VUNANI

LIMITED

Integrated Report

for the year ended 28 February 2023

Focus. Commitment. Purpose.

Contents

About this report

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

This integrated report intends to provide detailed information that will help stakeholders analyse the group's economic, social, environmental, and governance performance. It encourages a standardised and efficient reporting process, improves our accountability to stakeholders, and encourages integrated thinking, decision-making, and action. The content is designed to provide stakeholders with a better understanding so that they can assess the group's ability to create and sustain value.

SCOPE AND BOUNDARY

The integrated report covers the financial period from 1 March 2022 to 28 February 2023.

Vunani's reporting scope is still limited to its reportable business segments, which are set out on page 26. Vunani's stakeholders will find the content in this comprehensive report valuable and relevant.

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; and
- The sustainability information has been compiled with cognisance to the Global Reporting Index (GRI) standards.

ASSURANCE

We undertake the following assurance to ensure reporting integrity:

Business process	Nature of assurance	Assurance provider
Consolidated financial statements	External audit	BDO South Africa Incorporated
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

About this report (continued)

FORWARD-LOOKING STATEMENTS

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 28 February 2023. 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.

BOARD RESPONSIBILITY STATEMENT

The Vunani board of directors confirms its responsibility for the integrity of the integrated annual report, the content of which has been collectively assessed by the directors who believe that all material issues have been addressed and are fairly presented. The board believes that the integrated annual report was prepared in accordance with the International Integrated Reporting Framework. The report, which remains the ultimate responsibility of the board, is prepared under the supervision of the chief financial officer, Tafadzwa Mika CA(SA) and subject to both internal and external assurance. The report is submitted to the audit and risk committee, which reviews and recommends it to the board for approval having reviewed the contents, as well as the collation process, and with reliance on the assurance provided on the various reporting elements.

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 28 June 2023.

Ethan Dube *Group chief executive officer*	Tafadzwa Mika *Chief financial officer*
Butana Khoza *Executive director*	Mark Anderson *Executive director*
Lionel Jacobs *Independent non-executive chairman*	Gordon Nzalo *Independent non-executive director*
Marcel JA Golding *Non-executive director*	Nambita Mazwi *Independent non-executive director*
Sithembiso N Mthethwa *Non-executive director*	John Macey *Independent non-executive director*

FEEDBACK

A hard copy of this integrated report is available on request as well as online at https://vunanilimited.co.za/investor-relations/integratedreports/

We are committed to improving this report each year and therefore, we appreciate and encourage constructive feedback. Please forward comments to:
integratedreport2023@vunanicapital.co.za

FY23 salient highlights

FINANCIAL HIGHLIGHTS

Revenue and premiums

R752.4m

(2022: R687.0 million)

Operating profit for the year of

R150.1m

(2022: R113.0 million)

Earnings per share

32.6c

(2022: 37.9c)

Dividend declared of

11.0c

(2022: 14.0c)

NON-FINANCIAL HIGHLIGHTS

- ACQUIRED 50% STAKE IN VERSO GROUP

SPIRE AWARDS: BEST AGENCY BROKER: BONDS: VUNANI CAPITAL MARKETS RANKED THIRD

Reflections from our chairman and chief executive officer

Lionel Jacobs
Independent non-executive chairman

Ethan Dube
Chief executive officer

The 2023 financial year was challenging, with Russia's invasion of Ukraine happening at a time where policy makers were still formulating how to best support a post-Covid-19 recovery pathway. In a matter of months, all hopes of a swift recovery were subsequently dealt a heavy blow as ensuing political tensions triggered a spike in global food and energy prices, forcing central banks to pre-emptively tighten policy rates to combat an already stubbornly high inflation rate. On a macro level, most European countries run the risk of a recession while in the United States, the US Federal Reserve has increased rates by 500 basis points over the last year.

In South Africa, subdued economic performance in the 2023 financial year reflected the lingering effects of the July 2021 unrest, the aftershocks of the pandemic and was further hampered by the fatal floods which took place in Durban. President Cyril Ramaphosa made changes to his cabinet, which included the introduction of a Minister of Electricity, who was tasked with overseeing all aspects of the electricity crisis and response thereof. This resolution in the long-term should help ease the severity and frequency of loadshedding that is crippling the South African economy. Additionally, in response to the aggressive nature of the interest rate increases by central banks globally, the South African Reserve Bank's Monetary Policy Committee had no choice but to also raise the domestic repurchase (repo) rate. The tightening of global financial conditions has led to portfolio flows becoming more sensitive to risk-adjusted real interest rate differentials.

FINANCIAL OVERVIEW

Revenue for the group increased by 8% to R448.8 million (2022: R415.1 million) for the year. The net insurance premium increased by 10% to R237.7 million (2022: R215.4 million) as the business increased its client base. Other income, which relates to non-core income generated from the group's various businesses, remained flat at R16.6 million. The interest received from investments increased from R21.7 million to R26.4 million in the current year due to increased returns from the Oracle Insurance assets.

Total investment income for the year amounted to R10.9 million compared to R7.9 million for the year ended 28 February 2022. The improvement is as a result of an increase in dividends from the insurance-related investments. Negative fair value adjustments of R53.7 million (2022: R18.4 million) relate to an increase in insurance-related liabilities which had negative fair value adjustments of R41.7 million (2022: R49.0 million). A decrease in the value of the group's listed investment portfolio that is carried at fair value through profit or loss, resulted in negative fair value adjustments of R11.9 million (2022: positive R30.6 million).

The group's resilient performance is attributable to improved revenue generation from most of the divisions. Vunani Limited's revenue and premiums increased by 10% from R687.0 million to R752.4 million, while total operating profit increased by 33% from R113.0 million to R150.1 million. All enterprises must contribute to revenue in some way. See the CFO's report on page 23 for further details.

> We have an extraordinary team that has worked exceptionally hard given the hard operating environment in which we operate.
>
> *Lionel Jacobs – independent non-executive chairman*

> The board is extremely pleased with the deft management with which the group's executives worked hard to reposition the business.
>
> *Ethan Dube – CEO*

DIVIDEND

The group has declared both an interim and final dividend during the year. This aligns with our major goal to achieve attractive and long-term growth in operational profit while also paying a growing dividend to shareholders. An interim dividend of 9.0 cents per share was paid to ordinary shareholders in November 2022, (2021: 6.5c (5.20 cents net of dividend withholding tax)). Total cash of R14.5 million (2022: R10.5 million) (net of treasury shares held) was paid to ordinary shareholders. The board also declared a gross final dividend of 11.0 cents per share (2022: 14.0 cents per share) that was paid on 26 June 2023.

OPERATIONS

The asset administration and insurance segments performed exceptionally well and favourably boosted the group's overall revenue generation. Vunani Fund Managers was ranked fifth in the latest BEEconomics survey and Vunani Fund Managers Botswana is now the third largest fund manager by assets in Botswana, and increased its assets under management and will be exploring various business opportunities to further increase its assets under management. Fairheads has benefited from consolidation in the broader retirement fund industry and the business services three of the largest five umbrella funds in the country. The debt used to acquire the business has decreased substantially. Our advisory segment continues to perform strongly in a tough environment, with a strong team that was instrumental in the acquisition of the interest in Verso. We remain confident of the strong pipeline business opportunities in this segment.

The institutional securities broking segment experienced a decrease in revenue due to low trading volumes in the market. In the prior year, Oracle Insurance was negatively affected by the significantly high death claims experienced in Eswatini. The negative impact of Covid-19 was less, owing to the increased take-up in vaccinations, which in turn improved the profitability of the business. Oracle Life is currently pursuing business development initiatives and Oracle Insure will be focusing on product development to increase its market share in Eswatini following the successful acquisition of the Medscheme business in the prior year.

MANAGEMENT CHANGE

Vunani's board of directors approved and gave a greenlight to the changes to the management and operational structure of the group. Former Vunani CEO, Butana Khoza, reverted to the position of CEO of the South African Fund management subsidiary, Vunani Fund Managers, and Ethan Dube resumed the position of CEO after stepping down as Executive deputy chairman, a role he has previously held from inception of the group's origins. Ethan, Butana and Mark, who are principles of the group, will remain executive directors of the Board and comprise the group Exco, together with Tafadzwa Mika, Group CFO.

Reflections from our chairman and chief executive officer (continued)

GOVERNANCE

Vunani remains committed to being a good corporate citizen and in ensuring that all of its businesses follow best practice corporate governance standards. The company values treating customers fairly, as well as transparency and ethical business practices (see page 43 for more detail on governance).

OUR PEOPLE

We have an extraordinary team that has worked exceptionally hard given the hard-operating environment in which we operate. The team has continued to deliver great results and value for shareholders. The board is also extremely pleased with the deft management with which the group's executives worked hard to reposition the business. Significant ground has been covered over the last three years considering the disruptions evidenced through the years of the coronavirus pandemic and current market volatility. We look to continue to find opportunities that will augment the group's financial services offering.

LOOKING AHEAD

Despite the various challenges faced by the local and global economies, the group continues to focus on growing its financial services businesses. The increased focus on maximising synergies within the group is starting to help with the growth of the underlying businesses. This strategy will continue with a focus on ensuring the right people are placed in the businesses to execute the group's vision. We are cautiously optimistic that the performance of the last year can be built upon and that it can fuel growth in the immediate and long-term future.

APPRECIATION

We appreciate the ongoing support of all of our stakeholders and loyal clients. We express our gratitude, in particular to our devoted and loyal staff, for their dedication during a difficult operating period. Thank you to the board and its subcommittees for their assistance and guidance in ensuring that the strategy was followed with consistency. We also thank all our resilient business heads who continue to steer their respective segments in the right direction, ensuring we improve the group's offering and standing.

Lionel Jacobs
Independent non-executive chairman

Ethan Dube
Chief executive officer

28 June 2023

01

VUNANI AT A GLANCE

FOCUS

Who we are

HOW WE EVOLVED

Vunani is a diversified black-owned and operated financial services company with a unique position in the South African financial services sector. Vunani has established itself as one of the country's premier boutique providers, led by individuals with a love for business. Its stable operating foundation underpins an innovative and fully integrated suite of products and services that can be tailored and bundled to meet the demands of public and private sector clients.

VUNANI'S HISTORY

Vunani was founded in the late 1990s, and was first listed on the JSE's AltX in November 2007, before being transferred to the main board in 2019. From inception, the group's goal was to gain a competitive advantage by implementing meaningful Broad-Based Black Economic Empowerment and consistently providing the best services and expertise available in the local financial services sector. Over the past two decades Vunani has created a robust and acknowledged footprint in South Africa and the rest of Africa. It has established a distinct market position through its commitment to BEE and the retention of a top-tier management team. Vunani has become a force to be reckoned with both at home and internationally, thanks to the strength and breadth of its structure.

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
- **04** Second management buy-out and establishment of the Vunani brand
- **05** 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)
- **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; Application to transfer Vunani's listing from the JSE AltX to the Main Board
- **20** Acquisition of Vunani Fund Managers Botswana Proprietary Limited
- **21** Unbundling of Vunani Capital Partners and positioning as purely financial services business
- **22** Acquired 50% in the Verso Group Proprietary Limited through Vunani Capital

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.

GROUP BUSINESS

VUNANI
LIMITED

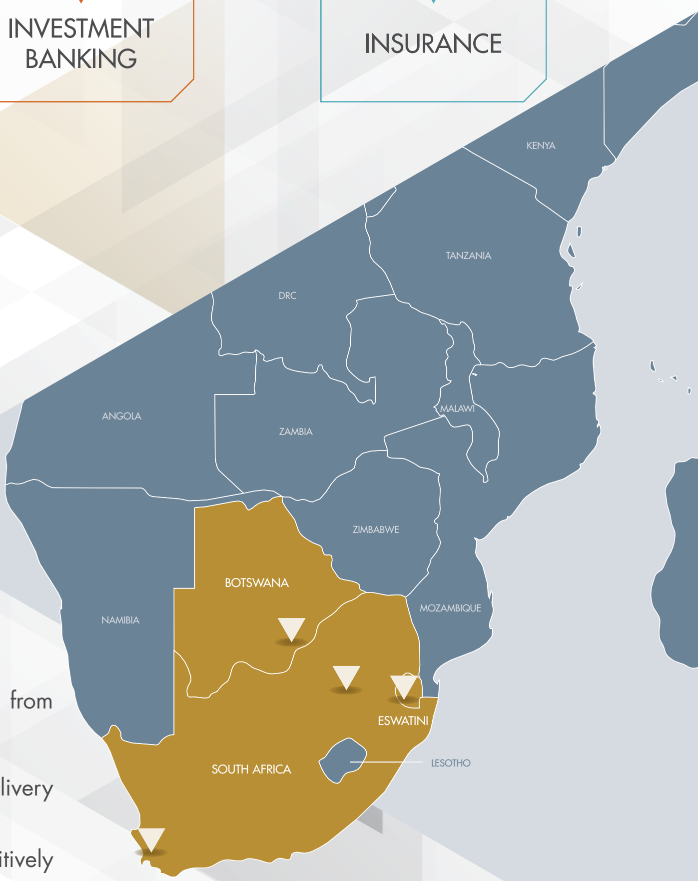
- FUND MANAGEMENT
- ASSET ADMINISTRATION
- INVESTMENT BANKING
- INSURANCE

OUR AFRICAN FOOTPRINT

Botswana
- Gaborone

Eswatini
- Mbabane

South Africa
- Johannesburg (head office)
- Cape Town



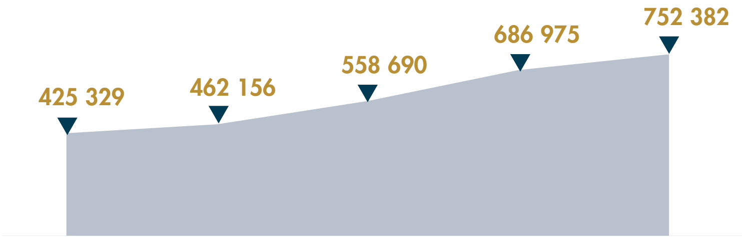
OUR INVESTMENT CASE

The key attributes that differentiate us from our peers and protect us from competitors include:

- Our leadership team focuses on a safe and sustainable operational delivery as an enabler for growth
- We look to maintain responsible business behaviour which impacts positively on all stakeholders and increases long-term shareholder value
- B -BBEE ownership of 66%
- 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
- Innovating through technology
- Responsible corporate citizen
- Meaningful growth opportunities across the digital and financial sector

Five-year financial review

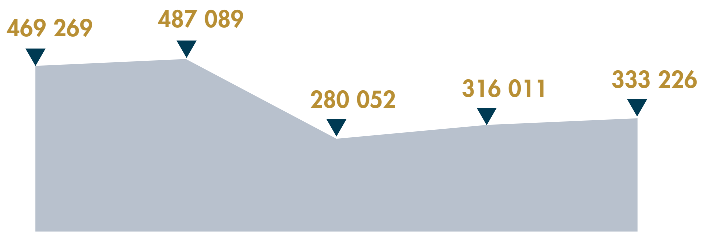
STATEMENT OF COMPREHENSIVE INCOME



Total revenue (R'000)

	February 2019	February 2020	February 2021	February 2022	**February 2023**
Results from operating activities (R'000)	112 416	73 489	10 439	107 388	**99 259**
Profit for the year (R'000)	90 252	39 468	(159)	71 704	**61 718**
Headline earnings (R'000)	88 553	884	11 597	55 566	**47 405**
Headline earnings per share (cents)	54.7	0.6	7.2	34.7	**29.7**

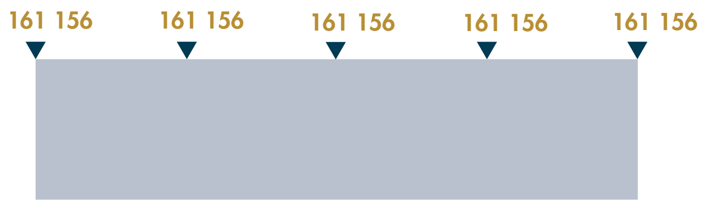
STATEMENT OF FINANCIAL POSITION



Equity attributable to equity holders (R'000)

	February 2019	February 2020	February 2021	February 2022	**February 2023**
Total assets (R'000)	798 944	1 620 446	1 191 268	1 246 064	**1 360 006**
Total liabilities (R'000)	321 295	1 062 683	857 784	863 712	**956 313**
Net asset value per share (cents)	291.2	302.2	173.8	196.1	**206.8**

SHARE PRICE STATISTICS



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

	February 2019	February 2020	February 2021	February 2022	**February 2023**
Closing price at end of the year (cents)	200	199	200	280	**290**
Closing high for the year (cents)	300	280	275	300	**300**
Closing low for the year (cents)	112	103	116	245	**260**
Volume traded during the year ('000)	5 483	2 589	3 200	7 965	**2 192**
Ratio of volume traded to shares in issue (at year-end) (%)	3.40	1.61	1.99	4.94	**1.36**

02

OUR STRATEGY

FOCUS

Our strategy

HOW WE CREATE VALUE

Vunani follows a value creation process that is purpose driven and is constantly reviewed to ensure that what we do continues to sustainably shape not only the South African but African financial landscape.

As a financial services provider, we play an integral role in the economic life of individuals, businesses and communities. We therefore take an integrated approach in identifying factors that enable us to make sustainable decisions in the short-, medium- and long-term.

The success of how we create value is determined through the achievement of the following key goals:

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; and
- Leverage off strategic partnerships.

BE A GOOD AND RESPONSIBLE CORPORATE CITIZEN

- Adhere to all appropriate legislation, regulations and requirements
- Adhere to the codes of good practice outlined in the King Report on Corporate Governance for South Africa (2016) (King IV)
- Take guidance from international best practice in corporate governance

MAKING 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 (NDP)

Strategy scorecard

Strategic objective	Strategic response	2023 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	• Continued focus on improving intergroup collaboration and synergies • Continued to protect our current client base • Continued to grow financial services business through acquisitions	• Identify and evaluate opportunities that are accretive to the group • Increase focus on maximising synergies within the group in order to grow underlying business
Maintain an optimal capital structure relative to the strategic objectives of the group.	• Maintain good relationships with bankers • Identify additional sources of capital for businesses	• Maintained continuous engagements with current and potential debt and equity funders • Improved our credit control and cash management	• Continuously improve framework for cash and capital allocation and monitoring
Maintain a robust and steady infrastructure that supports and facilitates opportunities in each segment Innovate through technology and systems to optimise across business units	• 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	• Continued development of software to upgrade client servicing	• Development of an impactful customer relationship management system
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 incentives (STIs) and long-term incentives (LTIs), which are uncomplicated and transparent	• Facilitated leadership development and succession plans for new set of business segment leaders	• Enhanced internal training programmes • Continue to place high calibre management that will help group achieve medium- to long-term vision
Continue to improve and sustain our B-BBEE rating	• Contribute to the societies that we operate in • Support transformation through: o Employment practices o Supplier and enterprise development o Upskilling staff	• Improved diversity through employment equity objectives	• Improve the current B-BBEE scorecard rating

Our value-creating 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 of R696.5m (2022: R696.5m)
- Operational cash flow generated R67.3m (2022: R68.8m)
- Financial liabilities advanced of R31.1m (2022: R2.5m)
- Financial liabilities repaid of R14.4m (2022: R27.7m)

Human & 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.

- Continued investment in up- and on-skilling staff
- R3.4m (2022: R3.8m) investment in systems and process development
- Spire Awards: Best Agency Broker: Bonds: Vunani Capital Markets ranked 3rd.

Social and Relationship Capital

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

- 954 shareholders at 28 February 2023
- Continued investment 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 on deploying financial capital.

- Focus on recycling of paper and computer equipment to minimise footprint

OUR BUSINESS ACTIVITIES

- **Asset administration**

  Primarily administration of death benefits on behalf of minor dependents of deceased members of retirement funds.

  - Revenue of R191.7m (2022: R172.7m)
  - Assets under administration R9.9bn (2022: R9.2bn)

- **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 R188.5m (2022: R180.7m)
  - Funds under management R56.9bn (2022: R72.0bn)

- **Insurance**

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

  - Revenue of R303.6m (2022: R271.9m)

- **Investment banking**

  Institutional securities broking, advisory services including JSE sponsor, M&A and bond origination:

  Advisory services

  - Revenue of R43.1m (2022: R30.8m)

  Institutional securities broking

  - Revenue of R25.4m (2022: R30.9m)

2 KEY STRATEGIC OBJECTIVES

1. GROWTH
2. DIVERSIFICATION

Our focus areas:

- Focus on adding new products/services on current platform
- Focus on maximising synergies in financial services businesses
- 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
- Implementation of LTIs to retain key staff

VALUE WE HAVE CREATED

For our shareholders

- Profit of R61.7m (2022: R71.7m)
- Segment profit as follows:
    - Fund management R21.2m (2022: R37.4m)
    - Asset administration R33.7m (2022: R19.8m)
    - Insurance R14.6m (2022: R11.8m)
    - Investment banking loss of R7.8m (2022: Profit of R2.7m)
- Financial liabilities repaid of R14.4m (2022: R27.7m)
- Share price of high of 300c (2022: 300c)
- Dividends paid of R36.4m (2022: R22.4m)
- Tax to national fiscus R43.5 (2022: R31.1m)
- Sell-side reports by Merchantec

For our people

- 378 employees (2022: 371 employees)
- 71% (2022: 70%) of staff are female
- R279.5m (2022: R257.2m) spent on salaries
- Staff participated in LTI scheme

For our communities and country

- Monetary donations to schools in areas that we operate in
- Monetary donations to communities in areas that we operate in
- Enterprise and supplier development initiatives to support small businesses
- R43.5m (2022: R31.1m) paid in taxes

For the environment

- Recycling of old IT equipment
- Purchasing refurbished IT equipment
- Use of rain water tanks at Sandton offices

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 both 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.

3 KEY SUCCESS MEASURABLES

Adding value for our shareholders and other stakeholders

Being a good corporate citizen

Making a real contribution to socio-economic transformation in South Africa

Our material matters

We view material matters as issues that may influence our ability to create value in the short-, medium- and long-term. These are matters that are important to our strategy in terms of mitigating risks in order to continue generating revenue and staying profitable.

Determining our material matters

The group undertakes an annual process to identify the key issues that are expected to have a material impact on its operations. The defining and mitigation planning processes result in the formulation of strategic plans that are presented to and endorsed by the board.

The following factors are what help us determine our material matters:

- Group strategic objectives
- Legislative and regulatory framework
- Business strengths and weaknesses
- Human, manufactured, intellectual, social and financial capital resources

The below material matters were identified by the group:

Issue	Opportunity
Focusing on client needs	• Seeking innovative digital solutions to enhance client satisfaction • Ensuring fair outcomes for clients • Effectively managing client demands
Achieving set financial outcomes	• Delivering sustainable growth for shareholders • Maintaining a strong balance sheet • Resiliently managing cash and capital allocation
Increased financial pressure due to geopolitical uncertainty	• Maintaining a dynamic approach to risk appetite
Actively creating a sustainable and carbon free future	• Consciously investing in businesses that look to reduce their carbon footprint by 2050 • Actively managing waste at all Vunani offices

Managing risk and identifying opportunities

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:

- Identify key business objectives
- Identify events that could impact the achievement of these objectives
- Assess the inherent likelihood and potential impact of these events
- Consider the controls that have been implemented to mitigate the risk and their effectiveness in order to determine the level of residual risk
- Where the residual risk is not allayed to an acceptable level, implement additional procedures

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.

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.

Managing risk and identifying opportunities (continued)

KEY RISKS

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

Key

Medium

High  Low

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.

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, as well as bottom-up, 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.
Manufactured capital	Significant reliance on information technology and communication systems. This is a pervasive risk that affects the group as a whole.			• IT Steerco 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 Steerco 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.

COMBINED RISK ASSURANCE MODEL

The group has adopted a combined risk assurance model to manage its risk. The model was designed to provide an assurance map to indicate who assures what risk and to whom this assurance is reported. It is a tool to assess and improve the functionality of the "lines of defence" applicable to each risk.

The "four lines of defence" are reflected in the model below:

	People and processes	Management supervision and oversight	Risk management and compliance	Internal audit action	Board committee oversight	Independent external assurance
Top-down approach	Risk register combined risk assurance model	Subsidiary boards	Chief financial officer	Review, advisory, report to audit and risk committee	Audit and risk committee	Review, advisory, report to audit and risk committee
Combined risk assurance process	Line 1		Line 2	Line 3		Line 4
Bottom-up approach	Enterprise risk assessment process by subsidiaries, feeding into risk register	Subsidiary boards	Review, advisory, report to audit and risk committee	Audit and risk committee	Review, advisory, report to audit and risk committee	Review, advisory, report to audit and risk committee

This combined risk assurance process has provided us with a better understanding and control of our risks and has provided management with a tool to address the group's significant risks.

As part of the above processes, significant risks identified during the reporting period, together with significant risks identified by senior management, were compiled into a group risk register. This register is monitored by the audit and risk committee on a regular basis.

The board is satisfied with management's process of determining material issues, risks and opportunities and that the risk management is effective in continuously identifying and evaluating risks and opportunities and ensuring that these risks are managed in line with our business strategy.

03

OUR PERFORMANCE

PURPOSE

Market in context

Prospects for the post-Covid recovery of the world economy were dealt a blow early into the new financial year while policy makers were still struggling to figure out how best to support the post-Covid recovery. The Russian invasion of Ukraine dashed all hopes of a swift post-Covid recovery, as it triggered a spike in global energy prices, forcing central banks to pre-emptively tighten policy rates to combat spiralling inflation. Moreover, prospects of an early resolution of the conflict also faded as the year progressed and as it became clear that it would become a protracted affair, eventually lasting throughout the financial year.

While the aftershocks of the Covid-19 pandemic continued to reverberate through the world economy, conditions were aggravated further by disruptions of global oil and food supply as a result of the conflict. Counteracting policy response on the back of the concomitant worst inflation surge witnessed in more than a generation dampened demand, elevating the risk of global stagflation.

The sharp increases in interest rates particularly the Fed rate hikes, sharply strengthened the US dollar, depreciating emerging market currencies. The Rand was no exception in this regard. As global financial conditions have tightened, portfolio flows have become more sensitive to risk-adjusted real interest rate differentials.

Consequently, the South African Reserve Bank's Monetary Policy Committee (MPC) was left with little choice amid high and persistent domestic inflation risks and rising inflation expectations, but to also raise the domestic repurchase (repo) rate by a cumulative 325 basis points over the course of the financial year, bringing the nominal repo rate to 7.25% and pushing prime lending rates to 10.75%. Headline inflation remained elevated and well-above the 6% upper level of the target band at 7.1% in March 2023. That implies risk of further interest rate hikes in the new financial year.

Clearly, prevailing macroeconomic conditions were less than optimal and posed significant challenges as business conditions continued to deteriorate over the course of the year. Unreliable electricity supply proved to be a key hampering factor for business in this regard. Conditions are expected to remain challenging for business over the next financial year.

Chief financial officer's report

The majority of the group's businesses performed well in the difficult environment, except for the investment banking segment which was negatively impacted by the tough economic environment, which affected trading volumes.

Tafadzwa Mika
Chief financial officer

EXECUTIVE SUMMARY

The 2023 financial year was a challenging one due to the impact of the Ukraine conflict on the global and local economic environment. Despite these challenges the group performed relatively well, despite a reduction in profitability compared to the prior year. The majority of the group's businesses performed well in the difficult environment, except for the investment banking segment which was negatively impacted by the tough economic environment, which affected trading volumes.

The group made a profit of R61.7 million, compared to R71.7 million in 2022. During the year, the group acquired a 50% stake in Verso Group Proprietary Limited. The group had increases in revenue and premiums from operations, revenue from investments, other income and interest on investments during the year. The group's earnings per share decreased by 14% to 32.6 cents (2022: 37.9 cents), while net asset value per share increased by 5% to 206.8 cents (2022: 196.1 cents). An interim ordinary dividend of 9.0 cents per share (7.2 cents net of dividend withholding tax) was paid to ordinary shareholders in November 2022. A final dividend of 11.0 cents was declared to shareholders on 24 May 2023 (2022: 14.0 cents).

