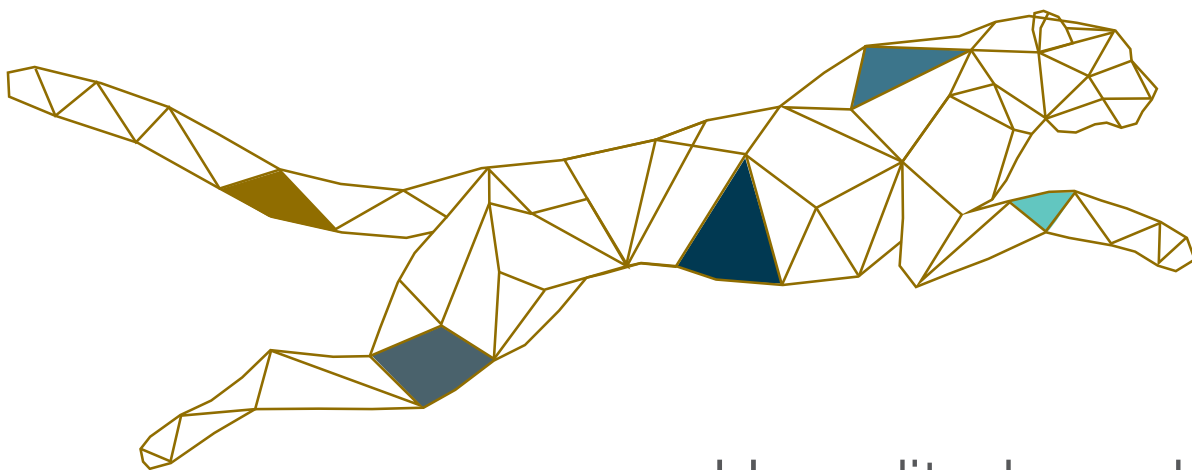





VUNANI

LIMITED



Unaudited condensed consolidated interim results for the six-month period ended 31 August 2020

The Unaudited Condensed Consolidated Interim Results have been prepared under the supervision of the Chief financial officer, Tafadzwa Mika CA(SA).



Condensed consolidated statement of comprehensive income

for the six-month period ended 31 August 2020

SALIENT FEATURES

REVENUE FROM OPERATIONS OF

R288.2 million

compared to R170.5 million at 31 August 2019

PROFIT FOR THE PERIOD

R36.0 million

compared to R18.9 million at 31 August 2019

BASIC EARNINGS PER SHARE OF

19.7c

compared to 10.8c at 31 August 2019

Figures in R'000	Notes	Unaudited 31 August 2020	Unaudited 31 August 2019
Revenue	1	288 191	170 472
Other income		9 274	2 581
Investment revenue		1 997	9 978
Interest received from investments		8 121	970
Fair value adjustments	2	(13 735)	(3 388)
Impairments		(12)	(150)
Equity-accounted earnings (net of income tax)		3 108	5 654
Commodities trading related costs		(10 526)	(24 219)
Operating expenses		(246 981)	(136 063)
Results from operating activities		39 437	25 835
Finance income		4 907	2 213
Finance costs		(4 175)	(3 455)
Net finance income/(costs)		732	(1 242)
Profit before income tax		40 169	24 593
Income tax expense		(4 198)	(5 647)
Profit for the period		35 971	18 946
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(3 716)	(9 872)
Total comprehensive income for the period		32 255	9 074
Profit for the period attributable to:			
Equity holders of Vunani Limited		31 605	17 366
Non-controlling interest		4 366	1 580
		35 971	18 946
Total comprehensive income for the period attributable to:			
Equity holders of Vunani Limited		29 301	10 975
Non-controlling interest		2 954	(1 901)
		32 255	9 074
Basic and diluted earnings per share (cents)		19.7	10.8
Basic and diluted earnings per share		19.7	10.8
Basic and diluted headline earnings per share (cents)	3	19.7	10.8
Basic and diluted headline earnings per share		19.7	10.8

