FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The South African *Companies Act* requires directors to ensure that the company maintains adequate accounting records and to be responsible for the content and integrity of the group and company annual financial statements of Alexander Forbes Equity Holdings Proprietary Limited and related financial information included in this report. It is their responsibility to ensure that the financial statements, for each financial year, fairly present the state of affairs of the group and company at the end of the financial year and the results of their operations and cash flows in conformity with International Financial Reporting Standards (IFRS).

The accounting policies, supported by judgements, estimates and assumptions which comply with IFRS, have been applied on a consistent and going concern basis.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements. Their unmodified audit report appears on page 12.

The directors are ultimately responsible for the internal controls of the group. To enable the directors to meet these responsibilities, management designs and implements standards and systems of internal control to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements in accordance with IFRS and to adequately safeguard, verify and maintain accountability for group assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Based on the information and explanations given by management and the internal and external auditors, the directors are of the opinion that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the group and company annual financial statements in accordance with IFRS. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of the internal controls, resulting in a material loss to the group, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the group and company annual financial statements.

DIRECTORS' APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The group and company financial statements, prepared in accordance with IFRS, were approved by the board of directors on 9 June 2014 and are signed on their behalf by:

MS Moloko
Chairman

E Chr Kieswetter
Group Chief Executive

CERTIFICATE BY THE COMPANY SECRETARY

I hereby confirm, in my capacity as Company Secretary of Alexander Forbes Equity Holdings Proprietary Limited, that for the year ended 31 March 2014, the company has filed all required returns and notices in terms of the *Companies Act*, 2008, with the Companies and Intellectual Property Commission and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

JE Salvado
Company Secretary

DIRECTORS' REPORT

for the year ended 31 March 2014

The directors present their report, which forms part of the group and company annual financial statements of Alexander Forbes Equity Holdings Proprietary Limited for the year ended 31 March 2014.

NATURE OF BUSINESS

Alexander Forbes Equity Holdings Proprietary Limited ("AFEH") is the ultimate holding company of the Alexander Forbes group of companies ("the group") and its financial results are made publicly available solely for purposes of further informing the financial results of the listed Alexander Forbes Preference Share Investments Limited, which holds a 28.4% interest in the issued ordinary shares of AFEH as at 31 March 2014 and also previously held various other financial instruments issued by the company and certain of its subsidiaries.

CORPORATE ACTIVITY

i) Strategic refocus of the group completed

As previously reported, a review of the group's portfolio of businesses in support of its strategic focus has resulted in various corporate actions over the past number of years. On 4 November 2013, the group also announced the disposal of the Guardrisk group of companies. The disposal was concluded on 3 March 2014 and is likely to be the final material disposal in the strategic refocusing of the group. The businesses that were treated as discontinued operations at the end of the previous financial year have materially been disposed during the year under review.

The group continues its stated strategy of focusing on and growing its core institutional employee benefits and asset management businesses. In addition, the group continues to leverage its strong position in the aforementioned institutional market in order to grow its penetration into the retail market (individual client financial wellbeing through advice and product) as well as the public sector space and further expansion of its core business into the rest of Africa.

ii) Capital restructure implemented

On the 31st of March 2014 the group completed a comprehensive capital restructure.

The rationale for this restructuring was to:

- optimise and simplify the capital structure of the Group;
- ensure compliance with upcoming regulatory changes, most notably the proposed introduction of consolidated supervision;
- align the company's shareholder interests in the group capital structure; and
- facilitate the realisation of their investment by the company's shareholders in due course.

The restructure was aimed at redeeming substantially all remaining debt instruments and preference share instruments in the funding structure of the group and replacing such outstanding amounts with ordinary equity. A single senior unsecured term debt layer was introduced which may, over time, be reduced by reapplying internal cash flows to meet regulatory capital requirements as and when they become effective.

The Financial Services Board (FSB) is continuing with the revision of capital adequacy requirements for insurance entities which has significantly increased the capital required by insurance entities in the group. These are interim measures in advance of the implementation of the Solvency Assessment and Management framework (SAM). Following the postponement of the implementation date of Solvency II in Europe, the implementation date of SAM in SA has been revised to 2016. SAM allows for risk based internal capital models to be applied under certain circumstances which are welcomed by the group given its limited insurance underwriting activities.