The consolidated results for the group are based on the results of the business segments as summarised on pages 26 to 33 of this report. For material events between the end of the reporting period and the date on which the financial results were approved by the board, refer to note 49 on page 154.

Statement of comprehensive income

The insurance segment contributed the highest percentage of the group's revenue at R303.6 million (2022: R271.9 million) due to the improved performance of the business. The asset administration segment contributed the next highest percentage of the group's revenue at R191.7 million (2022: R172.7 million) due to increased assets under administration. This is followed by the fund management segment as the third highest contributor, with revenues of R188.5 million (2022: R180.7 million) despite a decrease in funds under management. The investment banking revenues increased to R68.6 million (2022: R61.7 million) despite the tough trading conditions and economic environment.

Other income remained flat at R16.6 million (2022: R16.6 million). Included in the other income is non-routine revenue from research and the group's training academy.

Investment income of R10.9 million (2022: R7.9 million), in the form of dividends from Vunani's listed and insurance-related investments. The group earned interest from investments of R26.4 million (2022: R21.7 million) from the insurance-related investments.

The group recorded negative fair value adjustments of R53.7 million (2022: R18.4 million). The negative fair value adjustments is mainly attributable to the group's insurance liabilities. Due to the impact of increased permanent health insurance claims on the insurance business, negative actuarial fair value adjustments of R41.8 million (2022: R49.0 million) were accounted for to take into account the claims experience for the financial year. The insurance asset portfolio was as impacted by the decline in the markets, resulting in negative fair value adjustments of R11.9 million, (2022: positive fair value adjustments of R30.6 million).

The value-in-force intangible asset had an impairment reversal of R12.3 million compared to R10.3 million in 2022. The basis of the impairment calculation is a discounted cash flow of the group life assurance and permanent health insurance. As a result of the improved profit margins of both businesses, the value of the VIF asset improved, resulting in an impairment reversal.

Equity accounted losses amounted to R2.2 million compared to equity accounted earnings of R0.9 million in 2022. The losses relate to the group's investment in Verso.

Operating expenses increased by 11% in the reporting period. This increase was due to the impact of inflation on operating costs as well an increase in asset administration costs, due to the increase in assets under administration. Staff costs, including remuneration and costs for short- and long-term incentives, accounted for 40% of total 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 decreased by 12% to R131.1 million (2022: R149.5 million) for the year which is due to the reduction of Covid 19 death claims in the current year. Communications and information costs accounted for 3% 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.

Finance income increased marginally to R7.9 million for the year compared to R7.8 million in 2022 as a result of the increase in cash generated from operations. Finance costs remained R6.4 million for the year compared to R6.4 million in 2022, as the group added debt to finance the acquisition of Verso, whilst continuing to pay down its other financial liabilities.

Statement of financial position

Goodwill is tested for impairment annually and, for the year ended 28 February 2023, 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 2017 and the Oracle acquisition in 2019 decreased as a result of the annual amortisation charge. As detailed previously the value in force intangible asset had an impairment reversal of R12.3 million in the current year. As result the intangible assets decreased to R133.9 million compared to R134.3 million in 2022. This value in force intangible asset represents the present value of future pre-tax profits embedded in the acquired insurance or investment in DPF contracts.

The group has insurance-related investments of R507.0 million (2022: R453.4 million and insurance-related liabilities of R547.6 million (2022: R505.9 million)). The increase in insurance-related investments is a result of the increased returns from the underlying investments, as well as additions to the portfolio during the year. The increase in insurance-related liabilities is as a result of actuarial fair value adjustments.

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 28 February 2023, 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 28 February 2023 was 500 million ordinary shares of no par value (2022: 500 million ordinary shares of no par value). As at 28 February 2023, 161 155 915 shares were in issue (2022: 161 155 915). The share-based payments reserve movement of R0.4 million is attributable to the current period IFRS 2 charge of R5.1 million (2022: R3.5 million) and transfer of shares to staff of R2.8 million (2022: R0.2 million). The transfer between reserves of R1.8 million (2022: nil) relates to shares transferred to employees on vesting. The group acquired treasury shares worth R3.8 million (2022: R5.7 million) during the year to enable it to meet its obligation to employees. Non-controlling interests increased by R4.1 million as result of the improved performance of Oracle.

There was an increase in other financial liabilities due to acquisition of buildings and the investment in Verso made during the year.

Cash flow

Cash flow and cash equivalents increased to R244.1 million during the reporting period (2022: R224.5 million). This increase is mainly attributable to the improved operating performance of the underlying businesses. As a result, net cash generated by operating activities increased to R150.2 million (2022: R121.2 million). The group will continue to try and improve cash generation to assist in its expansion strategy.

Conclusion

Despite a decrease in overall profit, Vunani's operational profit level performance has improved compared to 2022, which indicates a steady improvement of the underlying businesses. This improved operational performance is critical in growing the group in the future, as it provides the basis in which the group can leverage on synergies. The group will continue looking for acquisition opportunities that will complement the current businesses in the group. We at Vunani are optimistic that this will lead to further growth during the next financial year.

Tafadzwa Mika
Chief financial officer

28 June 2023

Business segment review

FUND MANAGEMENT

Vunani Fund Managers

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 relationship 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.

Vunani Fund Managers Botswana

Vunani Fund Managers Botswana is Pan-African financial and diversified investment management company, active in nine African countries and has been operating in Botswana since 2002. The company was established as joint venture between Standard Bank Asset Management and Liberty Asset. Vunani acquired 60% of the business from Stanlib in January 2020 with management and strategic shareholders owning the remaining 40% of the business. The company's capabilities are in the areas of specialist equity, specialist bonds, property and multi-asset class funds.

The company's investment philosophy is based on active management at its core and is premised on quality growth at attractive valuations. VFMB believes that markets are inefficient due to behavioural biases, which causes discrepancies to occur between a business' fundamental value and its market price, creating pockets of inefficiencies and providing investment opportunities that can be actively exploited to generate enhanced returns. VFMB believes a strategy of purchasing quality companies with superior operating leverage at attractive valuations outperforms the broader market over time through different business cycles.

VFMB's management team has several years' experience in the fund management industry.

Performance outcomes

Revenue: R188.5 million (2022: R180.6 million)

Assets under management: R56.9 billion (2022: R72.0 billion)

Lost key investment professionals

Performance review

Despite the tough economic environment, the business continued to improve its revenue generation, whilst profitability was down. VFM's AUM decreased during the year to R45.6 billion from R61.9 billion, whilst VFMBs AUM increased to R11.3 billion from R10.1 billion. The decrease in AUM in VFM resulted in lower profitability of the business. Despite the decrease in AUM the performance of the individual portfolios improved, resulting in additional performance fees being earned.

The impact of Covid-19 has resulted in less face-to-face interactions with clients, which made business development challenging. Business development is critical in securing new AUM.

FUND MANAGEMENT (CONTINUED)

Strategic objectives	Key performance indicators	Performance achieved FY2022	Performance achieved FY2023
Generate a good annual return on equity	A minimum ROE of 25% per year	ROE of 49%	ROE of 32%
Recruit and retain talented investment professionals	Recruitment and retention of top investment professionals	Lost one key individual during the year	Lost two key individuals during the year
Increase market share	Obtain a 5% to 10% increase in market share	Top 5 black asset managers (2021 BEE.conomics survey)	Top 5 black asset managers (2022 BEE.conomics survey)
Provide relevant and cost-effective investment products	High levels of performance and new inflows	Second and third quartile performance with some products	Second and third quartile performance with some products

Outlook

The businesses will continue to focus on face-to-face business development initiatives to assist in asset gathering initiatives. The brands are well established in both countries, and clients are increasingly aware of the company's product offering. This is critical as potential clients need to be comfortable with the capabilities of business. The continued performance of the underlying portfolios will be a key emphasis in the current year to ensure additional fees are earned by the businesses. The businesses will continue to focus on growing its retail book through it branded unit trusts as well actively participate in new tenders for AUM.

ASSET ADMINISTRATION

Fairheads

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

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.

FFS focus is on tracing dependants on behalf of unclaimed benefit funds as well as administration of pension-backed housing loans.

Verso

During the year the group acquired a 50% stake in Verso Group Proprietary Limited (Verso). Verso comprises of private companies functioning primarily in the financial services sector. The founding company, Verso Financial Services Proprietary Limited, is a Registered Financial Services Provider, approved and regulated by the Financial Sector Conduct Authority (FSCA). Established in June 2000 as a provider of pension/retirement fund administration services, Verso Financial Services soon expanded to incorporate a dynamic and independent employee benefit and group risk benefit consulting team. Verso Financial Services is one of a few administrators who own and develop its own administration software and have obtained an ISAE 3042 type II report, which confirms that their business processes and controls are of a world-class standard. The other companies that form part of Verso include Verso Health, Verso Wealth, Verso Money Brokers and Verso Funds Administrator. Vunani accounts for Verso as jointly-controlled investment.

Performance outcomes

Revenue: R191.7 million (2022: R172.7 million)

Profit: R33.7 million (2022: R19.8 million)

Assets under administration: R9.9 billion (2022: R9.2 billion)

Number of members: 101 497 (2022: 103 168)

Performance review

Fairheads performed well during the reporting period, contributing R191.7 million to group revenue (2022: R172.7 million). This was attributable to a growth in AUA, which increased revenue, as well as to a reduction in costs and finance charges on external debts. As a result of the increase in revenue profit increased to R33.7 million (2022: R19.8 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.

Verso is accounted for as a jointly-controlled entity, and contributed negative equity accounted earnings of R2.2 million for the year.

Strategic objectives	Key performance indicators	Performance achieved FY2022	Performance achieved FY2023
Generate a good annual ROE	ROE of 15% per year	ROE of 11%	ROE OF 19%
Increase AUA	Progressively increase AUA year-on-year	AUA of R9.2 billion	AUA of R9.9 billion
Enhance operating efficiencies	Continuously improve AUA per employee	AUA of R47.1 million per employee	AUA of R41.0 million per employee

Outlook

The outlook for Fairheads remains very positive as the company managed to increase it AUA during the year, without any acquisitions. The key focus for the next year is to continue looking for acquisition of client books from current competitors. The successful completion of these acquisitions will result in a significant increase in AUA, which will aid profitability. The focus of unclaimed benefits and tracing businesses for the next year is to focus on more specific aspects of the tracing business that will improve profitability.

The focus of Verso for the next year is to leverage synergies within the group, whilst actively growing it client base that will improve profitability in the future.

INSURANCE

Oracle Insurance Eswatini

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

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 provided 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 re-insurance agreements with A-rated reinsurers. For the long-term insurance business Hanover Re have been contracted since July 2019 as our re-insurance partner. For the short-term business African Re Corporation (SA) Ltd leads our 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:** R303.6 million (2022: R271.9 million)
- **Profit:** R14.6 million (2022: R11.8 million)
- Introduction of new innovative insurance products

Performance review

Oracle contributed a profit of R14.6 million compared to R11.8 million in the prior year, as a result of increasing its revenue, despite the tough economic environment. During the first quarter of the financial year the company continued to feel the impact of Covid-19 in Eswatini, which resulted in above average death claims for that period of the year. The reduction in death claims for the rest of the year assisted in the profitability of the business. The short-term business was impacted by increased permanent health insurance claims, which resulted in an increase in provisions on actuarial liabilities. The insurance assets were impacted negatively fair value adjustments due to the various issues that affected the markets. The improved profitability of certain business lines resulted in an impairment reversal of the VIF asset of R12.3 million compared to R10.3 million in 2022. The value in force business intangible asset represents the present value of the various insurance policies Oracle has.

INSURANCE (CONTINUED)

Strategic objectives	Key performance indicators	Performance achieved FY2022	Performance achieved FY2023
Generate a good annual return on equity	A minimum ROE of 25% per year	12.5% ROE	9.6% ROE
Increase market share	Obtain a 5% to 10% increase in market share	Acquired Medscheme business during the year	No acquisitions in the year
Provide innovative products to retain and attract customers	Introduce two new products a year	New product rolled out during the year	Introduced additional digital insurance products during the year

Outlook

The introduction of digital insurance products has been well received by the market. The business will continue to focus on rolling out similar products that will differentiate it from its competitors and use this as a tool to try and increase its market share in Eswatini. The business is also working on improving it processes with an aim at making its employee benefits' offering a lot more convenient and efficient, and therefore more appealing in the market. Based on this and other initiatives the group believes that the segment will continue to be profitable in the future.

INVESTMENT BANKING: ADVISORY SERVICES

Vunani Corporate Finance

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 A4X 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 biggest 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.

Included in this segment is the revenue earned from managing Vunani Capital Partners Limited and the relevant costs. In 2021, the group unbundled its private equity assets into Vunani Capital Partners Limited.

Performance outcomes

Revenue: R43.1 million (2022: R30.8 million)

Profit: R1.3 million (2022: R1.3 million)

Performance review

Despite the many challenges it faced in the operating environment, Vunani Corporate Finance performed relatively well during the reporting period. Revenue increased to R43.8 million (2022: R30.8 million) due to the inclusion of fees earned for managing Vunani Capital Partners Limited. As a result the segment made a profit of R1.3 million (2022: R1.3 million).

Socio-economic uncertainty, low growth and muted investor confidence do, however, 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 FY2022	Performance achieved FY2023
Consistently increase revenue year-on-year	A minimum of 10% per year	Revenue increased by 82% due to additional revenue stream	Revenue increased by 40% due to the revenue earned from VCP
Generate a good annual return on equity	A minimum ROE of 25% per year	ROE of 8%	ROE of 5%
Grow mandates with leading companies in the market	Add two new mandates per year	Two new mandates were concluded during the year	Three new mandates were concluded during the year
Further entrench Vunani in the SOE space	Close one transaction for an SOE per year	No SOE mandate signed during the year	No SOE mandate signed during the year

Outlook

During the last year the business successfully executed transactions in Botswana, which opens new markets for the team. As such the team will continue to focus on cross-border transactions, leveraging relationships with the group's other investment in neighbouring countries. The business has clients with whom they provide repetitive services such as valuations, sponsor work and internal re-organisations. This kind of work is critical in ensuring the business remains profitable. The business is also in the process of finalising its JSE valuer accreditation, which will assist to diversify its product offering. The business also intends to continue growing its portfolio of SOE transactions as struggling SOEs would need help in restructuring and raising capital.

The business has a strong pipeline of transactions, as well as mandates from blue-chip corporates. Due to the tough economic climate, transactions are taking longer than normal to finalise, and this will inevitably impact on revenue in the short-term. The successful completion of these transactions will ensure that the business continues to be profitable.

INVESTMENT BANKING: INSTITUTIONAL SECURITIES BROKING

Vunani Securities and Vunani Capital Markets

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.

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. The team's performance has been recognised by several top 10 *Financial Mail* rankings for fixed interest services in the past.

Performance outcomes

Revenue: R25.4 million (2022: R30.9 million)

Loss: R9.1 million (2022: Profit R1.4 million)

JSE Spire rankings: Best agency brokers: Bonds third

Performance review

The segment has seen a significant decline in performance from the prior year. This was due to the tough economic environment, which resulted in lower trading volumes. The relative lack of attractiveness in the JSE market has been compounded by the change in legislation that increased the amounts that can be invested in offshore allocations by pension funds. Secondly, during the year the segment had significant expected credit losses that affected profitability. These two factors resulted in revenue dropping by 18% to R25.4 million (2022: R30.8 million) and a loss of R9.1 million compared to a profit of R1.3 million in the prior year.

Strategic objectives	Key performance indicators	Performance achieved FY2022	Performance achieved FY2023
Generate a good annual return on equity	A minimum ROE of 15% per year	10% ROE due to improved revenue	Negative ROE due to losses
Provide quality service to our clients	Top 10 ranking in *Financial Mail* rankings	Ranked 10th in fixed interest execution	Ranked third in JSE Spire rankings: Best agency brokers
Diversify revenue streams through the addition of a new product	Add one new product offering every year	No new revenue streams	Added one revenue stream
Develop and expand relationships with clients	Increase the number of institutional clients and develop relationships directly with asset owners	Two institutional clients added during the period	Five institutional clients added during the period

Outlook

Economic growth is key to the improved performance of the two businesses, as that will result in improved trading volumes in the market so that the businesses have a solid base to operate from.

Vunani Securities has added additional staff members to help grow the business. A continued focus on diversification of revenue streams, as well improving on delivering service to their current client base is critical to the success of the businesses. 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. At the end of February, the group acquired a 51 stake in a research business, Hemera Investment Research Proprietary Limited, which will complement the existing businesses going into the future. Despite the tough economic environment, the successful execution of the strategies will enable the businesses to be profitable in the foreseeable future.

04

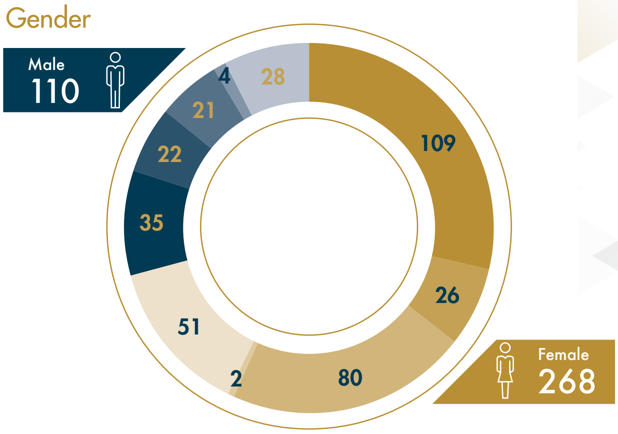
SUSTAINABILITY PURPOSE

Our people

Our company's lifeblood and most important asset is its people. We continuously encourage our employees to abide by our core principles and employee code, which aims to promote a transparent, respectful, non-exploitative, and fair work environment (especially with regard to compensation and benefits).

The company follows all labour rules and is committed to human rights protection. Our Human Resources strategy is the responsibility of the head of Human Resources, who ensures that it is in line with the broader corporate plan. All employees are aware of our ethics and disciplinary policies.

Gender



Race

	Male	Female
African	35	109
White	22	26
Coloured	21	80
Indian	4	2
Foreign national	28	51

Occupational level

Top management
20

Senior management
25

Skilled/junior management
174

Middle management
42

Total staff
378

Semi-skilled
109

Unskilled
8

Oracle Insurance
56

VFM Botswana
21

Stakeholder engagement

Engaging with our key stakeholders is a fundamental component that contributes to the attainment of our strategic objectives and the creation of long-term value for the company and its stakeholders. These engagements have both a direct and indirect impact on the way we do business and our reputation as a financial services firm.

We seek to engage all stakeholders in an open and transparent manner. Various degrees of interaction with key stakeholders are facilitated in order to provide insight into our strategy, significant business developments, material challenges, operating business performance and prospects.

The way we interact with our stakeholders, as well as the frequency with which we do so, differs depending on the stakeholder group. Our website, stakeholder presentations, site visits, annual general meetings (AGMs), involvement with the media, one-on-one meetings, community forums, and ongoing informal and formal dialogues are all ways we communicate with various stakeholders.

The executive and operational management bodies of the company identify stakeholder groups as well as areas of concern that may affect them. The most appropriate level of management is then in charge of engaging, identifying further stakeholder concerns, and choosing the best course of action to resolve these concerns.

All stakeholder involvement is overseen by the group chief executive officer, who also plays a vital role in analysing pertinent issues and concerns and providing advice on acceptable solutions.

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	▶ We remain committed to ensuring transparent communication and engagement with funders ▶ 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 ▶ SENS ▶ One-on-one meetings with executive management ▶ Investor perception surveys ▶ Breaking news alerts sent to subscriber database
Suppliers	▶ Building relationships to ensure business continuity ▶ Service delivery and quality ▶ Fair and transparent 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 ▶ Timely payments within clearly communicated standard operating procedures

Stakeholder	Key interest	Engagement
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 ▶ Supplier performance management	▶ Maintain close relationships with service providers ▶ Implementation and continual monitoring of SLAs ▶ Adherence to outsourced contracts – daily reports, weekly production monitoring meetings and monthly reporting against plans ▶ Stakeholder feedback
Shareholders	▶ Strength of board ▶ Earnings and sustainability ▶ Dividend payments ▶ B-BBEE ▶ 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

Stakeholder engagement (continued)

Stakeholder	Key interest	Engagement
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 ▶ Intranet and electronic newsletters
Media	▶ 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 o 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: o Department of Labour o Department of Trade and Industry o South Africa Revenue Service o JSE o CIPC

Health and safety

Our health and safety goal is to provide a safe, empowering work environment for our employees that complies with and goes beyond legislation such as the Occupational Health and Safety Act, 1993 (Act 85, 1993). This programme includes an occupational hygiene measuring and monitoring system, as well as an a committee which is accountable for the group's health and safety policy that we have in place.

During the previous three years, Covid-19 has played a major role in our lives and from that we implemented an action plan for all staff that lays out all of the requirements for dealing with Covid-19. The standards also ensure that day-to-day activities are not disrupted by infections and to ensure that we are ready for any outbreak that might come.

Our top goal is the health and safety of our stakeholders. Only by collaborative consultation and mutual collaboration can effective health and safety be accomplished. We are dedicated to being proactive in predicting, recognising, analysing, and controlling risky situations, as well as promoting employee well-being and we have learned that it is necessary to put our employees' health and safety first.

Social responsibility

During the previous year, Vunani assessed potential CSI projects in order to increase its engagement with the community. We are confident that our social responsibility has become much clearer and we have outlined how we engage with different stakeholders on page 36 of this integrated report.

The company is dedicated to conducting business in an ecologically friendly, socially responsible, and ethical manner. The group's code already includes strong governance mechanisms, an ethical culture, diversity and equality. Vunani Limited is committed to improving the communities in which it works. To that purpose, the group contributes to local charities that aim to make a difference.

The group identified beneficiaries in the various communities it operates in. The staff in the underlying subsidiaries are responsible for identifying the relevant beneficiaries. During the year the group contributed R1.9 million (2022: R0.8 million) to various CSI initiatives.

The group contributed to the following initiatives during the year:

- Schools
- Small businesses
- Feeding programs

Environmental impact

Environmental issues, such as climate change, water scarcity and pollution, are among the most significant challenges of our time. Without a healthy environment, we cannot have a thriving society or a sustainable economy. As a company with the long-term at the heart of everything we do, we understand the materiality of climate-related risks and the need for transparent reporting.

Vunani believes in responsible investing and supports the notion of protecting our planet through, amongst other, combating climate change by reducing our environmental footprint, both at a Vunani Group and investee level.

The board will consider adopting the Task Force on Climate related Financial Disclosures (TCFD) framework during the next financial year in an effort to start Vunani's first carbon footprint reduction journey.

Our drive to combat climate change will be focused on actively seeking and implementing solutions to reduce our carbon emissions at group level. We are also working to reduce water usage on all company sites. Vunani will seek to report on both carbon emissions and water consumption going forward.

In an effort to reduce our environmental impact Vunani will look into initiatives such as energy-efficient motion sensor lighting, dedicated recycling areas, paper shredding and recycled, biodegradable catering containers, water conservation promoted among employees, refillable water bottles and on-tap water stations.

Our future focus will be to improve TCFD aligned reporting, review business practices to reduce our carbon emissions where possible and track progress in 2024.

05

ACCOUNTABILITY

PURPOSE

Our leadership

ETHAN DUBE (64)

Chief executive officer

MSc (Statistics), Executive MBA (Sweden)

Appointed CEO 13 April 2023

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

BUTANA KHOZA (56)

Executive director

BCom, PG Dip (Accounting), CA(SA)

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

* *Stepped down as CEO 13 April 2023*

TAFADZWA MIKA (40)

Chief financial officer

BAcc, CA(SA)

Skills brought to Vunani: financial and capital management

MARK ANDERSON (63)

Executive director

BCom (Hons), CTA, CA(SA)

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

LIONEL JACOBS (79)

Independent non-executive chairman

BCom, MBA

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

NAMBITA MAZWI (49)

Independent non-executive director

BProc LLB, Dip Company Law, Programme in Business Leadership

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

SITHEMBISO MTHETHWA (53)

Non-executive director

BCom (Maritime Economics)

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

GORDON NZALO (57)

Independent non-executive director

BCom, BAcc, CA(SA)

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

JOHN MACEY (61)

Independent non-executive director

B Bus Sci (Hons), BCom (Hons), CA(SA)

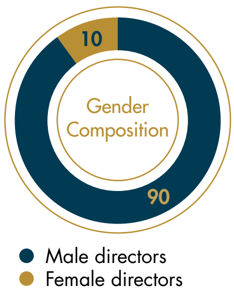
Skills brought to Vunani: financial, capital management, board and committee experience

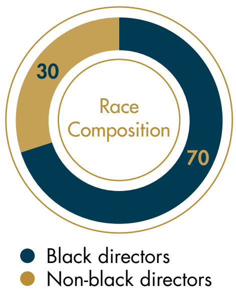
MARCEL JA GOLDING (63)

Non-executive director

BA (Hons)

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





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

Corporate governance

ETHICAL LEADERSHIP

In the interests of all of our stakeholders, Vunani is committed to upholding the greatest standards of ethics, transparency, and good governance, and we therefore ensure strict compliance processes are in place.

The board is solely responsible for the group's governance, ethics, and values, which are supported by a mandate from the social, ethics, and transformation committee. The board of directors is responsible for leading ethically and effectively within a framework of cautious and effective control, ensuring that ethics are controlled and that Vunani is a responsible corporate citizen.

The board upholds King IV's beliefs and derives its rights and responsibilities from the board charter. Vunani conforms with the King IV principles in a material way, as detailed in the King IV in application report on our website.

Employees are expected to report any potential conflicts of interest, and vetting is done at the time of hire. In addition, in accordance with a gifts policy, a consistent methodology for the declaration of presents to management is implemented. All personnel are required to follow the company's ethics, bribery, and anti-corruption rules. During the year, no violations of the codes and policies were reported. No instances of fraud, corruption or anti-competitive behaviour were reported during the year.

GOVERNANCE STRUCTURE

MEMBERS

Lionel Jacobs (Independent non-executive chairman)*
Ethan Dube (CEO)~+
Butana Khoza (CEO)~^
Tafadzwa Mika (CFO)~
Gordon Nzalo*
John Macey*
Marcel Golding#
Mark Anderson~
Nambita Mazwi*
Sithembiso Mthethwa#

~ *Executive director*
* *Independent non-executive director*
\# *Non-executive*
\+ *Appointed as CEO 13 April 2023*
^ *Stepped down as CEO 13 April 2023*

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 COMMITTEES

~ Executive director
** Independent non-executive director*
 # Non-executive
*** Non-board member*

Board committees

Audit and risk committee

(refer to page 59 for full report)

GS Nzalo (chairman)*
JR Macey*
NS Mazwi*

Remuneration committee

(refer to page 49 for full report)

JR Macey (chairman)*
LI Jacobs*
MJA Golding#

Investment committee

(refer to page 54 for full report)

JR Macey (chairman)*
E Dube~
NM Anderson~
LI Jacobs*
S Mthethwa#
A Pieterse**

Nomination committee

(refer to page 55 for full report)

LI Jacobs (chairman)*
JR Macey*

Social, ethics and transformation committee

(refer to page 56 for full report)

NS Mazwi (chairman)*
I Ross**
T Mika~
N Chonco**

THE BOARD

The board is made up of people with a wide range of abilities, knowledge, and experience and comprises six non-executive directors and four full-time, salaried executive directors. The majority of non-executive directors should be independent, according to King IV criteria, and four of Vunani's non-executive directors are independent pursuant to both the King IV principles and the JSE Listings Requirements.

In terms of the adopted group broad diversity policy the minimum female representation on the board is 10%. The promotion of gender diversity at board level is therefore a priority for Vunani. In accordance with the group's voluntary broad diversity policy targets, it aims to double this percentage by 2024.