Condensed consolidated statement of financial position

at 31 August 2020

Figures in R'000	Notes	6 months Unaudited 31 August 2020	12 months Audited 29 February 2020
Assets			
Property, plant and equipment		21 240	27 903
Goodwill		139 766	139 766
Intangible assets		180 761	188 924
Investments in associates		60 765	59 787
Loans to associates		6 650	5 285
Other investments	4	108 540	107 020
Insurance-related investments		428 273	286 589
Deferred tax asset		44 129	45 529
Other non-current assets		33 302	33 302
Total non-current assets		1 023 426	894 105
Other investments	4	3 875	4 432
Inventories		4 375	65 631
Taxation prepaid		11 346	3 150
Reinsurance assets		4 089	20 136
Loans to associates		1 460	1 460
Trade and other receivables		105 653	98 328
Accounts receivable from trading activities		172 701	286 531
Trading securities		53	143
Cash and cash equivalents		146 759	246 530
Total current assets		450 311	726 341
Total assets		1 473 737	1 620 446
Equity			
Stated capital	5	696 497	696 497
Treasury shares		(1 953)	(748)
Share-based payments reserve		8 006	5 624
Foreign currency translation reserve		(11 813)	(9 509)
Accumulated loss		(173 170)	(204 775)
Equity attributable to equity holders of Vunani Limited		517 567	487 089
Non-controlling interest		73 628	70 674
Total equity		591 195	557 763
Liabilities			
Other financial liabilities	4	36 086	46 408
Lease liabilities		9 709	12 339
Investment contracts		332 173	310 585
Insurance contract liabilities		84 667	78 348
Deferred tax liabilities		48 636	50 562
Total non-current liabilities		511 271	498 242
Other financial liabilities	4	39 398	42 145
Lease liabilities		6 445	7 336
Taxation payable		10 814	9 031
Insurance contract liabilities		15 068	11 600
Trade and other payables		114 534	198 506
Accounts payable from trading activities		172 993	285 956
Trading securities		13	15
Bank overdraft		12 006	9 852
Current liabilities		371 271	564 441
Total liabilities		882 542	1 062 683
Total equity and liabilities		1 473 737	1 620 446
Shares in issue (000s)	5	161 156	161 156
Net asset value per share (cents)		321.2	302.2
Net tangible asset value per share (cents)		122.3	98.3

Net asset value per share (cents)

Equity attributable to equity holders of Vunani Limited, divided by the total shares in issue, including treasury shares.

Net tangible 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.

Condensed consolidated statement of changes in equity

for the six-month period ended 31 August 2020

	Stated capital	Treasury shares	Share-based payment reserve	Foreign currency translation reserve	Accumulated loss	Total attributable to equity holders	Non-controlling interest	Total equity
Figures in R'000								
Balance as at 28 February 2019 – Audited	696 497	(56)	5 506	(1 742)	(230 936)	469 269	8 380	477 649
Adjustment on initial application of IFRS 16	–	–	–	–	1 138	1 138	–	1 138
Adjusted balance as at 1 March 2019	696 497	(56)	5 506	(1 742)	(229 798)	470 407	8 380	478 787
Total comprehensive income for the period								
Profit for the period	–	–	–	–	17 366	17 366	1 580	18 946
Other comprehensive income for the period	–	–	–	(6 391)	–	(6 391)	(3 481)	(9 872)
Total comprehensive income for the period	–	–	–	(6 391)	17 366	10 975	(1 901)	9 074
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	2 338	–	–	2 338	–	2 338
Transfer of shares to employees	–	690	–	–	–	690	–	690
Dividends paid	–	–	–	–	(11 912)	(11 912)	–	(11 912)
Transfer between reserves	–	–	–	–	10 661	10 661	6 019	16 680
Acquisition of treasury shares	–	(1 205)	–	–	–	(1 205)	–	(1 205)
Total transactions with owners, recorded directly in equity	–	(515)	2 338	–	(1 251)	572	6 019	6 591
Balance as at 31 August 2019 – Unaudited	696 497	(571)	7 844	(8 133)	(213 683)	481 954	12 498	494 452
Total comprehensive income for the period								
Profit for the period	–	–	–	–	18 527	18 527	1 995	20 522
Other comprehensive income for the period	–	–	–	(1 376)	–	(1 376)	(733)	(2 109)
Total comprehensive income for the period	–	–	–	(1 376)	18 527	17 151	1 262	18 413
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	2 671	–	–	2 671	–	2 671
Transfer of treasury shares	–	2 864	(3 554)	–	–	(690)	–	(690)
Acquisition of treasury shares	–	(3 041)	–	–	–	(3 041)	–	(3 041)
Acquisition of non-controlling interests	–	–	–	–	843	843	(843)	–
Transfer between reserves	–	–	(1 337)	–	(9 324)	(10 661)	(6 019)	(16 680)
Dividends paid	–	–	–	–	–	–	(1 244)	(1 244)
Business combination	–	–	–	–	–	–	65 020	65 020
Total transactions with owners, recorded directly in equity	–	(177)	(2 220)	–	(8 481)	(10 878)	56 914	46 036
Balance as at 28 February 2019 – Audited	696 497	(748)	5 624	(9 509)	(203 637)	488 227	70 674	558 901
Adjustment on initial application of IFRS 16	–	–	–	–	(1 138)	(1 138)	–	(1 138)
Balance as at 29 February 2020 – Audited	696 497	(748)	5 624	(9 509)	(204 775)	487 089	70 674	557 763
Total comprehensive income for the period								
Profit for the period	–	–	–	–	31 605	31 605	4 366	35 971
Other comprehensive income for the period	–	–	–	(2 304)	–	(2 304)	(1 412)	(3 716)
Total comprehensive income for the period	–	–	–	(2 304)	31 605	29 301	2 954	32 255
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	2 382	–	–	2 382	–	2 382
Acquisition of treasury shares	–	(1 205)	–	–	–	(1 205)	–	(1 205)
Total transactions with owners, recorded directly in equity	–	(1 205)	2 382	–	–	1 177	–	1 177
Balance as at 31 August 2020 – Unaudited	696 497	(1 953)	8 006	(11 813)	(173 170)	517 567	73 628	591 195

