perspective, the significant risks and rewards of ownership relating to the shares in VFM did not transfer to the Trust. As a result, there is no share nor a loan issued for accounting purposes.

The participatory interests vest over time. Once vested, the participatory interests entitles the holders to dividends. The Trust is expected to earn dividends from its shareholding in VFM and 20% of any dividends received by the Trust will be used to repay the loan from VC. The balance of the dividends can be used to make further repayments on the loan, make distributions to participatory interest holders, fund any redemption of participatory interests and invest in other assets. VL will be responsible for settling the future redemptions of the participatory interests if the Trust is unable to do so.

The sale agreement does not provide VC with recourse as security or otherwise to the sale shares as settlement of the loan.

43. Directors' remuneration and benefits

No loans were made to directors during the year (2019: R nil). There were no material transactions with directors, other than the following:

Figures in R'000	Non-executive directors' fees	Salaries	Bonuses accrued	Provident fund and medical aid contributions	Current year share-based payment expense	Total
2020						
E Dube	–	4 022	3 319	888	906	9 135
NM Anderson	–	2 900	2 236	408	607	6 151
BM Khoza	–	2 714	2 236	594	607	6 151
T Mika	–	1 173	881	131	304	2 489
LI Jacobs (chairman)	320	–	–	–	–	320
G Nzalo	173	–	–	–	–	173
JR Macey	198	–	–	–	–	198
N Mazwi	173	–	–	–	–	173
XP Guma	147	–	–	–	–	147
S Mthethwa	147	–	–	–	–	147
M Golding	147	–	–	–	–	147
Total	1 305	10 809	8 672	2 021	2 424	25 231
2019						
E Dube	–	3 765	2 948	868	1 293	8 874
NM Anderson	–	2 687	1 986	383	868	5 924
BM Khoza	–	2 563	1 986	558	868	5 975
T Mika	–	1 107	783	123	325	2 338
LI Jacobs (chairman)	305	–	–	–	–	305
G Nzalo	165	–	–	–	–	165
JR Macey	189	–	–	–	–	189
N Mazwi	165	–	–	–	–	165
XP Guma	140	–	–	–	–	140
S Mthethwa	140	–	–	–	–	140
M Golding	140	–	–	–	–	140
Total	1 244	10 122	7 703	1 932	3 354	24 355

Short-term benefits to key management personnel amounted to R19 868 million (2019: R19 069 million).

Aggregate amounts paid to directors amount to:

Figures in R'000	2020	2019
For services as directors of the company		
Total remuneration and benefits received from company	1 305	1 244
Total remuneration and benefits received from company's subsidiaries and fellow subsidiaries	23 926	23 111
	25 231	24 355

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

43. Directors' remuneration and benefits (continued)

There are no service contracts for non-executive directors. The executive directors have service contracts with the group terminable upon one month's written notice. No executive director has a fixed-term contract.

Prescribed officers

Details of prescribed officers and key management personnel are disclosed in note 65 (Vunani Limited company financial statements).

Shareholdings per director of the company (including non-executive directors) and major operating subsidiaries.

	Number of shares held		
	Beneficially direct ('000s)	Beneficially indirect ('000s)	Total number of shares held ('000s)
2020			
E Dube	**311**	**24 634**	**24 945**
NM Anderson	**806**	**14 779**	**15 585**
BM Khoza	**–**	**14 779**	**14 779**
T Mika	**275**	**–**	**275**
JJ Rossouw	**615**	**401**	**1 016**
R Krepelka	**2 990**	**–**	**2 990**
M Brown	**2 616**	**–**	**2 616**
G Gould	**2 616**	**–**	**2 616**
L Jacobs	**33**	**–**	**33**
S Mthethwa	**–**	**7 200**	**7 200**
M Golding	**–**	**30 040**	**30 040**
	10 262	**91 833**	**102 095**

There have been no changes in shareholdings of the other directors between 29 February 2020 and the approval of the integrated report.

	('000s)	('000s)	('000s)
2019			
E Dube	–	24 618	24 618
NM Anderson	714	14 779	15 493
BM Khoza	–	14 779	14 779
T Mika	223	–	223
JJ Rossouw	458	243	701
R Krepelka	2 990	–	2 990
M Brown	2 616	–	2 616
G Gould	2 616	–	2 616
L Jacobs	33	–	33
S Mthethwa	–	7 200	7 200
M Golding	–	30 040	30 040
	9 650	91 659	101 309

E Dube acquired 70 000 shares on 14 May 2019. There have been no other changes in shareholdings of the other directors between 28 February 2019 and the approval of the integrated report.

Figures in R'000	Note	Carrying amount	Undiscounted contractual cash flows	Less than 1 year	1 – 5 years	Greater than 5 years
44. Financial instruments						
44.1 Liquidity risk						
2020						
Non-derivative financial liabilities		**(975 663)**	**(990 202)**	**(545 168)**	**(419 447)**	**(25 587)**
Non-interest-bearing					**–**	**–**
Trade and other payables (excluding VAT and leave pay)	33	**(190 769)**	**(190 769)**	**(190 769)**	**–**	**–**
Accounts payable from trading activities	23	**(285 956)**	**(285 956)**	**(285 956)**	**–**	**–**
Other financial liabilities at amortised cost	27.2, 27.4	**(6 357)**	**(6 357)**	**(6 357)**	**–**	**–**
Other financial liabilities at fair value through profit or loss	27.8	**(6 499)**	**(6 499)**	**(6 499)**	**–**	**–**
Fixed interest rate instruments – DBSA	27.1	**(2 213)**	**(2 262)**	**(2 262)**	**–**	**–**
Variable interest rate instruments	27, 24	**(83 336)**	**(97 826)**	**(41 725)**	**(30 514)**	**(25 587)**
Investment contracts	29	**(310 585)**	**(310 585)**	**–**	**(310 585)**	**–**
Insurance contract liabilities	30	**(89 948)**	**(89 948)**	**(11 600)**	**(78 348)**	**–**
2019						
Non-derivative financial liabilities		(287 292)	(300 403)	(241 145)	(59 258)	–
Non-interest-bearing					–	–
Trade and other payables (excluding VAT and leave pay)	33	(108 147)	(108 147)	(108 147)	–	–
Accounts payable from trading activities	23	(90 840)	(90 840)	(90 840)	–	–
Other financial liabilities at amortised cost	27.2, 27.4	(4 786)	(4 786)	(4 786)	–	–
Other financial liabilities at fair value through profit or loss	27.8	(5 663)	(5 663)	(5 663)	–	–
Fixed interest rate instruments – DBSA	27.1	(4 238)	(4 542)	(2 280)	(2 262)	–
Variable interest rate instruments	27, 24	(73 618)	(86 425)	(29 429)	(56 996)	–

Management of liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial and insurance liabilities (that are settled by delivering cash or another financial asset), arising because of the possibility that the group could be required to pay its liabilities earlier than expected.

The group's approach to managing liquidity is by managing its working capital, capital expenditure and other financial obligations, and to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. Ultimate responsibility for liquidity risk management rests with the board of directors. Typically the group ensures that it has sufficient cash on hand to meet operational expenses, including the servicing of financial obligations. The group also has access to R10.0 million (2019: R10.0 million) in overdraft facilities, which may be used to manage its financial obligations if necessary.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

44. Financial instruments (continued)

44.1 Liquidity risk

Contract holder liabilities

Expected cash flows, i.e. the estimated timing of repayment of the amounts recognised in the statement of financial position, are disclosed for these liabilities in the maturity analysis. The assumptions used to calculate the statement of financial position value of these liabilities.

- Contractual cash flows for investment contract liabilities with DPF are disclosed in the maturity analysis.
- The earliest contractual maturity date is used for these liabilities.
- The contractually required cash flows for policies that can be surrendered are the surrender values of such policies. It is assumed that surrender values are contractually available on demand and therefore these policies are disclosed as open-ended.
- For policies with no surrender value, the estimated contractual cash flow is disclosed.

Figures in R'000	2020	2019
44.2 Market risk		
Interest rate risk		
The company's interest rate exposure is as follows:		
Fixed rate instruments		
Financial liabilities	**(2 213)**	(4 238)
Variable rate instruments		
Financial assets	**246 530**	16 037
Financial liabilities	**(83 336)**	(73 618)
	160 981	(61 819)
Cash flow sensitivity analysis for fixed rate instruments		
A sensitivity analysis has not been included for fixed rate instruments as they are not sensitive to interest rate risk.		
Cash flow sensitivity analysis for variable rate instruments		
A change of 50 basis points in the interest rates at the reporting date would have increased/(decreased) profit or loss and equity 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		
50 bps increase	**805**	(309)
50 bps decrease	**(805)**	309
Management of interest rate risk		
The group generally adopts a policy of ensuring that its exposure to changes in interest rates is limited by either fixing the rate or by linking the rate to the prime rate over the period of the respective loan.		
Equity price risk		
The company's equity price risk is as follows:		
Unlisted financial assets at fair value through profit or loss		
Other investments	**97 522**	78 222
Other non-current assets	**33 302**	70 881
Insurance-related investments	**117 782**	–
Listed financial assets at fair value through profit or loss		
Other investments	**13 930**	16 261
Insurance related investments	**168 807**	–
Trading securities	**143**	72
	431 486	165 436

Figures in R'000	2020	2019
A change of 10% in the fair value of investment 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		
10% increase	**43 149**	16 544
10% decrease	**(43 149)**	(16 544)
Market price risk The group is exposed to market price changes on inventory held at fair value less cost to sell.		
Inventory – held at fair value less cost to sell	**6 342**	–
	6 342	–
A change of 10% in the fair value of market prices on inventory held at fair value 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		
10% increase	**634**	–
10% decrease	**(634)**	–
Foreign currency risk The group is exposed to foreign currency risk on its investments in subsidiaries, investments in associates that carry businesses outside of the Republic of South Africa and other investments held in foreign countries. The group does not hedge against foreign currency exposures on its investments. The group's exposure to the changes in the US dollar on the profit or loss recognised in its consolidated financial statements is analysed below.		
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
10% increase in USD	**1 250**	1 800
10% decrease in USD	**1 038**	1 473

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

Figures in R'000	2020	2019
44. Financial instruments (continued)		
44.3 Credit risk		
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.		
The carrying amount of financial assets represents the maximum credit exposure.		
The maximum exposure of credit risk was:		
Loans to associates (net of impairment)	**6 745**	10 118
Other loans	**–**	3 683
Accounts receivable from trading activities	**286 531**	90 561
Trade and other receivables (net of impairment)	**98 328**	121 063
Cash and cash equivalents	**246 530**	54 446
Reinsurance assets	**20 136**	–
Insurance-related investments	**286 589**	–
	944 859	279 871

Credit risk management on insurance related balances:
One of the tools that the group uses to manage its credit risk is through a group credit policy for money market and debt instruments. Within Eswatini's jurisdictions, there is little rated paper, apart from government bonds. Local investments made within Eswatini's jurisdictions must be approved by the Eswatini board and reported to the group investment committee. No exposure is permitted to leveraged credit instruments, e.g. instruments where exposure to an entity or small group of entities can cause greater losses across the portfolio than the proportionate share of the defaulting entity or entities, without the group investment committee approval.