The board composition is currently 70% black and 30% non-black directors. The promotion of a broad diversity policy at board level is very important for Vunani. In accordance with the group's voluntary broad 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 2023 financial year, the board:

- Exercised oversight over the group's operational performance
- Exercised oversight over the group's financial performance
- Monitored and measured progress against strategic objectives

In the 2024 financial year, the board intends to:

- Ensure that the group adheres to best-practice corporate governance
- Actively manage group risk
- Continue to expand relationships with partners in southern Africa
- Support and guide the executive team

BOARD AND COMMITTEE MEETING ATTENDANCE

Director	Board meetings (3 meetings)	Audit and risk committee (4 meetings)	Remuneration committee (2 meetings)	Social, ethics and transformation committee (1 meeting)	Investment committee (1 meeting)	Nomination committee (no meetings)
Lionel Jacobs (Independent non-executive chairman)	3	N/A	2	N/A	1	N/A
Ethan Dube (Newly appointed CEO)~	3	N/A	N/A	N/A	1	N/A
Butana Khoza (CEO)~	3	4	2	N/A	N/A	N/A
Tafadzwa Mika (CFO)~	3	4	2	1	1	N/A
Gordon Nzalo*	2	4	N/A	1	N/A	N/A
John Macey*	3	4	2	N/A	1	N/A
Marcel Golding#	3	N/A	2	N/A	1	N/A
Mark Anderson~		N/A	N/A	N/A	1	N/A
Nambita Mazwi*	3	4	N/A	1	N/A	N/A
Sithembiso Mthethwa#	3	N/A	N/A	N/A	1	N/A

~ *Executive director*
* *Independent non-executive director*
# *Non-executive*

BOARD APPOINTMENTS

The appointment of directors is done in a formal and transparent manner. The nomination charter governs the nomination and confirmation of appointees to the board of directors and its committees. Other board appointments are permissible for directors as long as they do not conflict with Vunani's commercial interests or negatively influence 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 AGM. Accordingly, JR Macey, GS Nzalo and NS Mazwi were all re-elected during the AGM that took place on 28 July 2022. LI Jacobs, S Mthethwa and MJ Golding will retire by rotation and offer themselves for re-election at the upcoming AGM.

DIRECTORS' INDUCTION AND TRAINING

A JSE induction programme is in place at Vunani and it is mandatory for all new directors. 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.

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.

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 2023 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 2023 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 are submitted 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 Teresa van Niekerk and Mosa Kgothadi is the principal consultant. Ms Kgothadi is an admitted attorney, holding BCom (Law) and LLB degrees from the University of Johannesburg, and is also a graduate of the Chartered Governance Institute of South Africa (formerly CSSA). She has extensive experience in the company secretarial and corporate governance arenas. In accordance with the JSE Listings Requirements, an assessment of Ms Kgothadi is performed annually by the entire board, including the executive directors.

Based on the annual assessment conducted by the board during the 2023 financial year, the board is satisfied that Ms Kgothadi 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 committees and confirms that neither Ms Kgothadi 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); and
- 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 and risk 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 and risk 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 sub-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;
- ensured adequate safeguards are in place to improve cybersecurity; and
- reviewed its long-term IT strategy.

LEGAL COMPLIANCE

The board is ultimately responsible for ensuring compliance with laws and regulations. In regularly reviewing the company's governance structures, the board exercises and ensures effective and ethical leadership, always acting in the best interests of the company and at the same time concerning itself with the sustainability of its business operations.

New legislation that affects the group is discussed at board meetings with the assistance of the company secretary. The chief financial officer is responsible for ensuring compliance with the external regulations including JSE, King IV as well as internal systems of control.

No fines or non-monetary sanctions were imposed on the group for non-compliance with any laws or regulations during the year under review, nor has the group been party to any legal actions for anti-competitive behaviour or antitrust.

Vunani has complied with the provision of the Companies Act particularly with reference to the incorporation provisions set out therein and has operated in conformity with its MOI.

Remuneration report

The remuneration committee makes proposals to the board regarding the remuneration policy and the remuneration of individual directors. The remuneration committee's report apprises shareholders and other stakeholders of the work done by the committee in the period under review.

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 45.

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;
- encouraging executives and staff to 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 FY2023, the committee:

- ensured that the remuneration of individuals is in line with performance and market benchmarks;
- reviewed the short-term incentive methodology; and
- reviewed the allocation of long-term incentives to executives and key members of management as a means of retention and performance incentivisation.

In FY2024 the committee intends to:

- align short-term executive remuneration with the group's long-term goals; and
- review the remuneration of low-level employees to bridge the gap between the lowest and highest paid employees.

SHAREHOLDER ENGAGEMENT

At the AGM on 28 July 2022, both the remuneration policy and remuneration implementation report received a 100% non-binding advisory vote from our shareholders. 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.

At the meeting there were no specific concerns raised about the policy.

The committee is comfortable that Vunani's remuneration policy largely achieved its objectives. In order to improve the remuneration policy, the committee used benchmarking data from salary surveys to guide the decision-making process. The remuneration policy and implementation report will be put to shareholders for a non-binding advisory vote at the next AGM in line with King IV.

During the year, independent remuneration consultants were used to review the short-term incentive structure.

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 (STIs) and long-term incentive (LTIs).

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

TGP

The levels of TGP 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
- Provident fund
- STIs

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.
- 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%

Performance condition and weightings	Performance period	Strategic purpose	Positive outcome
Financial (75%) • Group profit • Realisation of investments • Cost efficiency	One year	An entrepreneurial culture that rewards individual performance and contribution to generation of sustainable annual returns.	Improvement of group cash generation, profitability of subsidiaries and investments, dividend payment and growth in market value.
Strategic initiatives (25%) • Client satisfaction • Be more agile, innovative • Transformation • Competitive growth in relative sectors	One year	Enhance the profile of the group amongst stakeholders (Investors, regulators, the board). Be a responsible corporate citizen.	Positive media coverage, receipt of awards, strong share price movement. Contribution to the communities we work in.

LTIs

The group has one share scheme in place, the conditional share scheme, which is an LTI.

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, 26 February 2018, 15 January 2021, 26 February 2021, 26 February 2022 and 27 February 2023.

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 45 on page 137 of the 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 schemes.

For details regarding fees paid during the current period and prior year, refer to note 45 on page 137 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 financial statements. Details for the reporting period are available in note 67 on page 163.

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	Bonus accrued	Share-based payment	Total
2023					
E Dube	**4 687**	**1 023**	**6 239**	**903**	**12 852**
NM Anderson	**3 308**	**539**	**4 204**	**605**	**8 656**
BM Khoza	**3 107**	**740**	**4 204**	**605**	**8 656**
T Mika	**1 748**	**207**	**2 136**	**309**	**4 400**
	12 850	**2 509**	**16 783**	**2 422**	**34 564**
2022					
E Dube	4 467	945	5 710	709	11 832
NM Anderson	3 137	459	3 613	475	7 684
BM Khoza	2 980	666	3 613	475	7 734
T Mika	1 486	167	1 836	215	3 704
	12 070	2 239	14 772	1 874	30 954

Total LTI awards

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

2023	Award date	Vesting date	Opening number ('000)	Awarded during the year ('000)	Forfeited during the year ('000)	Vested during the year	Award price per share (cents)	Closing number ('000)	Cash received from awards settled	Indicative value of unvested shares (R'000)
E Dube	27/02/2023	27/02/2026	1 303	298	–	225	290	1 826	–	5 295
NM Anderson	27/02/2023	27/02/2026	873	188	–	150	290	1 211	–	3 512
BM Khoza	27/02/2023	27/02/2026	873	188	–	150	290	1 211	–	3 512
T Mika	27/02/2023	27/02/2026	428	136	–	68	290	632	–	1 832
			3 477	810	–	593		4 880	–	14 151

2022	Award date	Vesting date	Opening number ('000)	Awarded during the year ('000)	Forfeited during the year ('000)	Vested during the year	Award price per share (cents)	Closing number ('000)	Cash received from awards settled	Indicative value of unvested shares (R'000)
E Dube	26/02/2022	26/02/2025	1 036	267	–	–	252	1 303	–	3 648
NM Anderson	26/02/2022	26/02/2025	693	180	–	–	252	873	–	2 444
BM Khoza	26/02/2022	26/02/2025	693	180	–	–	252	873	–	2 444
T Mika	27/02/2022	26/02/2025	298	130	–	–	252	252	–	1 198
			2 720	758	–			3 477	–	9 736

STI PERFORMANCE OUTCOMES

The STI performance outcomes for the financial year is shown below:

Key performance indicator	Weight	Target	ED	MA	BK	TM	Achieved
Revenue growth	✓	✓	✓	✓	✓	✓	✓
Cash generation	✓	✓	✓	✓	✓	✓	✓
New business	✓	✓	✓	✓	✓	✓	✓
Strategic initiatives	✓	✓	✓	✓	✓	✓	✓

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 LTI 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.

JR Macey
Remuneration committee chairman

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 director 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. Attendance at committee meetings is set out on page 45.

The committee assists the board on matters 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; and
- 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 acquisition of a 50% economic interest in Verso Group.

In FY2024 the committee intends to:

- identify investment opportunities in order to ensure sustainable growth for the group.

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 nomination 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 45.

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 nomination committee charter.

In FY2024 the committee intends to:

- review gender and 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 N Chonco. Attendance at committee meetings is set out on page 45.

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 the fraud and corruption policy;
- reviewed the UN Global compact issues affecting the group;
- reviewed human resources policies.

In the FY2024 financial year, the committee intends to:

- review sexual harassment policy.
- review whistle blowing 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.

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 B-BBEE verification professional as per scorecards:

B-BBEE elements	Target score	Bonus points	Actual score achieved
Equity ownership	25	–	25
Management control	20	–	15.23
Skills development	20	–	10.79
Enterprise and supplier development	35	–	35.39
Social-economic development	5	–	5.83
Total score	**105**	**–**	**92.24**
Priority elements achieved	5/5		
Empowering supplier status	Yes		
Final B-BBEE status	Level 2		

NS Mazwi
Social, ethics and transformation committee chairman

06

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 28 June 2023.

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

FINANCIAL STATEMENTS

Financial statements

Group

Company

Audit and risk committee report

for the year ended 28 February 2023

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, which require it to have a majority of independent directors. The committee comprises of three independent non-executive directors. The committee held four meetings during the year as detailed below:

Committee composition and meeting attendance	17 May 2022	22 June 2022	28 Sep 2022	26 Jan 2023
GS Nzalo*	✓	✓	✓	✓
JR Macey	✓	✓	✓	✓
NS Mazwi	✓	✓	✓	✓

** Independent non-executive chairman*

The members of the committee have the necessary financial skills and experience to adequately fulfil 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:

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

External audit

- Considered and satisfied itself that the external auditor was independent.
- Approved the fees to be paid to the external auditor for the 2023 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 provider.
- 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 co-operation and co-ordination between the internal and external audit functions and co-ordinated 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.
- After due care and proper consideration, the chief executive officer and financial director are satisfied that the annual financial statements for the year ended 28 February 2023 are an accurate reflection of the group's performance. (Paragraph 3.84(k))

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 to ensure they present a balanced and comprehensive assessment of the position, performance and prospects of the company.
- Ensured that appropriate financial reporting procedures exist and are working, which includes consideration of all entities included in the consolidated group IFRS financial statements.
- Ensured that it had access to all the financial information of the group to enable the effective preparation of the integrated report.

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 financial statements of Vunani Limited and the group for the year ended 28 February 2023 comply, in all material respects, with the requirements of the Companies Act of South Africa, International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the JSE Listings Requirements.

GS Nzalo
Chairman of the audit and risk committee

28 June 2023
Sandton

Directors' responsibility statement and approval of the financial statements

for the year ended 28 February 2023

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Vunani Limited, which comprise the consolidated and separate statements of financial position at 28 February 2023, 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 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, the directors' and audit and risk committee's reports and the certification by the company secretary.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the 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 company's and group's cash flow forecast for the year to 31 August 2024 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 consolidated and separate 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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in the company and group financial statements for the year ended 28 February 2023. The company and group annual financial statements of Vunani, which have been prepared in accordance with the Companies Act, the company's MOI, comply with IFRS, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the JSE Listings Requirements.

The consolidated and separate financial statements of Vunani Limited, as identified in the first paragraph, were approved by the board of directors on 28 June 2023 and are signed on their behalf by:

E Dube
Chief executive officer
Authorised director

T Mika
Chief financial officer

28 June 2023
Sandton

CEO and CFO responsibility statement

a. the annual financial statements set out on pages 69 to 166, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b. to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c. internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;

d. the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

e. where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and

f. we are not aware of any fraud involving directors.

Where we are not satisfied, we have disclosed to the audit and risk committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

E Dube
Chief executive officer

T Mika
Chief financial officer

28 June 2023
Sandton

Certification by the company secretary

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 28 February 2023, 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

28 June 2023
Sandton

Directors' report

for the year ended 28 February 2023

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 and investment banking (institutional securities broking and advisory services).

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, other than information below.

Acquisition of interest in Verso Group (Pty) Ltd

On 1 October 2022 the group acquired 33% of the shares and 50% of the economic interests in Verso Group Proprietary Limited (Verso), for an acquisition price of R15 million. The acquisition is in line with the group's strategy to expand its footprint in the asset administration business in South Africa. The acquisition was made at a premium of R2.9 million over the net assets acquired. Refer to note 22 for the details of the transaction.

Impairment reversal of intangible assets

The VIF intangible asset acquired that arose in on the acquisition of Oracle is reviewed for impairment through a discounted cash flow (DCF) valuation on an annual basis. This valuation method references the results of the EV calculations for the relevant products. This embedded value methodology uses a number of assumptions relating to future cash flows. The underlying assumptions of the VIF asset were reviewed by the statutory actuary using historical GLA (group life assurance) and PHI (permanent health insurance) data. This resulted in improved profit margins for both lines of business which led to an impairment reversal of the VIF asset of R12.3 million (2022: R10.3 million). Refer to note 17.

2023 performance

Vunani's profit for the year ended 28 February 2023, has decreased by 14% compared to the prior period to 28 February 2022. This was due to the impact of negative fair value adjustments related to the insurance business which was negatively impacted by the volatility in the markets as well as permanent health insurance claims. On an operating profit line the group showed a 33% improvement compared to the prior year.

DECLARATION OF DIVIDENDS

A gross interim dividend of 9.0c per share was paid in the current year. A gross final dividend of 11.0c was declared after the end of the financial year. Refer to note 48 of the financial statements.

SPECIAL RESOLUTIONS

1. It was resolved that the non-executive directors' remuneration be approved with effect from 28 July 2022 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 28 February 2023 are shown in notes 28 and 63 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:

* *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 28 February 2023 was as follows:

	Number of shares held		Total
Shareholding per director	**Beneficially direct ('000s)**	**Beneficially indirect ('000s)**	**Total number of shares ('000s)**
E Dube	237	25 509	25 746
BM Khoza	670	14 779	15 449
NM Anderson	1 428	14 779	16 207
T Mika	596	–	596
	2 931	**55 067**	**57 998**

There has been no other changes in shareholding of the directors of the listed company between 28 February 2023 and the date of approval of the integrated report.

AUDITOR

BDO South Africa Inc. was reappointed as auditor to the company at the AGM held on 28 July 2022.

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 69 to 166, which comprise the consolidated and separate statements of financial position as at 28 February 2023, and the consolidated and separate statements of comprehensive income, 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 as at 28 February 2023, 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 (IFRS) 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 Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of *Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards*). 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.

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities (consolidated financial statements – Note 35)	
As at 28 February 2023, the carrying amount of the group's insurance contract liabilities amounted to R104.6 million. Insurance contracts are contracts under which the insurer, Vunani, accepts significant insurance risk from another party (policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholders. 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, as well as per the requirements of IFRS 4 – *Insurance Contracts*. Management consider key assumptions and apply significant judgement in the determination of insurance contract liabilities, with the help of their actuarial experts. Significant judgements and estimates include, but are not limited to, mortality and morbidity rates, expense assumptions and discount rates. Given the relative magnitude and the susceptibility of the balance to changes as a result of changes to the underlying assumptions and judgements involved in determining the value of these liabilities, the valuation of insurance contract liabilities was considered a matter of most significance to our current year audit of the consolidated financial statements.	Making use of our in-house actuarial expertise, we performed our audit procedures which included the following: ► Obtained an understanding of the methodologies and key assumptions applied by management in determining the valuation of the insurance contract liabilities through inspection of the valuation report prepared by management's external actuarial expert and through inquiries with both management and their external actuarial expert; ► Considered the appropriateness of the accounting and valuation methodology applied by management, against the requirements of IFRS 4 – *Insurance Contracts* and considered compliance with the latest actuarial guidance and legislation; ► Independently assessed the key inputs and estimates made by management's actuarial experts through the inspection of the component auditor's audit file against market information and actuarial valuation guidelines for the underlying Oracle Life insurance business; and ► Considered the adequacy of the disclosures in the consolidated financial statements against the requirements of IFRS 4.

Key audit matter	How our audit addressed the key audit matter
Value in force asset impairment assessment (consolidated financial statements – Note 17)	
At 28 February 2023, the carrying amounts of the Value of in-force asset (VIF) amounted to R90.3 million, after amortisation of R2.9m and an impairment reversal of R12.3 million compared to the prior year. The VIF asset is an intangible asset which arose upon the acquisition of the Oracle Life and the Oracle Insure businesses with a useful life of 30 years. This asset represents the present value of future profits expected to arise from contracts existing at the date of acquisition of the insurance book, less the cost of holding the required capital. Given the susceptibility of the value in use calculation to market fluctuations, the asset is tested for impairment each financial year. Management considers a number of economic and non-economic assumptions when determining VIF. Economic assumptions include information obtained from the market at the time of valuation, such as returns on investments based on the assets to be valued. Non-economic assumptions, such as claim ratios and lapses, are typically determined by management using prior experience. This involves significant judgement on the part of management. Due to the size of the VIF asset, and the significant judgements and estimates applied by management in determining its carrying amount, the impairment assessment thereof was considered a matter of most significance to our current year audit of the consolidated financial statements.	Making use of our in-house actuarial expertise, we performed our audit procedures which included the following: ▶ Obtained an understanding of the methodologies and assumptions applied by management in determining the value in use of the VIF asset through inspection of the valuation report prepared by management's external actuarial expert and through inquiries with management's external actuarial expert; ▶ Assessed the independence, competence and objectivity of management's exper; ▶ Considered the appropriateness of the accounting and valuation methodology applied by management, against actuarial standards and best practice actuarial valuation guidelines; ▶ Independently assessed the key inputs and estimates made by management's actuarial experts, by evaluating the economic and non-economic assumptions. Economic assumptions were evaluated against market data and non-economic assumptions were evaluated against historical data and best practice approach; and ▶ Considered the adequacy of the disclosures in the consolidated financial statements in accordance with International Standard on Auditing (IAS) 38 – *Intangible Assets*.
Goodwill impairment considerations (consolidated financial statements – Note 17)	
As at 28 February 2023, the carrying value of goodwill amounted to R139.8 million which is required to be assessed for impairment annually. The carrying value of goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill arose from the business combination and acquisition of three cash generating units being, Vunani Fund Managers, Vunani Securities and Fairheads Benefit Services, and as such, these businesses are the cash generating units (CGUs) to which the goodwill of the group relate to. In assessing the recoverable amount, management assesses the reasonableness of the assumptions used in the determination of the recoverable amount, including the cash flow projections and discount rates. Due to the high degree of estimation uncertainty resulting from the judgement involved in the determination of the recoverable amount of goodwill, as well as the significant carrying value of goodwill as at 28 February 2023, the impairment assessment of goodwill was determined to be a matter of most significance to our current year audit of the consolidated financial statements.	Making use of our internal Corporate Finance valuations expertise, our audit procedures focused on evaluating the key assumptions used by management, and included the following: ▶ Obtained an understanding of and evaluated management's determination of the cash generating units; ▶ Evaluated the management's previous cash flow forecasts against actual results, as well as evaluated the reasonableness of the current year's cash flow forecasts based on our knowledge of the applicable businesses, to assess the appropriateness of the forecasts incorporated in the value in use models; ▶ Evaluated the appropriateness of the actual inputs into the value in use models as well as assessed the appropriateness of the valuation methodology and the accuracy of the valuation model applied; ▶ Compared the discount rates to known market and industry trends; ▶ Evaluated management's adjustments to future cash flows to consider whether it is in line with best practice valuation principles; ▶ Performed a sensitivity analysis to assess how sensitive the estimate is to changes in the key inputs and assumptions; and ▶ Considered the adequacy of the disclosures in the consolidated financial statements against the requirements of with IFRS 3, *Business Combinations*.

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 28 February 2023", 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 separate financial statements and our auditor's report 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, actions taken to eliminate threats or safeguards applied.

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 BDO South Africa Incorporated has been the auditor of Vunani Limited for two years.

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

Lance September
Director

Registered Auditor

28 June 2023

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Consolidated statement of comprehensive income

for the year ended 28 February 2023

Figures in R'000	Notes	VUNANI LIMITED – Group Audited 2023	Audited 2022
Revenue	5	**448 764**	415 104
Net written premium	6	**237 660**	215 373
Gross written premium		**303 618**	271 871
Less: Reinsurance written premium		**(65 958)**	(56 498)
Investment revenue	9	**10 945**	7 924
Interest income calculated using the effective interest method	10	**26 351**	21 716
Other income	7	**16 649**	16 588
Total income		**740 369**	676 705
Operating expenses	13	**(474 655)**	(427 690)
Net insurance benefits and claims		**(115 567)**	(136 050)
Insurance benefits and claims paid		**(131 074)**	(149 511)
Insurance benefits and claims recovered from reinsurers		**15 507**	13 461
Operating profit		**150 147**	112 965
Bargain purchase gain	8	**–**	1 362
Reversal of impairment of non-financial assets	12	**12 300**	10 283
(Impairment)/impairment reversal of financial assets	12	**(7 236)**	328
Fair value adjustments	11	**(53 660)**	(18 432)
Equity-accounted (loss)/earnings (net of income tax)	18	**(2 292)**	882
Results from operating activities		**99 259**	107 388
Finance income	14	**7 903**	7 787
Finance costs	14	**(6 413)**	(6 438)
Net finance income		**1 490**	1 349
Profit before income tax		**100 749**	108 737
Income tax expense	15	**(39 031)**	(37 033)
Profit for the year		**61 718**	71 704
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss*		**531**	(281)
Exchange differences on translating foreign operations		**531**	(281)
Total comprehensive income for the year		**62 249**	71 423
Profit for the year attributable to:			
Equity holders of Vunani Limited		**52 018**	60 785
Non-controlling interest	42	**9 700**	10 919
		61 718	71 704
Total comprehensive income for the year attributable to:			
Equity holders of Vunani Limited		**52 337**	60 616
Non-controlling interest	42	**9 912**	10 807
		62 249	71 423
Basic earnings per share (cents)	40	**32.6**	37.9
Basic and diluted earnings per share (cents)		**32.6**	37.9
Basic headline earnings per share (cents)	40	**29.6**	34.7
Basic headline earnings per share (cents)		**29.6**	34.7

* *There are no tax implications on the items included in other comprehensive income*

Consolidated statement of financial position

at 28 February 2023

Figures in R'000	Notes	VUNANI LIMITED – Group 2023	2022
Assets			
Property, plant and equipment*	16	**40 294**	23 508
Goodwill	17	**139 766**	139 766
Intangible assets	17	**133 860**	134 475
Investments in associates	18	**–**	1 300
Investment in jointly-controlled ventures	22	**12 708**	–
Other investments	19	**10 819**	11 345
Insurance-related investments	20	**507 030**	453 357
Deferred tax asset	23	**56 389**	53 865
Total non-current assets		**900 866**	817 616
Other investments	19	**–**	3 198
Taxation prepaid	35	**21**	1 059
Reinsurance assets	21	**25 531**	21 357
Trade and other receivables	24	**100 564**	89 046
Accounts receivable from trading activities	25	**65 719**	60 583
Trading securities		**408**	353
Cash and cash equivalents	26	**266 897**	252 852
Total current assets		**459 140**	428 449
Total assets		**1 360 006**	1 246 065
Equity			
Stated capital	28	**696 497**	696 497
Treasury shares	28	**(7 156)**	(6 166)
Share-based payments reserve	29	**4 104**	3 660
Foreign currency translation reserve		**(1 988)**	(2 535)
Accumulated loss		**(358 231)**	(375 445)
Equity attributable to equity holders of Vunani Limited		**333 226**	316 011
Non-controlling interest	42	**70 467**	66 341
Total equity		**403 693**	382 352
Liabilities			
Other financial liabilities	30	**28 025**	13 356
Lease liabilities	31	**19 350**	10 645
Investment contracts	32	**464 426**	432 179
Insurance contract liabilities	33	**83 200**	73 682
Deferred tax liabilities	23	**28 756**	31 838
Total non-current liabilities		**623 757**	561 700
Other financial liabilities	30	**24 988**	20 902
Lease liabilities	31	**2 019**	7 060
Taxation payable	35	**17 096**	12 494
Insurance contract liabilities	33	**21 376**	17 059
Trade and other payables	36	**179 168**	155 269
Accounts payable from trading activities	25	**65 150**	60 853
Trading securities		**4**	3
Bank overdraft	26	**22 755**	28 372
Current liabilities		**332 556**	302 013
Total liabilities		**956 313**	863 712
Total equity and liabilities		**1 360 006**	1 246 064
Shares in issue (000s)		**161 156**	161 156
Net asset value per share (cents)		**206.8**	196.1
Net tangible asset value per share (cents)		**37.0**	25.9

* *Included in property, plant and equipment is the right-of-use assets recognised in terms of IFRS 16. Refer to note 31.*

Consolidated statement of changes in equity

for the year ended 28 February 2023

Figures in R'000	Stated capital	Treasury shares	Share-based payment reserve	Foreign currency translation reserve	Accumulated loss	Total attributable to equity holders	Non-controlling interest	Total equity
						VUNANI LIMITED – Group		
Balance as at 28 February 2021	696 497	(675)	426	(2 366)	(413 830)	280 052	53 452	333 504
Total comprehensive income for the year								
Profit for the year	–	–	–	–	60 785	60 785	10 919	71 704
Other comprehensive income for the year	–	–	–	(169)	–	(169)	(112)	(281)
Total comprehensive income for the year	–	–	–	(169)	60 785	60 616	10 807	71 423
Transactions with owners, recorded directly in equity								
Acquisition of treasury shares	–	(5 727)	–	–	–	(5 727)	–	(5 727)
Transfer of treasury shares	–	236	(236)	–	–	–	–	–
Share-based payments	–	–	3 470	–	–	3 470	–	3 470
Dividends paid	–	–	–	–	(22 400)	(22 400)	(66)	(22 466)
Business combination**	–	–	–	–		–	2 148	2 148
Total transactions with owners, recorded directly in equity	–	(5 491)	3 234	–	(22 400)	(24 657)	2 082	(22 575)
Balance as at 28 February 2022	696 497	(6 166)	3 660	(2 535)	(375 445)	316 011	66 341	382 352
Total comprehensive income for the year								
Profit for the year	–	–	–	–	52 018	52 018	9 700	61 718
Other comprehensive income for the year	–	–	–	319	–	319	212	531
Total comprehensive income for the year	–	–	–	319	52 018	52 337	9 912	62 249
Transactions with owners, recorded directly in equity								
Acquisition of treasury shares	–	(3 772)	–	–	–	(3 772)	–	(3 772)
Transfer of treasury shares*	–	2 782	(2 782)	–	–	–	–	–
Share-based payments	–	–	5 061	–	–	5 061	–	5 061
Dividends paid	–	–	–	–	(36 411)	(36 411)	(5 786)	(42 197)
Transfer between reserves*			(1 835)	228	1 607			
Total transactions with owners, recorded directly in equity	–	(990)	444	228	(34 804)	(35 122)	(5 786)	(40 908)
Balance as at 28 February 2023	696 497	(7 156)	4 104	(1 988)	(358 231)	333 226	70 467	403 693

* *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 business acquired an effective 39% in Medscheme Holdings Proprietary Limited, refer to note 27.*

Consolidated statement of cash flows

for the year ended 28 February 2023

Figures in R'000	Notes	VUNANI LIMITED – Group 2023	2022
Cash flows from operating activities			
Net cash generated by operating activities	38	**150 214**	121 201
Investment revenue received		**814**	–
Finance income received		**8 192**	7 471
Finance costs paid		**(6 287)**	(6 244)
Dividends paid to shareholders		**(36 411)**	(22 400)
Dividends paid to non-controlling interest	42	**(5 786)**	(66)
Income tax paid	39	**(43 484)**	(31 139)
Net cash generated by operating activities		**67 252**	68 823
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		**–**	611
Acquisition of property, plant and equipment	16	**(16 111)**	(5 708)
Acquisition of jointly-controlled entity	22	**(7 500)**	–
Proceeds from repayment of loans to associates		**–**	319
Acquisition of intangible assets – computer software	17	**(3 370)**	(3 791)
Proceeds on disposal of other investments	19	**3 217**	–
Proceeds on disposal of insurance investments	20	**90 589**	4 964
Acquisition of insurance investments	20	**(120 345)**	–
Net cash outflow from investing activities		**(53 520)**	(3 605)
Cash flows from financing activities			
Acquisition of treasury shares		**(3 772)**	(5 727)
Advances of other financial liabilities		**31 085**	2 500
Repayments of other financial liabilities		**(14 356)**	(27 673)
Repayment of lease liabilities – capital repayment		**(7 027)**	(5 590)
Net cash inflow/(outflow) from financing activities		**5 930**	(36 490)
Net increase in cash and cash equivalents		**19 662**	28 728
Cash and cash equivalents at the beginning of the year		**224 480**	195 752
Total cash and cash equivalents at end of the year	26	**244 142**	224 480

Notes to the consolidated and separate financial statements

for the year ended 28 February 2023

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 28 February 2023 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in associated entities. The group operates in the financial services industry.