DIVIDENDS

	Unaudited 31 August 2020	Unaudited 31 August 2019
Figures in R'000		
Ordinary dividend paid		
No dividends were paid in the current year (2019: Ordinary dividend number 5 of 7.4 cents per share (net of treasury shares held) paid to shareholders on 29 July 2019)	–	11 912
	–	11 912

Condensed consolidated statement of cash flows

for the six-month period ended 31 August 2020

Figures in R'000	Note	6 months Unaudited 31 August 2020	12 months Audited 29 February 2020	6 months Unaudited 31 August 2019
Cash flows from operating activities				
Net cash generated by operating activities	6	53 675	73 017	16 466
Investment revenue received		–	11 588	9 978
Finance income received		2 391	9 970	2 213
Finance costs paid		(4 115)	(9 720)	(2 901)
Dividends paid to shareholders		–	(11 912)	(11 912)
Dividends paid to non-controlling interest		–	(1 244)	–
Income tax paid		(8 733)	(19 247)	(5 378)
Net cash generated by operating activities		43 218	52 452	8 466
Cash flows from investing activities				
Acquisition of subsidiaries net of cash acquired		–	82 473	–
Acquisition of property, plant and equipment		(913)	(1 180)	(238)
Proceeds on disposal of property, plant and equipment		–	1 322	–
Dividends received from associates		2 474	3 571	1 288
Proceeds from repayment of loans to associates		–	6 167	3 475
Increase in investment and loans to associates		(3 054)	(2 494)	(1 190)
Acquisition of intangible assets – computer software		–	(5 519)	–
Acquisition of other investments		(116)	–	–
Proceeds on disposal of other investments		–	13 685	–
Proceeds on disposal of insurance-related investments		348 166	213 680	–
Acquisition of insurance-related investments		(472 918)	(4 349)	–
Net cash inflow/(outflow) from investing activities		(126 361)	307 356	3 335
Cash flows from financing activities				
Acquisition of treasury shares		(1 205)	(4 246)	(1 205)
Increase in other financial liabilities		528	38 037	6 611
Repayments of other financial liabilities		(10 853)	(20 830)	(15 123)
Repayments of insurance liabilities		–	(175 158)	–
Increase in insurance liabilities		4 315	4 350	–
Repayment of lease liabilities – capital repayment		(3 706)	(7 402)	–
Net cash outflow from financing activities		(10 921)	(165 249)	(9 717)
Net (decrease)/increase in cash and cash equivalents		(94 064)	194 559	2 084
Cash and cash equivalents disposed during the year		(7 861)	–	–
Exchange rate differences on foreign balances		*	(2 341)	*
Cash and cash equivalents at the beginning of the period		236 678	44 460	44 460
Total cash and cash equivalents at end of the period		134 753	236 678	46 544

* Less than R1 000

Segmental reporting

for the six-month period ended 31 August 2020

The group has seven reportable segments being fund management, asset administration, advisory services, institutional securities broking, insurance, commodities trading and other investments. 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 is located in Eswatini.