Where a credit risk is entirely borne by a contract holder in a pure linked investment contract, and this is made explicit in the contract and acknowledged by the contract holder in writing, the risk will not be aggregated with the group's risks. This applies to special contracts and structured products.

Unless the asset manager has a fully-fledged credit analysis capability, credit quality will be based on ratings assigned by recognised ratings agencies. Lower credit quality than that implied by the rating may be assumed if the manager feels the credit quality is overstated.

For debt instruments, the major risks that are managed are the probability of default and concentration of exposure to individual entities. Probability of default is managed by limiting exposure to the various credit rating bands through a risk budget. For the risk budget, government guaranteed instruments do not draw down the risk budget and there is no limit on exposure to these instruments. Although it is customary to permit investments up to BBB rating, a review of the history of long-term probability of default indicated that the risk of default increased 3.5 times from A to BBB. Therefore, investments in debt securities are limited to A- ratings or better. No exposure is permitted to unrated counterparties or those rated below investment grade except with investment committee approval. The risk of exposure to individual entities, both local and foreign, is managed through diversification. Limits directly linked to credit ratings are placed on the maximum exposure per issuer. More generous limits are set for top-tier banks and parastatals.

Money market instruments are those instruments with an original (legal) maturity not exceeding one year. As in the case of debt instruments the two major credit risks that are managed are probability of default and concentration of exposure to individual entities. Probability of default is managed by limiting exposure to the various short-term credit rating bands. Investment is only permitted in rated issuers or issues, unless no rated issuers or issues are available. Where a short-term rating is not available, the long-term rating of the issuer is converted to a short-term rating. Default probabilities at a long-term level of BBB (equivalent to short-term rating F3) and below, are significantly riskier based on historic information and hence not appropriate for money market investments. The risk of exposure to individual entities is managed through diversification. Limits are placed on the maximum exposure per issuer directly linked to credit bands.

There is no limit on the exposure of categories F1 and F1+ instruments, but a limit of 25% of the total portfolio is assigned to the category F2 instruments. For each of these categories there are an implied minimum number of issuers to reach the maximum exposure in a category. There is no need for a risk budgeting approach given the limited number of restricted categories.

Provisions of the Eswatini Insurance Act No 7 of 2005 have the effect of limiting exposure to individual issuers due to the inadmissibility of assets for regulatory purposes if specified limits are breached.

Figures in R'000	2020	2019
The group's maximum exposure to credit risk is through the following classes of assets, and is equal to their carrying values:		
Reinsurance assets	**20 136**	–
Insurance-related investments	**286 589**	–
Equity securities	**84 346**	–
Collective investment schemes	**41 527**	–
Debt securities	**13 502**	–
Funds on deposit and other money market instruments	**109 263**	–
Government stock	**37 951**	–
	306 725	–

Reinsurance assets

Receivables arising from insurance contracts and investment contracts with DPF and reinsurance contracts.

Collective investment schemes and unit linked investments

Unit linked investments comprise local and foreign collective investment schemes as well as other unit linked investments. Collective investment schemes are categorised into property, equity or interest-bearing instruments based on a minimum of 55% per category of the underlying asset composition of the fund by value. In the event of no one category meeting this threshold, it is classified as a mixed assets class. Money market collective investment schemes are categorised as such.

Unlisted and unquoted unit-linked instruments are mainly exposed to equity, comprising investments in hedge funds and private equity funds, or interest-bearing instruments, comprising mezzanine funding and structured guaranteed income products. Where Oracle Insurance is the contract holder of an investment contract at another institution, but does not have title to the underlying investment assets, it is allocated to a mixed asset class.

Money market collective investment schemes are included in funds on deposit and other money market instruments less than 90 days.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

44. Financial instruments (continued)

44.3 Credit risk (continued)

Security and credit enhancements

For debt securities, unit linked investments and cash and cash equivalents, the credit risk is managed through the company's credit risk exposure policy described above.

Amounts receivable in terms of long-term insurance contracts and investment contracts with DPF are limited to and secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

Reinsurance is placed with reputable companies. The credit rating of the company is assessed when placing the business and where there is a change in the status of the reinsurer. If a reinsurer fails to pay a claim, the company remains liable for the payment to the contract holder. Oracle Insurance has a Reinsurance Treaty with Hannover Life Reassurance Africa Limited which has a rating of AA- per credit rating agency Standard and Poor.

Figures in R'000	2020	2019
Insurance-related liabilities		
Investments contracts	310 585	–
With discretionary participation features	249 792	–
At fair value through profit or loss	60 793	–
Insurance contract liabilities	78 348	–
Total liabilities	388 933	–
The following table provides an analysis of the fair value of financial liabilities not carried at fair value on the statement of financial position:		
Liabilities		
Investment contracts	249 792	–

Investment contracts with DPF

The value of investment contracts with DPF is the retrospective accumulation of the fair value of the underlying assets, which is a reasonable approximation of the fair value of this financial liability.

The table below reconciles the contract holder liabilities for each category to the total liability in the statement of financial position. Each category represents distinct financial risks. Some categories may include both insurance and investment contracts.

	Insurance R'000	Investment with DPF R'000	Investment R'000	Total 2020 R'000
Contracts with DPF				
Group contracts with DPF	–	249 792	–	249 792
Smoothed bonus	–	249 792	–	249 792
Market-related business	–	–	60 793	60 793
Group market-related business	–	–	60 793	60 793
Other business	78 348	–	–	78 348
Non-profit annuity business	22 749	–	–	22 749
Other non-profit business	55 599	–	–	55 599
Total contract holder liability	78 348	249 792	60 793	388 933

Contracts with discretionary participation features

Bonuses are declared taking into account a number of factors, including actual investment returns, previous bonus rates declared and contract holders' reasonable expectations. Bonuses are generally designated as vesting bonuses, which cannot be removed or reduced on death and maturity or non-vesting bonuses, which can be removed or reduced. Declared bonuses are usually a combination of both vesting and non-vesting bonuses.

For smoothed bonus business bonus stabilisation accounts (BSAs) are held equal to the difference between the fund accounts, or between discounted value of projected future benefit payments for with-profits annuity business, and the market value of the underlying assets. A positive BSA is undistributed surplus in the asset portfolio that is earmarked for future distribution to contract holders. The full value of the underlying assets is recognised as a liability. Market risk is, however, borne only in respect of the vested benefits. At 29 February 2020, the value of the underlying assets comfortably exceeded the liability in respect of vested benefits.

If the smoothing process has resulted in a negative BSA because of a downward fluctuation in the market value of the backing assets, the liabilities are reduced to reflect the amount that can reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years, provided that the statutory actuary is satisfied that if the market values of assets do not recover, future bonuses will be reduced to the extent necessary. The company is exposed to market risk to the extent that a negative BSA cannot reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years.

The only smoothed bonus business currently held is employee benefits guaranteed fund business.

The market value of underlying assets as a percentage of accumulated fund accounts was greater than 99.3% for all of these classes of smoothed bonus business as at 29 February 2020.

The market value of the underlying assets in respect of all smooth bonus business at 29 February 2020 was R247.7 million (2019: R229.1 million).

Non-profit annuity business

Benefit payments on non-profit annuities are fixed and guaranteed at inception (except to the extent that they are exposed to mortality insurance risk).

In order to reduce market risk, projected liability outflows on annuity business are closely matched by an actively managed combination of bonds of appropriate duration and interest rate derivatives. Any residual mismatch profit or loss as well as any credit risk for these policies are borne by the shareholder.

The calculation is based on discount rates derived from the zero coupon yield curve. The average rate that produces the same result is 9.79% (2019: 9.30%).

Insurance risk

Insurance risk is the risk that benefit payments and expenses exceed the carrying amount of the company's insurance liabilities. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year. Statistically, the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. Similarly, diversification of the portfolio with respect to risk factors reduces insurance risk.

Mortality, morbidity and medical risks

Underwriting processes are in place to manage exposure to death, disability and medical risks. The most significant measures are:

- Premium rates are required to be certified by the statutory actuary as being financially sound.
- Regular experience investigations are conducted and used to set premium rates.
- Reinsurance arrangements are negotiated in order to limit the risk on any individual contract.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

44. Financial instruments (continued)

44.3 Credit risk (continued)

Mortality, morbidity and medical risks

The nature of risks varies depending on the class of business. The material classes of business most affected by these risks are discussed below:

Group insurance business

These are contracts that provide life and/or disability cover to members of a group (e.g. clients or employees of a specific company).

Factors affecting these risks

Contracts are similar to individual insurance contracts but there is greater risk of correlation between claims on group schemes because the assured lives live in the same geographical location or work in the same industry.

Underwriting processes may be streamlined, with cover supplied up to certain limits without underwriting.

How risks are managed

Reinsurance arrangements are in place to limit the risk on each individual life. In addition, catastrophe cover is used to limit the risk of a large number of claims arising as a result of a single event.

Rates are based on scheme experience and are reviewed annually.

Rate reviews take into account known trends such as worsening experience due to Aids.

Contract persistency risk

Contract holders generally have a right to terminate the contract completely before expiry of the contract term.

Economic conditions and/or consumer trends can influence persistency rates.

Expenses incurred in the acquisition of contracts are expected to be recouped over the term of the policy. These may not be recovered where the premiums are reduced or the contract terminated early.