1. BASIS OF PREPARATION

1.1 Statement of compliance

The company's financial statements are prepared in accordance with IFRS as issued by the IASB, its interpretations adopted by the IASB, Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements, and the South African Companies Act.

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 28 June 2023.

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, insurance contracts, 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 which have the most significant effect on the financial statements are set out below:

- Notes 19, 20 and 46.4 – determining fair value of financial instruments based on significant unobservable inputs.
- Note 17 – impairment test of goodwill and intangible assets: key assumptions underlying recoverable amounts.
- Notes 18 and 46.3 – equity accounted investees: whether the group has significant influence and impairment losses on loans to associates.
- Note 22 and 46.3 – classification of investment in jointly controlled ventures.
- Note 23 – utilisation of tax losses: the availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
- Note 24 – measurement of ECLs allowance for trade and other receivables: key assumptions in determining average loss rates.
- Note 32, 33 and 34 – investment contract liabilities designated as at fair value profit and loss, 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.

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. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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.

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 Investments in jointly-controlled entities

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement.
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement.
- The legal form of joint arrangements structured through a separate vehicle.
- The contractual terms of the joint arrangement agreement.
- Any other facts and circumstances (including any other contractual arrangements).

The group accounts for its interests in joint ventures in the same manner as investments in Associates (i.e. using the equity method – refer above).

2. ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

2.1.3 Investments in jointly-controlled entities *(continued)*

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. In accordance with IFRS 11 – *Joint Arrangements*, the group is required to apply all of the principles of IFRS 3 – *Business Combinations* when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3.

Judgement

For all joint arrangements structured in separate vehicles, the group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the group must consider include:

- structure;
- legal form;
- contractual agreement; and
- other facts and circumstances.

Upon consideration of these factors, the group has determined that all of its joint arrangements structured through separate vehicles give it rights to the net assets and are therefore classified as joint ventures.

2.1.4 Non-controlling interests

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

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

2.1.5 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.

2.2 Financial instruments

2.2.1 Recognition and initial measurement

Trade receivables 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. Trade receivables are expected to be recovered within 30 days.

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.

2. ACCOUNTING POLICIES (continued)

2.2 Financial instruments (continued)

2.2.2 Classification and subsequent measurement *(continued)*

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 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 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: FVTPL and financial assets 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.

Other investments

Other investments are classified as at fair value through profit or loss. Other investments are recognised when the company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss. Other investments are subsequently measured at fair value with changes in fair value recognised in profit or loss. Other investments are not subject to impairment provisions.

Loans to associates

Loans to associates are classified as financial assets subsequently measured at amortised cost. They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans. The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

2. ACCOUNTING POLICIES (continued)

2.2 Financial instruments (continued)

2.2.2 Classification and subsequent measurement *(continued)*

Trade and other receivables

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost. They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables. Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

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.

Financial liabilities

The group classifies non-derivative financial liabilities into the following categories: financial liabilities at FVTPL and financial liabilities at amortised cost.

Financial liabilities at amortised cost

Other financial liabilities, accounts payable from trading activities, and trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss

The group designates certain financial liabilities at fair value through profit or loss on initial recognition. Ring-fenced structured 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.

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 cancelled, 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.

2. ACCOUNTING POLICIES (continued)

2.2 Financial instruments (continued)

2.2.5 Stated capital *(continued)*

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.

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. ACCOUNTING POLICIES (continued)

2.5 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.

2.6 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.

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 software 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-in-force acquired	30 years
Software – internally 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, loans to associates 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).

2. ACCOUNTING POLICIES (continued)

2.7 Impairment (continued)

2.7.1 *Non-derivative financial assets (continued)*

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 asset 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 cashflows 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. Interest is calculated on the amortised cost when the asset is credit impaired, and if it moves back to Stage 2 interest recognition resumes on the gross carrying amount.

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 expects no significant recovery from the amount written off. The group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due. Any recoveries made are recognised in profit or loss.

2. ACCOUNTING POLICIES (continued)

2.7 Impairment (continued)

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.

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 CGUs. 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.

2.8.3 Other long-term employee benefits

The company shall determine the value of any other long-term employee benefit obligations using the projected unit credit method. This method will attribute the benefit to the period of service under the plan's benefit formula, the date at which services by the employee first leads to the benefit of the plan, and the date when further service the employee will lead to no material amount. This includes the probability that some employees will not satisfy the vesting requirements.

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

2. ACCOUNTING POLICIES (continued)

2.9 Share-based payment transactions (continued)

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 equity instruments granted to employees of the subsidiary are recognised as an increase in the investment in the subsidiary in the separate financial statements, as the subsidiary receives services from employees that are paid for by the parent – thereby increasing the value of the subsidiary. The amount recognised as an additional investment is based on the grant-date fair value of the share-based payment. The increase in the investment and the corresponding increase in equity for the equity settled share-based payment is recognised by the parent over the vesting period of the share-based payment.

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.

2.10.1 Advisory services

Revenue from advisory services rendered including management and advisory fees. Management fees are recognised in profit or loss completion of milestones related to the transaction at the reporting date. Advisory fees are recognised in profit or loss in proportion to completion of milestones related to the transaction at the reporting date.

2.10.2 Commissions

Commissions comprise brokerage, asset administration and fund management fees that 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. Performance fees, included in fee and commission income on investment contracts, are recognised when the group is unconditionally entitled to the fee and no contingency with the respect to future performance exists, which is determined to be crystallisation date. The group earns a performance fee if certain performance thresholds and other criteria are met.

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 Insurance premiums

Insurance premiums and annuity considerations receivable from insurance contracts and investment contracts with discretionary participation feature (DPF) are recognised as revenue in profit or loss, gross of commission and reinsurance premiums and excluding taxes and levies. Where annual premiums are paid in instalments, the outstanding balance of these premiums is recognised when due. Short-term insurance premiums are accounted for when receivable, net of a provision for unearned premiums relating to risk periods that extend to the following year. Receivables arising from insurance and investment contracts with DPF are recognised under trade and other receivables. Insurance income is disclosed under "Net written premium" in the statement of comprehensive income, refer to note 2.22.

2.10.5 Fee and commission income on investment contracts

Fees received on investment management service contracts

Fees charged for investment management services provided in conjunction with an investment contract are recognised as revenue as the services are provided. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and released on a straight-line basis over the lives of the contracts. Fee and commission income on investment contracts is disclosed under "Net written premium" in the statement of comprehensive income, refer to note 2.22.

Front-end fees

Front-end fees are deferred and released to revenue when the services are rendered, over the expected term of the contract on a straight-line basis.

2. ACCOUNTING POLICIES (continued)

2.11 Other income

Sundry income

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

2.12 Dividend income

Dividend income 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.

2.13 Interest received from investments

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

2.14 Finance income and finance costs

The group's finance income and finance costs include interest income and interest expense. Interest income or expense is recognised using the effective interest method. Interest income is recognised using the agreed rate on with the relevant counterparty.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.15 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. ACCOUNTING POLICIES (continued)

2.16 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 withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

2.17 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 1/2021 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.

2.18 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-maker, 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 dependants 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 equity, derivative and capital market trading services for institutional clients.

2.19 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.

2. ACCOUNTING POLICIES (continued)

2.19 Foreign currencies (continued)

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.

2.20 Leases

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less and leases of low value assets). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liabilities are measured at the present value of lease payments, discounted using the incremental borrowing rate. The weighted average incremental borrowing rate applied to lease liabilities recognised is between 7% and 10.86%.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The group has lease contracts for corporate offices and small office equipment leases of low value assets. 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.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the right-of-use asset. The depreciation starts the commencement date of the lease. The right-of-use assets are presented as part of property plant and equipment in the consolidated statement of financial position.

2.21 Insurance contracts – IFRS 4

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.

2. ACCOUNTING POLICIES (continued)

2.21 Insurance contracts – IFRS 4 (continued)

Insurance contracts

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

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

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

Investment contracts

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

Contracts with discretionary participation features

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

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

Measurement

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.21 Insurance contracts – IFRS 4 (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 held in the portfolio. Implicit allowance is made for expected credit losses to avoid a reduction in liabilities caused by capitalisation of credit spreads.

Embedded derivatives

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

Unearned premium provision

The provision for unearned premiums represents the proportion of the current year's premiums written that relate to risk periods extending into the following year, computed separately for each insurance contract using the 365th method.

Liability adequacy test

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

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

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

2. ACCOUNTING POLICIES (continued)

2.21 Insurance contracts – IFRS 4 (continued)

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 discretionary participation feature (DPF) are recognised as revenue in profit or loss, gross of commission and reinsurance premiums and excluding taxes and levies. Where annual premiums are paid in instalments, the outstanding balance of these premiums is recognised when due. Short-term insurance premiums are accounted for when receivable, net of a provision for unearned premiums relating to risk periods that extend to the following year. Receivables arising from insurance and investment contracts with DPF are recognised under trade and other receivables.

Reinsurance premiums

Reinsurance premiums are recognised as an expense in accordance with the applicable reinsurance treaties. Reinsurance premiums are recognised when due for payment and accounted for in the same accounting periods as the premiums for the related direct insurance.

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.

2.22 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 2023 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).

2. ACCOUNTING POLICIES (continued)

2.22 New standards and interpretations not yet adopted (continued)

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
IAS8–*Accounting Policies, Changes in Accounting Estimates and Errors*	Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	1 January 2023	The standard will unlikely have a material impact on the recognition of accounting estimates
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. ▶ Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	1 January 2024 1 January 2023	The standard will unlikely have a material impact on the classification of debt and other financial liabilities and changes to accounting policies
IFRS 17 – *Insurancecontracts*	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. In December 2021, the IASB amended IFRS 17 to add a transition option to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17 and IFRS 9 therefore improving the usefulness of comparative information for users of financial statements.	1 January 2023	Please see note below for detailed impact of the standard
IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with Covenants)	The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within 12 months.	1 January 2024	The standard will unlikely have an impact on the group's disclosure of non-current liabilities.

2. ACCOUNTING POLICIES (continued)

2.22 New standards and interpretations not yet adopted (continued)

IFRS 17 – Impact – Oracle Life

IFRS 17 – *Insurance Contracts*

IFRS 17 – *Insurance Contracts* is the new accounting standard which replaces IFRS 4 and sets out the principles for recognition, measurement, presentation and disclosure of insurance contracts (including reinsurance contracts). The effective date is financial years commencing 1 January 2023 going forward, with comparative information restated. IFRS 17 is required to be retrospectively applied for the first date of adoption, being 1 March 2023 for Oracle Life. The objective of IFRS 17 is to increase the comparability of information reported by all entities issuing insurance contracts and increase the transparency of financial information which will give stakeholders more confidence in understanding the insurance industry.

Project status

The board of directors are responsible for providing strategic direction to the implementation of the Standard and playing an oversight role on the project. The Executive management team led by the Chief Financial Officer are responsible for the timely and accurate implementation of the Standard. All accounting policies and key judgements once endorsed by the executive management are recommended to the board of directors for final consideration and approval. The company continues to involve representatives of the Financial Services Regulatory Authority (FSRA) to provide guidance and support for the implementation of the Standard. The external auditors (PwC) and statutory valuators have also been involved in the process. To meet the requirements of this new standard, the company has invested significant effort in data collection, development of models, configuration of the chart of accounts, general ledger and reports. The finance implementation has been complete, and the Company is in the process of making enhancements/corrections where necessary, therefore do not expect any threat to full financial reporting compliance within the reporting timelines. Oracle Life will present a full set of financial statements compliant with IFRS 17 for the year ended 29 February 2024.

Overview

The definition and scope of insurance contracts under IFRS 17 is aligned with that of IFRS 4 with only a few differences. The main revenue recognition principle under IFRS 17 is to recognise as revenue the amount charged for insurance coverage when it is earned rather than received, over the duration of the contracts in a manner that best reflects the provision of insurance contract services in the relevant reporting period. The total recognised profit/loss arising from insurance contracts over the duration of the contract remains largely unchanged compared to IFRS 4, however, the year-by-year profit/loss outcomes will change.

Some of the significant changes of the Standard are:

- The Standard does not allow for profits to arise on inception of a contract, i.e. day one, while the losses arising from onerous contracts are to be recognised immediately in profit/loss.
- The treatment and disclosure of non-distinct investment components (NDIC) where such amounts are excluded from the insurance service results as they do not relate to the provision of insurance services.
- IFRS 17 measurement principles depend heavily on the terms and conditions of underlying contracts, contract boundaries, coverage periods, etc as opposed to just the type of the insurance license (ie. Life or non-life).
- IFRS 17 requires the determination of portfolios for insurance contracts with similar risks and determination of onerous contracts.
- The Standard includes three measurement models, all the measurement models will include the following:
  - A liability for remaining coverage (LRC) – the obligation where the insured event has not yet occurred.
  - A liability for incurred claims (LIC) – the obligation to pay claims for insured events that have already occurred.

The general measurement model (GMM) is applicable to longer contract durations that are not substantially investment related service contracts.

2. ACCOUNTING POLICIES (continued)

2.22 New standards and interpretations not yet adopted (continued)

The Standard requires the recognition of fulfilment cash flows and the contractual service margin (CSM) on the balance sheet, these fulfilment cash flows are to be updated at each reporting date. The fulfilment cash flows represent the present value of future cash flows and an adjustment for the risk and timing of those cash flows (risk adjustment). The CSM represents the unearned profit on the contract which is expected to be earned in the future. The CSM is released over the duration of the contract.

The Standard requires that the interest rate used to discount the cash flows and establish the CSM be determined at inception of the contract.

IFRS 17 also allows the optional simplified premium allocation approach (PAA) for insurance contracts with a coverage period that is 12 months or less. Contracts measured under this approach do not have a CSM.

IFRS 17 requires the company to disclose the profits earned from Insurance Contracts, where the company will recognise the insurance service result which depicts profit earned from providing insurance service and the financial result which depicts investment income and insurance finance expenses.

Key revenue recognition changes between IFRS 17 and IFRS 4 as applied by Oracle Life

Key changes are as follows:

- The establishment of the CSM which results in a different pattern of revenue recognition compared to the current accounting policies.
- The establishment of the non-financial risk adjustment resulting in a deferral of profit.
- Discount rates used are those applicable at inception of the contracts.
- The disallowance for recognition of day one profits on initial recognition.
- Changes in best estimate assumptions being absorbed into remaining margins as opposed to being recognised in full in profit/loss in the year of the change.

The CSM is likely to result in lower volatility in insurance results between the reporting periods over time. Under IFRS 4, changes to estimates of future contractual fulfilment cash flows would impact profit/loss in the year of change as opposed to impacting future margin releases under IFRS 17.

Contracts measured under GMM

The current estimate of future cash flows is based on the relevant cash flows which are directly related to the fulfilment of the contract within the contract boundary. This is aligned with the estimation of future cash flows under IFRS 4, with the exception of IFRS 17 requiring inclusion of only portfolio incremental acquisition costs.

Contracts measured under PAA

This approach is available for short-term contracts of one year or less, the LRC on initial recognition is measured as premiums received less acquisition costs. This model for the LRC is similar to the unearned premium model under existing accounting policies. The difference, however, is that IFRS 17 requires inclusion of claims handling expenses to be incurred in the LIC and the calculation of a risk adjustment. The company has elected this approach for annually renewable contracts. Therefore, the PAA approach is not expected to result in a material difference compared to the current basis.

Transition approaches

The Standard requires retrospective application prior to the transition date unless it is impractical to do so. If it is impractical to do so, an entity can choose either a modified retrospective or a fair value approach to measure the transitional balances as at 1 March 2022.

The company has used a combination of all the transition approaches depending on the extent of availability of the required data. Where the company has determined it is impractical to use the full retrospective approach, it is due to the lack of accessibility or reliability of the data.

2. ACCOUNTING POLICIES (continued)

2.22 New standards and interpretations not yet adopted (continued)

A summary of the main product lines and measurement models are as follows:

Product lines	Measurement model
Credit life	GMM
Voluntary Group Funeral	PAA
Group Life Assurance	PAA
Permanent Health Insurance	PAA
Group Funeral	PAA
Annuities	GMM
Digital fully and simply underwritten	GMM
Digital Funeral	GMM
Sitanani Funeral	GMM
Lihawu Funeral	GMM

Transition adjustment

The impact of the restatement of financial results in accordance with IFRS 17 are not available for this financial report and will be included in the annual financial statements for the year ending 29 February 2024.

IFRS 17 – Impact – Oracle Insure

IFRS 17 – *Insurance Contracts*

IFRS 17 – *Insurance Contracts* is the new accounting standard which replaces IFRS 4 and sets out the principles for recognition, measurement, presentation and disclosure of insurance contracts (including reinsurance contracts). The effective date is financial years commencing 1 January 2023 going forward, with comparative information restated. IFRS 17 is required to be retrospectively applied for the first date of adoption, being 1 March 2023 for Oracle Insure. The objective of IFRS 17 is to increase the comparability of information reported by all entities issuing insurance contracts and increase the transparency of financial information which will give stakeholders more confidence in understanding the insurance industry.

Project status

The board of directors are responsible for providing strategic direction to the implementation of the Standard and playing an oversight role on the project. The Executive management team led by the Chief Financial Officer are responsible for the timely and accurate implementation of the Standard. All accounting policies and key judgements once endorsed by the executive management are recommended to the board of directors for final consideration and approval. The company continues to involve representatives of the Financial Services Regulatory Authority (FSRA) to provide guidance and support for the implementation of the Standard. The external auditors (PwC) and statutory valuators have also been involved in the process. To meet the requirements of this new standard, the company has invested significant effort in data collection, development of models, configuration of the chart of accounts, general ledger and reports. The finance implementation has been complete, and the company is in the process of making enhancements/corrections where necessary, therefore do not expect any threat to full financial reporting compliance within the reporting timelines. Oracle Insure will present a full set of financial statements compliant with IFRS 17 for the year ended 29 February 2024.

Overview

The definition and scope of insurance contracts under IFRS 17 is aligned with that of IFRS 4 with only a few differences. The main revenue recognition principle under IFRS 17 is to recognise as revenue the amount charged for insurance coverage when it is earned rather than received, over the duration of the contracts in a manner that best reflects the provision of insurance contract services in the relevant reporting period. The total recognised profit/loss arising from insurance contracts over the duration of the contract remains largely unchanged compared to IFRS 4, however, the year-by-year profit/loss outcomes will change.

2. ACCOUNTING POLICIES (continued)

2.22 New standards and interpretations not yet adopted (continued)

Some of the significant changes of the Standard are:

- The Standard does not allow for profits to arise on inception of a contract, i.e. day one, while the losses arising from onerous contracts are to be recognised immediately in profit/loss.
- The treatment and disclosure of non-distinct investment components (NDIC) where such amounts are excluded from the insurance service results as they do not relate to the provision of insurance services.
- IFRS 17 measurement principles depend heavily on the terms and conditions of underlying contracts, contract boundaries, coverage periods, etc as opposed to just the type of the insurance license (ie. Life or non-life).
- IFRS 17 requires the determination of portfolios for insurance contracts with similar risks and determination of onerous contracts.
- The Standard includes three measurement models, all the measurement models will include the following:
    - A liability for remaining coverage (LRC) – the obligation where the insured event has not yet occurred.
    - A liability for incurred claims (LIC) – the obligation to pay claims for insured events that have already occurred.

The general measurement model (GMM) is applicable to longer contract durations that are not substantially investment related service contracts.

The Standard requires the recognition of fulfilment cash flows and the contractual service margin (CSM) on the balance sheet, these fulfilment cash flows are to be updated at each reporting date. The fulfilment cash flows represent the present value of future cash flows and an adjustment for the risk and timing of those cash flows (risk adjustment). The CSM represents the unearned profit on the contract which is expected to be earned in the future. The CSM is released over the duration of the contract.

The Standard requires that the interest rate used to discount the cash flows and establish the CSM be determined at inception of the contract.

IFRS 17 also allows the optional simplified premium allocation approach (PAA) for insurance contracts with a coverage period that is 12 months or less. Contracts measured under this approach do not have a CSM.

IFRS 17 requires the company to disclose the profits earned from Insurance Contracts, where the company will recognise the insurance service result which depicts profit earned from providing insurance service and the financial result which depicts investment income and insurance finance expenses.

Contracts measured under PAA

This approach is available for short-term contracts of one year or less, the LRC on initial recognition is measured as premiums received less acquisition costs. This model for the LRC is similar to the unearned premium model under existing accounting policies. The difference, however, is that IFRS 17 requires inclusion of claims handling expenses to be incurred in the LIC and the calculation of a risk adjustment. The company has elected this approach for annually renewable contracts. Therefore, the PAA approach is not expected to result in a material difference compared to the current basis.

Transition approaches

The Standard requires retrospective application prior to the transition date unless it is impractical to do so. If it is impractical to do so, an entity can choose either a modified retrospective or a fair value approach to measure the transitional balances as at 1 March 2022.

The company has used a combination of all the transition approaches depending on the extent of availability of the required data. Where the company has determined it is impractical to use the full retrospective approach, it is due to the lack of accessibility or reliability of the data.

2. ACCOUNTING POLICIES (continued)

2.22 New standards and interpretations not yet adopted (continued)

A summary of the main product lines and measurement models are as follows:

Product lines	Measurement model
Oracle Health	PAA
STI Motor – Private	PAA
STI Motor – Commercial	PAA
STI Non-Motor – Private	PAA
STI Non-Motor – Commercial	PAA

Transition adjustment

Due to all the product lines being measured using the premium allocation approach (PAA) as the contract coverage periods are one year or less, the impact of the transition is expected to be immaterial.

2.23 Standards and interpretations adopted in the current year

The table below details the standards that became effective during the year:

Standard	Details of amendment	Effective annual periods beginning on or after	Impact
IFRS 3 – *Business Combinations* (Amendment – Definition of Business)	As a result of the post-implementation review of IFRS 3, these amendments modify the definition of a business. These changes will result in fewer acquisitions being accounted for as a business combination within the scope of IFRS 3. The amendments also introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is a business.	1 January 2022	The standard did not have a material impact on the group.
IAS 1 – *Presentation of Financial Statements* and IAS8–*Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Disclosure Initiative – Definition of Material)	Materiality decisions are common in determining the level of precision in applying accounting policies in practice. These amendments are a component of the IASB's "Disclosure Initiative" project, which is intended to simplify financial statements and increase their usability.	1 January 2022	The standard did not have a material impact on the group.
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	I January 2022	The standard did not have a material impact on the group.

2. ACCOUNTING POLICIES (continued)

2.23 Standards and interpretations adopted in the current year (continued)

Standard	Details of amendment	Effective annual periods beginning on or after	Impact
Annual Improvements to IFRS: 2018–2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, IFRS 9 – *Financial Instruments* and the Illustrative Examples accompanying IFRS 16 – *Leases*.	1 January 2022	The standard did not have a material impact on the group.
Conceptual Framework for Financial Reporting (Revised)	The Conceptual Framework contains the definitions that underpin all requirements in IFRS (e.g. the definition of an asset, liability, income, expense, the objectives of general purpose financial reporting, etc.). The revised conceptual framework improves those definitions.	1 January 2022	The standard did not have a material impact on the group.
IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022	The standard did not have a material impact on the group.
IAS 16 – Property, Plant and Equipment (Amendment – Proceeds before Intended Use)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022	The standard did not have a material impact on the group.

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, discounted cash flow analysis (e.g. loans and advances) and various option pricing models.

3. DETERMINATION OF FAIR VALUES (continued)

Inputs used in valuation techniques for loans and advances, 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 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.

3.3 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.

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.

4. FINANCIAL RISK MANAGEMENT (continued)

The group audit and risk committee oversee 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, loans to associates, accounts receivable from trading activities, reinsurance assets, insurance related investments and cash and cash equivalents. Refer to note 48.3 for more details.

The trade and other receivables relate to trade receivables and intercompany loan. Loans granted to associates 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. Other impairment indicators considered include bankruptcy and the insolvency of clients. 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 group deposits cash surpluses with major banks, of good credit standing to address the related credit risk. Based on the high credit rating of the banks cash carries insignificant risk.

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 does not account for any fixed-rate financial liabilities, at FVTPL, and the group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss. 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.

The group is exposed to equity price risk on its listed investments that are not ring-fenced through underlying funding arrangements. The investments are not hedged and the pricing is reviewed daily.

4. FINANCIAL RISK MANAGEMENT (continued)

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.

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 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	2023	2022
Gearing ratio		
Total debt	**965 313**	863 712
Less: Cash and cash equivalents	**(266 897)**	(252 852)
Net debt	**698 416**	610 860
Equity	**333 226**	360 011
Total capital managed	**1 031 642**	926 871
Debt equity ratio	**209.59%**	193.30%

Figures in R'000	2023	2022
5. REVENUE		
Revenue includes trading revenue, fees earned from advisory services, brokerage, fund management fees, asset administration fees and management fees. Refer to 2.10 for more information.		
Revenue	**448 764**	415 104
Disaggregation of revenue		
The revenue relating to the core business operations of the group has been disaggregated as follows:		
Major products/service lines		
Bond trading (services transferred at point in time)	**6 018**	7 677
Money market (services transferred at point in time)	**3 165**	6 053
Advisory (services transferred over time)	**33 944**	30 754
Brokerage (services transferred at point in time)	**25 423**	17 206
Fund management (services transferred over time)	**188 502**	180 684
Asset administration (services transferred over time)	**191 712**	172 730
	448 764	415 104
Timing of revenue recognition		
Services transferred over time	**414 158**	384 168
Services transferred at a point in time	**34 606**	30 936
External revenue (per operating segments note 43)	**448 764**	415 104

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the 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. 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. Refer to note 2.10 for additional information on performance obligations.

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.

The increase in revenue is due to the increase in assets under administration and advisory revenue during the year.

6. NET WRITTEN PREMIUM

Figures in R'000	2023	2022
Fee and commission income on investment contracts (services transferred over time)	**292 273**	262 192
Insurance premiums (services transferred over time)	**11 345**	9 679
Gross written premium	**303 618**	271 871
Less: Reinsurance written premium	**(65 958)**	(56 498)
Net written premium	**237 660**	215 373

	Figures in R'000	2023	2022
7.	**OTHER INCOME**		
	Sundry income	**16 015**	15 827
	Directors' fees	**634**	761
		16 649	16 588

Sundry income relates to non-routine income generated in the various segments. Included in sundry income is revenue from non-routine research and non-routine revenue from running the training academy.

	Figures in R'000	2023	2022
8.	**BARGAIN PURCHASE**		
	Bargain purchase	**–**	1 362

In the prior year Vunani acquired an effective 39% of Medscheme Holdings Proprietary Limited (Medscheme) through Oracle Insure on 31 May 2021. The consideration for the investment amounted to R1, resulting in a bargain purchase of R1.4 million. Refer to note 27 (Business Combination) for additional information.