	Reportable segment			
	Revenue Unaudited 31 August 2020	profit/(loss) after tax Unaudited 31 August 2020	Total assets Unaudited 31 August 2020	Total liabilities Unaudited 31 August 2020
Figures in R'000				
Fund management	66 892	8 931	97 842	(36 205)
Asset administration	69 899	10 342	221 621	(64 366)
Insurance*	107 141	5 711	658 706	(547 930)
Investment banking	5 305	618	6 732	(565)
Private equity	12 825	(1 884)	7 817	(4 880)
Total	288 191	35 971	1 473 737	(882 542)

	Reportable segment			
	Revenue Unaudited 31 August 2019	profit/(loss) after tax Unaudited 31 August 2019	Total assets Audited 29 February 2020	Total liabilities Audited 29 February 2020
Figures in R'000				
Fund management	39 831	3 928	92 225	(37 034)
Asset administration	66 854	10 848	227 602	(71 209)
Insurance*	–	–	628 099	(523 501)
Investment banking	10 592	4 272	7 373	(2 434)
Private equity	32 847	(2 380)	92 789	(91 675)
Total	170 472	18 946	1 620 446	(1 062 683)

* The Insurance segment arose as a result of the acquisition of Oracle Insurance Eswatini Limited which was finalised in December 2019 as such no revenue or profit/loss was recognised to 31 August 2019. 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.

Notes to the condensed consolidated interim financial statements

(all figures in R'000)

BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The unaudited condensed consolidated interim financial statements of the group at and for the period ended 31 August 2020 comprise the company and its subsidiaries (the "group") and the group's interests in associates. Results of subsidiaries and associates are included from the effective date of acquisition up to the effective date of disposal. All significant transactions and balances between group enterprises are eliminated on consolidation.

NOTES

1. Revenue

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

2. Fair value adjustments

	Unaudited 31 August 2020	Unaudited 31 August 2019
Figures in R'000		
Fair value adjustments on financial assets and liabilities at fair value through profit or loss	(3 982)	(3 388)
Fair value adjustments on insurance-related investments	7 519	–
Fair value adjustments to investment contract liabilities	(17 272)	–
	(13 735)	(3 388)

3. Reconciliation of headline earnings for the period

	Unaudited 31 August 2020	Unaudited 31 August 2019
Figures in R'000		
Profit for the period attributable to equity holders of Vunani	31 605	17 366
	31 605	17 366
Headline earnings per share (cents)	19.7	10.8
Basic and diluted headline earnings per share	19.7	10.8

4. Other investments and other financial liabilities

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

Both listed and unlisted investments are carried at fair value through profit or loss. Financial liabilities are either accounted for at amortised cost or at fair value through profit or loss.

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

For additional information on the fair values of other investments and other financial liabilities, please refer to note 7 of these financial results.

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

5. Authorised and issued stated capital

The authorised stated capital at 31 August 2020 was 500 million ordinary shares of no par value (2019: 500 million ordinary shares of no par value). 161 155 915 shares were in issue at 31 August 2020 (2019: 161 155 915).

	Unaudited 31 August 2020	Audited 29 February 2020	Unaudited 31 August 2019
Weighted average number of ordinary shares (000s)			
Issued ordinary shares at the beginning of the period	161 156	161 156	161 156
Effect of own shares held	(584)	(540)	(264)
Weighted average number of shares in issue during the period	160 572	160 616	160 892
Number of shares in issue at the end of the period (000s)	161 156	161 156	161 156
Dilutive weighted average number of ordinary shares (000s)			
Issued ordinary shares at the beginning of the period	161 156	161 156	161 156
Effect of own shares held	(584)	(540)	(264)
Effect of dilutive shares	–	–	429
Diluted weighted average number of shares in issue during the period	160 572	160 616	161 321
Number of shares in issue at the end of the period (000s)	161 156	161 156	161 156

The shares issued as part of the employee share incentive scheme could potentially dilute basic earnings in the future. In the current period, the employee shares have an anti-dilutive effect.