Terminations can have the effect of increasing insurance risk, for example contract holders whose health has deteriorated are less likely on average to terminate a contract providing medical or death benefits.

The liability held for some contracts may be less than the termination benefit payable. The net company surplus will reduce if these contracts terminate early.

How risks are managed

Where withdrawal benefits are payable on termination, these can be adjusted to recover certain expenses. However, market and legislative forces may restrict the extent to which this may be done in future.

Market value adjustments are applied to scheme terminations if the market value of the assets are below the fund accounts at the date of termination.

Impairment losses

The ageing of financial assets (excluding trade and other receivables disclosed in note 22) at the reporting date was:

Figures in R'000	Total	Loans to associates	Accounts receivable from trading activities
2020			
Stage 1	**293 276**	**6 745**	**286 531**
Stage 2	**–**	**–**	**–**
Stage 3	**17 303**	**17 303**	**–**
Impairment	**(17 303)**	**(17 303)**	**–**
	293 276	**6 745**	**286 531**

There were no transfers among the stages.

Figures in R'000	Total	Loans to associates	Other loans	Accounts receivable from trading activities
2019				
Stage 1	104 362	10 118	3 683	90 561
Stage 2	–	–	–	–
Stage 3	11 473	11 473	–	–
Impairment	(11 473)	(11 473)	–	–
	104 362	10 118	3 683	90 561

There were no transfers among the stages.

Reconciliation of movement in allowance for impairment of financial assets (including trade and other receivables):

Figures in R'000	2020	2019
Balance at the beginning of the year	**(14 848)**	(5 642)
Impairments of associates previously raised	**(7 020)**	–
Utilised	**2 404**	2 767
Loan written off	**890**	–
Impairment loss on trade and other receivables	**(4 564)**	(2 972)
Impairment reversal/(loss) on loans to associates	**300**	(9 001)
Balance at the end of the year	**(22 838)**	(14 848)

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses ("ECL") – the ECL model. Instruments within the scope of the requirements included loans and other debt type financial assets measured at amortised cost, and trade receivables measured under IFRS 15.

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead, the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. Measurement of the ECL is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime ECLs. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

The group assesses impairment of trade receivables on a portfolio basis grouping those that possess shared credit risk characteristics. These have then been grouped based on the days past due. The group has therefore concluded that the expected loss rates calculated on the trade receivables are a reasonable approximation of the loss rates.

Other financial assets

The group uses an allowance account to record its credit losses on advances. It applies the general impairment approach in determining the ECLs. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month "ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

44. Financial instruments (continued)

44.3 Credit risk (continued)

The group considers an advance in default when they are handed over to the legal process. However, in certain cases, the group may also consider an advance to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. The financial assets are written off when there is no reasonable expectation of recovering the contractual cash flows.

The group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial asset's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The group groups its advances into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2: includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECLs are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default as the weight.

Stage 3: includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECLs are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The entity considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower enters the legal stage of the advance management process. At this time the loans are managed individually.

Concentration of credit risk

The majority of the group's trade and other receivables and loans advanced to associates are located domestically except for the small amount of debtors and loans located in Botswana, Swaziland, Zimbabwe and Zambia. The group does not have a wide variety of counterparties.

Write off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

44.4 Fair values

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.

Valuation methodologies

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

Quoted price

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price and, for an asset to be acquired or a liability held, the asking price.

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.

Valuation techniques

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 an alternative valuation technique. These valuation techniques may include:

- earnings multiples;
- discounted-cash flow analysis;
- various option pricing models;
- using recent arm's length market transactions between knowledgeable parties; and
- reference to the value of the net assets of the underlying business.

In applying valuation techniques, the group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

Valuation techniques applied by the group would result in financial instruments being classified as level 2 or level 3 in terms of the fair value hierarchy. The determination of whether a financial instrument is classified as level 2 or level 3 is dependent on the significance of observable inputs versus unobservable inputs in relation to the fair value of the financial instrument.

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/or 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.

Observable markets

Quoted market prices in active markets are the best evidence of fair value and are used as the basis of measurement, if available. A determination of what constitutes "observable market data" will necessitate significant judgement. It is the group's belief that "observable market data" comprises:

- prices or quotes from an exchange or listed markets in which there are sufficient liquidity and activity;
- proxy observable market data that is proven to be highly correlated and has a logical, economic relationship with the instrument that is being valued; and
- other direct and indirect market inputs that are observable in the marketplace.

Data is considered by the group to be "observable" if the data is verifiable, readily available, regularly distributed, from multiple independent sources and transparent.

Data is considered by the group to be "market-based" if the data is reliable, based on consensus within reasonable narrow, observable ranges, provided by sources that are actively involved in the relevant market and supported by actual market transactions.

It is not intended to imply that all of the above characteristics must be present to conclude that the evidence qualifies as observable market data. Judgement is applied based on the strength and quality of the available evidence.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

44. Financial instruments (continued)

44.4 Fair values (continued)

Inputs to valuation techniques

Inputs are selected on a basis that is consistent with the characteristics of the instrument that market participants would take into account in a transaction for that instrument. Inputs to valuation techniques applied by the group include, but are not limited to, the following:

Discount rate: Where discounted-cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.

The time value of money: The business may use well-accepted and readily observable general interest rates, or an appropriate swap rate, as the benchmark rate to derive the present value of a future cash flow.

Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.

Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in South Africa and other commercial exchanges.

Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on the JSE Limited or any other recognised international exchange.

Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. In the absence of an active market, a methodology to derive these volatilities from observable market data will be developed and utilised.

Dividend yield: Dividend yield is represented as a percentage and is calculated by dividing the value of dividends paid in a given year per share held by the value of one share.

Earnings multiples: This is the share price divided by earnings per share (EPS).

The following table sets out the group's principal valuation techniques used in determining the fair value of financial assets and financial liabilities classified as level 2 and 3 in the fair value hierarchy:

Assets	Valuation technique	Key inputs
Loans and advances	Discounted cash flows	Discount rates
Other investments	Discounted cash flows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Discount rates, valuation multiples, dividend growth, foreign exchange rates
Investments in associates	Discounted cash flows, earnings multiples, dividend yields	Discount rates, valuation multiples, dividend growth
Insurance-related investments	Discounted cash flows, adjusted quoted prices	market-related yields, nominal discount rate, quoted prices
Liabilities		
Other financial liabilities	Earnings multiples, dividend yields	Earnings, dividend growth

Review of significant valuations

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.

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 year.

Figures in R'000	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
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 at amortised cost				
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)**	–	–
Insurance contract liabilities	**(78 348)**	**(78 348)**	–	–
Financial liabilities at amortised cost				
Other financial liabilities at amortised cost	**(82 054)**	**(79 256)**	(72 656)	(61 927)
Insurance liabilities	**(11 600)**	**(11 600)**	–	–
Total liabilities	**(489 101)**	**(486 303)**	(78 341)	(67 612)
Total	**50 870**	**49 831**	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.

The value of investment contracts with DPF is the retrospective accumulation of the fair value of the underlying assets, which is a reasonable approximation of the fair value of this financial liability.

44.5 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 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).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

44. Financial instruments (continued)

44.5 Fair value hierarchy (continued)

The fair value of financial assets and liabilities as shown in note 38.4 is categorised as follows for the purpose of IFRS 13: *Fair Value Measurement*:

Figures in R'000	Level 1	Level 2	Level 3	Total
2020				
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**
2019				
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	2020	2019
Level 3 financial instruments at fair value comprise:		
Balance at the beginning of the 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 the end of the year	**124 324**	143 440

Effect of changes in significant unobservable inputs

The fair value measurement of financial instruments are, in certain circumstances, measured using valuation techniques that include assumptions that are not market observable. Where these scenarios apply, the group performs a sensitivity analysis on the fair value of the relevant instruments. The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable inputs and which are classified as level 3 in the fair value hierarchy. However, the disclosure is neither predictive nor indicative of future movements in fair value.

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.

Net asset value	2020	2019
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
10% increase	**2 392**	3 227
10% decrease	**(2 392)**	(3 136)
Free 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)

45. Going concern

The consolidated financial statements have been prepared on a going concern basis. The group has recognised a net profit after tax of R39.5 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 inquiries 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.

46. Dividends

Ordinary dividend

A dividend of 7.4 cents 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

47. Hyperinflation accounting in Zimbabwe

On 11 October 2019, the Zimbabwe Public Accountants and Auditors Board 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 cash flows 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 application of hyperinflation accounting resulted in a net monetary loss of R3.1 million as reflected in the statement of other comprehensive income.

48. Events after reporting date

Subsequent to year-end the following events took place:

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.

Proposed unbundling of private equity assets

On the 6th of August 2020, the group published an announcement detailing a proposed unbundling and separate listing of the group's private equity assets. The rationale for the transaction is to unlock value for shareholders by separating the financial services assets ("Financial Services Assets" or "Financial Services Business") of Vunani from the Private Equity Business.

This will enable these two distinct businesses to operate in a more focused and efficient manner, thereby allowing each of the businesses to achieve their respective strategic goals and to potentially unlock value for shareholders.

The underlying drivers of growth and profitability between the Financial Services Business and the Private Equity Business are very different. This has resulted in two distinct businesses within the same group. This has made it difficult for investors to interpret the financial results and also for the market to clearly understand the nature of Vunani's business.

The transaction, if implemented, will result in Vunani being a focused financial services company, with a clear investment case, vision and purpose and which the Board believes will be better understood by the market. This will clarify and delineate the financial reporting and therefore simplify the process to value Vunani, which in turn would lead to a reduction in the discount between Vunani's tangible net asset value and the share price.

If the unbundling transaction, as stated above is successfully implemented, Vunani will be a focused financial services company with the following operations: fund management, asset administration, insurance, institutional securities broking and advisory services.