	Figures in R'000	2023	2022
9.	**DIVIDEND INCOME**		
	Dividend income from listed investments	**–**	811
	Dividend income from unlisted investments	**10 945**	7 113
		10 945	7 924
10.	**INTEREST INCOME RECEIVED FROM INVESTMENTS USING EFFECTIVE INTEREST METHOD**		
	Interest received from insurance-related investments	**26 062**	21 639
	Interest from loans and other receivables	**289**	77
		26 351	21 716
11.	**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:		
	Fair value adjustments to third party liabilities	**(9 721)**	15 790
	Fair value adjustments to investment contract liabilities	**(32 247)**	(64 799)
	Fair value adjustments on financial assets and liabilities	**(11 692)**	30 577
		(53 660)	(18 432)

Refer to note 46.4 for details of assumptions used in determining the fair values of other investments.

	Figures in R'000	2023	2022
12.	**IMPAIRMENTS**		
	Impairments of financial assets		
	Impairment (loss)/reversal on trade and other receivables	**(6 858)**	1 219
	Impairment loss on loans to associates	**(378)**	(891)
		(7 236)	328
	Impairments of non-financial assets		
	Impairment reversal of value of in-force business (VIF)	**12 300**	10 283
		12 300	10 611

In the current year the group had an impairment reversal of R5.1 million due to the reversal of expected credit losses raised on trade and other receivables and the impairment on the VIF intangible asset that arose on the acquisition of Oracle.

The VIF asset acquired is reviewed for impairment through a discounted cash flow (DCF) valuation. This valuation method references the results of the EV calculations for the relevant products. This embedded value methodology uses a number of assumptions relating to future cash flows.

The underlying assumptions of the VIF asset were reviewed by the statutory actuary using historical GLA (group life assurance) and PHI (permanent health insurance) data. This resulted in improved profit margins for both lines of business which led to an increase in the VIF asset.

Figures in R'000	2023	2022
13. OPERATING EXPENSES		
Operating expenses are arrived at after taking the following into account:		
Amortisation of intangible assets	**16 285**	15 914
Depreciation	**10 321**	10 383
External auditor's remuneration	**6 456**	6 023
Current year	**6 400**	5 652
Prior year	**56**	371
Internal auditor's remuneration		
Current period	**474**	462
Directors' remuneration and benefits (refer to note 45)	**36 640**	32 523
Non-executive directors' fees	**2 076**	1 569
Salaries	**12 850**	12 070
Bonuses accrued	**16 783**	14 772
Provident fund and medical aid contributions	**2 509**	2 239
Equity-settled share-based payment charge	**2 422**	1 874
Prescribed officers' remunerations (refer to note 67)	**20 734**	20 322
Staff costs (excluding directors' and prescribed officers' emoluments)	**198 539**	183 996
Staff provident fund and medical aid contributions (excluding directors' and prescribed officers' emoluments)	**20 910**	18 765
Equity-settled share-based payment charge (excluding directors)	**2 639**	1 596
Insurance related costs		
Claims incurred	**131 074**	149 511
Reinsurance premium	**65 958**	56 498
14. FINANCE INCOME AND FINANCE COSTS		
Interest received – cash and cash equivalents	**7 903**	7 787
Finance income	**7 903**	7 787
Interest charge – bank overdraft	**(1 552)**	(1 398)
Interest charge – long-term borrowings (refer to note 30)	**(3 200)**	(3 111)
Interest charge – debentures (refer to note 30)	**–**	(56)
Interest charge – trade and other payables	**(142)**	(486)
Interest charge – lease liabilities	**(1 519)**	(1 387)
Finance costs	**(6 413)**	(6 438)
Net finance income	**1 490**	1 349
Interest expense on financial liabilities measured at amortised cost	**(6 413)**	(6 438)

15. INCOME TAX

Figures in R'000	2023	2022
Current tax expense	**(44 643)**	(36 514)
Current year	**(36 501)**	(36 514)
Prior year tax under provision	**(8 142)**	–
Deferred tax expense		
Current year	**5 612**	(519)
Origination and reversal of temporary differences	**5 612**	(519)
Total income tax recognised in profit or loss	**(39 031)**	(37 033)
Reconciliation of effective tax rate	%	%
Company tax rate	**28.0**	28.0
Donations, share-based payments, legals fees and interest	**4.7**	6.3
Equity-accounted earnings	**0.6**	(0.2)
Dividend income	**(3.0)**	(2.0)
Bargain purchase	**–**	(0.4)
Fair value gains or losses at Capital Gains Tax rate	**0.1**	–
Tax rate differences**	**0.9**	0.2
Unrecognised deferred tax assets	**(0.7)**	2.5
Dividend withholding tax	**–**	0.6
Deferred tax asset utilised#	**–**	(0.9)
Prior year tax underprovision	**8.1**	–
	38.7	34.1

** *The corporate tax rates for Botswana is 22% and Eswatini is 27.5%.*

During the year the group utilised its assessed losses, refer to note 23 for more information

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% (2022: 28%). The effective Capital Gains Tax rate is 22.4% (2022: 22.4%).

Changes in tax legislation

The Minister of Finance announced on 23 February 2022 that the corporate tax rate in South Africa will be reduced to 27% for years of assessment beginning on or after 1 April 2022. The substantive enactment date is 23 February 2022.

Current tax

No impact as the corporate tax rate for the year ended 28 February 2023 is still 28% (22.4% for capital gains tax). The change in tax rate will affect companies with a 31 March 2023 year end and after.

Figures in R'000	Buildings	Leasehold improvements	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Right-of-use asset	Total
16. PROPERTY, PLANT AND EQUIPMENT								
Cost								
Balance at 28 February 2021		5 377	780	3 643	2 397	18 904	28 544	59 645
Additions	–	453	6	1 381	520	2 227	10 264	14 851
Unbundling	–	–	–	(117)	–	(458)	–	(575)
Disposals	–	(70)	–	(21)	(683)	(3)	–	(777)
Effects of movement in exchange rates	–	8	1	(248)	–	(81)	(45)	(365)
Balance at 28 February 2022	–	5 769	787	4 638	2 234	20 589	38 763	72 780
Additions	**8 898**	**1 499**	**1 318**	**281**	**39**	**4 785**	**10 996**	**27 816**
Disposals	**–**	**(10)**	**–**	**(800)**	**(148)**	**(55)**	**–**	**(1 013)**
Effects of movement in exchange rates	**25**	**–**	**(1)**	**–**	**–**	**(66)**	**–**	**(42)**
Balance at 28 February 2023	**8 923**	**7 257**	**2 104**	**4 119**	**2 126**	**25 254**	**49 759**	**99 541**
Accumulated depreciation and impairment losses								
Balance at 28 February 2021	–	(5 214)	(221)	(2 367)	(1 756)	(16 617)	(15 506)	(41 681)
Depreciation	–	(330)	(91)	(671)	(11)	(1 311)	(7 647)	(10 061)
Disposals	–	1 054	–	–	76	743	–	1 873
Modification	–	–	–	291	–	–	–	291
Balance at 28 February 2022	–	(4 490)	(312)	(2 747)	(1 691)	(17 185)	(23 153)	(49 578)
Depreciation	**(26)**	**(419)**	**(31)**	**(284)**	**(94)**	**(1 571)**	**(7 262)**	**(9 688)**
Disposals	**–**	**–**	**–**	**63**	**142**		**–**	**205**
Modification	**–**	**–**	**–**	**–**	**–**	**(190)**	**–**	**(190)**
Effects of movement in exchange rates	**–**	**(1)**	**–**	**–**	**–**	**4**	**–**	**3**
Balance at 28 February 2023	**(26)**	**(4 910)**	**(343)**	**(2 968)**	**(1 643)**	**(18 942)**	**(30 415)**	**(59 247)**
Carrying amounts								
At 28 February 2021	–	163	559	1 276	641	2 287	13 038	17 964
At 28 February 2022	–	1 280	475	1 891	543	3 405	15 610	23 204
At 28 February 2023	**8 897**	**2 347**	**1 761**	**1 151**	**483**	**6 312**	**19 344**	**40 294**

	2023	**2022**
Property plant and equipment per above	**20 950**	7 594
Right-of-use asset – refer to note 31	**19 344**	15 610
Total property, plant and equipment per the statement of financial position	**40 294**	23 204

Figures in R'000	Goodwill	Customer lists	Brand	Software	Value of in-force business acquired	Software	Total
17. GOODWILL AND INTANGIBLE ASSETS							
Cost							
Balance at 28 February 2021	192 697	87 883	7 977	34 832	119 643	5 519	448 551
Additions	–	–	–	–	–	9 001	9 001
Balance at 28 February 2022	192 697	87 883	7 977	34 832	119 643	14 520	457 551
Additions	**–**	**–**	**–**	**–**	**–**	**3 370**	**3 370**
Balance at 28 February 2023	**192 697**	**87 883**	**7 977**	**34 832**	**119 643**	**17 890**	**460 921**
Accumulated amortisation and impairment							
Balance at 28 February 2021	(52 931)	(60 245)	(2 217)	(14 514)	(46 487)	(1 285)	(177 679)
Amortisation	–	(7 209)	(532)	(3 483)	(2 545)	(2 145)	(15 914)
Impairment	–	–	–	–	10 283	–	10 283
Balance at 28 February 2022	(52 931)	(67 454)	(2 749)	(17 997)	(38 749)	(3 430)	(183 310)
Amortisation	**–**	**(7 209)**	**(532)**	**(3 483)**	**(2 915)**	**(2 146)**	**(16 285)**
Impairment reversal	**–**	**–**	**–**	**–**	**12 300**	**–**	**12 300**
Balance at 28 February 2023	**(52 931)**	**(74 663)**	**(3 281)**	**(21 480)**	**(29 364)**	**(5 576)**	**(187 295)**
Carrying amounts							
At 28 February 2021	139 766	27 638	5 760	20 318	73 156	4 234	270 872
At 28 February 2022	139 766	20 429	5 228	16 835	80 894	11 090	274 241
At 28 February 2023	**139 766**	**13 220**	**4 696**	**13 352**	**90 279**	**12 314**	**273 626**

Goodwill and intangibles in the group arose from the business combinations of Vunani Securities Proprietary Limited in 2002, Vunani Fund Managers Proprietary Limited in 2010 and Mandlalux Proprietary Limited in 2017.

The intangible assets arose on the acquisition of Mandlalux Proprietary Limited (customer list, brand and software) and Oracle Life and Insure (value of in-force business acquired). In addition, Mandlalux Proprietary Limited has internally generated computer software.

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.

Intangibles assets are tested for impairment when there is an indicator the asset is impaired. The value in-force acquired is reviewed for impairment losses through the liability adequacy test and written down for impairment if necessary.

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

Figures in R'000	2023	2022
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

17. GOODWILL AND INTANGIBLE ASSETS (continued)

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 R45.6 billion (2022: R61.9 billion) funds under management at 28 February 2023 to arrive at a fair value of R456.0 million (2022: R618.5 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 R399.7 million (2022: R548.5 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 discount rates and EBITDA growth rate. The values assigned to the key assumption represented 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 16.40% (2022: 15.20%) was used in the valuation based on analysis of factors affecting the securities broking industries and the current performance of the business. The pre-tax discount rate amounted to 16.72% (2022: 15.56%).

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% (2022: 3%) was used and a terminal value of R20.4 million (2022: R71.4 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 EBITDA growth rate of negative 4% (2022: 3%).

The recoverable amount of the CGU exceeds the carrying amount of the cash generating by R31.3 million (2022: R20.3 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.

17. GOODWILL AND INTANGIBLE ASSETS (continued)

A weighted average cost of capital of 15.20% (2022: 14.63%) was used in the valuation. The pre-tax discount rate amounted to 15.19% (2022: 15.18%). 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 4% (2022: 4%) and a terminal value of R753.4 million (2022: R420.5 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% (2022: 5%).

The recoverable amount of the CGU exceeds the carrying amount of the cash generating unit by R383.2 million (2022: R183.8 million). As a result of the above, the group does not believe that the goodwill is impaired.

Value in-force asset

The acquisition of Oracle Life and Oracle Insure 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 VIF asset is amortised over 30 years.

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. 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 the 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.

The VIF asset acquired is reviewed for impairment through a discounted cash flow (DCF) valuation to determine its value in use. This valuation method references the results of the EV calculations for the relevant products. This embedded value methodology uses a number of assumptions relating to future cash flows. A discount rate of 13.7% (2022: 13.7%) was used in the DCF.

The underlying assumptions of the VIF asset were reviewed by the statutory actuary using historical GLA (group life assurance) and PHI (permanent health insurance) data. In the current year there was improved profitability in both lines of business which led to an increase in the VIF asset, which resulted an in impairment reversal of R12.3 million. The recoverable amount at 28 February 2023 was calculated as R93.2 million (2022: R80.9 million).

17. GOODWILL AND INTANGIBLE ASSETS (continued)

VIF Valuations assumptions

	Investment contracts	Employee benefits	Retail – Funeral	Retail – Credit Life
Net premiums	Annual recurring premiums over the last 12 months	API (office premium)	API (office premium)	API (earned office premium)
Growth	Growth in contributions equal to salary inflation		n/a	
Lapses	All exits :15% of AUM Scheme exits: 5% of API	6%	20%	10%
Claims ratio	n/a	64.25% of risk premium (approx. 85% of API)	25% of API	40% of API
Fees	Guaranteed: 1.3% of AUM, 5% of API Accelerator: 0.3% of AUM, 4% of API	n/a	n/a	n/a
Profit share	n/a	n/a	50% where applicable	50% where applicable
Commission	2%	3.50%	22.5%	For recurring premiums: 22.05% or 22.50%
Expenses	% of API Guaranteed: 9% Accelerator: 22%	16% of API	3.25% of API	29% % of API Economic
Economic	Investment return based on underlying assets			
Projection period	30 years	30 years	30 years	Loan term (max 30 years)

Economic assumptions

	Yield used
Risk Discount Rate	Nominal +3.4%
Equities	Nominal +3.5%
Property	Nominal +2.5%
Corporate Bonds	Nominal +1.0%
Cash	Nominal -2.0%
Inflation	
CPI	(1+Nominal)/(1+Real)-1
Salary	CPI+0%

Figures in R'000	Investment in associate	Loans to associates	Total
18. INVESTMENTS IN AND LOANS TO ASSOCIATES			
Balance at 28 February 2022	1 300	–	1 300
Disposal	(1 300)	–	(1 300)
Balance at 28 February 2023	–	–	–
2022			
Balance at 29 February 2021	553	1 210	1 763
Loans repaid	–	(319)	(319)
Impairment	–	(891)	(891)
Disposal	(135)	–	(135)
Equity-accounted earnings	882	–	882
Balance at 28 February 2022	1 300	–	1 300

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 loses 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.

The group applies IFRS 9 to other financial instruments in an associate to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate. The group applies IFRS 9 to such long-term interests before it applies the impairment testing standard. In applying IFRS 9, the group does not take account of any adjustments to the carrying amount of long-term interests that arise from applying this Standard.

Refer to note 46.3 for additional disclosures on impairment of financial assets.

18. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

Disposals

During the year Vunani Solar Power Proprietary Limited was deregistered.

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
2023								
Orion Properties 14 Proprietary Limited	–	–	–	–	–	(1 781)	(1 781)	(1 781)
Other immaterial associates& #	–	2	3 221	3 223	(17)	(14 275)	(14 292)	(11 069)
	–	2	3 221	3 223	(17)	(16 057)	(16 073)	(12 851)

* *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.*

The non-current liabilities amounts relate to loans from shareholders.

Figures in R'000	Current assets	Cash and cash equivalents	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
2022								
Orion Properties 14 Proprietary Limited	–	–	–	–	–	(1 781)	(1 781)	(1 781)
Other immaterial associates&	–	2	3 221	3 223	(17)	(14 275)	(14 292)	(11 069)
	–	2	3 221	3 223	(17)	(16 057)	(16 073)	(12 851)

* *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.*

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
2023						
Before Sunset Properties 37 Proprietary Limited	25%	*	–	–	–	*
English Breeze Investments (Private) Limited	50%	1	–	(1)	–	–
Marudi Proprietary Limited	50%	*	2 546	(2 546)	–	–
Micawber 534 Proprietary Limited	48%	*	5 160	(5 160)	–	*
Orion Properties 14 Proprietary Limited	39%	*	891	(891)	–	–
Papillon in Flight Proprietary Limited	26%	3 191	–	(3 191)	–	–
		3 192	8 597	(11 789)	–	–

* *Less than R1 000.*

18. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

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	**3 192**	**8 597**	**11 789**
Cumulative impairments	**(3 192)**	**(8 597)**	**(11 789)**
Cumulative equity earnings net of dividends	**–**	**–**	**–**
	–	**–**	**–**

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
2022						
Before Sunset Properties 37 Proprietary Limited	25%	*	–	–	–	*
English Breeze Investments (Private) Limited	50%	1	–	–	–	1
Marudi Proprietary Limited	50%	*	2 546	(2 546)	–	–
Micawber 534 Proprietary Limited	48%	*	5 160	(5 160)	–	*
Orion Properties 14 Proprietary Limited	39%	*	891	(891)	–	–
Papillon in Flight Proprietary Limited	26%	3 191	–	(3 191)	–	–
Vunani Solar Power Proprietary Limited#	26%	1 300	–	–	–	1 300
		4 492	8 597	(11 788)	–	1 300

* *Less than R1 000.*
\# *Acquired in terms of vendor financed transaction (refer to note 30.1 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	4 492	8 597	13 089
Cumulative impairments	(3 192)	(8 597)	(11 789)
Cumulative equity earnings net of dividends	–	–	–
	1 300	–	1 300

18. 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 comprehensive income
for the year ended 28 February 2023								
Orion Properties 14 Proprietary Limited	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–

Material associates' statement of comprehensive income is presented below:

Figures in R'000								
for the year ended 28 February 2022								
Orion Properties 14 Proprietary Limited	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–

A reconciliation of the investments in and loans to associates:

Figures in R'000	Effective ownership	Net asset value	Share of net assets	Loans to associates	Goodwill/ (Bargain purchase)	Losses not accounted for	Impairments	Net carrying amount
2023								
Orion Properties 14 Proprietary Limited	39.0%	(1 781)	(891)	891	–	891	(891)	–
Other immaterial associate companies[&]		(11 069)	(5 234)	6 407	4 493	6 123	(11 789)	–
		(12 851)	(6 124)	7 297	4 493	7 014	(12 680)	–

* *Less than R1 000.*

A reconciliation of the investments in and loans to associates:

18. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

Figures in R'000	Effective ownership	Net asset value	Share of net assets	Loans to associates	Goodwill/ (Bargain purchase)	Losses not accounted for	Impair-ments	Net carrying amount
2022								
Orion Properties 14 Proprietary Limited	39.0%	(1 781)	(891)	891	–	891	(891)	–
Other immaterial associate companies&		(11 069)	(5 234)	7 707	4 493	6 123	(11 789)	1 300
		(12 851)	(6 124)	8 597	4 493	7 014	(12 680)	1 300

* *Less than R1 000.*

All associates are incorporated in the Republic of South Africa, with the exception of Marudi Proprietary Limited, which operates in Botswana. 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).

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

The group has not recognised losses totalling R7.0 million (2022: R7.0 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**
Before Sunset Properties 37 Proprietary Limited	Dormant entity
Marudi Proprietary Limited	Dormant entity
Micawber 534 Proprietary Limited	Dormant entity
Orion Properties 14 Proprietary Limited	Dormant entity
Papillon in Flight Proprietary Limited	Dormant entity
The following investments were sold or deregistered during the year:	
Vunani Solar Power Proprietary Limited	Dormant entity

Figures in R'000	2023	2022
19. OTHER INVESTMENTS		
Balance at the beginning of the year	**14 543**	14 572
Fair value adjustments	**(508)**	89
Foreign exchange loss	**–**	(118)
Disposals	**(3 216)**	–
Balance at the end of the year	**10 819**	14 543
Non-current	**10 819**	11 345
Current	**–**	3 198
	10 819	14 543

Refer to note 46.4 for additional disclosures on fair value of other investments.

19. OTHER INVESTMENTS (continued)

2023	Number of shares held ('000s)	% holding	Investments Listed R'000	Unlisted R'000	Fair value R'000
Non-current					
Johannesburg Stock Exchange Limited	95	*	10 819	–	10 819
PowerHouse Africa Holdings Proprietary Limited@	*	15	–	–	–
Other investments – non-current			10 819	–	10 819
Current					
Listed investments held by Vunani Fund Managers Botswana Proprietary Limited	*	*	–	–	–
Other investments – current			–	–	–
Total other investments			10 819	–	10 819

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

@ *The investment in PowerHouse has been fair valued to nil (2022: R nil).*

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 28 February 2023 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.

2022	Number of shares held (000s)	% holding	Investments Listed R'000	Unlisted R'000	Fair value R'000
Non-current					
Johannesburg Stock Exchange Limited	95	*	11 345	–	11 345
PowerHouse Africa Holdings Proprietary Limited	*	15	–	–	–
Other investments – non-current			11 345	–	11 345
Current					
Listed investments held by Vunani Fund Managers Botswana Proprietary Limited	*	*	3 198	–	3 198
Other investments – current			3 198	–	3 198
Total other investments			14 543	–	14 543

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

Figures in R'000	2023	2022
20. INSURANCE-RELATED INVESTMENTS		
The insurance related investments relate to the group's investment in Oracle.		
Equity securities	**162 240**	207 276
Collective investment schemes	**59 936**	12 396
Debt securities	**98 434**	89 497
Funds on deposit and other money market instruments	**60 336**	81 250
Government stock	**126 084**	62 938
	507 030	453 357
Open ended	**222 165**	284 376
Non-current	**284 865**	168 981
	507 030	453 357
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.		
The insurance-related investments are reconciled as follows:		
Opening balance	**453 357**	398 084
Additions through business combination	**–**	2 110
Fair value adjustment (note 11)	**(11 386)**	30 488
Interest	**35 303**	27 638
Investments	**120 345**	–
Disinvestments	**(90 589)**	(4 964)
	507 030	453 357
21. REINSURANCE ASSETS		
The reinsurance assets relate to the group's investment in Oracle		
The reinsurance assets are made up of:		
Reinsurance assets	**7 457**	4 513
Premium debtors	**15 933**	14 867
Reinsurance debtors	**2 141**	1 977
	25 531	21 357
The reinsurance assets are reconciled as follows:		
Opening balance	**21 357**	24 689
Additions	**7 039**	2 654
Disposals	**(5 809)**	(3 899)
Change in reinsurance asset movement	**2 944**	(2 087)
	25 531	21 357
Reinsurance assets represent the reinsurer's share of insurance liabilities.		
Deferred acquisition cost: Short-term Insurance (DAC)		
Balance at beginning	**4 164**	3 426
Increase in DAC due to additional acquisition costs paid during the period	**1 033**	7 154
Decrease in DAC due to acquisition costs being recognised in profit or loss	**–**	(6 417)
	5 197	4 164

22. INVESTMENT IN JOINTLY CONTROLLED VENTURES

On 1 October 2022 the group acquired 33% of the shares and 50% of the economic interests in Verso Group Proprietary Limited (Verso), for an acquisition price of R15 million. The acquisition is in line with the group's strategy to expand its footprint in the asset administration business in South Africa.

The group determined that it had joint control of Verso, because the group is entitled to 50% of the economic and voting rights from acquisition date. Secondly, the MOI requires more than 50% of the votes to pass a resolution, therefore resolutions cannot pass without unanimous consent.

There were no dividends received from Verso during the year. At 28 February 2023 Verso had non-current assets of R18.0 million, current assets of R12.5 million, current liabilities of R5.7 million. The company had revenue of R15.8 million and made a loss of R4.4 million and comprehensive income of R4.4 million. An after tax loss of R2.2 million has been included in Vunani's equity accounted earnings for the period ended 28 February 2023.

The preliminary purchase price allocation at the date of acquisition is detailed below:

Figures in R'000	28 February 2023
Property, plant and equipment	**2 093**
Investments in associates and loans to associates	**4 552**
Other investments	**225**
Intangible assets	**10 122**
Cash and cash equivalents	**4 811**
Trade and other receivables	**4 769**
Trade and other payables	**(2 393)**
Non-controlling interests	**(12 089)**
Net assets acquired	**12 089**
Premium*	**2 911**
Purchase price	**15 000**

* *The acquisition was made at a premium of R2.9 million over the net assets acquired.*

Figures in R'000	2023	2022
23. DEFERRED TAX		
Deferred tax comprises:		
Deferred tax asset	**56 389**	53 865
Deferred tax liabilities	**(28 756)**	(31 838)
	27 632	22 027
Recognised deferred tax asset and liabilities comprise:		
Fair value adjustments		
Other investments	**(477)**	2 174
Other financial liabilities	**786**	47
Intangible assets	**(35 019)**	(37 186)
Trade and other receivables	**3 755**	2 442
Accruals	**16 762**	15 679
Tax losses carried forward	**40 425**	38 962
Prepayments	**1 400**	(91)
	27 632	22 027
Reconciliation of movement in deferred tax		
Balance at the beginning of the year	**22 027**	21 644
Recognised in profit or loss	**5 612**	(518)
Business combination	**–**	920
Effect of exchange differences	**(7)**	(19)
Balance at the end of the year	**27 632**	22 027
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	**178 412**	163 519
Recognised as deferred tax assets	**(144 393)**	(134 435)
Unrecognised estimated tax losses carried forward not accounted for in deferred tax	**34 019**	29 084
Estimated capital tax losses available for utilisation against future capital tax profit	**8 730**	8 730
Recognised as deferred tax assets	**–**	–
Unrecognised estimated capital tax losses carried forward not accounted for in deferred tax	**8 730**	8 730

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. The group's budgeting process is based on a bottom-up approach. Each operating entity in the group has its own detailed monthly budget for the next year. The budgets also include forecasts for the next three years, which are adjusted for expected changes in revenues for the forecasted years. These are then incorporated to create a group budget.

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 therefrom.

Changes in tax legislation

The Minister of Finance announced on 23 February 2022 that the corporate tax rate in South Africa will be reduced to 27% for years of assessment beginning on or after 1 April 2022. The substantive enactment date is 23 February 2022. As a result the deferred tax asset has been recognised at 27%.

Figures in R'000	2023	2022
24. TRADE AND OTHER RECEIVABLES		
Trade debtors	**97 342**	74 380
Sundry accounts receivable	**5 094**	15 931
Loan receivable from holding company	**–**	132
Allowance for impairment	**(1 872)**	(1 398)
	100 564	89 046

Figures in R'000		2023	2022
Reconciliation of movement in allowance for impairment			
Balance at the beginning of the year		**(1 398)**	(9 131)
(Decrease)/increase in impairment allowance		**(6 858)**	1 219
Utilised		**6 385**	6 514
Balance at the end of the year		**(1 872)**	(1 398)

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.

2023

Ageing of trade and other receivables:		
Not past due		**82 338**
Past due 1–30 days		**3 205**
Past due 31–60 days		**9 915**
Past due 61–90 days		**35**
Past due 91 days and greater		**1 848**
		97 342
Expected credit losses	**Default rates**	
Not past due	0.03%	**(21)**
Past due 1–30 days	0.07%	**(2)**
Past due 31–60 days	0.003%	**–**
Past due 61–90 days	0.93%	**–**
Past due 91 days and greater	100.00%	**(1 848)**
		(1 872)
Trade and other receivables		**97 342**
Trade and other receivables – no ECLs*		**5 094**
Expected credit loss allowance		**(1 872)**
Trade and other receivables net of credit loss		**100 564**

		2022
Ageing of trade and other receivables:		
Not past due		79 438
Past due 1–30 days		56
Past due 31–60 days		22
Past due 61–90 days		44
Past due 91 days and greater		1 386
		80 946
Expected credit losses	**Default rates**	
Not past due	0.01%	(11)
Past due 1–30 days	0.77%	–
Past due 31–60 days	0.00%	–
Past due 61–90 days	0.99%	–
Past due 91 days and greater	100.0%	(1 387)
		(1 398)
Trade and other receivables		80 946
Trade and other receivables – no ECLs		9 497
Expected credit loss allowance		(1 398)
Trade and other receivables net of credit loss		89 045

* *Included in trade and other receivables are loans receivable from holding company and sundry debtors on which no credit losses have been raised.*

Figures in R'000	2023	2022
25. ACCOUNTS RECEIVABLE AND PAYABLE FROM TRADING ACTIVITIES		
Accounts receivable from trading activities		
Accounts receivable	**65 719**	60 583
Accounts payable from trading activities		
Accounts payable	**65 150**	60 853

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	2023	2022
26. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents include the following components:		
Cash at bank and cash in hand	**195 184**	192 758
Short-term deposits	**71 713**	60 094
Bank overdraft	**(22 755)**	(28 372)
Cash and cash equivalents in the statement of cash flows	**244 142**	224 480

Included in cash and cash equivalents is R1.1 million (2022: R0.9 million) pledged to the group's banks to cover guarantees in respect of the leasehold premises.