6. Net cash generated by operating activities

	6 months Unaudited 31 August 2020	12 months Audited 29 February 2020	6 months Unaudited 31 August 2019
Figures in R'000			
Profit before income tax expense from operations	40 169	51 388	24 593
Adjusted for:			
Depreciation of property, plant and equipment	1 067	3 197	5 036
Depreciation of right-of-use assets	3 979	7 787	–
Equity-accounted earnings (net of income tax)	(3 108)	(9 968)	(5 654)
Fair value adjustments	(3 537)	26 387	3 388
Fair value adjustments to third party liabilities	–	(3 184)	–
Fair value adjustments to investment contract liabilities	17 272	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 loss on loan to associates	–	(300)	–
Impairment loss on trade and other receivables	12	4 564	150
Amortisation of intangible assets	8 163	12 402	5 612
Share-based payments expense	2 382	5 009	2 338
Foreign currency translation loss	345	1 885	1 425
Interest received from investments and finance income	(13 028)	(10 836)	(3 183)
Investment revenue	(1 997)	(12 386)	(9 978)
Finance costs	4 175	9 801	3 455
Changes in working capital:			
(Increase)/decrease in trading securities	88	(78)	28
Decrease/(increase) in inventories	(2 358)	(36 647)	2 034
Decrease/(increase) in trade and other receivables	(15 726)	22 836	(1 780)
Decrease/(increase) in insurance assets	16 047	(3 074)	–
Decrease in insurance liabilities	3 468	(2 763)	–
(Decrease)/increase in trade and other payables	(4 816)	33 071	(10 445)
Increase in accounts receivable and payable from trading activities	1 078	(1 115)	(553)
Cash generated by operating activities	53 675	73 017	16 466

7. Financial instruments carried at fair value

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

The 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.

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.

Inputs typically 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.

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.

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 period.

	Unaudited 31 August 2020		Audited 29 February 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Figures in R'000				
Financial assets measured at fair value				
Other investments	112 415	112 415	111 452	111 452
Insurance-related investments	428 273	428 273	286 589	286 589
Other non-current assets	33 302	33 302	33 302	33 302
Trading securities	53	53	143	143
Financial assets measured at amortised cost				
Loans to associates	8 110	5 216	6 745	4 986
	582 153	579 259	438 231	436 472
Financial liabilities measured at fair value				
Other financial liabilities at fair value through profit or loss	(6 499)	(6 499)	(6 499)	(6 499)
Trading securities	(13)	(13)	(15)	(15)
Insurance contracts	(332 173)	(332 173)	(310 585)	(310 585)
Insurance contract liabilities	(84 667)	(84 667)	(78 348)	(78 348)
Financial liabilities measured at amortised cost				
Other financial liabilities at amortised cost	(68 985)	(64 680)	(82 054)	(79 256)
Insurance liabilities	(15 068)	(15 068)	(11 600)	(11 600)
	(507 405)	(503 100)	(489 101)	(486 303)

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

7. Financial instruments carried at fair value (continued)

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, due to their short-term nature.

Fair value hierarchy

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

The different levels are defined as follows:

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

Unaudited 31 August 2020

Figures in R'000	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	236 398	206 769	130 823	573 990
Financial assets measured at fair value	53	–	–	53
Financial assets at amortised cost	–	–	5 216	5 216
Financial liabilities at fair value through profit or loss	(13)	(416 840)	(6 499)	(423 352)
Financial liabilities at amortised cost	–	–	(79 748)	(79 748)
	236 438	(210 071)	49 793	76 160

Audited 29 February 2020

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	182 738	117 782	130 823	431 343
Financial assets measured at fair value	143	–	–	143
Financial assets at amortised cost	–	–	4 986	4 986
Financial liabilities 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