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2020

Figures in R'000	Note	VUNANI LIMITED – Company 2020	2019
Management fees	49	**1 305**	1 244
Investment revenue	50	**6 325**	–
Fair value adjustments	51	**240**	5 770
Impairments	52	**–**	(1 699)
Operating expenses	53	**(7 605)**	(5 836)
Results from operating activities		**265**	(521)
Finance income	54	**2**	–
Profit/(loss) before taxation		**267**	(521)
Taxation	55	**(149)**	–
Profit/(loss) for the year		**118**	(521)
Total comprehensive income for the year		**118**	(521)

SEPARATE STATEMENT OF FINANCIAL POSITION

at 29 February 2020

Figures in R'000	Note	VUNANI LIMITED – Company 2020	2019
Assets			
Investments in subsidiaries	56	**417 687**	412 678
Other investments	57	**18 283**	18 043
Loan to subsidiary companies	58	**14 580**	28 855
Deferred tax asset	59	**–**	149
Total non-current assets		**450 550**	459 725
Cash at bank	60	**3**	2
Total current assets		**3**	2
Total assets		**450 553**	459 727
Equity			
Stated capital	61	**696 497**	696 497
Share-based payment reserve		**12 770**	11 315
Accumulated loss		**(271 211)**	(259 403)
Equity attributable to equity holders		**438 056**	448 409
Liabilities			
Loans from subsidiary companies	58	**11 097**	9 831
Total non-current liabilities		**11 097**	9 831
Trade and other payables	62	**1 400**	1 487
Current liabilities		**1 400**	1 487
Total equity and liabilities		**450 553**	459 727

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

	VUNANI LIMITED – Company			
Figures in R'000	Stated capital	Share-based payment reserve	Accumu-lated loss	Total equity
Balance at 28 February 2018	706 572	20 990	(248 658)	478 904
Total comprehensive income for the period				
Loss for the period	–	–	(521)	(521)
Total comprehensive income for the year	–	–	(521)	(521)
Transactions with owners, recorded directly in equity				
Dividends paid	–	–	(10 224)	(10 224)
Share-based payments	–	6 379	–	6 379
Share issue	–	(16 054)	–	(16 054)
Delisting of shares	(10 075)	–	–	(10 075)
Total transactions with owners	(10 075)	(9 675)	(10 224)	(29 974)
Balance at 28 February 2019	696 497	11 315	(259 403)	448 409
Total comprehensive income for the year				
Profit for the year	**–**	**–**	**118**	**118**
Total comprehensive income for the year	**–**	**–**	**118**	**118**
Transactions with owners, recorded directly in equity				
Dividends paid	**–**	**–**	**(11 926)**	**(11 926)**
Share-based payments	**–**	**5 009**	**–**	**5 009**
Vesting of share awards*	**–**	**(3 554)**	**–**	**(3 554)**
Total transactions with owners	**–**	**1 455**	**(11 926)**	**(10 471)**
Balance at 29 February 2020	**696 497**	**12 770**	**(271 211)**	**438 056**

* *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 share-based payment reserve and retained income on vesting*

Dividends

Figures in R'000	2020	2019
Ordinary dividends		
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

SEPARATE STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

Figures in R'000	Note	VUNANI LIMITED – Company 2020	2019
Cash flows from operating activities			
Cash utilised by operations	63	**(6 387)**	(4 421)
Investment revenue received		**6 325**	–
Interest received from banks	54	**2**	–
Dividends paid		**(11 926)**	(10 224)
Cash utilised by operating activities		**(11 986)**	(14 645)
Cash flows from investing activities			
Loans from subsidiary company		**10 721**	13 914
Loans repaid by share trust		**–**	245
Cash inflow from investing activities		**10 721**	14 159
Cash inflow from financing activities			
Loan from subsidiary company		**1 266**	483
Cash inflows from financing activities		**1 266**	483
Net increase/(decrease) in cash and cash equivalents		**1**	(3)
Cash and cash equivalents at the beginning of the year		**2**	5
Total cash and cash equivalents at the end of the year	60	**3**	2

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

for the year ended 29 February 2020

Figures in R'000	2020	2019
49. Management fees		
Management fees	**1 305**	1 244
50. Investment revenue		
Dividend received from investments	**2 180**	–
Dividend received from subsidiaries	**4 145**	–
	6 325	–
51. Fair value adjustments		
Other investments – unlisted investments	**240**	5 770
52. Impairments		
Impairments comprise:		
Impairment of investment (refer to note 56)	**–**	4 655
Impairment reversal of loan to share trust	**–**	(2 956)
	–	1 699
53. Operating expenses		
Operating expenses include:		
Auditor's remuneration – current year	**1 238**	1 035
Directors' emoluments paid by company (refer to note 43)	**1 305**	1 244
54. Finance income		
Recognised in profit or loss		
Interest income – cash and cash equivalents	**2**	–
55. Taxation		
Deferred tax	**149**	–

The deferred tax movement relates to the derecognition of previously recognised deferred tax asset.

No taxation is payable in the current year as the company has an estimated tax loss of R11 797 150 (2019: R11 582 827) available for set-off against future taxable income.

Reconciliation of effective tax rate	%	%
Income tax rate	**28.0**	28.0
Tax exempt income	**(663.3)**	–
Disallowable expenditure – investment holding company	**547.5**	–
Fair value adjustments (recovered via dividends)	**(25.2)**	(365.8)
Impairment	**–**	91.2
Deferred tax asset not raised	**168.8**	246.6
	55.8	–

56. Investments in subsidiaries

Figures in R'000	% holding 2020	% holding 2019	Cost of investment 2020	Cost of investment 2019
Investment in subsidiaries held at cost				
Vunani Capital Proprietary Limited	**100**	100	**396 336**	392 156
Vunani Securities Proprietary Limited	**100**	100	**19 463**	18 780
Vunani Capital Markets Proprietary Limited	**100**	100	**1 054**	908
Vunani Capital Investments Proprietary Limited*	**100**	100	**–**	–
VProp714 Proprietary Limited	**78**	78	**834**	834
			417 687	412 678

* *The investment in Vunani Capital Investments Proprietary Limited was impaired to nil.*

A reconciliation of the movement in investment in subsidiaries is as follows:

Figures in R'000	Vunani Capital Proprietary Limited	Vunani Securities Proprietary Limited	Vunani Capital Markets Proprietary Limited	Total
Balance at the beginning of the year	**392 156**	**18 780**	**908**	**411 844**
Share-based payments	**4 180**	**683**	**146**	**5 009**
Balance at the end of the year	**396 336**	**19 463**	**1 054**	**416 853**

Factors considered in impairment

The company assesses whether there is any indication that an asset may be impaired. The company reviews the budgets of the subsidiary, which include projected revenue, profits and cash flow forecasts. The valuations of underlying assets of the subsidiary are also reviewed. Investments in subsidiaries are impaired if the company believes that the carrying amount of the investment may be higher than its recoverable amount.

Figures in R'000	2020	2019
Accumulated impairment		
Investment in Vunani Capital Proprietary Limited	**(313 600)**	(313 600)
Investment in Vunani Capital Investments Proprietary Limited	**(4 655)**	(4 655)
	(318 255)	(318 255)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

Figures in R'000	Number of shares	Unlisted	Fair value
57. Other investments			
2020			
African Legend Investment Proprietary Limited	**2 248**	**–**	**–**
Fair value adjustment		**18 283**	**18 283**
		18 283	**18 283**
2019			
African Legend Investment Proprietary Limited	2 248	–	–
Fair value adjustment		18 043	18 043
		18 043	18 043

Fair value adjustment of investment

The investment in African Legend Proprietary Limited was fair valued to R18.3 million from R18.0 million based on the recoverability of the assets held by the entity.

Figures in R'000	2020	2019
58. Loans to/(from) subsidiaries		
Loan to subsidiary		
Vunani Capital Proprietary Limited	**14 580**	28 855
The loan to Vunani Capital Proprietary Limited is unsecured, interest-free and is not repayable within the next 12 months.		
Loan from subsidiary		
Vunani Capital Markets Proprietary Limited	**(11 097)**	(9 831)
The loan from Vunani Capital Markets is unsecured, interest-free and is not repayable within the next 12 months.		
59. Deferred tax asset		
Recognised deferred tax asset arises on:		
Tax losses carry-forward	**–**	149
Reconciliation of movement in deferred tax		
Balance at the beginning of the year	**149**	149
Recognised against profit or loss	**(149)**	–
Balance at the end of the year	**–**	149
Estimated tax losses available for utilisation against future taxable income	**11 797**	11 583
Recognised as deferred tax asset	**–**	(533)
Unrecognised estimated tax losses carried forward not accounted for in deferred tax	**11 797**	11 050
60. Cash at bank		
Cash comprise:		
Cash at bank	**3**	2

Figures in R'000	2020	2019
61. Stated capital and share capital		
Authorised		
500 000 000 (2019: 500 000 000) ordinary shares of no par value	–	–
Issued		
161 155 915 (2019: 161 155 915) ordinary shares of no par value	**696 497**	696 497
All issued shares are fully paid. Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
Reconciliation of movement in number of shares issued ('000s):		
Balance at the beginning of the year	**161 156**	164 897
Delisted shares	–	(3 741)
Balance at the end of the year	**161 156**	161 156
Reconciliation of movement in stated capital (R'000):		
Balance at the beginning of the year	**696 497**	706 572
Delisted shares	–	(10 075)
Balance at the end of year	**696 497**	696 497
62. Trade and other payables		
Sundry payables	**1 400**	1 487
63. Cash utilised by operations		
Profit/(loss) before taxation	**267**	(521)
Adjusted for:		
Investment revenue	**(6 325)**	–
Finance income	**(2)**	–
Fair value adjustments	**(240)**	(5 770)
Impairments	–	1 699
	(6 300)	(4 592)
Changes in working capital:		
(Decrease)/increase in trade and other payables	**(87)**	171
Cash utilised by operations	**(6 387)**	(4 421)

64. Related parties

Relationships

Ultimate holding company/parent*	Bambelela Capital Proprietary Limited
Subsidiaries	Refer to note 42
Directors	Refer to note 43

** The parent does not produce financial statements for public use.*

	Note	2020	2019
Related-party balances			
Investments in subsidiaries	56	**417 687**	412 678
Loan to subsidiary company	58	**14 580**	28 855
Loan from subsidiary company	58	**(11 097)**	(9 831)
Related-party transactions			
Revenue – management fees (from Vunani Capital Proprietary Limited)	49	**1 305**	1 244

Directors' remuneration and benefits (refer to note 43).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

65. Prescribed officers and key management personnel remuneration and benefits

Figures in R'000	Basic salary	Bonuses	Provident fund and medical aid	Share-based payments	Total
2020					
Lincoln O'Shea	**1 530**	**–**	**170**	**240**	**1 940**
Sam Mokorosi	**1 394**	**373**	**242**	**78**	**2 087**
Kathy Gilbert	**219**	**39**	**105**	**–**	**363**
Richard Krepelka	**4 441**	**689**	**307**	**–**	**5 437**
	7 584	**1 101**	**824**	**318**	**9 827**
2019					
Lincoln O'Shea	255	–	28	–	283
Johan Rossouw	1 071	–	465	442	1 978
Sam Mokorosi	1 312	734	232	78	2 356
Kathy Gilbert	2 077	591	207	–	2 875
Richard Krepelka	4 190	374	290	–	4 854
	8 905	1 699	1 222	520	12 346

The prescribed officers have service contracts with the group companies terminable upon one month's written notice. No prescribed officer has a fixed-term contract.