DIRECTORS' REPORT (Continued)

The implementation by the FSB of consolidated or group supervision, is now expected to take place on 1 Jan 2015. The group expects to fully comply with these requirements when they become effective, given the recent capital restructure.

REVIEW OF OPERATIONS

i) Group overview

The group's results from continuing operations for the financial year ended 31 March 2014 continued to show solid growth. The growth in trading profit was driven by good growth in net revenue across all of the continuing operations. The strategic growth areas of retail and expansion into Africa also continue to gather momentum.

The operating income from continuing operations, net of direct product costs ("net revenue"), totalled R4.4 billion, increasing by 17.5% from the previous financial year. The weakening rand had a positive effect on revenue contribution from the International operations for the year. The strategy to grow the retail (individual client) market segments throughout the African operations continues to show good progress, with combined net revenue in that client segment increasing by 12% across the group.

Operating expenses of continuing operations (excluding non-trading items) of R3.4 billion increased by 19.2% compared to the previous year. We continue to balance disciplined cost management in the established business areas with investment in the strategic growth areas, particularly in support of our expansion in the individual client market. As previously indicated, the recent disposals of businesses resulted in some shared services cost, previously absorbed by those businesses, having to be absorbed by the remainder of the group. The requirement to account for long term operating leases on a straight line basis as required by IFRS also negatively impacted results during the transition years and is particularly pronounced in the current financial year. This effect has been isolated in the segmental reporting for clarity.

Profit from continuing operations, before non-trading items, increased by 12.4% to R1.04 billion compared to the R0.93 billion for continuing operations in the previous financial year. Adjusting for the impact of the accounting treatment for the long term operating leases explained above, the adjusted growth rate in trading profit would be 17% (refer segmental results).

After non-trading items and finance charges, the group's profit before taxation from continuing operations of R324 million, showing a significant improvement from the R94 million of the previous financial year. As there is no group taxation relief in SA, at a consolidated level, the effective tax rate compared to profits before tax typically appears high, resulting in an after tax loss of R37 million compared to a loss of R98 million in the previous year. The absolute value of and growth in profit after tax of 164% should be viewed in the context of the funding structure of the group that was in place until the completion of the capital restructure which became effective only on the last day of the financial year. In addition, the ongoing accounting amortisation of the intangible assets which arose from the business combination (acquisition by the current shareholders in 2007) amounting to R144 million for the year (refer note 5) should also be taken into account.

A brief commentary on the operating results for each of the main businesses segments follows below.

- *SA Financial Services*

Income from operations, net of direct product costs, increased by 9% to R1.8 billion compared to the previous financial year and trading profit increased by 6% to R387 million. Strong new business growth was achieved in all the major divisions, with annualised institutional new business growing by 34% year on year and retail new business assets under advisement growing by 26% year on year. Client retention remained high.

DIRECTORS' REPORT (Continued)

Growth in members under administration in the retirement fund administration business continued with the number of active member records under administration being over 997 000 at 31 March 2014, a growth of 11% year on year. Our retail (individual) client base to whom we provide advice and administration services grew in number by 7% year on year. Importantly, we saw an increase in the proportion of assets, in respect of members exiting funds administered by us, being advised by our Financial Planning Consultants division. Our continued focus on the retail opportunity showed pleasing results, with the retail assets under advisement growing by 21% year on year to total R48.5 billion at 31 March 2014.

Our flagship umbrella retirement fund, the Alexander Forbes Retirement Fund (AFRF), is one of the largest funds of its kind in the market. During the year, we undertook a review of the AFRF product offering and we were pleased to see that our offering remains competitive and relevant and is well positioned in light of the pending Retirement Fund Reform. Total umbrella fund assets under management were R57.1 billion at 31 March 2014, a growth of 24% year on year.

We have also increased our focus on client service standards and we saw a significant improvement in various internal measures and improved ratings from clients. We are pleased with the score we achieved, being a client satisfaction score of 8.4 out of 10 for institutional clients and 9.3 out of 10 for retail client engagements.