Figures in R'000	Unaudited 31 August 2020	Audited 29 February 2020
Level 3 comprises:		
Balance at beginning of period	124 324	143 440
Total gains or losses in profit or loss (disclosed in fair value adjustments)	–	(19 066)
Purchases, transfers, sales, issues and settlements	–	(50)
Balance at end of the period	124 324	124 324

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

Effect on statement of comprehensive income (profit/(loss) and equity before taxation	Unaudited 31 August 2020	Audited 29 February 2020
Net asset value		
10% increase	2 392	2 392
10% decrease	(2 392)	(2 392)
Free cash flow		
10% increase	4 744	2 613
10% decrease	(18 359)	(18 050)
Foreign exchange movement		
10% increase	(43)	1 250
10% decrease	43	1 038

8. Related-party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 29 February 2020 took place during the period.

9. Events after reporting date

There have been no material events between the period end and the date of the signing of the financial results.

10. Dividends

Dividend declared

Notice is hereby given that a gross ordinary dividend of 5.0 cents per share has been declared out of income reserves on 30 November 2020 and are payable to ordinary shareholders in accordance with the following timetable.

In terms of dividend tax effective since 1 April 2012, the following additional information is disclosed:

- The local Dividends Tax rate is 20%
- 161 155 915 shares are in issue
- The gross ordinary dividend is 5.00000 cents per share for shareholders exempt from paying Dividends Tax
- The net ordinary dividend is 4.00000 cents per share for ordinary shareholders who are not exempt from Dividends Tax
- Vunani Limited's tax reference number is 9841003032

Timetable	2020
Declaration and finalisation date announcement	Tuesday, 1 December
Last day to trade <i>cum</i> dividend	Monday, 14 December
Shares commence trading <i>ex-dividend</i>	Tuesday, 15 December
Record date	Friday, 18 December
Dividend payment date	Monday, 21 December

No dematerialisation or rematerialisation of shares will be allowed for the period from Tuesday, 15 December 2020 to Friday, 18 December 2020, both dates inclusive.

Dividends are declared in the currency of the Republic of South Africa. The directors have confirmed that the company will satisfy the liquidity and solvency requirements immediately after the payment of the dividend.

Ordinary dividend

A dividend of 7.4 cents (5.9 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 29 July 2019. Total cash of R11.9 million (net of treasury shares held) was paid to ordinary shareholders.

11. Going concern

The unaudited financial statements have been prepared on a going concern basis. The group has recognised a net profit after tax of R36.0 million for the period ended 31 August 2020, and as at that date current assets exceed current liabilities by R79.0 million.

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. The group continues to monitor the impact of COVID-19 on its revenue and will adjust its cost base if required.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe the businesses will not continue as going concerns for the foreseeable future.

Overview and prospects

The 2020/21 financial year commenced in the eye of the COVID-19 storm and as South Africa was entering hard lockdown from the 27 March. Innovative thinking was required to optimise business activity within the constraints of the lockdown restrictions and to facilitate speedy “unlocking” as restrictions were gradually lifted to the prevailing Level 1 restriction. It was inevitable that business would be adversely affected – particularly during the earlier (more restrictive) lockdown period. Nevertheless, some mitigation could be achieved by rapidly adapting to a work-from-home dispensation as business switched to a virtual world of Teams and Zoom meetings.

The South African economy suffered an unprecedented supply shock culminating in quarterly output contraction of more than 50% in the second quarter of 2020 as the economy was abruptly shut down. The anticipation for 2020 is a contraction of about 8.5% in real output growth. Moreover, expectations are that the economy will return to 2019 nominal output levels by 2023 only.

Nevertheless, Vunani was fortunate that its financial services businesses could, within the constraints of the lockdown legislation, remain operational. During the initial phases of the Government imposed lockdown, the mining and commodities trading operations did suffer significant adverse impact, though the situation did improve with successive relaxation of the lockdown conditions. The group is very fortunate to be positioned for some growth in the current financial year and to return to full activity in the post COVID-19 era.

Vunani’s performance for the six-month period to 31 August 2020 has improved considerably in comparison to the prior period. The group generated total profit for the period of R36.0 million (2019: R18.9 million), while total profit attributable to equity holders of the company amounted to R31.6 million (2019: R17.4 million).