Figures in R'000	Carrying amount	Undiscounted contractual cash flows	Less than 1 year	1 – 5 years	Greater than 5 years
66. Financial instruments					
66.1 Liquidity risk					
2020					
Non-derivative financial liabilities	**(12 497)**	**(12 497)**	**(1 400)**	**(11 097)**	**–**
Trade and other payables	**(1 400)**	**(1 400)**	**(1 400)**	**–**	**–**
Loan from subsidiary	**(11 097)**	**(11 097)**	**–**	**(11 097)**	**–**
2019					
Non-derivative financial liabilities	(11 318)	(11 318)	(1 487)	(9 831)	–
Trade and other payables	(1 487)	(1 487)	(1 487)	–	–
Loan from subsidiary	(9 831)	(9 831)	–	(9 831)	–

Management of liquidity risk

The company's approach to managing liquidity by managing its working capital, capital expenditure and cash flows, is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Ultimate responsibility for liquidity risk management rests with the board of directors. Typically the company ensures that it has sufficient cash on hand to meet operational expenses, including the servicing of financial obligations. The company's current liabilities exceed its current assets. However, Vunani Limited has access to group overdraft facilities amounting to R10.0 million (2019: R10.0 million), which may be used to meet its financial obligations if necessary.

Figures in R'000	2020	2019
66.2 Credit risk		
The carrying amount of financial assets represents the maximum credit exposure.		
The maximum exposure of credit risk was:		
Loan to subsidiary company	**14 580**	28 855
Cash and cash equivalents	**3**	2
	14 583	28 857

Impairment losses

The ageing of financial assets at the reporting date was:

Figures in R'000	Total	Loan to subsidiary company
2020		
Stage 1	**14 580**	**14 580**
2019		
Stage 1	28 855	28 855

Figures in R'000	Carrying amount 2020	Fair value	Carrying amount 2019	Fair value
66.3 Fair values				
Financial assets measured at fair value				
Other investments	**18 283**	**18 283**	18 043	18 043
Financial assets at amortised cost				
Loan to subsidiary company	**14 580**	**11 845**	28 855	23 888
	32 863	**30 128**	46 898	41 931
Financial liabilities at amortised				
Loan from subsidiary company	**(11 097)**	**(8 277)**	(9 831)	(7 739)
	(11 097)	**(8 277)**	(9 831)	(7 739)

The carrying amounts of cash and cash equivalents and trade and other payables reasonably approximate their fair values and are therefore not included in the table above.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2020

66. Financial instruments (continued)

66.4 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 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).

Figures in R'000	Level 1	Level 2	Level 3
2020			
Financial assets measured at fair value	**–**	**–**	**18 283**
Financial assets measured at amortised cost	**–**	**–**	**11 845**
Financial liabilities measured at amortised cost	**–**	**–**	**(8 277)**
	–	**–**	**21 851**
2019			
Financial assets measured at fair value	–	–	18 043
Financial assets measured at amortised cost	–	–	23 888
Financial liabilities measured at amortised cost	–	–	(7 739)
	–	–	34 192

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.

Figures in R'000	2020	2019
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
Free cash flow		
10% increase	**(194)**	1 615
10% decrease	**(3 818)**	(1 615)
Net asset value		
10% increase	**1 828**	1 804
10% decrease	**(1 828)**	(1 804)

67. Going concern

Prior to the approval of the financial statements the board undertook processes to ensure that the going concern principle applies.

The company earned a profit for the year ended 29 February 2020 of R0.1 million (2019: loss of R0.5 million) and as of that date its total assets exceeded its total liabilities by R438.1 million (2019: R448.4 million). However, the current liabilities exceeded the current assets by R1.4 million (2019: R1.5 million). The current liabilities of R1.4 million were settled post year-end through related-party funding.

Management has assessed the impact of Covid-19 on the company's ability to continue as a going concern. Covid-19 did not materially impact the company's going concern assessment.

The board is of the view that, based on its knowledge of the company, assumptions regarding the outcome of the key processes under way and specific inquiries it has made, the company will continue as a going concern for the foreseeable future.

68. Events after reporting date

Subsequent to year end the following events took place:

Covid-19 implications

Covid-19 is considered to be a non-adjusting post-balance sheet event. Management has assessed the impact of Covid-19 on the company's ability to continue as a going concern. Vunani is an investment holding company as such 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 company's going concern assessment.

For additional subsequent events refer to note 48 on page 166.

ANALYSIS OF SHAREHOLDERS

for the year ended 29 February 2020

	Number of shareholders	Percentage of shareholders held %	Number of shares held ('000s)	Percentage of shares held %
Analysis of shareholding				
Close corporations	2	0.65	11	0.01
Managed funds	3	0.97	1 841	1.14
Private companies	26	8.41	135 691	84.20
Public companies	2	0.65	295	0.18
Retail shareholders	261	84.47	21 352	13.25
Scrip lending	1	0.32	941	0.58
Share schemes	1	0.32	296	0.18
Stockbrokers and nominees	2	0.65	*	*
Trusts	11	3.56	729	0.46
Shareholding per share register	309	100	161 156	100
Range of shareholding				
1 to 1 000	153	49.5	38	*
1 001 to 10 000	65	21.0	233	0.1
10 001 to 100 000	42	13.6	1 446	0.9
100 001 to 1 000 000	35	11.3	12 443	7.7
More than 1 000 000	14	4.6	146 996	91.3
	309	100	161 156	100
Shareholder spread analysis				
To the best knowledge of the directors and after reasonable inquiry, as at 29 February 2020 the spread of shareholders, as defined in the Listings Requirements of the JSE Limited, was as follows:				
Type of shareholder				
Non-public shareholders	21	6.8	128 307	79.6
Directors and associates (excluding employee unit schemes) (direct holding)	6	1.9	10 261	6.4
Directors and associates (excluding employee unit schemes) (indirect holding)	5	1.6	61 794	38.3
Strategic Holders: Geomer Investments (Pty) Ltd (>10%)	1	0.3	30 040	18.6
Share schemes	1	0.3	296	0.2
Vunani Group trusts	8	2.7	25 916	16.1
Public shareholders	288	93.2	32 849	20.4
Total	309	100	161 156	100
Shareholdings greater than 5%				
Bambelela Capital Proprietary Limited			79 360	49.2
Geomer Investments Proprietary Limited			30 040	18.6
Baleine Capital Proprietary Limited			10 000	6.2
			119 400	74.0

** Less than 1 000, 0.01%*

07

SHAREHOLDER INFORMATION

SHAREHOLDERS' DIARY

Financial year-end	29 February 2020
Annual results announcement	30 June 2020
Annual report posted	17 September 2020
Annual general meeting	21 October 2020
Interim results announcement	October 2020

NOTICE OF ANNUAL GENERAL MEETING

for the year ended 29 February 2020

VUNANI
LIMITED

Vunani Limited – Company
(Incorporated in the Republic of South Africa)
(Registration number: 1997/020641/06)
JSE code: VUN
ISIN: ZAE000163382
(the "company")

This document is important and requires your immediate attention.

If you are in any doubt about what action you should take, consult your broker, Central Securities Depository Participant ("CSDP"), legal advisor, banker, financial advisor, accountant or other professional advisor immediately.

If you have disposed of all your shares in the company, please forward this document, together with the attached form of proxy, to the purchaser of such shares or the broker, CSDP, banker or other agent through whom you disposed of such shares.

NOTICE IS HEREBY GIVEN to shareholders 4 September 2020, being the record date to receive notice of the annual general meeting ("AGM") for the year ended 29 February 2020 in terms of section 59(1)(a) of the Companies Act, 71 of 2008, as amended (the "Companies Act"), that the AGM of shareholders of the company will be conducted entirely, and be accessible by shareholders, through electronic communication as envisaged in the Act. at 11:00 on Wednesday, 21 October 2020 to: (i) deal with such other business as may lawfully be dealt with at the AGM and (ii) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited Listings Requirements (the "JSE Listings Requirements"), which meeting is to be participated in and voted by shareholders in terms of section 62(3)(a), read with section 59, of the Companies Act.

Salient dates applicable to the AGM

Last day to trade to be eligible to vote at the AGM	6 October 2020
Record date for determining those shareholders entitled to vote at the AGM	9 October 2020
Record date to be eligible to receive the notice of the AGM	4 September 2020

Electronic meeting participation and Section 63(1) of the Companies Act – Identification of meeting participants

Meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in shareholders' meetings. Should any shareholder, representative, or proxy for a shareholder wish to participate in the AGM electronically, that person should apply in writing including details on how the shareholder or representative or proxy for a shareholder can be contacted to TMS, via email at proxy@tmsmeetings.co.za and at the address below, to be received by TMS at least seven (7) business days prior to the AGM for TMS to arrange for the shareholder (or representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Act and for TMS to provide the shareholder (or representative or proxy) with details on how to access the AGM by means of electronic participation.

Before any person may attend or participate in a shareholders' meeting, they must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder or as proxy for a shareholder, has been reasonably verified.

When reading the ordinary and special resolutions below, please refer to the explanatory notes below each resolution on pages 183 to 187.