27. BUSINESS COMBINATION

Acquisition of Medscheme Holdings Proprietary Limited

Vunani acquired 75% of Medscheme Holdings Proprietary Limited (Medscheme) through Oracle Insure on 31 May 2021, giving the group an effective 39% shareholding. Medscheme Health Insurance Eswatini Limited was incorporated in Eswatini with the interest in the healthcare sector. The company's main business is to provide medical cover for its customers. The acquisition is in line with the group's strategy to expand its footprint in the health insurance services business in Eswatini. The consideration for the investment amounted to R1.

An after tax loss of R3.8 million was included in Vunani's profit or loss for the period ended 28 February 2022. R2.3 million of this loss is attributable to non-controlling interests. R6.6 million has been included in Vunani's revenue since the acquisition of Medscheme for the period 1 June 2021 to 28 February 2022. Revenue of R8.8 million and after tax loss of R5.1 million would have been included in the group results if the acquisition had taken place on 1 March 2021.

The acquisition resulted in the recognition of a bargain purchase gain of R1.4 million at acquisition date which has been presented separately in the statement of comprehensive income.

Trade receivables acquired are at fair value of R0.6 million are expected to be collected in their entirety. The gross contractual amounts of the receivables amounted to R0.9 million, with an expected impairment allowance of R0.3 million recognised at acquisition date. 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 Medscheme at acquisition date and amounted to R2.1 million. There were no significant inputs used in measuring the fair value of the net asset value of Medscheme.

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

Figures in R'000	2022
Net assets acquired	
Trade and other receivables	612
Other investments	2 034
Deferred tax	920
Cash and cash equivalents	611
Other financial liabilities	(225)
Income tax liability	–
Trade and other payables	(442)
Non-controlling interest	(2 148)
Net assets acquired	1 362
Purchase price	*
Bargain purchase	1 362

* *Less than R1 000.*

Figures in R'000	2023	2022
28. STATED CAPITAL		
Authorised		
500 000 000 (2022: 500 000 000) ordinary shares of no par value	**–**	–
Issued		
161 155 915 (2022: 161 155 915) ordinary shares of no par value	**696 497**	696 497
Treasury shares (number of shares held at year-end 2 555 638 (2022: 2 196 911))	**(7 156)**	(6 166)
	689 341	690 331
Reconciliation of movement in number of shares issued ('000):		
Balance at the beginning of the year	**161 156**	161 156
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**	696 497
Balance at the end of the year	**696 497**	696 497
Cumulative redeemable preference shares		
Authorised		
1 000 000 cumulative, redeemable preference shares of no par value	**–**	–
Issued		
500 000 cumulative, redeemable preference shares of no par value	**500 000**	500 000
	500 000	500 000
Reconciliation of movement in number of shares issued ('000):		
Issued during the year	**–**	–
Balance at the end of the year	**500 000**	500 000
Reconciliation of movement in preference share capital (R'000):		
Issued during the year	**–**	–
Derecognised during the year	**–**	–
Balance at the end of the year	**–**	–

As part of the unbundling of private equity assets the company issued 500 000 preference shares to Vunani Capital Partners in relation to the African Legend investment shares. The terms of the preference shares are such that, *inter alia*, all contractual rights to cash flows related to the African Legend shares and the African Legend distributions, will be transferred to Vunani Capital Partners.

In terms of IFRS 9 – *Financial Instruments* an entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset (i.e. the African Legend Shares) are transferred to another entity and when substantially all of the risks and rewards of ownership of the financial asset are transferred (i.e. the African Legend Distributions to Vunani Capital Partners). Based on this pass-through arrangement, the African Legend shares have been derecognised and accordingly no liability is raised for the VL Preference Shares.

Figures in R'000	2023	2022
29. SHARE-BASED PAYMENTS		
Share-based payments reserve	**4 104**	3 660

Conditional share scheme

The company implemented a conditional share scheme in November 2015, which was later extended in 2019, 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 vesting conditions have been met. The vesting conditions include individual subsidiary profit targets and individual performance targets. The shares were issued on 15 January 2021, 26 February 2021, 26 February 2022 and 27 February 2023. The details of the equity-settled share-based payment arrangements for shares that have not yet fully vested are as follows:

The fair value (excluding forfeitures) is calculated as the share price at grant date, reduced for expected dividends over the vesting period, multiplied by the number of performance shares granted. The final fair value (including forfeitures) is obtained by multiplying the above with the proportion of shares that is assumed to stay in service.

Number of shares at grant date – 15 Jan 2021	2 500 000	
Number of shares at grant date – 26 Feb 2021	2 500 000	
Number of shares at grant date – 26 Feb 2022	2 500 000	
Number of shares at grant date – 27 Feb 2023	2 500 000	
Fair value at grant date – 15 Jan 2021 (R'000)	5 942	
Fair value at grant date – 26 Feb 2021 (R'000)	4 982	
Fair value at grant date – 26 Feb 2022 (R'000)	5 403	
Fair value at grant date – 27 Feb 2023 (R'000)	4 870	
Share price at grant date – 15 Jan 2021 (cents)	275	
Share price at grant date – 26 Feb 2021 (cents)	245	
Share price at grant date – 26 Feb 2022 (cents)	252	
Share price at grant date – 27 Feb 2023 (cents)	270	
Vesting period – 15 Jan 2021	2.12	years
Vesting period – 26 Feb 2021	3.00	years
Vesting period – 26 Feb 2022	3.00	years
Vesting period – 27 Feb 2023	3.00	years
Assumed dividends payable – 15 Jan 2021	1.25%–2.25%	
Assumed dividends payable – 26 Feb 2021	1.25%–2.25%	
Assumed dividends payable – 26 Feb 2022	2.5%–4.5%	
Assumed dividends payable – 27 Feb 2023	4.5%–7.0%	
Forfeiture rate –15 Jan 2021	5%	
Forfeiture rate – 26 Feb 2021	5%	
Forfeiture rate – 26 Feb 2022	5%	
Forfeiture rate – 27 Feb 2023	5%	

29. SHARE-BASED PAYMENTS (continued)

Employee expenses recognised in share-based payment reserve	2023	2022
Share option expenses in 2014 to 2016	**14 877**	14 877
Transferred to retained income in 2016	**(2 006)**	(2 006)
Share awards expensed in 2017	**3 229**	3 229
Share awards expensed in 2018	**5 981**	5 981
Transferred to retained income in 2018	**(435)**	(435)
Share awards expensed in 2019	**7 844**	7 844
Transferred to retained income in 2019@	**(23 984)**	(23 984)
Transfer to treasury shares	**(3 554)**	(3 554)
Share awards expensed in 2020	**5 009**	5 009
Transferred to retained income in 2020@	**(1 337)**	(1 337)
Share awards expensed in 2021	**3 295**	3 295
Transferred to retained income in 2021@	**(1 492)**	(1 492)
Transfer to treasury shares	**(6 844)**	(6 844)
Disposal of subsidiaries	**(157)**	(157)
Share awards expensed in 2022	**3 470**	3 470
Transferred to retained income in 2022@	**(236)**	(236)
Share awards expensed in 2023	**5 061**	–
Transferred to retained income in 2023@	**(1 835)**	–
Transfer to treasury shares	**(2 782)**	–
Balance at year end	**4 104**	3 660

@ *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.*

	Number of shares	
	2023	2022
15 January 2021 share issue		
Balance at the beginning of the year	**2 276**	2 500
Exercised during the year	**(1 946)**	–
Forfeited during the year	**(330)**	(224)
Balance at the end of the year	**–**	2 276
Exercisable at 28 February 2023	**–**	–
26 February 2021 share issue		
Balance at the beginning of the year	**2 320**	2 500
Granted during the year	**–**	–
Forfeited during the year	**(165)**	(180)
Balance at the end of the year	**2 155**	2 320
Exercisable at 28 February 2023	**–**	
26 February 2022 share issue		
Balance at the beginning of the year	**2 500**	2 500
Granted during the year	**–**	–
Forfeited during the year	**(225)**	–
Balance at the end of the year	**2 275**	2 500
Exercisable at 28 February 2023	**–**	
27 February 2023 share issue		
Balance at the beginning of the year	**–**	–
Granted during the year	**2 500**	–
Forfeited during the year	**–**	–
Balance at the end of the year	**2 500**	–
Exercisable at 28 February 2023	**–**	

Figures in R'000	2023	2022
30. OTHER FINANCIAL LIABILITIES		
Other financial liabilities comprise:		
Carried at amortised cost	**53 013**	34 259
Capital	**53 013**	34 259
Accrued interest	**–**	–
	53 013	34 259
Reconciliation of movement of other financial liabilities		
Balance at the beginning of the year	**34 259**	56 881
Accrued interest – debentures	**–**	56
Accrued interest – long-term borrowings	**3 200**	3 111
Advances	**35 676**	2 500
Foreign exchange movement	**(8)**	–
Transfers	**–**	2 523
Repayments	**(16 998)**	(30 811)
Derecognised	**(3 116)**	–
Balance at the end of the year	**53 013**	34 259

Carried at amortised cost

30.1 Vendor financed loan – Vunani Solar Power Proprietary Limited

	2023	2022
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 2023 (refer to note 18). The investment in the company was deregistered during the year, as a result the liability was derecognised.	**–**	1 300
Opening balance	**1 300**	1 300
Derecognition	**(1 300)**	–

30.2 Other financial liabilities

	2023	2022
Loans are unsecured, interest-free and have no fixed terms of repayment.	**17 166**	6 788

30.3 Nedbank Limited

	2023	2022
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 instalments of capital and interest (based on a straight-line amortisation schedule) and is subject to a cash sweep. The loan is repayable by April 2027. 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.	**14 904**	7 694
Opening balance	**7 694**	25 405
Interest	**1 394**	1 123
Advances	**10 967**	–
Repayments	**(5 151)**	(18 834)

30. OTHER FINANCIAL LIABILITIES (continued)

Figures in R'000	2023	2022
30.4 ABSA Bank Limited		
The loan relates to the acquisition of Oracle Insurance. The medium-term loan is repayable by monthly instalments 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.	**6 562**	15 313
Opening balance	**15 313**	24 063
Interest	**1 182**	1 749
Repayments	**(9 933)**	(10 499)
30.5 Lease liability		
This represents secured liabilities in Mandlalux in terms of lease agreements for the acquisition of furniture and equipment. At year end the book value of the assets financed were R721 975 (2022: R831 876).	**372**	830
Opening balance	**830**	710
Interest	**50**	405
Repayments	**(508)**	(285)
30.6 Ninety One SA Proprietary Limited		
The loan of R2 500 000 was advanced on 19 March 2021. The loan bears no interest and is repayable on 19 March 2023. In accordance with IFRS 9, a long-term payable that carries no interest should be recognised at fair value measured as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument, with a similar credit rating. The amount advanced from Ninety One SA Proprietary Limited has been discounted using the prime rate over a period of two years.	**2 492**	2 334
Opening balance	**2 334**	2 500
IFRS 9 adjustment	**158**	(166)
30.7 Stanbic Bank Loan		
This is a bank loan in Vunani Fund Managers Botswana. The loan is unsecured, bears interest annual interest of 8.76% and is repayable by 30 November 2024.	**5 699**	–
Advances	**6 638**	–
Interest	**(109)**	–
Foreign exchange movement	**(33)**	–
Repayments	**(906)**	–
30.8 Stanlib First Bank property loan		
The loan relates to the acquisition of buildings in Botswana by Vunani Fund Managers. This is a medium-term loan and is repayable by monthly instalments of capital and interest (based on a straight-line amortisation schedule). The loan is unsecured, bears interest at prime and is repayable by 21 July 2027.	**5 819**	–
Advances	**6 021**	–
Interest	**307**	–
Foreign exchange movement	**(8)**	–
Repayments	**(501)**	–
Total carried at amortised cost	**53 013**	34 258
Total financial liabilities	**53 013**	34 258
Less: **Current financial liabilities**	**(24 988)**	(20 902)
Non-current financial liabilities	**28 025**	13 356

31. LEASES LIABILITIES

The group has lease contracts for corporate offices and small office equipment leases of low value assets. 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 in their original condition at the end of the lease.

Figures in R'000	Right-of-use asset	Lease liability
Balance as at 1 March 2022	**15 610**	**(17 705)**
Payments	**–**	**8 963**
Depreciation expense	**(7 262)**	**–**
Interest expense	**–**	**(1 519)**
Additions	**10 996**	**(11 108)**
	19 344	**(21 369)**
Balance as at 1 March 2021	13 038	(14 932)
Foreign exchange movements	(996)	(18)
Payments	–	6 975
Depreciation expense	(7 647)	–
Interest expense	–	(1 387)
Additions	11 215	(8 344)
	15 610	(17 705)

Impact on the statement of comprehensive income

Figures in R'000	2023	2022
Depreciation on the right-of-use asset	**7 262**	7 647
Rent paid	**(6 974)**	(6 975)
Interest expense	**1 519**	1 387
Expenses relating to low value leases	**–**	72
	1 807	2 131
Right-of-use asset The right-of-use asset of R19.3 million (2022: R15.6 million) is included in property plant and equipment.		
Lease liabilities	**21 369**	17 705
Current portion of lease liabilities	**2 019**	7 060
Non-current portion	**19 350**	10 645
Maturity analysis The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of lease liabilities:		
Less than one year	**8 369**	7 375
Between one and five years	**16 392**	11 615
	24 761	18 990
Less finance charges	**(3 392)**	(1 285)
	21 369	17 705

Figures in R'000	2023	2022
32. INVESTMENT CONTRACTS		
The investment contracts relate to the group's investment in Oracle.		
The investment contracts are reconciled as follows:		
Opening balance	**432 179**	367 380
Fair value adjustments	**32 247**	64 799
	464 426	432 179
Investment contracts with DPF		
Investment contracts at fair value through profit or loss	**464 426**	432 179
Total investment contract liability	**464 426**	432 179
Movement in investment contracts at fair value through profit or loss		
Balance at beginning	**432 179**	367 380
Transfer to Investment contracts at fair value through profit or loss	**–**	–
Contract holder movements	**32 247**	64 799
Deposits received	**–**	–
Contract benefit payments	**–**	–
Fair value adjustment to policyholder liabilities	**32 247**	64 799
	464 426	432 179

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	2023	2022
33. INSURANCE CONTRACT LIABILITIES		
Long-term insurance contracts – gross	**83 200**	89 472
Less: recovery from reinsurers (note 21)	**(7 457)**	(4 513)
Long-term insurance contracts – net	**75 743**	84 959
Movement in long-term insurance contract liabilities		
Balance at beginning	**73 682**	89 472
Movement in long-term insurance contract liabilities		
Transfer to/(from) policyholder liabilities under insurance contracts	**9 721**	(15 790)
	83 403	73 682
The insurance contracts liabilities relate to the group's investment in Oracle.		
The insurance contracts liabilities are made up of:		
33.1 Health Incurred but not reported (IBNR)	**1 058**	2 057
Short term Unearned Premium Reserve (UPR)	**18 462**	13 242
Short term Incurred but not reported (IBNR)	**1 857**	1 760
	21 377	17 059
The insurance contracts liabilities are reconciled as follows:		
Opening balance	**17 059**	13 796
Recognition of premium income	**5 220**	2 871
Decrease in IBNR	**(902)**	392
	21 377	17 059

Figures in R'000	2023	2022
33.2 Health insurance contracts – claims incurred not yet reported	**1 058**	2 057
Less: recovery from reinsurers	**–**	–
	1 058	2 057
Analysis of movements in outstanding claims:		
Balance at the beginning of the year	**2 057**	1 885
Under provision in the prior year	**(999)**	172
Balance at the end of the year	**1 058**	2 057

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.

Short-term insurance contracts are broken down as follows:

	2023	2022
33.3 Short-term Insurance: Unearned Premiums	**18 462**	13 242
33.4 Short-term Insurance: IBNR	**1 857**	1 760
Short-term insurance contracts	**20 319**	11 911
33.5 Unearned Premiums		
Balance at beginning	**13 242**	10 370
Recognition of premium income	**5 220**	2 872
Balance at end	**18 462**	13 242
33.6 IBNR		
Balance at beginning	**1 760**	1 541
Decrease in outstanding claims	**97**	219
Balance at end	**1 857**	1 760

The decrease in IBNR was due to change in methodology used to calculate short-term IBNR. This was changed to the Bornheutter-Ferguson method to calculate IBNR based on the Insurance business' own historic data, as the previous calculation was based on the previous owners group data.

34. CONTRACT HOLDER LIABILITIES: ASSUMPTIONS AND ESTIMATES

The valuation of contract holder liabilities is a function of methodology and assumptions. The methodology is described in the accounting policies on page 85 to 88. 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 PA90 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 current level of expenses are the expenses as per the income statement.

34. CONTRACT HOLDER LIABILITIES: ASSUMPTIONS AND ESTIMATES (continued)

The basis used to determine per policy renewal expenses is based on:

- Budget F24 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 28 February 2023.

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

The investment guarantee is not material and was estimated using historical APN110 compliant provisions and growth in the underlying investments.

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 statement of comprehensive income as they occur.

Basis and other changes increased the excess of assets over liabilities at 28 February 2023 by R7.1 million (2022: R5.0 million). The major contributors to this change were as follows:

A reduction in the PHI claims in payment and Annuity provisions due to an increase in the discount rate used to value future claim payments amounted to R3 million.

There was once off expenses of R3.1 million during the year, and R7.1 million tax payment in respect of an audit by the Eswatini tax authority.

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.

Sensitivity to changes in assumptions have been considered in accordance with the Advisory Practice Note 107 issued by the Actuarial Society of South Africa. These sensitivities are changes in experience that could occur in the future. Below is a table setting out the changes to the value placed on In force business. The value placed on the in force business is most sensitive to changes in the expense, insurance and lapse assumptions. In addition, any change to the risk profile of the business could prompt a review of the risk margin captured in the risk discount rate, which could lead to a change in the value measure.

34. CONTRACT HOLDER LIABILITIES: ASSUMPTIONS AND ESTIMATES (continued)

		Interest rate	Equity values	Equity returns	Expenses	Lapses	Insurance
	Base	-1%	-10%	+1%	-10%	-10%	-5%
Value in force (R'000)	101.5	104.1	100.5	102.4	112.3	109.4	108.9
Cost of Capital (R'000)	(9.6)	(9.6)	(9.6)	(9.6)	(9.6)	(9.6)	(9.6)
Net value in force (R'000)	91.9	94.5	90.9	92.8	102.7	99.8	99.3
Net value in force percentage changes		3%	-1%	1%	11%	8%	7%

Factors affecting demographic risks the insurance business:

- The most significant factors that could substantially change the frequency of claims are epidemics or widespread changes in lifestyle (smoking, exercise, eating), resulting in more or earlier claims.
- Economic conditions can potentially affect retrenchment claims as well as morbidity claims where benefits are determined in terms of the ability to perform an occupation.
- Medical advances can potentially affect the size and severity of medical claims (including critical illness claims).

Anti-selection, such as where a client who has a pre-existing condition or disease purchases a product where a benefit will be paid on death or in the event of contracting such a disease.

The effect of selective terminations, which means policyholders are less likely to terminate voluntarily if the cover is more likely to be needed in the foreseeable future.

- Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

Demographic risks are managed as follows:

- Risk premiums on most smoothed bonus and market-related contracts may be adjusted within the terms and conditions of the contracts. The ability of the company to adjust these charges so that on average they reflect actual mortality experience reduces mortality risk. There is residual mortality risk resulting from delays in identifying worsening experience and adjusting charges as well as marketing pressures and client expectation management.
- To reduce cross-subsidisation of risks and the possibility of anti-selection, premium rates differentiate on the basis of some or all of age, gender, occupation, smoker status, education, income level, geographic region and the results of underwriting investigations. Experience investigations have shown that these are reliable indicators of the risk exposure. A guarantee period shorter than the policy term applies to most risk business, and enables the Group to review premium rates on in-force contracts during the life of the contracts. The guarantee period on whole-life products is generally within the range of 10 to 15 years. All policy applications are subject to underwriting rules. Applications for risk cover above certain limits are reviewed by experienced underwriters and evaluated against established standards.
- Compulsory testing for HIV is carried out in all cases where the applications for risk cover exceed limits specified for a product. Where HIV tests are not required, this is fully reflected in the pricing and experience is closely monitored.

Underwriting is done to identify non-traditional risks and take appropriate action, such as applying additional premium loadings or altering benefit terms.

- Additional provisions are held in respect of the potential deterioration of the mortality experience of supplementary benefits and direct marketing business.

Reinsurance agreements are used to limit the risk on any single policy and aggregation of policies. Sums assured above a negotiated retention level are reinsured on a risk premium basis.

Concentration risk is reduced by diversification of business over a large number of uncorrelated risks and several classes of insurance.

Figures in R'000	2023	2022
35. NET TAXATION PAYABLE		
The net tax payable includes the following:		
Current tax payable	**11 357**	10 198
Dividends withholding tax (payable as a result of securities broking activities)	**3 882**	90
Securities transfer tax (payable as a result of securities broking activities)	**1 835**	1 147
	17 075	8 160
36. TRADE AND OTHER PAYABLES		
Financial liabilities		
Trade creditors	**27 891**	25 417
Other payables	**66 828**	59 297
Accrued expenses	**26 595**	17 319
Insurance trade and other payables	**43 888**	42 311
	165 202	144 344
Non-financial liabilities		
Value added tax (VAT)	**3 698**	5 996
Accrued leave pay	**10 268**	4 929
	13 966	10 925
	179 168	155 269

37. 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 13.

Figures in R'000	2023	2022
38. CASH GENERATED BY OPERATING ACTIVITIES		
Profit before income tax expense	**100 749**	108 737
Adjusted for:		
Depreciation of property, plant and equipment	**3 059**	2 736
Depreciation of right-of-use assets	**7 262**	7 647
Equity-accounted earnings (net of income tax)	**2 292**	(882)
Fair value adjustments	**11 895**	(30 577)
Fair value adjustments to third party insurance liabilities	**9 721**	(15 790)
Fair value adjustments to investment contract liabilities	**32 044**	64 799
Change in reinsurance assets movement	**(2 945)**	2 088
Short-term insurance: Incurred but not reported (IBNR)	**(903)**	172
Short-term insurance: Unearned premiums	**10 185**	3 681
Short term Insurance: DAC	**(1 075)**	(694)
Bargain purchase gain	**–**	(1 362)
Impairment on loans to associates	**378**	891
Impairment (reversal)/loss on trade and other receivables	**6 858**	(1 219)
Impairment reversal on VIF asset	**(12 300)**	(10 283)
Amortisation of intangible assets	**16 285**	15 914
Share-based payments expense	**5 061**	3 470
Foreign currency translation loss	**–**	150
IAS 19 – employee benefit costs	**556**	(2 029)
Interest received from investments and finance income	**(34 253)**	(29 503)
Investment revenue	**(10 945)**	(7 924)
Finance costs	**6 413**	6 438

38. CASH GENERATED BY OPERATING ACTIVITIES (continued)

Figures in R'000	2023	2022
Changes in working capital:		
Increase in trading securities	**(54)**	(191)
Decrease in trade and other receivables	**(19 307)**	(6 603)
Increase in trade and other payables	**23 970**	9 816
(Increase)/decrease in reinsurance assets	**(4 174)**	3 332
(Decrease)/increase in insurance liabilities	**(3 890)**	105
Decrease/(increase) in accounts receivable and payable from trading activities	**3 332**	(1 718)
Cash generated by operating activities	**150 214**	121 201

39. INCOME TAX PAID

	2023	2022
Payable at beginning of the year	**(10 198)**	(4 823)
Current year tax charge	**(44 643)**	(36 514)
Payable at end of the year (refer to note 35)	**11 357**	10 198
	(43 484)	(31 139)

40. BASIC AND HEADLINE EARNINGS PER SHARE

Figures in R'000	2023	2022
Basic earnings per share (cents)	**32.6**	37.9
Basic and diluted earnings per share (cents)	**32.6**	37.9
Basic headline earnings per share (cents)	**29.6**	34.7
Basic headline earnings per share (cents)	**29.6**	34.7

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 28 February 2023 was based on the profit attributable to ordinary shareholders of R52.0 million (2022: R60.8 million), and a weighted average number of ordinary shares outstanding of 159.5 million (2022: 160.2 million), and 159.5 million (2022: 160.2 million) in the case of diluted earnings per share, calculated below:

Headline and diluted headline earnings per share

The calculation of headline and diluted headline earnings per share at 28 February 2023 was based on headline earnings attributable to ordinary shareholders of R47.4 million (2022: R55.6 million), and a weighted average number of ordinary shares outstanding of 159.5 million (2022: 160.2 million), and 159.5 million (2022: 160.2 million) in the case of diluted headline earnings per share, calculated as follows:

	2023	2022
Basic and diluted earnings	**52 018**	60 785
Headline and diluted headline earnings	**47 405**	55 566
Weighted average number of ordinary shares ('000s)		
Issued ordinary shares at the beginning of the year	**161 156**	161 156
Effect of own shares held	**(1 607)**	(952)
Weighted average number of shares in issue during the year	**159 549**	160 215
Number of shares in issue at the end of the year	**161 156**	161 156
Dilutive weighted average number of ordinary shares ('000s)		
Dilutive weighted average number of ordinary shares ('000s)		
Issued ordinary shares at the beginning of the year	**161 156**	161 156
Effect of own shares held	**(1 607)**	(952)
Diluted weighted average number of shares in issue during the year	**159 549**	160 215
Number of shares in issue at the end of the year	**161 156**	161 156

40. BASIC AND HEADLINE EARNINGS PER SHARE (continued)

Figures in R'000	2023	2022
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, 1.337 million share options (2022: 3.142 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.	**206.8**	196.1
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.	**37.0**	25.9
Headline earnings		
Profit for the year attributable to equity holders of Vunani	**52 018**	60 785
Adjusted for:		
Profit on disposal of unbundled assets		
Profit on disposal of unbundled assets	**(12 300)**	(10 283)
Non-controlling interest	**4 304**	3 598
Taxation	**3 383**	2 828
Business combination		
Bargain purchase gain	**–**	(1 362)
	47 405	11 597
Headline and diluted headline earnings per share (cents)	**29.6**	34.7
Basic headline and diluted earnings per share from operations	**29.6**	34.7

41. COMMITMENTS

Guarantees and sureties provided

The group has provided guarantees and sureties to third parties as at 28 February 2023 in the amount of R163.4 million (2022: R150.9 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.

Debt covenants

Debt covenants triggers include interest cover ratios, gearing, annual cash to debtors service and shareholder funds. At year-end the group was not in close proximity in breaching the triggers.

The board is actively looking to reduce debt, this is shown by the decrease in debt levels over the last few years. Any covenant triggers would be dealt with putting in measures, which may include restructuring to help the underlying subsidiary meet the covenants.