The group’s reportable segments are as follows:

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

Fund management

The fund management segment includes the group’s investments in Vunani Fund Managers Proprietary Limited (“VFM”), Purpose Vunani Asset Management (Private) Limited (“PVAM”), Vunani Fund Managers Botswana Proprietary Limited (“VFMB”), and Alliance Capital Limited (“Alliance”). The segment reported revenue of R66.9 million for the period (2019: R39.8 million), which is an increase of 68%. The reportable segment profit amounted to R8.9 million for the period compared to a profit of R3.9 million at 31 August 2019.

VFM’s performance and profitability improved during the period as a result of an increase in assets under management. The assets under management increased by R4.9 billion from R39.6 billion at 29 February 2020 to R44.6 billion at 31 August 2020. The increase in assets under management will boost VFM’s profitability going forward.

PVAM’s profitability continues to be impacted by ongoing challenging economic conditions in Zimbabwe. The local currency continued to deteriorate during the period as a result of the challenges being faced by the country.

In January 2020, the group acquired a 60% stake in VFMB (previously Stanlib Asset Managers) which is in Botswana. VFMB had AUM of P3.8 billion at 31 August 2020 and contributed R13.8 million to the group’s revenue for the period.

Alliance is a 45%-owned Malawian-based asset management business. Alliance contributed R0.7 million in negative equity accounted earnings to the group for the period compared to earnings of R0.2 million in the prior year.

Insurance

The insurance segment includes the group’s investment in Oracle Insurance and Oracle Life. The segment arose as a result of the group’s acquisition of a short-term insurance business operating in Eswatini in December 2019. The segment contributed revenue of R107.1 million and profit of R5.7 million in the current period.

Asset administration

The asset administration segment includes the group’s investment in Fairheads Beneficiary Services Proprietary Limited (“Fairheads”). Fairheads assets under administration amounted to R6.9 billion at 31 August 2020 from R6.7 billion at 29 February 2020. The segment contributed R10.3 million to the group’s results for the period ended 31 August 2020 compared to R10.8 million in the prior period.

Advisory services

The segment performance has decreased from the prior period due to long lead times in finalising several mandates. This has resulted in a 50% drop in revenue earned from R10.6 million in the prior period to R5.3 million. The segment reported a profit for the period of R0.6 million (2019: R4.3 million).

Institutional securities broking

The segment includes equity, derivative and capital market trading services to institutional clients. The turnaround strategy implemented by management in the prior year has resulted in an improved performance for the segment. Revenue increased by 40% from R16.2 million to 31 August 2019 to R22.6 million in the current period. This has resulted in the segment contributing profit of R4.6 million compared to a loss of R2.4 million in 2019.

Commodities trading

The segment includes the group’s investment in Vunani Resources Proprietary Limited (“VR”), a coal processing and trading business. The segment generated revenue of R12.8 million (2019: R32.8 million). The decline in revenue is attributable to the disposal of a portion of the commodities trading division housed within VR. The segment reported a loss of R1.9 million for the period (2019: loss of R2.4 million).

Other investments

The other investments segment holds the group’s listed investments, unlisted investments, property investments and certain equity accounted investments that are undertaken with well-capitalised strategic partners. The segment generated revenue of R3.5 million (2019: R4.2 million) and generated a profit of R7.7 million to 31 August 2020 (2019: R4.6 million) due to positive fair value adjustments on its listed investments.

Financial performance

Revenue from operations increased by 69% to R288.2 million (2019: R170.4 million) for the period ended 31 August 2020. Revenue has increased compared to the prior period due to the inclusion of the insurance segment, the results of VFMB and the improved performance in the main operating subsidiaries.

Other income increased to R9.3 million (2019: R2.6 million) for the period ended 31 August 2020. Other income comprises insurance recoveries, directors’ fees, gaming income and sundry income.

Investment income is received in the form of dividends. Total investment income for the current period amounted to R2.0 million compared to R10.0 million for the period ended 31 August 2019. This is due to reduction in dividends from the mining-related investments.

Overview and prospects (continued)

Negative **fair value adjustments and impairments** of R13.7 million (2019: R3.4 million). The increase relates mainly to the adjustments on the insurance investment contract liabilities and third-party liabilities. The group's listed and unlisted investments generated positive fair value adjustments of R2.3 million compared to negative R3.4 million in the prior year.