1. Presentation of annual financial statements

The consolidated audited financial statements of the company and its subsidiaries (as approved by the board of directors of the company), including the directors' report, the audit and risk committee report and the external auditor's report for the year ended 29 February 2020, as well as the report of the social and ethics committee, have been distributed as required and will be presented to shareholders. The complete annual financial statements are set out on pages 64 to 179 of the integrated annual report.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

for the year ended 29 February 2020

2. Ordinary resolution number 1

Re-election of Mr XP Guma as an independent non-executive director

It is hereby resolved that the re-election of Mr XP Guma, who retires as an independent non-executive director of the company by rotation, in accordance with the company's Memorandum of Incorporation, and being eligible, offers himself for re-appointment in this capacity, be approved."

Please refer to page 53 of the integrated report for a brief biography.

3. Ordinary resolution number 2

Re-election of Ms NS Mazwi as an independent non-executive director

"It is hereby resolved that the re-election of Ms MS Mazwi who retires as an independent non-executive director of the company by rotation, in accordance with the company's Memorandum of Incorporation, and being eligible, offers herself for re-appointment in this capacity, be approved."

Please refer to page 53 of the integrated report for a brief biography.

4. Ordinary resolution number 3

Re-election of Mr GS Nzalo as an independent non-executive director

"It is hereby resolved that the re-election of Mr GS Nzalo, who retires as an independent non-executive director of the company by rotation, in accordance with the company's Memorandum of Incorporation, and being eligible, offers himself for re-appointment in this capacity, be approved."

Please refer to page 53 of the integrated report for a brief biography.

5. Ordinary resolution number 4

Re-election of Mr JR Macey as an independent non-executive director

"It is hereby resolved that the re-election of Mr JR Macey, who retires as an independent non-executive director of the company by rotation, in accordance with the company's Memorandum of Incorporation, and being eligible, offers himself for re-appointment in this capacity, be approved."

Please refer to page 53 of the integrated report for a brief biography.

6. Ordinary resolution number 5

Re-election of Mr GS Nzalo as a member and chairman of the audit and risk committee: Section 94(2) of the Companies Act

"It is hereby resolved that Mr GS Nzalo be re-elected as a member and the chairman of the audit and risk committee, with immediate effect, in terms of section 94(2) of the Companies Act."

7. Ordinary resolution number 6

Re-election of Mr JR Macey as a member of the audit and risk committee: Section 94(2) of the Companies Act

"It is hereby resolved that Mr JR Macey be re-elected as a member of the audit and risk committee, with immediate effect, in terms of section 94(2) of the Companies Act."

8. Ordinary resolution number 7

Re-election of Ms NS Mazwi as a member of the audit and risk committee: Section 94(2) of the Companies Act

"It is hereby resolved that Ms NS Mazwi be re-elected as a member of the audit and risk committee, with immediate effect, in terms of section 94(2) of the Companies Act."

9. Ordinary resolution number 8

Re-appointment of KPMG Inc. as auditor in terms of section 61(8)(c) of the Companies Act

"It is hereby resolved that, on the recommendation of the audit and risk committee, KPMG Inc., together with V Mans, be and are hereby re-appointed as the independent auditors of the company (for its financial year ending 28 February 2021), and that their appointment be of full force and effect until the conclusion of the company's next annual general meeting.

10. Ordinary resolution number 9

General authority to directors to allot and issue authorised but unissued ordinary shares

"It is hereby resolved that the directors be and are hereby authorised to allot and issue, at their discretion, the unissued share capital of the company and/or grant options to subscribe for unissued shares, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by the JSE Limited as and when required, and are subject to the JSE Listings Requirements and the Companies Act and shareholders hereby waive any pre-emptive rights thereto."

11. Ordinary resolution number 10

General authority to directors to allot and issue ordinary shares for cash

"It is hereby resolved that, in terms of the JSE Listings Requirements, the mandate given to the directors of the company in terms of a general authority to issue securities for cash, as and when suitable opportunities arise, be renewed subject to the following conditions:

- any such issue of shares shall be to public shareholders as defined by the JSE Listings Requirements and not to related parties;
- any such issue of equity securities be of a class already in issue, or where this is not the case, must be limited to such securities or rights as are convertible into an existing class of equity securities;
- the authority shall only be valid until the next AGM of the company, provided it shall not extend beyond 15 months from the date of this AGM;
- an announcement giving details including impact on net asset value and earnings per share, will be published at the time of any such allotment and issue of shares representing, on a cumulative basis within one financial year, 5% or more of the number of shares of that class in issue prior to any such issues;
- that issues of shares (excluding issues of shares exercised in terms of any company/group share scheme) in any one financial year shall not, in aggregate, exceed 48 346 775 ordinary shares of no par value; and
- that, in determining the price at which an allotment and issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the class of shares to be issued over the 30 business days prior to the date that the price of issue is determined or agreed between the company and the party/parties subscribing for the securities."

Voting

In terms of the JSE Listings Requirements, the approval of 75% majority of votes cast in favour of ordinary resolution number 10, 11 and 12 by shareholders present or represented by proxy at this AGM.

12. Ordinary resolution number 11

Approval of remuneration policy (non-binding advisory vote)

"It is hereby resolved, through a non-binding advisory vote, that the company's remuneration policy (excluding the remuneration of non-executive directors and the members of board committees for their services as directors and members of committees) which is not to remunerate its executive directors for attendance at meetings, but rather to remunerate them in terms of an employment contract, be approved and endorsed."

13. Ordinary resolution number 12

Approval of implementation report (non-binding advisory)

"It is hereby resolved, through a non-binding advisory vote, that the company's remuneration implementation report be approved and endorsed."

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

for the year ended 29 February 2020

14. Special resolution number 1

Approval of remuneration payable to non-executive directors

"It is hereby resolved as a special resolution in terms of section 66(9) of the Companies Act, as read with section 65(11)(h), and subject to the provisions of the company's Memorandum of Incorporation that the company be and it is hereby authorised to pay remuneration to its non-executive directors for their service as directors as follows:

Chairman of the board	R339 275 per annum, includes remuneration for services provided to the group, including chairman of the nomination committee and member of the investment committee and remuneration committee
Base fee for other non-executive directors	R156 067 per annum
Chairman of the investment committee	R27 142 per annum in addition to the base fee
Chairman of the audit and risk committee	R27 142 per annum in addition to the base fee
Member of the audit and risk committee	R13 571 per annum in addition to the base fee
Member of the remuneration committee	R13 571 per annum in addition to the base fee
Chairman of the social, ethics and transformation committee	R13 571 per annum in addition to the base fee

Special resolution number 1 is proposed in order to comply with the requirements of the Companies Act. The aforementioned rates have been recommended in order to ensure that the remuneration of non-executive directors remains competitive, thereby enabling the company to attract persons of the calibre, capability, skill and experience required in order to make a meaningful contribution to the company. The remuneration proposed is considered to be both fair and reasonable and in the best interests of the company.

15. Special resolution number 2

Repurchase of company shares

"It is hereby resolved by special resolution that, subject to the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements in force from time to time, the company and/or any subsidiary of the company, be and are hereby authorised to repurchase or purchase, as the case may be, shares issued by the company to any person, upon such terms and conditions and in such manner as the directors of the company or the subsidiary may from time to time determine, including that such securities be repurchased or purchased from share premium or capital redemption reserve fund, subject to the following:

- that the repurchase of securities be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and the counterparty;
- that this general authority be valid only until the next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the company, provided that it shall not extend beyond 15 months from the date of this resolution;
- that an announcement be made, giving such details as may be required in terms of the JSE Listings Requirements when the company has cumulatively repurchased 3% of the initial number (the number of that class of security in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;
- at any point in time the company may only appoint one agent to effect any repurchase of shares on the company's behalf;
- repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined in the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued capital and a maximum of 10% in aggregate of the company's issued capital may be repurchased in terms of the Companies Act, by the subsidiaries of the company, at the time this authority is given;
- the repurchase of securities may not be made at a price greater than 10% above the weighted average of the market value of the securities as determined over the five business days immediately preceding the date on which the transaction is effected; and
- the board of directors passing a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test as set out in section 4 of the Companies Act and that, since the test was done, there have been no material changes to the financial position of the group."

The directors of the company or its subsidiaries will only utilise the general authority set out in special resolution number 2 above to the extent that they, after considering the effect of the maximum repurchase permitted, and for a period of 12 months after the date of the notice of this AGM, are of the opinion that:

- the company and the group will be able, in the ordinary course of business, to pay their debts;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest annual financial statements;
- the ordinary share capital and reserves of the company and the group are adequate for ordinary business purposes;
- the working capital of the company and the group will be adequate for ordinary business purposes;
- the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group.

For the purpose of considering special resolution number 2 and in compliance with the JSE Listings Requirements, the information listed below has been included in the company's integrated annual report, of which this notice of the AGM forms part, at the places indicated below:

- directors and management – refer to pages 52 and 53 of this integrated report;
- major shareholders – refer to page 180 of this integrated report;
- directors' interests and securities – refer to page 150 of this integrated report; and
- share capital of the company – refer to page 125 this integrated report.

Directors' responsibility

The directors, whose names are set out on pages 52 and 53 of this integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief, there are no other facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries have been made and that the aforementioned special resolution contains all the information required by the JSE.

16. Special resolution number 3

Financial assistance

"It is hereby resolved as a special resolution that, subject to the requirements of the company's Memorandum of Incorporation and section 45 of the Companies Act, that the board of directors of the company may authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise to:

- any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company for any purpose or in connection with any matter, including but not limited to, the subscription to any option, or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and
- any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them) or to any other person who is a participant in any of the company's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act, such authority to endure until the next annual general meeting of the company."

17. Ordinary resolution number 12

Directors' authority to sign documentation

"It is resolved as an ordinary resolution that any director of the company and/or the company secretary be and hereby is authorised to sign any documents and to take any steps as may be necessary or expedient to give effect to all ordinary and special resolutions passed at this meeting."

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Voting procedures and electronic participation

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote, irrespective of the number of shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote shall be entitled to one vote for every share held or represented by that shareholder. On a poll taken at any such meeting the shareholder entitled to more than one vote need not, if he votes, use all of his votes, or cast all the votes he uses in the same way:

- to furnish the company with his voting instructions; or
- in the event that he wishes to attend the AGM, to obtain the necessary letter of representation to do so.

The directors have made provision for electronic voting at the AGM.