Our continued focus on our public sector division showed good progress in building our brand within the sector and strengthening strategic networks and relationships. This has resulted in strong new business growth in this sector. Our healthcare consulting division also achieved strong new business flows and our retirement fund consulting and actuarial division improved its contribution, increasing its trading margin.

Alexander Forbes Compensation Technologies, despite a decline in trading profit in the current year, experienced good new business wins in the year. However, revenue generation from the more significant new business wins will mostly be seen in only the 2015 financial year.

- *Investment Solutions South Africa*

Closing assets under management and administration increased by 20% to R285 billion as at 31 March 2014, of which R254 billion are assets under investment management. Average assets under management increased by 18% compared to the previous financial year. Income from operations, net of underlying asset manager fees, increased by 13% year on year to R717 million. Trading profit grew by 16% to R360 million, driven by growth in equity markets and improved asset accumulation. The clients under administration utilising the business's investment management platform continued to deliver strong growth, albeit that this business line operates at lower margins.

New business flows have been on an upward trend during the year, although the ongoing benefit payments to fund members remain relatively high compared to ongoing contributions into funds, reflecting the underlying cash negative trend in the South African retirement fund space. We recorded R14 billion gross new flows; this was mainly driven by the R7 billion of new flows from the platform business (administration). We continue to focus on improving our wider asset accumulation strategies in line with our long term growth plan.

Most of our investment portfolios are performing very well against peers and are ahead of their respective benchmarks over the medium to long term measurement periods. During the period under review, over 88% of our funds were ahead of benchmark on a rolling 12 months period.

We continuously focus on improving operational integrity and deepening expertise across the business so that we continue to serve our clients better and add value towards their retirement savings and wealth creation while managing the risk of unusual and challenging economic environments.

DIRECTORS' REPORT (Continued)

- *Alexander Forbes Insurance ("AF Insurance")*

Alexander Forbes Insurance continued the trend of strong growth during the year. Gross written premium increased by 15% to R1.2 billion in a higly competitive market. New business gains from Business Insurance (launched April 2012) continued with annualised gross new business written increasing by 58% to R29 million for the year.

It is widely reported that short-term insurers are facing a tough underwriting business cycle with significant increases in loss ratios. AF Insurance experienced a number of weather related claim events, notably severe hail storms in Gauteng as well as flooding in various parts of the country. These events, coupled with the decrease in the rand-dollar exchange rate, contributed to AFI not achieving its long term targeted loss ratio in the year under review.

Despite the negative impact on underwriting results, net operating income, net of reinsurance, increased by 14% to R350 million. Expenses increased 11%, driven in part by our ongoing commitment to increase our sales capacity as well as our continued investment in Alexander Forbes Business Insurance.

Profit from operations, including the negative impact of underwriting and sustained investment in our sales capacity, increased by 10% to R88 million.

- *AfriNet (covering all operations in Africa outside of South Africa)*

Net operating income from continuing operations increased by 23% to R249 million for the year and trading profit from continuing operations increased by 33% to R48 million. This very pleasing result was achieved due to the initiatives focused on strengthening our existing operations through better market positioning, deeper/multi product penetration, selective introduction of new products and stronger governance and control measures.

The operating environment in the AfriNet operations remains challenging and highly competitive in certain areas. Positive legislation changes occurred in the year in Kenya with the National Social Security reform being enacted in December 2013 and similar pending legislation to be enacted in Uganda in 2015. These changes will have a positive impact on retirement savings levels in those countries and we believe we are well placed to capture this.

The larger operations of Namibia and Botswana continue to deliver solid results, with our short term insurer in Namibia, Alexander Forbes Insurance, continuing to show stellar growth in premium income and new business and gaining market share. The operations in Kenya again had a great year, demonstrating thought leadership and actuarial expertise in that market. Our Nigerian and Zambian financial services operations, although in startup phase, are showing exciting new market growth prospects.

- *International Financial Services*

During the year, the group largely concluded the disposals of non-core and sub-scale investments in the United Kingdom and Europe. This included the disposals of Investment Solutions (UK), the direct marketing group, Media Insurance Services and LCP Libera, the Swiss actuarial consultancy.