42. 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	Vunani Prop714 Proprietary Limited	Vunani Fund Managers Botswana Limited	Oracle Insurance Proprietary Limited – Consoli-dated	Telos Proprietary Limited	Other individually immaterial non-controlling interests	Intra-group eliminations	Total
2023							
NCI percentage	**22%**	**40%**	**48.3%**	**22.4%**			
Non-current assets	**–**	**10 655**	**606 315**	**35 000**	**8 099**	**–**	**–**
Current assets	**32 717**	**37 866**	**190 091**	**4 800**	**2 695**	**–**	**–**
Non-current liabilities	**–**	**(11 627)**	**(575 133)**	**–**	**–**	**–**	**–**
Current liabilities	**(27 519)**	**(25 693)**	**(100 885)**	**(8 867)**	**(16 143)**	**–**	**–**
Net assets	**5 198**	**11 201**	**120 388**	**30 933**	**(5 349)**	**–**	**–**
Carrying amount of NCI	**1 144**	**4 481**	**58 147**	**6 929**	**(234)**	**–**	**70 467**
Revenue	**–**	**54 762**	**295 900**	**14 400**	**7 718**	**–**	**–**
Profit/(loss)	**(10)**	**4 820**	**8 581**	**13 019**	**6 541**	**–**	**–**
OCI	**–**	**531**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**(10)**	**5 351**	**8 581**	**13 019**	**(3 764)**	**–**	**–**
Profit/(loss) allocated to NCI	**(2)**	**1 928**	**4 145**	**2 916**	**713**	**–**	**9 700**
OCI allocated to NCI	**–**	**212**	**–**	**–**	**–**	**–**	**212**
Net increase in cash and cash equivalents	**(1)**	**6 523**	**(4 607)**	**–**	**–**	**–**	**1 915**
Dividends paid to non-controlling interest	**–**	**4 151**	**–**	**–**	**1 635**	**–**	**5 786**

Figures in R'000	Vunani Prop714 Proprietary Limited	Vunani Fund Managers Botswana-Limited	Oracle Insurance Proprietary Limited – Consoli-dated	Telos Proprietary Limited	Other individually immaterial non-controlling interests	Intra-group eliminations	Total
2022							
NCI percentage	22%	40%	48.3%	22.4%			
Non-current assets	–	2 229	549 698	35 000	7 576	–	–
Current assets	32 722	22 317	184 820	4 800	1 095	–	–
Non-current liabilities	–	–	(530 787)	–	–	–	–
Current liabilities	(27 514)	(7 544)	(91 925)	(8 867)	(15 182)	–	–
Net assets	5 208	17 002	111 806	30 933	(6 511)	–	–
Carrying amount of NCI	1 146	6 801	54 002	6 929	(2 537)	–	66 341
Revenue	–	38 662	265 241	14 400	6 629	–	–
Profit/(loss)	(55)	11 157	12 551	13 019	(3 764)	–	–
OCI	–	(281)	–	–	–	–	–
Total comprehensive income	(55)	10 876	12 551	13 019	(3 764)	–	–
Profit/(loss) allocated to NCI	(12)	4 463	6 062	2 916	(2 510)	–	10 919
OCI allocated to NCI	–	(112)	–	–	–	–	(112)
Net decrease in cash and cash equivalents	5	4 386	4 982	–	–	–	9 373
Dividends paid to non-controlling interest	66	–	–	–	–	–	66

43. OPERATING SEGMENTS

The group has five reportable segments being fund management, asset administration, advisory services, institutional securities broking and insurance. 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 segment is geographically located in South Africa and, on a smaller scale, in Botswana. The institutional securities broking, asset administration and advisory services segments are geographically located in South Africa. The insurance segment is located in Eswatini.

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.

2023 Figures in R'000	Fund management	Asset administration	Advisory services	Institutional securities broking	Insurance	Total
Revenue	188 502	191 712	43 127	25 423	303 618	752 382
Finance income and interest received from investments	2 326	3 351	45	1 806	26 726	34 254
Finance costs	(1 106)	(2 277)	(831)	(750)	(1 450)	(6 413)
Depreciation	(2 984)	(4 092)	(332)	(405)	(2 508)	(10 320)
Amortisation of intangible assets	–	(13 369)	–	–	(2 915)	(16 284)
Impairment reversal of value in force business intangible asset	–	–	–	–	12 300	12 300
Fair value adjustments	18	–	–	(526)	(53 152)	(53 660)
Equity accounted earnings	–	(2 292)	–	–	–	(2 292)
Income tax income	(13 659)	(14 455)	629	634	(12 180)	(39 031)
Reportable segment profit after tax	21 190	33 700	1 292	14 626	(9 090)	61 718
Reportable segment assets	154 230	224 777	84 509	100 141	796 349	1 360 006
Investment in jointly controlled ventures	–	12 708	–	–	–	12 708
Capital expenditure	9 448	–	–	–	–	9 448
Reportable segment liabilities	(87 267)	(46 446)	(57 519)	(81 537)	(683 544)	(956 313)

43. OPERATING SEGMENTS (continued)

2022

Figures in R'000	Fund management	Asset administration	Advisory services	Institutional securities broking	Insurance	Total
Revenue	180 684	172 730	30 754	30 936	271 871	686 975
Finance income and interest received from investments	1 593	2 169	50	3 457	22 236	29 505
Finance costs	(354)	(1 938)	(1 607)	(369)	(1 836)	(6 104)
Depreciation	(3 090)	(3 852)	(1 588)	(47)	(1 804)	(10 381)
Amortisation of intangible assets	–	(13 369)	–	–	(2 545)	(15 914)
Impairment reversal of loans to associates	–	–	–	–	10 283	10 283
Fair value adjustments	50	–	–	38	(18 520)	(18 432)
Equity accounted earnings	–	–	882	–	–	882
Income tax income/(expense)	(20 785)	(8 664)	(382)	(1 426)	(5 780)	(37 037)
Reportable segment profit/(loss) after tax	37 412	19 840	1 262	1 440	11 750	71 704
Reportable segment assets	124 117	216 745	77 168	98 319	729 715	1 246 064
Investment in associates	–	–	1 300	–	–	1 300
Capital expenditure	–	–	–	–	–	–
Reportable segment liabilities	(48 373)	(42 367)	(61 624)	(72 513)	(638 835)	(863 712)

44. RELATED PARTIES

Relationships

Majority shareholder	Bambelela Capital Proprietary Limited
Associates	Refer to note 18
Directors	Refer to note 45

Direct and indirect subsidiaries	Effective equity holding 2023	2022
Vunani Capital Proprietary Limited	**100%**	100%
Hemera Investment Research Proprietary Limited	**51%**	0%
Invest West Real Estate Proprietary Limited	**100%**	100%
Lexshell 630 Investments Proprietary Limited	**100%**	100%
Loato Properties Proprietary Limited	**100%**	100%
Mandlamart Proprietary Limited	**100%**	100%
Mandlalux Proprietary Limited	**100%**	100%
Fairheads Benefit Services Proprietary Limited	**100%**	100%
Fairheads International Holdings Proprietary Limited	**100%**	100%
Fairheads Financial Services Proprietary Limited	**100%**	100%
Olimonox Proprietary Limited	**0%**	100%
Spaciros Proprietary Limited	**0%**	51%
Vunani Capital Zimbabwe (Private) Limited	**75%**	75%
Vunani Passenger Logistics Proprietary Limited	**100%**	100%
Vunani Fund Managers Proprietary Limited	**70%**	70%
Vunani Private Clients Stockbroking Proprietary Limited	**100%**	100%
Vunani Mining and Resources Proprietary Limited	**75%**	75%
Vunani Sponsors Proprietary Limited	**100%**	100%
Vunani Mion Properties Proprietary Limited	**61%**	61%
Almecel Proprietary Limited	**61%**	61%

44. RELATED PARTIES (continued)

Direct and indirect subsidiaries	Effective equity holding 2023	2022
Vunani Property Asset Management Proprietary Limited	**0%**	100%
Vunani Africa Investments Proprietary Limited	**100%**	100%
Vunani Holdings Swaziland Proprietary Limited[&]	**80%**	80%
AME Capital (Proprietary) Limited[$]	**60%**	60%
Vunani Fund Managers Botswana (Proprietary) Limited[$]	**60%**	60%
Vunani Management Company (Proprietary) Limited[$]	**60%**	0%
Telos Proprietary Limited[&]	**77%**	77%
Oracle Insurance (Proprietary) Limited[&]	**52%**	52%
Oracle Life (Proprietary) Limited[&]	**52%**	52%
Medscheme Holdings Proprietary Limited	**39%**	39%
Vunani Securities Proprietary Limited	**100%**	100%
Vunani Nominee 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 Share Incentive Scheme Trust	**100%**	100%

& *The company is registered and conducts business in Eswatini.*
$ *The company is incorporated and conducts its business in Botswana.*

All the above direct and indirect subsidiaries' financial results are consolidated. All subsidiaries have the same financial year end. There are no significant restrictions on the group's ability to access or use subsidiary assets and settle liabilities of the group.

Other related parties

Akkersbloom Enterprises (Private) Limited**#

Vunani Fund Managers Share Trust#

** *The company is incorporated and conducts its business in Zimbabwe.*
# *Vunani Fund Managers Share Trust (VFMST) owns 30% of Vunani Fund Mangers Proprietary Limited. The group controls VFMST.*

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 18), investments in jointly controlled ventures (refer to note 22) and directors (refer to note 45) and with the majority shareholder as disclosed below.

Loan with the majority shareholder

Vunani Capital Proprietary Limited has an operating loan with the ultimate holding company, Bambelela Capital Proprietary Limited of R nil (2022: R132 000) (refer to note 24).

Vunani Fund Managers Share Trust

Vunani has established a trust, the primary objective of which is to provide long-term incentives to key staff at Vunani Fund Managers (VFM) and to align the interests of eligible employees and the long term goals of VFM. To effect this transaction, a Sale of Shares and Loan Agreement was entered into between Vunani Capital (VC) and the Trustees of the VFM Share 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. VC furthermore recorded that it would allow the purchase price to remain outstanding as a loan. The loan bears interest at the prime rate and will be repaid through dividends received on the VFM shares (minimum of 20% of the dividend received with any greater amount at the discretion of the trustees), with a maturity date of 28 February 2030.

The beneficiaries of the trust would be awarded participatory interests equivalent to its 30% shareholding in VFM. The beneficiary's participatory rights would vest over time. Once vested their participatory interests would entitle them to a portion of a distribution received by the trust. The trust would earn dividends from its shareholding in VFM. 20% of any dividends received by the trust would be used to repay the loan from VC. The balance of the dividends can be used to, pay distributions to participatory right holders, fund any disposal of participatory interests and invest in other assets.

The Sale Agreement does not provide the VC with recourse as security or otherwise to the Sale Shares as settlement of the loan.

45. DIRECTORS' REMUNERATION AND BENEFITS

No loans were made to directors during the year (2022: 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
2023						
E Dube	–	4 687	6 239	1 023	903	12 852
NM Anderson	–	3 308	4 204	539	605	8 656
BM Khoza	–	3 107	4 204	740	605	8 656
T Mika	–	1 748	2 136	207	309	4 400
LI Jacobs (Chairman)	460	–	–	–	–	460
GN Nzalo	322	–	–	–	–	322
JR Macey	344	–	–	–	–	344
NS Mazwi	334	–	–	–	–	334
S Mthethwa	305	–	–	–	–	305
M Golding	311	–	–	–	–	311
Total	**2 076**	**12 850**	**16 783**	**2 509**	**2 422**	**36 640**
2022						
E Dube	–	4 467	5 710	945	709	11 832
NM Anderson	–	3 137	3 613	459	475	7 684
BM Khoza	–	2 980	3 613	666	475	7 734
T Mika	–	1 486	1 836	167	215	3 704
LI Jacobs (Chairman)	388	–	–	–	–	388
GN Nzalo	233	–	–	–	–	233
JR Macey	244	–	–	–	–	244
NS Mazwi	244	–	–	–	–	244
XP Guma	26	–	–	–	–	26
S Mthethwa	212	–	–	–	–	212
M Golding	222	–	–	–	–	222
Total	1 569	12 070	14 772	2 239	1 874	32 523

Short-term benefits to key management personnel amounted to R30 062 (2022: R27 564).

Aggregate amounts paid to directors amounts to:

Figures in R'000	2023	2022
For services as directors of the company		
Total remuneration and benefits received from company	**2 076**	1 569
Total remuneration and benefits received from company's subsidiaries and fellow subsidiaries	**34 564**	30 954
	36 640	32 523

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.

45. DIRECTORS' REMUNERATION AND BENEFITS (continued)

Prescribed officers

Details of prescribed officers and key management personnel are disclosed in note 67 (Vunani Limited company financial statements).

Shareholdings per director of the company (including non-executive directors) and major operating subsidiaries are detailed below:

	Number of shares held		
2023	**Beneficially direct ('000s)**	**Beneficially indirect ('000s)**	**Total number of shares held ('000s)**
E Dube	**237**	**25 509**	**25 746**
BM Khoza	**670**	**14 779**	**15 449**
NM Anderson	**1 428**	**14 779**	**16 207**
T Mika	**596**	**–**	**596**
D Hurford	**99**	**–**	**99**
L Jacobs	**33**	**–**	**33**
S Mthethwa	**–**	**6 217**	**6 217**
M Golding	**–**	**30 040**	**30 040**
	3 063	**91 324**	**94 387**

E Dube, BM Khoza and NM Anderson's indirect beneficial shares amounting to 23 643 362, 14 779 030 and 14 779 030 shares respectively have been pledged as security.

There have been no other changes in shareholdings of the other directors between 28 February 2023 and the approval of the integrated report.

2022	('000s)	('000s)	('000s)
E Dube	237	25 284	25 521
NM Anderson	544	14 779	15 323
BM Khoza	1 278	14 779	16 057
T Mika	528	–	528
R Krepelka	2 990	–	2 990
M Brown	2 616	–	2 616
G Gould	66	–	66
L Jacobs	33	–	33
S Mthethwa	–	6 217	6 217
M Golding	–	30 040	30 040
	8 292	91 099	99 391

46. FINANCIAL INSTRUMENTS

46.1 Liquidity risk

Figures in R'000	Note	Carrying amount	Undiscounted contractual cash flows	Less than 1 year	1–5 years	Greater than 5 years
2023						
Non-derivative financial assets		**966 149**	**966 149**	**459 119**	**507 030**	**–**
Trade and other receivables	24	**100 564**	**100 564**	**100 564**	**–**	**–**
Accounts receivable from trading activities	25	**65 719**	**65 719**	**65 719**	**–**	**–**
Insurance-related investments	20	**507 030**	**507 030**	**–**	**507 030**	**–**
Reinsurance assets	21	**25 531**	**25 531**	**25 531**	**–**	**–**
Trading securities		**408**	**408**	**408**	**–**	**–**
Cash and cash equivalents	26	**266 897**	**266 897**	**266 897**	**–**	**–**
Non-derivative financial liabilities		**(852 367)**	**(862 266)**	**(269 443)**	**(592 823)**	**–**
Non-interest-bearing					**–**	**–**
Trade and other payables (excluding VAT and leave pay)	38	**(165 202)**	**(165 202)**	**(165 202)**	**–**	**–**
Accounts payable from trading activities	25	**(65 150)**	**(65 150)**	**(65 150)**	**–**	**–**
Other financial liabilities at amortised cost	32	**(20 029)**	**(20 567)**	**(4 560)**	**(16 007)**	**–**
Fixed interest rate instruments	32	**(5 699)**	**(6 011)**	**(3 538)**	**(2 473)**	
Variable interest rate instruments	32	**(27 285)**	**(36 334)**	**(9 617)**	**(26 717)**	**–**
Investment contracts	34	**(464 426)**	**(464 426)**	**–**	**(464 426)**	**–**
Insurance contract liabilities	35	**(104 576)**	**(104 576)**	**(21 376)**	**(83 200)**	**–**
Net liquidity position*		**113 782**	**103 883**	**189 676**	**(85 793)**	**–**
2022						
Non-derivative financial assets		877 550	877 549	424 191	453 357	–
Trade and other receivables	24	89 046	89 046	89 046	–	–
Accounts receivable from trading activities	25	60 583	60 583	60 583	–	–
Insurance-related investments	20	453 357	453 357	–	453 357	–
Reinsurance assets	21	21 357	21 357	21 357	–	–
Trading securities		353	353	353	–	–
Cash and cash equivalents	26	252 852	252 852	252 852	–	–
2022						
Non-derivative financial liabilities		(761 546)	(805 094)	(247 111)	(557 983)	–
Non-interest-bearing					–	–
Trade and other payables (excluding VAT and leave pay)	38	(144 344)	(144 344)	(144 344)	–	–
Accounts payable from trading activities	25	(60 853)	(60 853)	(60 853)	–	–
Other financial liabilities at amortised cost	32	(8 088)	(34 259)	(8 088)	(26 171)	–
Variable interest rate instruments	32	(25 341)	(42 718)	(16 767)	(25 951)	–
Investment contracts	34	(432 179)	(432 179)	–	(432 179)	–
Insurance contract liabilities	35	(90 741)	(90 741)	(17 059)	(73 682)	–
Net liquidity position*		116 004	72 455	177 080	(104 626)	–

46. FINANCIAL INSTRUMENTS (continued)

46.1 Liquidity risk (continued)

* *There is a currently a mismatch in the one- to five-year liquidity column, resulting in a net liability position. This is because some of the insurance related investments are included in the one-year column.*

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 R20.0 million overdraft facilities, which may be used to manage its financial obligations if necessary.

Managing liquidity risk of insurance assets and liabilities

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 above. The assumptions used to calculate the statement of financial position value of these liabilities are disclosed in note 34. Included in the cash and cash equivalents balance are insurance related balances, that could be used to settle the insurance-related liabilities.

Contractual cash flows for investment contract liabilities with DPF are disclosed in the maturity analysis above.

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.

46. FINANCIAL INSTRUMENTS (continued)

For policies with no surrender value, the estimated contractual cash flow is disclosed.

Figures in R'000	2023	2022

46.2 Market risk

Interest rate risk

The company's interest rate exposure is as follows:

Variable rate instruments		
Financial assets	**425 667**	423 599
Financial liabilities	**(27 285)**	(25 341)
	398 382	398 258

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	**1 992**	1 991
50 bps decrease	**(1 992)**	(1 991)

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		
Insurance-related investments	**59 936**	12 396
Listed financial assets at fair value through profit or loss		
Other investments	**10 819**	14 543
Insurance-related investments	**162 240**	207 276
Trading securities	**408**	353
	233 403	234 568

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	**23 340**	23 457
10% decrease	**(23 340)**	(23 457)

Market price risk

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 Botswana Pula 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 BWP	**2 080**	5 123
10% decrease in BWP	**(878)**	(2 163)

46. FINANCIAL INSTRUMENTS (continued)

Figures in R'000	2023	2022
46.3 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:		
Accounts receivable from trading activities	**65 719**	60 583
Trade and other receivables (net of impairment)	**99 754**	88 236
Cash and cash equivalents	**266 897**	252 852
Reinsurance assets	**25 531**	21 357
Insurance-related investments	**507 030**	453 357
	964 931	876 385

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.

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.

The company's maximum exposure to credit risk is through the following classes of assets; and is equal to their carrying values.

46. FINANCIAL INSTRUMENTS (continued)

46.3 Credit risk (continued)

Figures in R'000	2023	2022
Reinsurance assets	25 531	21 357
Insurance-related investments	507 030	453 357
Equity securities	162 240	207 276
Collective investment schemes	59 936	12 396
Debt securities	98 434	89 497
Funds on deposit and other money market instruments	60 336	81 250
Government stock	126 084	62 938
	532 561	474 714

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 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.

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.

Insurance-related liabilities

Figures in R'000	2023	2022
Investments contracts	464 426	432 179
With discretionary participation features	–	–
At fair value through profit or loss	464 426	432 179
Insurance contract liabilities	83 200	89 472
Total liabilities	**547 626**	521 651

46. FINANCIAL INSTRUMENTS (continued)

46.3 Credit risk (continued)

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.

2023	Insurance R'000	Investment with DPF R'000	Investment R'000	Total R'000
Market-related business	–	–	464 426	464 426
Group market-related business	–	–	464 426	464 426
Other business	83 200	–	–	83 200
Non-profit annuity business	83 200	–	–	83 200
Other non-profit business	–	–	–	–
Total contract holder liability	83 200	–	464 426	547 626

2022	Insurance R'000	Investment with DPF R'000	Investment R'000	Total R'000
Market-related business	–	–	432 179	432 179
Group market-related business	–	–	432 179	432 179
Other business	–	–	–	89 472
Non-profit annuity business	89 472	–	–	89 472
Other non-profit business	–	–	–	–
Total contract holder liability	89 472	–	432 179	521 651

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 10.37% (2022: 9.79%).

46. FINANCIAL INSTRUMENTS (continued)

46.3 Credit risk (continued)

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.

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.

46. FINANCIAL INSTRUMENTS (continued)

46.3 Credit risk (continued)

Impairment losses

The staging of financial assets at the reporting date was:

Figures in R'000	Total	Loans to associates	Accounts receivable from trading activities
2023			
Stage 1	**65 719**	**–**	**65 719**
Stage 2	**–**	**–**	**–**
Stage 3	**8 597**	**8 597**	**–**
Impairment	**(8 597)**	**(8 597)**	**–**
	65 719	**–**	**65 719**
2022			
Stage 1	60 583	–	60 583
Stage 2	–	–	–
Stage 3	8 597	8 597	–
Impairment	(8 597)	(8 597)	–
	60 583	–	60 583

Reconciliation of movement in allowance for impairment of financial assets:

Figures in R'000	2023	2022
Balance at the beginning of the year	**(9 995)**	(20 696)
Write off of loans and trade receivables	**6 384**	10 373
Impairment reversal/(loss) on trade and other receivables	**(6 480)**	1 219
Impairment loss on loans to associates	**(378)**	(891)
Balance at the end of the year	**(10 469)**	(9 995)

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 9. Refer to note 2.7.1 for more detail.

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.

46. FINANCIAL INSTRUMENTS (continued)

46.3 Credit risk (continued)

Trade and other receivables

The group makes use of a general 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. Refer to note 2.7.1 for more detail.

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.

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: 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 ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL 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 ECL 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.

46. FINANCIAL INSTRUMENTS (continued)

46.3 Credit risk (continued)

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, Eswatini, Zimbabwe and Zambia. The group does not have a wide variety of counterparties. Concentration of credit risk related to trade and other receivables are unrated and have been disclosed under note 24.

Amortised cost assets	**Life time** Gross carrying amount 2023	**12 months**
Cash – rated BB	**195 184**	**195 184**
Total rated exposure	**195 184**	**195 184**
Accounts receivable from trading activities – unrated	**65 719**	**65 719**
Loans to associates – unrated	**8 597**	**8 597**
Total unrated exposure	**74 316**	**74 316**
Age analysis of the unrated exposure:		
Not past due		
0 – 30 days	**65 719**	
31 – 60 days	**–**	
61 – 90 days	**–**	
More than 90 days	**8 597**	
	74 316	

Amortised cost assets	**Life time** Gross carrying amount 2022	**12 months**
Cash – rated BB	192 758	192 758
Total rated exposure	192 758	192 758
Accounts receivable from trading activities – unrated	60 583	60 583
Loans to associates – unrated	8 597	8 597
Total unrated exposure	69 180	69 180
Age analysis of the unrated exposure:		
Not past due		
0 – 30 days	60 583	
31 – 60 days	–	
61 – 90 days	–	
More than 90 days	8 597	
	69 180	

46. FINANCIAL INSTRUMENTS (continued)

46.4 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.

46. FINANCIAL INSTRUMENTS (continued)

46.4 Fair values (continued)

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.

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.

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).

46. FINANCIAL INSTRUMENTS (continued)

46.4 Fair values (continued)

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
Investments in associates	Discounted cash flows, earnings multiples, dividend yields	Discount rates, valuation multiples, dividend growth
Insurance-related investments – listed	Quoted prices	Quoted prices
Insurance-related investments – unlisted	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.

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	2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
Financial assets measured at fair value				
Other investments	**10 819**	**10 819**	14 543	14 543
Insurance related investments	**507 030**	**507 030**	453 357	453 357
Trading securities	**408**	**408**	353	353
	518 257	**518 257**	468 253	468 253
Financial liabilities measured at fair value				
Other financial liabilities	**–**	**–**	–	–
Trading securities	**(4)**	**(4)**	(3)	(3)
Investment contracts	**(464 426)**	**(464 426)**	(432 179)	(432 179)
Insurance contract liabilities	**(83 200)**	**(83 200)**	(73 682)	(73 682)
Financial liabilities at amortised cost				
Other financial liabilities	**(53 013)**	**(40 474)**	(34 258)	(36 395)
Insurance contract liabilities	**(21 376)**	**(21 376)**	(17 059)	(17 059)
	(622 019)	**(609 480)**	(557 181)	(559 318)
Total	**(103 762)**	**(91 223)**	(88 928)	(91 065)

The carrying amounts of cash and cash equivalents, accounts receivable from trading activities, trade and other receivables, 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.

46. FINANCIAL INSTRUMENTS (continued)

46.5 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).

The fair value of financial assets and liabilities as shown in note 46.4 is categorised as follows for the purpose of IFRS 13 – *Fair Value Measurement*.

Figures in R'000	Level 1	Level 2	Level 3	Total
2023				
Financial assets designated at fair value through profit or loss	**249 955**	**257 075**	**–**	**507 030**
Financial assets measured at fair value	**408**	**–**	**–**	**408**
Financial liabilities designated at fair value through profit or loss	**(4)**	**(464 426)**	**–**	**(464 430)**
Financial liabilities at amortised cost	**–**	**–**	**(145 050)**	**(145 050)**
	250 359	**(207 351)**	**(145 050)**	**(102 042)**
2022				
Financial assets designated at fair value through profit or loss	247 642	220 258	–	467 900
Financial assets measured at fair value	353	–	–	353
Financial liabilities designated at fair value through profit or loss	(3)	(432 179)	–	(432 182)
Financial liabilities at amortised cost	–	–	(127 136)	(127 136)
	(247 992)	(211 921)	(127 136)	(91 065)

The level 3 unobservable inputs for the assets and liabilities at amortised cost instruments is an after-tax discount rate of 9.58% (2022: 9.40%). A significant increase in the rate would result in a decrease in the fair value of these assets or liabilities.

There has been no transfers between levels of fair value hierarchy.

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.

Effect on statement of comprehensive income (profit/(loss)) and equity before taxation.

46. FINANCIAL INSTRUMENTS (continued)

46.5 Fair value hierarchy (continued)

	2023	2022
Free cash flow		
10% increase	(3 927)	(451)
10% decrease	3 927	451
Foreign exchange movement		
10% increase	2 080	5 123
10% decrease	(878)	(2 163)

47. GOING CONCERN

The consolidated financial statements have been prepared on a going-concern basis. The group has recognised a net profit after tax of R61.7 million for the year ended 28 February 2023, and as at that date current assets exceed current liabilities by R127.5 million.

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

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

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

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

COVID-19 IMPLICATIONS

The group has been successfully operating with no restrictions and has been able to adjust to the "new normal". As such the group has started to engage with its various stakeholders in a similar manner to the pre Covid-19 era, which has helped improve its operating environment. The group continues to carefully monitor the impact of Covid-19 on its businesses and has put strategic plans in place to ensure minimum disruptions.

Management continue to stringently monitor debtors to ensure the appropriate credit lines are expanded and are focused on cost containment. Given the abovementioned, management believes the company is a going concern and will continue to operate into the foreseeable future.

48. DIVIDENDS

Dividends paid

A final dividend for the 2022 financial year of 14.0 cents per share per share was paid to ordinary shareholders in June 2022, (2022: 7.5 cents (6.00 cents net of dividend withholding tax)). Total cash of R22.4 million (2021: R8.1 million) (net of treasury shares) was paid to ordinary shareholders. An interim dividend of 9.0 cents per share per share was paid to ordinary shareholders in November 2022, (2022: 6.5 cents (5.20 cents net of dividend withholding tax). Total cash of R14.5 million (2022: R10.5 million) (net of treasury shares held) was paid to ordinary shareholders.

Dividend declared

Notice is hereby given that a gross ordinary dividend of 11.0 cents per share (2022: 14.0 cents per share) has been declared out of income reserves on 24 May 2023 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 Dividend Withholding Tax rate is 20%
- 161 155 915 shares are in issue
- The gross ordinary dividend is 11.00000 cents per share for shareholders exempt from paying Dividend Withholding Tax
- The net ordinary dividend is 8.80000 cents per share for ordinary shareholders who are not exempt from Dividend Withholding Tax
- Vunani Limited's tax reference number is 9841003032

Timetable	2023
Declaration and finalisation date announcement	Wednesday, 24 May
Last day to trade *cum* dividend	Tuesday, 20 June
Shares commence trading *ex*-dividend	Wednesday, 21 June
Record date	Friday, 23 June
Dividend payment date	Monday, 26 June

No dematerialisation or rematerialisation of shares will be allowed for the period from Wednesday, 21 June 2023 to Friday, 23 June 2023, 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.