Litigation

The directors are not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened), which may have or have had, in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Material change

Other than the facts and developments reported on in this integrated annual report, there have been no material changes in the financial or trading position of the group since the company's financial year-end and the signature date of this integrated annual report.

Quorum

A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the company personally present or represented by proxy (and if the shareholder is a corporate body, the representative of the body corporate) and entitled to vote at the annual general meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Singular Systems Proprietary Limited (25 Scott Street, Waverley, 2090), for the purposes of being entitled to attend, participate in and vote at the annual general meeting is 9 October 2020.

Threshold for resolution approval

For ordinary resolutions, with the exception of ordinary resolution number 10 as detailed above, to be approved by shareholders, each resolution must be supported by more than 50% of the voting rights exercised on the resolution concerned.

For special resolutions and ordinary resolution number 10 to be approved by shareholders, each resolution must be supported at least 75% of the voting rights exercised on the resolution concerned.

Proxies

A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, participate in and vote at the AGM in the place of the shareholder. A proxy need not also be a shareholder of the company.

Shareholders on the company share register who have dematerialised their ordinary shares through STRATE, other than those whose shareholding is recorded in their "own name" in the sub-register maintained by their CSDP, and who wish to attend the AGM in person, will need to request their CSDP or broker to provide them with the necessary authority to do so in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend and vote at the AGM, are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll. It is requested that forms of proxy be forwarded so as to reach the transfer secretaries at least 48 hours prior to the AGM, alternatively proxies may be presented prior to the commencement of the AGM. If shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration and who are entitled to attend and vote at the AGM do not deliver forms of proxy to the transfer secretaries timeously, such shareholders will nevertheless at any time prior to the commencement of the voting on the ordinary and special resolutions at the AGM be entitled to lodge forms of proxy in respect of the AGM, in accordance with the instructions therein with the chairman of the AGM.

By order of the board

B Khoza
Chief executive officer

9 September 2020

GENERAL INFORMATION

Registration number
1997/020641/06

Country of incorporation and domicile
Republic of South Africa

Headquarters
Sandton, South Africa

JSE code
VUN

ISIN
ZAE000163382

Primary listing
Main board on the JSE

Listing date
27 November 2007

Secondary listing
A2X

Shares in issue at 29 February 2020
161 155 915

Business address and registered office
Vunani House
Vunani Office Park
151 Katherine Street
Sandown
Sandton
2196

Postal address
PO Box 652419
Benmore
2010

Transfer secretaries
Singular Systems Proprietary Limited
25 Scott Street
Waverly
Johannesburg
2090

JSE sponsor
Grindrod Bank Limited

Website
www.vunanilimited.co.za

Telephone
+27 11 263 9500

DEFINITIONS

Financial definitions

Basic earnings per share ("EPS") (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares calculated in cents.
Diluted basic earnings per share (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments calculated in cents.
Diluted headline earnings per share (cents)	Headline earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments calculated in cents.
Dividends per share (cents)	Total dividends paid to ordinary shareholders divided by the number of ordinary shares issued calculated in cents.
Headline earnings	Determined in terms of the circular issued by the South African Institute of Chartered Accountants at the request of the JSE, by excluding from reported earnings specific separately identifiable re-measurements net of related tax and non-controlling interests.
Headline earnings per share ("HEPS") (cents)	Headline earnings divided by the weighted number of ordinary shares calculated in cents.
Net asset value per share (cents)	Equity attributable to equity holders of Vunani Limited, divided by the total shares in issue, including treasury shares calculated in cents.
Return on equity (%)	Net income after tax attributable to equity holders of Vunani divided by equity attributable to equity holders of Vunani Limited.
Return on investment (%)	Net income after tax attributable to the investment divided by the cost (equity and loans) of the investment.
Shares in issue (number)	The number of ordinary shares in issue as listed by the JSE.
Tangible net asset value per share (cents)	Equity attributable to equity holders of Vunani Limited, excluding goodwill and intangible assets divided by the total shares in issue, including treasury shares calculated in cents.
Weighted average number of shares (number)	The number of shares in issue at the beginning of a period, adjusted for shares cancelled, bought back, or issued during the period, multiplied by a time-weighting factor.

DEFINITIONS (CONTINUED)

Subsidiaries and associates

Alliance	Alliance Capital Limited
Black Wattle	Black Wattle Colliery Proprietary Limited
Fairheads	Fairheads International Holdings Proprietary Limited
Oracle	Oracle Insurance Eswatini Proprietary Limited
Mandlalux	Mandlalux Proprietary Limited
Mandlamart	Mandlamart Proprietary Limited
Purpose Vunani	Purpose Vunani Asset Management (Private) Limited
Vunani	Vunani Limited and its subsidiaries
Vunani Capital	Vunani Capital Proprietary Limited
Vunani Capital Markets	Vunani Capital Markets Proprietary Limited
Vunani Fund Managers	Vunani Fund Managers Proprietary Limited
Vunani Fund Managers Botswana	Vunani Fund Managers Proprietary Botswana Limited
Vunani Mion Properties	Vunani Mion Properties Proprietary Limited
Vunani Property Asset Management or VPAM	Vunani Property Asset Management Proprietary Limited
VProp714	VProp714 Proprietary Limited
Vunani Resources	Vunani Resources Proprietary Limited
Vunani Securities	Vunani Securities Proprietary Limited
Vunani Limited	A company incorporated in the Republic of South Africa, registration number 1997/020641/06 JSE code: VUN ISIN: ZAE000163382 Listed on AltX on the JSE

Other definitions

Black	African, Coloured, Indian and South African Chinese people (who fall within the ambit of the definition of black people in the relevant legislation as determined by court ruling).
Broad-Based Black Economic Empowerment	Socio-economic term concerning formalised initiatives and programmes to enable historically disadvantaged black individuals and groups to participate gainfully and equitably in the mainstream economy.
Companies Act	The Companies Act of South Africa
CPI (%)	A South African index of prices used to measure the change in the cost of basic goods and services.
International Reporting Standards ("IFRS")	International Reporting Standards issued by the International Accounting Standards Board ("IASB").
The board	Vunani Limited's board directors
The group	Vunani Limited and its subsidiaries
The company	Vunani Limited and its subsidiaries
Special purpose vehicle	An entity created to accomplish a narrow and well-defined objective.

Acronyms and abbreviations

AGM	Annual general meeting
AUA	Assets under administration
AUM	Assets under management
B-BBEE or BEE	Broad-Based Black Economic Empowerment
bps	Basis points
CEO	Chief executive officer
CFA	Chartered Financial Analyst
CFD	Contract for difference
CFO	Chief financial officer
CPI	Consumer price index
DBSA	Development Bank of Southern Africa
EBITDA	Earnings before interest, tax depreciation and amortisation
EPS	Earnings per share
ETF	Exchange traded funds
ETN	Exchange traded notes
FSB	The Financial Services Board
FCTR	Foreign currency translation reserve
GAI	Governance Assessment Instrument
GDP	Gross domestic products
HEPS	Headline earnings per share
IFRS	International Financial Reporting Standards
IoDSA	Institute of Directors in Southern Africa
<IR> Framework	International Integrated Reporting Framework released by the International Integrated Reporting Council
ISIN	International Securities Identification Number
IT	Information technology
JSE	The JSE Limited, a licensed securities exchange
King IV	The King IV Report on Corporate Governance in South Africa
KPI	Key performance indicator
LSE	London Stock Exchange
LSM	Living standards measure
M&A	Mergers and acquisitions
MBA	Master of Business Administration
MD	Managing director
MOI	Memorandum of incorporation
NCI	Non-controlling interest
OCI	Other comprehensive income
PVAM	Purpose Vunani Asset Management
PAT/PBT	Profit after tax/Profit before tax
ROE	Return on equity
ROI	Return on investment
SANAS	South African National Accreditation System
SARS	South African Revenue Service
SENS	Stock Exchange News Service
SPV	Special purpose vehicle
The group	Vunani Limited
The company	Vunani Limited
VCF	Vunani Corporate Finance, a division of Vunani Capital
VFM	Vunani Fund Managers
VFMB	Vunani Fund Managers Botswana
VSIST	Vunani Share Incentive Scheme Trust

NOTES

FORM OF PROXY

VUNANI
LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1997/020641/06)
JSE code: VUN
ISIN: ZAE000163382
("the company")

To be completed by registered certificated shareholders and dematerialised shareholders with own name registration only.

For use in respect of the annual general meeting to be held be conducted entirely, and be accessible by shareholders, through electronic communication as envisaged in the Act on Wednesday, 21 October 2020 at 11:00.

Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the custody agreement entered into between the shareholder and the CSDP or broker concerned.

I/We _____ (full names in BLOCK LETTERS)

of _____ (address)

Telephone (work) _____ Telephone (home) _____

being the holder(s) of _____ ordinary shares in the company, appoint (see note 1):

_____ or failing him/her,

_____ or failing him/her,

the chairman of the annual general meeting,

as my/our proxy to act on my/our behalf at the annual general meeting which is to be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of such resolutions, in accordance with the following instructions (see note 2):

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution number 1 Re-election of XP Guma as an independent non-executive director			
Ordinary resolution number 2 Re-election of Ms NS Mazwi as an independent non-executive director			
Ordinary resolution number 3 Re-election of Mr GS Nzalo as an independent non-executive director			
Ordinary resolution number 4 Re-election of Mr JR Macey as an independent non-executive director			
Ordinary resolution number 5 Re-election of GS Nzalo as a member and chairman of the audit and risk committee			
Ordinary resolution number 6 R-election of JR Macey as a member of the audit and risk committee			
Ordinary resolution number 7 R-election of NS Mazwi as a member of the audit and risk committee			
Ordinary resolution number 8 Re-appointment of KPMG Inc. as the auditor of the company			
Ordinary resolution number 9 General authority to directors to allot and issue authorised but unissued ordinary shares			
Ordinary resolution number 10 General authority to directors to allot and issue ordinary shares for cash			
Ordinary resolution number 11 Approval of remuneration policy (non-binding advisory vote)			
Ordinary resolution number 12 Approval of remuneration implementation report (non-binding advisory vote)			
Special resolution number 1 Approval of remuneration payable to non-executive directors			
Special resolution number 2 Repurchase of company shares			
Special resolution number 3 Financial assistance			
Ordinary resolution number 12 Directors' authority to sign documents			

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak, and on a poll, vote in place of that shareholder at the annual general meeting.