Equity-accounted earnings for the period amounted to R3.1 million (2019: R5.7 million). The group's investment in associates had a positive contribution, however slightly lower compared to the prior period.

Operating expenses increased by 82% from R136.1 million to R246.9 million. The increase relates to the inclusion of the group's investments in Oracle Insurance and VFMB. The group remains focused on cost containment and monitors spending on an ongoing basis.

Commodities trading related costs decreased by 57% as a result of the disposal of the commodities trading divisions with VR.

Finance income has increased from R2.2 million to R4.9 million with the improvement in the group's cash position. **Interest from investments** has increased to R8.1 million mainly due to the inclusion of the insurance segment's insurance related investments. **Finance costs** have increased from R3.5 million in 2019 to R4.2 million as result of an increase in the group's debt on the acquisition of Oracle Insurance and interest adjustments on the accounting of the group's operating leases in terms of IFRS 16 Leases.

The **Intangible assets** decreased by R8.0 million as a result of the monthly amortisation, which is included in operating expenses. The net increase in **other investments** was due to net positive fair value adjustments on the listed investments.

Insurance related investments increased from R286.6 million at February 2020 to R428.3 million as a result of additional investments by Oracle Insurance. **Investment contracts and third-party liabilities** were fair valued at 31 August 2020 which has resulted in an increase from R388.9 million to R416.9 million with corresponding negative fair value adjustments.

The **treasury shares** have increased due to the acquisition of shares for the staff share scheme. The **share-based payments reserve** movement of R2.4 million is attributable to the current period IFRS 2 charge (2019: R2.3 million). The **foreign currency translation reserve** is attributable to the group's investments outside of South Africa. Profit attributed to **non-controlling interest** amounted to R4.4 million compared to 1.6 million as a result of the inclusion of Oracle Insurance and VFMB in the group's results.

Proposed unbundling and separate listing of Vunani's private equity assets

In order to improve transparency in the financial reporting of the financial services assets and private equity assets of Vunani, the board of directors of Vunani ("Board") has resolved to separate these assets through an unbundling and a separate listing of the private equity assets. The Board believes that as a separately listed company on an alternative South African Stock Exchange, this business will offer investors clearer reporting and more informed investment discretion. The Board also believes that this will over time eliminate the discount between the tangible net asset value ("TNAV") of Vunani and the price at which Vunani shares trade on the Johannesburg Stock Exchange ("JSE").

The board is happy to announce that all the relevant legal agreements to execute the restructure have been signed. Vunani is in the process of finalising all the remaining suspensive conditions to enable the execution of the unbundling.

Prospects

The first six months of the year has seen an improvement in the performance when compared to the prior period, despite the impact of COVID-19 on the global and local economy. Vunani's executives believe that the improved profitability on the operating businesses is a key strategy to solidify the group as a formidable financial services player and ultimately ensure the long-term success of Vunani. The group will continue its focus on improving the performance of its operating businesses as well as improving synergies. Vunani will continue to look at acquisitions that are in line with creating a diversified financial services business. Vunani's staff are critical to its success and keeping them safe and healthy through these times are paramount. The group has adopted work from home strategies and has put plans in place to ensure that the various businesses adapt to post-COVID-19 economy through improved use of technology and adopting digital strategies.

FORWARD-LOOKING STATEMENTS AND DIRECTORS' RESPONSIBILITY

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

The directors take full responsibility for the preparation of the condensed consolidated interim results.

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

CORPORATE INFORMATION

Executive directors

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

Non-executive directors

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

Company secretary

CIS Company Secretaries Proprietary Limited

Sponsor

Grindrod Bank Limited

Financial communications adviser

Singular Systems Proprietary Limited

Transfer secretaries

Singular Systems Proprietary Limited

RESULTS PRESENTATION

Vunani will be hosting the interim results presentation by CEO Butana Khoza and CFO Tafadzwa Mika, followed by a question and answer session on Wednesday 2 December 2020, at 11:00 via a web/audio cast. Shareholders and investors wishing to join the Vunani Interim Results presentation should email IR@Singular.co.za for the link and relevant details.