49. EVENTS AFTER REPORTING DATE

There have been no other material events between the year-end and the date of signing of the results.

Separate statement of comprehensive income

for the year ended 28 February 2023

		VUNANI LIMITED – Company	
Figures in R'000	Notes	2023	2022
Management fees	52	2 124	1 607
Investment revenue	53	–	43 945
Operating expenses	54	(5 907)	(712)
Results from operating activities		(3 783)	44 840
Finance income	55	*	*
Profit before income tax		(3 783)	44 840
Taxation	56	–	–
Profit for the year		(3 783)	44 840
Total comprehensive income for the year		(3 783)	44 840

* *less than R1 000*

Separate statement of financial position

at 28 February 2023

		VUNANI LIMITED – Company	
Figures in R'000	Notes	**2022**	**2022**
Assets			
Investments in subsidiaries	57	**429 895**	424 834
Other investments	58	**–**	–
Loan to share trust	60	**6 213**	6 213
Deferred tax asset	61	**–**	–
Total non-current assets		**436 108**	431 047
Trade and other receivables		**14**	–
Cash at bank	62	**4**	3
Total current assets		**18**	3
Total assets		**436 126**	431 050
Equity			
Stated capital	63	**696 497**	696 497
Share-based payment reserve		**13 043**	12 598
Accumulated loss		**(323 899)**	(285 449)
Equity attributable to equity holders		**385 641**	423 646
Liabilities			
Loans from subsidiary companies	59	**48 660**	5 716
Total non-current liabilities		**48 660**	5 716
Trade and other payables	64	**1 825**	1 688
Current liabilities		**1 825**	1 688
Total equity and liabilities		**436 126**	431 050

Separate statement of changes in equity

for the year ended 28 February 2023

Figures in R'000	Stated capital	Share-based payment reserve	Accumu-lated loss	Total equity
	VUNANI LIMITED – Company			
Balance at 28 February 2021	696 497	9 221	(307 727)	397 991
Total comprehensive income for the year				
Profit for the year	–	–	44 840	44 840
Total comprehensive income for the year	–	–	44 840	44 840
Transactions with owners, recorded directly in equity				
Dividends paid	–	–	(22 562)	(22 562)
Share-based payments	–	3 613	–	3 613
Vesting of share awards*	–	(236)	–	(236)
Total transactions with owners	–	3 377	(22 562)	(19 185)
Balance at 28 February 2022	696 497	12 598	(285 449)	423 646
Total comprehensive income for the year				
Profit for the year	**–**	**–**	**(3 783)**	**(3 783)**
Total comprehensive income for the year	**–**	**–**	**(3 783)**	**(3 783)**
Transactions with owners, recorded directly in equity				
Dividends paid	**–**	**–**	**(37 066)**	**(37 066)**
Share-based payments	**–**	**5 061**	**–**	**5 061**
Vesting of share awards*	**–**	**(4 616)**	**2 399**	**(2 217)**
Total transactions with owners	**–**	**445**	**(34 667)**	**(34 222)**
Balance at 28 February 2023	**696 497**	**13 043**	**(323 899)**	**385 641**

* *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	2023	2022
Ordinary dividends		
Ordinary dividend number 9 and 10 of 14.0 cents and 9.0 cents respectively, (11.2 cents and 7.2 cents net of dividend withholding tax) per share were paid to ordinary shareholders on 27 June 2022 and 14 November 2022 respectively, (net of treasury shares), (Ordinary dividend number 7 and 8 of 7.5 cents and 6.5 cents respectively, (6.00 cents and 5.2 cents) net of dividend withholding tax) per share were paid to ordinary shareholders on 28 June 2021 and 15 November 2021 respectively, (net of treasury shares).	**37 066**	22 562

Separate statement of cash flows

for the year ended 28 February 2023

		VUNANI LIMITED – Company	
Figures in R'000	Notes	2023	2022
Cash flows from operating activities			
Cash utilised by operations	65	(3 646)	(4 003)
Investment revenue received		–	241
Interest received from banks	55	*	*
Dividends paid		(37 066)	(22 562)
Cash utilised by operating activities		(40 712)	(26 324)
Cash flows from investing activities			
Loans repaid by subsidiary company		–	–
Cash inflow from investing activities		–	–
Cash inflow from financing activities			
Loans advanced from subsidiary company		40 713	26 325
Cash inflows from financing activities		40 713	26 325
Net increase in cash and cash equivalents		1	1
Cash and cash equivalents at the beginning of the year		3	2
Total cash and cash equivalents at the end of the year	62	4	3

* *less than R1 000*

Notes to the separate financial statements

for the year ended 28 February 2023

	Figures in R'000	2023	2022
52.	**MANAGEMENT FEES**		
	Management fees	**2 124**	1 607
53.	**INVESTMENT REVENUE**		
	Dividend received from subsidiaries	**–**	43 945
		–	43 945
54.	**OPERATING EXPENSES**		
	Operating expenses include:		
	Auditor's remuneration – current year	**1 671**	1 540
	Auditor's remuneration – prior year	**–**	135
	Directors' emoluments paid by company (refer note 45)	**2 076**	1 559
55.	**FINANCE INCOME**		
	Recognised in profit or loss		
	Interest income – cash and cash equivalents (* Less than R1 000)	*****	*
56.	**INCOME TAX**		
	Deferred taxation	**–**	–
	No taxation is payable in the current year as the company has an estimated tax loss of R15.1 million (2022: R12.0 million) available for set-off against future taxable income.		
	Reconciliation of effective tax rate	**%**	%
	Income tax rate	**28.0**	28.0
	Tax exempt income	**–**	(30.7)
	Disallowable expenditure – investment holding company	**–**	2.6
	Deferred tax assets not raised	**(28.0)**	0.1
		–	–

		% Holding		Cost of investment	
	Figures in R'000	2023	2022	2023	2022
57.	**INVESTMENTS IN SUBSIDIARIES**				
	Investment in subsidiaries held at cost				
	Vunani Capital Proprietary Limited	**100**	100	**407 406**	402 849
	Vunani Securities Proprietary Limited	**100**	100	**20 064**	19 822
	Vunani Capital Markets Proprietary Limited	**100**	100	**1 591**	1 329
	Vunani Capital Investments Proprietary Limited*	**100**	100	**–**	–
	VProp714 Proprietary Limited	**78**	78	**834**	834
				429 895	424 834

All subsidiaries have a 28 February year end. There are no significant restrictions on the company's ability to access or use subsidiary assets and settle liabilities of the group.

* *The investment in Vunani Capital Investments Proprietary Limited was impaired to nil.*

57. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

A reconciliation of the movement in investment in subsidiaries is as follows:

	Vunani Capital Proprietary Limited	Vunani Securities Proprietary Limited	Vunani Capital Markets Proprietary Limited	Total
Balance at the beginning of the year	402 849	19 822	1 329	424 000
Share-based payments	4 557	242	262	5 061
Balance at the end of the year	407 406	20 064	1 591	429 061

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	2023	2022
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)

58. OTHER INVESTMENTS

Fair value adjustment of investment

As part of the unbundling of private equity assets in the prior year the company issued 500 000 preference shares to Vunani Capital Partners in relation to the African Legend investment shares. The terms of the preference shares are such that, *inter alia*, all contractual rights to cash flows related to the African Legend shares and the African Legend distributions, will be transferred to Vunani Capital Partners.

In terms of IFRS 9: – Financial Instruments an entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset (i.e. the African Legend Shares) are transferred to another entity and when substantially all of the risks and rewards of ownership of the financial asset are transferred (i.e. the African Legend Distributions to Vunani Capital Partners). Based on this pass-through arrangement, the African Legend shares have been derecognised and accordingly no liability is raised for the Preference Shares issued.

Figures in R'000	2023	2022
59. LOANS FROM SUBSIDIARIES		
Loan from subsidiary		
Vunani Capital Proprietary Limited	**(43 937)**	(1 379)
The loan to Vunani Capital Proprietary Limited is unsecured, interest free and is not repayable in the next 12 months.		
Vunani Capital Markets Proprietary Limited	**(4 723)**	(4 337)
The loans from Vunani Capital Markets is unsecured, interest free and is not repayable within the next 12 months.		
60. LOAN TO SHARE TRUST		
Vunani Share Incentive Scheme Trust	**6 213**	6 213
The loan to the share trust is unsecured and bears interest at the official SARS interest rate. The loan has no fixed terms of repayment.		
There is limited credit risk with the loan to the share trust, as the company does not have any intention to recall the loan. There is no expected repayment terms and thus the probability of default will almost be minimum. Covid-19 has had no impact on the ECL measurement, as such, no ECL has been raised on the loan balance in the current year.		
61. DEFERRED TAX ASSET		
Recognised deferred tax asset arises on:		
Tax losses carry-forward	**–**	–
Reconciliation of movement in deferred tax		
Balance at the beginning of the year	**–**	–
Recognised against profit or loss	**–**	–
Balance at end of the year	**–**	–
Estimated tax losses available for utilisation against future taxable income	**15 113**	11 991
Recognised as deferred tax asset	**–**	–
Unrecognised estimated tax losses carried forward not accounted for in deferred tax	**15 113**	11 991
62. CASH AT BANK		
Cash comprise:		
Cash at bank	**4**	3

Figures in R'000	2023	2022
63. STATED CAPITAL AND SHARE CAPITAL		
Authorised		
500 000 000 (2022: 500 000 000) ordinary shares of no par value	–	–
1 000 000 cumulative, redeemable preference shares of no par value	–	–
Issued – Ordinary shares		
161 155 915 (2022: 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	161 156
Balance at 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	696 497
Balance at end of year	696 497	696 497
Issued – Preference shares		
500 000 preference shares	–	–
Reconciliation of movement in number of shares issued (000s):		
Balance at the beginning of the year	500 000	500 000
Balance at the end of the year	500 000	500 000

As part of the unbundling of private equity assets in the prior year the company issued 500 000 preference shares to Vunani Capital Partners Limited in relation to the African Legend investment shares. The terms of the preference shares are such that, *inter alia*, all contractual rights to cash flows related to the African Legend shares and the African Legend distributions, will be transferred to Vunani Capital Partners.

In terms of IFRS 9: – Financial Instruments an entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset (i.e. the African Legend Shares) are transferred to another entity and when substantially all of the risks and rewards of ownership of the financial asset are transferred (i.e. the African Legend Distributions to Vunani Capital Partners). Based on this pass-through arrangement, the African Legend shares have been derecognised and accordingly no liability is raised for the VL Preference Shares.

Figures in R'000	2023	2022
64. TRADE AND OTHER PAYABLES		
Sundry payables	1 825	1 688
65. CASH UTILISED BY OPERATIONS		
Profit before income tax	(3 783)	44 840
Adjusted for:		
Investment revenue	–	(43 945)
Finance income	*	*
IAS 19 – employee benefit costs	–	(4 551)
	(3 783)	(3 656)
Changes in working capital:		
Increase in trade and other payables	137	(347)
Cash utilised by operations	(3 646)	(4 003)

* *Less than R1 000*

66. RELATED PARTIES

Relationships

Majority shareholder	Bambelela Capital Proprietary Limited
Subsidiaries	Refer to note 44
Directors	Refer to note 45

* *The parent does not produce financial statements for public use.*

	Notes	2023	2022
Related party balances			
Investments in subsidiaries	57	**429 895**	428 686
Loan from subsidiary companies	59	**(48 660)**	(5 716)
Loan to share trust	60	**6 213**	6 213
Related party transactions			
Revenue – management fees (from Vunani Capital Proprietary Limited)	50	**2 076**	1 559

Directors' remuneration and benefits (refer to note 45).

67. 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
Marten Banninga*	**1 424**	**150**	**372**	**163**	**2 109**
David Hurford$	**2 495**	**954**	**353**	**186**	**3 988**
Shaun Naidoo&	**1 839**	**1 040**	**278**	**321**	**3 477**
Snowy Masakale%	**1 308**	**1 707**	**173**	**–**	**3 188**
Viwe Tini!	**1 341**	**170**	**159**	**–**	**1 670**
David Takis#	**1 796**	**1 169**	**235**	**–**	**3 200**
Thabo Moipolai@	**1 912**	**891**	**299**	**–**	**3 102**
	12 115	**6 081**	**1 869**	**670**	**20 734**

$ *David Hurford is the CEO of Fairheads*
* *Marten Banninga is the CEO of Vunani Capital Markets.*
! *Viwe Tini was appointed CEO of Vunani Securities on 1 March 2023*
& *Shaun Naidoo is the CEO of Vunani Corporate Finance.*
% *Snowy Masakale resigned as the CEO of Vunani Fund Managers on 27 May 2022.*
# *David Takis is the CEO of Oracle Life and Insure.*
@ *Thabo Moipolai is the CEO of VFMB.*

2022	Basic salary	Bonuses	Provident fund and medical aid	Share-based payments	Total
Marten Banninga*	564	718	145	107	1 534
David Hurford$	2 316	471	300	114	3 201
Shaun Naidoo&	1 589	1 063	179	208	3 039
Snowy Masakale%	2 484	833	324	224	3 865
Richard Krepelka$	2 741	125	168	–	3 034
David Takis#	1 582	930	333	–	2 845
Thabo Moipolai@	1 867	647	290	–	2 804
	13 143	4 787	1 739	653	20 322

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	Un-discounted contractual cash flows	Less than 1 year	1–5 years	Greater than 5 years
68. FINANCIAL INSTRUMENTS					
68.1 Liquidity risk					
2023					
Non-derivative financial assets	**6 217**	**6 217**	**4**	**6 213**	**–**
Loan to share trust	**6 213**	**6 213**	**–**	**6 213**	**–**
Cash and cash equivalents	**4**	**4**	**4**	**–**	**–**
Non-derivative financial liabilities	**(50 485)**	**(50 485)**	**(1 825)**	**(48 660)**	**–**
Trade and other payables	**(1 825)**	**(1 825)**	**(1 825)**	**–**	**–**
Loan from subsidiary	**(48 660)**	**(48 660)**	**–**	**(48 660)**	**–**
Net liquidity position	**(44 268)**	**(44 268)**	**(1 821)**	**(42 447)**	
2022					
Non-derivative financial assets	6 216	6 216	3	6 213	–
Loan to share trust	6 213	6 213	–	6 213	–
Cash and cash equivalents	3	3	3	–	–
Non-derivative financial liabilities	(7 404)	(7 404)	(1 688)	(5 716)	–
Trade and other payables	(1 688)	(1 688)	(1 688)	–	–
Loan from subsidiary	(5 716)	(5 716)	–	(5 716)	–
Net liquidity position	(1 188)	(1 188)	(1 685)	497	

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 R20.0 million, which may be used to meet its financial obligations if necessary.

	2023	2022
68.2 Credit risk		
The carrying amount of financial assets represents the maximum credit exposure.		
The maximum exposure of credit risk was:		
Loan to share trust	**6 213**	6 213
Cash and cash equivalents	**4**	3
	6 217	6 216

Impairment losses

The ageing of financial assets at the reporting date was:

	Total	Loan to share trust
2023		
Stage 1	**6 213**	**6 213**
2022		
Stage 1	6 213	6 213

There is limited credit risk with the loan to the share trust, as the company does not have any intention to recall the loan. There is no expected repayment terms and thus the probability of default will almost be minimum. Covid-19 has had no impact on the ECL measurement, as such, no ECL has been raised on the loan balance in the current year.

No ECL were raised on the loan to subsidiary in the prior year as there is limited credit risk. The company has considered the historic pattern of repayment of contractual cash flows and the ability of the subsidiary to settle the loan in concluding that an ECL impairment allowance would be immaterial.

Figures in R'000	2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
68.3 Fair values				
Financial assets at amortised cost				
Loan to share trust	**6 213**	**5 174**	6 213	5 191
	6 213	**5 174**	6 213	5 191
Financial liabilities at amortised cost				
Loan from subsidiary company	**(48 660)**	**(40 521)**	(5 716)	(4 775)
	(48 660)	**(40 521)**	(5 716)	(4 775)

The carrying amounts of cash and cash equivalents and trade and other payables reasonably approximate their fair values and therefore not included in the table above.

The fair values of the financial assets and liabilities at amortised cost are based on discounted cash flow analysis using observable discount rates: i.e. current prevailing interest rates. These rates take into account the impact of Covid-19, and consequently the determination of the fair values.

68. FINANCIAL INSTRUMENTS (CONTINUED)

68.4 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
2023			
Financial assets measured at fair value	**–**	**–**	**–**
Financial assets measured at amortised cost	**–**	**–**	**5 174**
Financial liabilities measured at amortised cost	**–**	**–**	**(40 521)**
	–	**–**	**(35 347)**
2022			
Financial assets measured at fair value	–	–	–
Financial assets measured at amortised cost	–	–	5 191
Financial liabilities measured at amortised cost	–	–	(4 775)
	–	–	416

Figures in R'000	2023	2022
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		
Free cash flow		
10% increase	**(4 052)**	(2 066)
10% decrease	**4 052**	(4 222)

69. GOING CONCERN

Prior to the approval of the financial statements the board undertook processes to ensure that the going-concern principle applies.

The company incurred a loss for the year ended 28 February 2023 of R3.8 million (2022: profit of R44.8 million) and as of that date its total assets exceeded its total liabilities by R385.5 million (2022: R423.6 million). However, the current liabilities exceeded the current assets by R1.8 million (2022: R1.7 million). The current liabilities of R1.8 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 enquiries it has made, the company will continue as a going concern for the foreseeable future.

07

SHAREHOLDER INFORMATION

Analysis of the shareholders

at 28 February 2023

	Number of shareholders	Percentage of shareholders held %	Number of shares held ('000s)	Percentage of shares held %
Analysis of shareholding				
Close corporations	2	0.21	11	0.01
Custodians	3	0.31	281	0.17
Foundations and charitable funds	1	0.10	*	*
Investment partnerships	1	0.10	4	*
Managed funds	2	0.21	419	0.26
Private companies	25	2.62	131 551	81.63
Public companies	2	0.21	1 297	0.80
Retail shareholders	902	94.55	23 109	14.34
Scrip lending	1	0.10	500	0.31
Share schemes	1	0.10	2 556	1.59
Stockbrokers and nominees	3	0.31	484	0.30
Trusts	9	0.94	944	0.59
Unclaimed scrip	2	0.21	*	*
Shareholding per share register	954	100	161 156	100
Range of shareholding				
1 to 1 000	800	83.9	50	*
1 001 to 10 000	59	6.2	195	0.1
10 001 to 100 000	42	4.4	1 706	1.1
100 001 to 1 000 000	35	3.7	12 271	7.6
More than 1 000 000	18	1.9	146 934	91.3
	954	100	161 156	100

* *less than 1 000*

Shareholder spread analysis

To the best knowledge of the directors and after reasonable enquiry, as at 28 February 2023, the spread of shareholders, as defined in the Listings Requirements of the JSE Limited, was as follows:

	Number of shareholders	Percentage of shareholders held %	Number of shares held ('000s)	Percentage of shares held %
Type of shareholder				
Non-public shareholders	14	1	97 311	60
Directors and Associates (Excluding Employee Unit Schemes) (Direct Holding)	6	0.6	3 062	1.9
Directors and Associates (Excluding Employee Unit Schemes) (Indirect Holding)	4	0.4	61 285	38.0
Prescribed officers	2	–	368	0.2
Strategic Holders: Geomer Investments (Pty) Ltd (>10%)	1	0.1	30 040	18.6
Share Schemes	1	0.1	2 556	1.6
Public shareholders	940	98.5	63 845	39.6
Total	954	100	161 156	100
Shareholdings greater than 5%				
Bambelela Capital Proprietary Limited			79 360	49.2
Geomer Investments Proprietary Limited			30 040	18.6
			109 400	67.8

Shareholders' diary

Financial year-end	28 February 2023
Annual results announcement	24 May 2023
Annual report posted	29 June 2023
Annual general meeting	27 July 2023
Interim results announcement	October 2023

Notice of annual general meeting

for the year ended 28 February 2023

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 23 June 2023, being the record date to receive notice of the Annual General Meeting (AGM) for the year ended 28 February 2023 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 Thursday, 27 July 2023 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	18 July 2023
Record date for determining those shareholders entitled to vote at the AGM	21 July 2023
Last day to lodge proxy	25 July 2023
Record date to be eligible to receive the notice of the AGM	23 June 2023

Electronic meeting participation and section 63(1) of the Companies Act – Identification of meeting participants

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 for AGM resolutions on pages 171 to 176.

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 28 February 2023, 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 69 to 166 of the integrated annual report.

2. ORDINARY RESOLUTION NUMBER 1

Re-election of Mr LI Jacobs as an independent non-executive director

"It is hereby resolved that the re-election of Mr LI Jacobs 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 reappointment in this capacity, be approved."

Please refer to page 42 of the integrated report for a brief biography.

3. ORDINARY RESOLUTION NUMBER 2

Re-election of Mr S Mthethwa as a non-executive director

"It hereby resolved that the re-election of Mr S Mthethwa, 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 reappointment in this capacity, be approved."

Please refer to page 42 of the integrated report for a brief biography.

4. ORDINARY RESOLUTION NUMBER 3

Re-election of Mr MJA Golding as an independent non-executive director

"It hereby resolved that the re-election of Mr MJA Golding, 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 reappointment in this capacity, be approved."

Please refer to page 42 of the integrated report for a brief biography.

5. ORDINARY RESOLUTION NUMBER 4

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."

6. ORDINARY RESOLUTION NUMBER 5

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."

7. ORDINARY RESOLUTION NUMBER 6

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."

8. ORDINARY RESOLUTION NUMBER 7

Appointment of BDO 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, BDO Inc., together with Mr L September are hereby re-appointed as the independent auditors of the company (for its financial year ending 28 February 2024), and that their appointment be of full force and effect until the conclusion of the company's next annual general meeting.

9. ORDINARY RESOLUTION NUMBER 8

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."

10. ORDINARY RESOLUTION NUMBER 9

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 9 by shareholders present or represented by proxy at this AGM.

11. ORDINARY RESOLUTION NUMBER 10

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."

12. ORDINARY RESOLUTION NUMBER 11

Approval of implementation report (non-binding advisory vote)

"It is hereby resolved, through a non-binding advisory vote, that the company's remuneration implementation report be approved and endorsed."

13. 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	R506 000 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	R360 000 per annum
Chairman of the investment committee	R11 000 per meeting in addition to the base fee
Chairman of audit and risk committee	R24 500 per annum, in addition to the base fee
Member of the audit and risk committee	R12 500 per annum, in addition to the base fee
Chairman of the remuneration committee	R24 500 per annum in addition to the base fee
Member of the remuneration committee	R12 500 per annum in addition to the base fee
Chairman of the social, ethics and transformation committee	R24 500 per annum in addition to the base fee
Member of investment committee	R5 500 per meeting in addition to the base fee

14. 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;

14. SPECIAL RESOLUTION NUMBER 2 (CONTINUED)

- 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; and
- 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 page 42 of this integrated report;
- major shareholders – refer to page 168 of this integrated report;
- directors' interests and securities – refer to page 138 of this integrated report; and
- share capital of the company – refer to page 120 this integrated report.

Directors' responsibility

The directors, whose names are set out on page 42 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.

15. 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 interrelated 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."

16. ORDINARY RESOLUTION NUMBER 12

Directors' authority to sign documents

"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."

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 any 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.

16. ORDINARY RESOLUTION NUMBER 12 (CONTINUED)

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 body corporate, 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 21 July 2023.

Threshold for resolution approval

For ordinary resolutions, with the exception of ordinary resolution number 8 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 8 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

E Dube
Group chief executive officer

28 June 2023

Form of proxy

Vunani Limited – Company
(Incorporated in the Republic of South Africa)
(Registration number: 1997/020641/06)
JSE code: VUN
ISIN: ZAE000163382
(the "company")

VUNANI LIMITED

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 electronically on Thursday, 27 July 2023 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 AGM,

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 Mr LI Jacobs as an independent non-executive director			
Ordinary resolution number 2 Re-election of Mr S Mthethwa as a non-executive director			
Ordinary resolution number 3 Re-election of Mr MJA Golding as a non-executive director			
Ordinary resolution number 4 Re-election of Mr GS Nzalo as a member and chairman of the audit and risk committee			
Ordinary resolution number 5 R-election of Mr JR Macey as a member of the audit and risk committee			
Ordinary resolution number 6 R-election of Ms NS Mazwi as a member of the audit and risk committee			
Ordinary resolution number 7 Re-appointment of BDO Inc. as the auditor of the company			
Ordinary resolution number 8 General authority to directors to allot and issue authorised but unissued ordinary shares			
Ordinary resolution number 9 General authority to directors to allot and issue ordinary shares for cash			
Ordinary resolution number 10 Approval of remuneration policy (non-binding advisory vote)			
Ordinary resolution number 11 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 2023

Signature(s)

Capacity

Please read the notes and summary on the reverse side hereof.

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. 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 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 Annual General Meeting held on 27 July 2023

THE ANNUAL GENERAL MEETING

- Shareholders or their proxies who wish to participate in the annual general meeting via electronic communication (Participants), must apply to the company's meeting scrutineers to do so by emailing the form below (the application) to the email address of the company's meeting scrutineers, The Meeting Specialist Proprietary Limited (TMS), by no later than 17:00 on 20 July 2023. The email 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 24 July and 26 July 2023 via email/mobile with a unique link to allow them to participate in the virtual annual 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 17:00 on 20 July 2023.
- 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.

Electronic participation in the Vunani Limited Virtual Annual General Meeting held on 27 July 2023 (continued)

TERMS AND CONDITIONS FOR PARTICIPATION AT THE VUNANI LIMITED ANNUAL GENERAL MEETING TO BE HELD ON 27 JULY 2023 VIA ELECTRONIC COMMUNICATION

- The cost of dialling in using a telecommunication line/webcast/web-streaming to participate in the annual 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/webstreaming and connections linking the telecommunication lines/webcast/web-streaming to the general meeting.
- Participants will be able to vote during the annual 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 emailed to TMS at proxy@tmsmeetings.co.za.

Shareholder name ______________________________

Signature ______________________________

Date ______________________________

Important: You are required to attach a copy of your identity document/driver's licence/passport when submitting the application.

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 28 February 2023	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 Waverley, Johannesburg 2196
JSE Sponsor	Grindrod Bank Limited
Website	www.vunanilimited.co.za
Telephone	+27 11 263 9500

Glossary

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.

SUBSIDIARIES AND ASSOCIATES

Fairheads	Fairheads International Holdings Proprietary Limited.
Oracle	Oracle Insurance Eswatini Proprietary Limited.
Mandlalux	Mandlalux Proprietary Limited.
Mandlamart	Mandlamart Proprietary Limited.
Verso	Verso Group Proprietary Limited.
Vunani	Vunani Limited and its subsidiaries.
Vunani Capital	Vunani Capital Proprietary Limited.
Vunani Capital Partners Limited (VCP)	A company incorporated in the Republic of South Africa, registration number 2019/431743/06 EESE code: EXVCP ISIN: ZAEE00000062 Listed on EESE (VCP).
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 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 of 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
EBITDA	Earnings before interest, tax depreciation and amortisation
EESE	Equity Express Securities Exchange
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
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 Services
SENS	Stock Exchange News Service
The group	Vunani Limited
The company	Vunani Limited
VCF	Vunani Corporate Finance, a division of Vunani Capital
VCP	Vunani Capital Partners Limited
VFM	Vunani Fund Managers
VFMB	Vunani Fund Managers Botswana
VSIST	Vunani Share Incentive Scheme Trust

(Incorporated in the Republic of South Africa)
(Registration number: 1997/020641/06)
JSE code: VUN
ISIN: ZAE000163382
Listed on the JSE Limited ("JSE") and secondary listing on A2X
("Vunani" or "the company" or "the group")

vunanilimited.co.za