Signed at _____ on _____ 2020

Signature(s) _____

Capacity _____

NOTES TO THE FORM OF PROXY

Notes

1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space(s) provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member should insert an "X" in the relevant space according to how he wishes his votes to be cast. However, if a member wishes to cast a vote in respect of a lesser number of ordinary shares than he owns in the company, he should insert the number of ordinary shares held in respect of which he wishes to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he deems fit in respect of all the member's votes exercisable at the annual general meeting. A member is not obliged to exercise all of his votes, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the member.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to so do.
4. The chairman of the annual general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
5. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the custody agreement entered into between the shareholders and the CSDP or broker concerned.
6. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the company or waived by the chairman of the annual general meeting.
8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been recorded by the company.
9. Where there are joint holders of shares:
   - any one holder may sign this form of proxy; and
   - the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the company's register of members, will be accepted.
10. To be valid, the completed forms of proxy must either: (a) be lodged or emailed to Transfersec@singular.co.za so as to reach the transfer secretaries by no later than the relevant time or (b) be lodged with the chairman of the annual general meeting prior to the annual general meeting so as to reach the chairman by no later than immediately prior to the commencement of voting on the ordinary and special resolutions to be tabled at the annual general meeting.
11. The proxy appointment is revocable by the shareholders giving written notice of the cancellation to the company prior to the annual general meeting or any adjournment thereof. The revocation of the proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholders as of the later of: (i) the date stated in the written notice, if any or (ii) the date on which the written notice was delivered as aforesaid.
12. If the instrument appointing a proxy or proxies has been delivered to the company, any notice that is required by the Companies Act or the memorandum of incorporation to be delivered by the company to shareholders must (as long as the proxy appointment remains in effect) be delivered by the company to: (i) the shareholder or (ii) the proxy or proxies of the shareholder has directed the company to do so, in writing and pay it any reasonable fee charged by the company for doing so.

Summary of the rights
Established in terms of section 58 of the Companies Act

For purposes of this summary, "shareholder" shall have the meaning ascribed thereto in the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint an individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder, or give or withhold written consent on behalf of such shareholder in relation to a decision contemplated in section 60 of the Companies Act.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed, or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Companies Act or expires earlier as contemplated in section 58(8)(d) of the Companies Act.
3. Except to the extent that the memorandum of incorporation of a company provides otherwise:
   (a) a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
   (b) a proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
   (c) a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.
4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.
5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company.
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date: (a) stated in the revocation instrument, if any or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder, must be delivered by such company to the shareholder, or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation, or the instrument appointing the proxy provides otherwise.
9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supply a form of instrument for appointing a proxy:
   (a) such invitation must be sent to every shareholder who is entitled to the notice of the meeting at which the proxy is intended to be exercised;
   (b) the invitation, or form of instrument supplied by the relevant company, must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Companies Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
   (c) the company must not require that the proxy appointment be made irrevocable; and
   (d) the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

ELECTRONIC PARTICIPATION IN THE VUNANI LIMITED VIRTUAL GENERAL MEETING HELD ON 21 OCTOBER 2020

The general meeting

- Shareholders or their proxies who wish to participate in the general meeting via electronic communication ("**Participants**"), must apply to the Company's meeting scrutineers to do so by e-mailing the form below ("**the application**") to the e-mail address of the Company's meeting scrutineers, The Meeting Specialist (Proprietary) Ltd ("**TMS**"), by no later than 05:00 pm on 16 October 2020. The e-mail address is as follows: proxy@tmsmeetings.co.za
- The application may also be posted, at the risk of the Participant, to TMS, PO Box 62043, Marshalltown, 2107, so as to be received by the meeting scrutineers by no later than the time and date set out above.
- Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own name' registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement with their CSDP or Broker:
  - to furnish them with their voting instructions; and
  - in the event that they wish to participate in the meeting, to obtain the necessary authority to do so.
- Participants will be able to vote during the general meeting through an electronic participation platform. Such Participants, should they wish to have their vote(s) counted at the general meeting, must provide TMS with the information requested below.
- Each shareholder, who has complied with the requirements below, will be contacted between 17 October and 20 October 2020 via email/mobile with a unique link to allow them to participate in the virtual general meeting.
- The cost of the Participant's phone call or data usage will be at his/her own expense and will be billed separately by his/her own telephone service provider.
- The cut-off time, for administrative purposes, to participate in the meeting will be 05:00pm on 16 October 2020.
- The Participant's unique access credentials will be forwarded to the email/cell number provided below.

Application form

Name and surname of shareholder

Name and surname of shareholder representative (if applicable)

ID number of shareholder or representative

Email address

Cell number

Telephone number

Name of CSDP or broker

(If shares are held in dematerialised format)

SCA number/broker account number or

Own name account number

Number of shares

Signature

Date

By signing this form, I agree and consent to the processing of my personal information above for the purpose of participation in the general meeting.

TERMS AND CONDITIONS FOR PARTICIPATION AT THE VUNANI LIMITED GENERAL MEETING TO BE HELD ON 21 OCTOBER 2020 VIA ELECTRONIC COMMUNICATION

- The cost of dialling in using a telecommunication line/webcast/web-streaming to participate in the general meeting is for the expense of the Participant and will be billed separately by the Participant's own telephone service provider.
- The Participant acknowledges that the telecommunication lines/webcast/web-streaming are provided by a third party and indemnifies Vunani Limited, the JSE Limited and TMS and/or their third party service providers against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines/webcast/web-streaming, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against Vunani Limited, the JSE Limited and TMS and/or its third party service providers, whether for consequential damages or otherwise, arising from the use of the telecommunication lines/webcast/web-streaming or any defect in it or from total or partial failure of the telecommunication lines/webcast/web-streaming and connections linking the telecommunication lines/webcast/web-streaming to the general meeting.
- Participants will be able to vote during the general meeting through an electronic participation platform. Such Participants, should they wish to have their vote(s) counted at the general meeting, must act in accordance with the requirements set out above.
- Once the Participant has received the link, the onus to safeguard this information remains with the Participant.
- The application will only be deemed successful if this application form has been fully completed and signed by the Participant and delivered or e-mailed to TMS at proxy@tmsmeetings.co.za.

Shareholder name

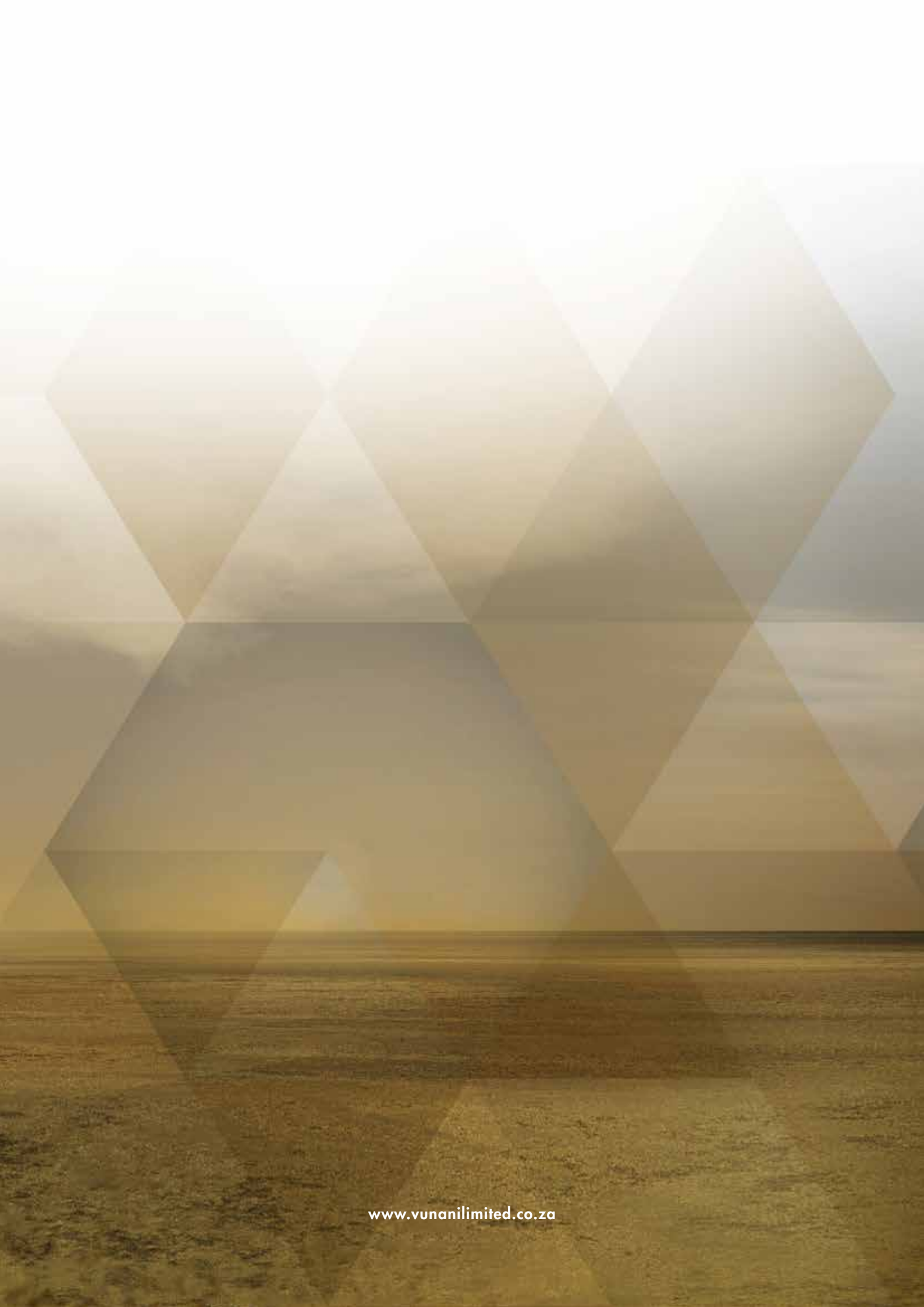
Signature

Date

Important: You are required to attach a copy of your identity document/drivers licence/Passport when submitting the application.

NOTES

NOTES



www.vunanilimited.co.za