In addition, Alexander Forbes Trustee Services was disposed subsequent to year-end and was reclassified as a discontinued operation in these financial statements as required by IFRS.

The continuing operations of the International Financial Services business now comprise the consulting actuarial business of Lane Clarke & Peacock (LCP) with operations in the United Kingdom, Ireland and the Netherlands.

DIRECTORS' REPORT (Continued)

Income from continuing operations increased by 10% to £81 million for the year and trading profit increased by 20% to £12 million. Revenue growth across the United Kingdom and European operations continued to be affected by the economic environment and pressure on charge out rates as clients manage their expenditure. Despite this, the businesses continued to win new business and capitalise on the demand for trustee, consulting and investment advice as well as de-risking solutions.

The trading profit growth reflects a continued focus on productivity and cost management, particularly in anticipation of the relocation of LCP's principal London office.

The significant growth in Rand earnings resulted from a 21% deterioration in the average sterling exchange rate. LCP continues to provide the group with a rand hedge.

DIVIDENDS AND INTEREST PAYMENTS

Since the inception of the private equity transaction in 2007 the group's cash profits have been directed towards servicing interest and capital repayments of the debt structure, no dividend on the ordinary shares in issue has been declared or is payable. Cash generated over the past year has been utilised in the capital restructure and for the repayment of outstanding debt.

Dividends payable in terms of the Senior Preference Shares issued by Alexander Forbes Acquisitions Proprietary Limited have all been paid in full in the year under review. Both the High Yield Term Loan and Pay in Kind debentures were settled in full on 31 March 2014 (outstanding interest and capital) as part of the capital restructure referred to earlier.

The capital restructure completed at the end of the financial year was structured with the intention that the normal ongoing cash flows for the first nine months of the year, if necessary, can be utilised to bring the group in line with a regulatory capital compliant position of "own funds" before the 1 January 2015 deadline. Given the high cash generative nature of the group, the Board is considering an appropriate dividend policy for the group once this position has been achieved.

PROSPECTS

The disposal of the Guardrisk group of companies during this year substantially completed the strategic repositioning and refocusing of the group that was the driving force behind the many divestments and disposals implemented over the past number of years. The group is now well positioned to continue to strengthen its core businesses and related market positions even further and to drive its growth strategies with clear focus.

The capital restructure that took effect on the last day of the financial year also positions the group well to operate under a fast changing and more demanding regulatory environment and provides for a much simplified and more flexible financial position going forward. Given that the capital restructure was only implemented on the last day of the financial year, the funding cost reflected in the income statement is still reflective of the previous debt structure and will be significantly reduced in future years. The group will continue to manage the balance between allocating resource and capacity for the long term growth versus maintenance of short term objectives. In doing so we focus on financial and non-financial aspects as we are building a sustainable but growth orientated business. We are experiencing the outcomes of the resolute commitment we have made in a number of key strategic initiatives that has strengthened the integrity of our business as follows:

- Repositioning the brand and reputation
- Stakeholder engagement and relationship building
- Leadership development and engagement
- Employee engagement

DIRECTORS' REPORT (Continued)

We continue to make progress in achieving our strategic goals. The results, both financial and non-financial, confirm that our strategic choices are valid and with greater focus and execution will deliver shareholder value.

Although we acknowledge the challenges that lay ahead, our bias for top line growth whilst optimising operational efficiencies and sustainable organisational integrity remains unchanged. Our focus will continue to be on growing our retail, public sector and Africa beyond SA offering and footprint. We will also continue to encourage open and honest engagement with our employees and various stakeholders so that we fully embed the values of SERVE (our leadership code as explained previously in our integrated report) with renewed vigour and client advocacy and treating clients fairly.

Our key focus areas over the next twelve to eighteen months are largely unchanged and will include continued efforts to:

- Improvement of our value to clients
- Further improving efficiency and value in our core institutional businesses
- Drive growth in our strategic growth areas of individual client, rest of Africa and Public Sector
- Run our businesses with increasing institutional and reputational integrity

As previously announced, the shareholders are advised that the group is exploring various strategic options for maximising shareholder value, which includes a possible listing of the Group by way of an initial public offering ("IPO"). The Group has recently also received expressions of interest from several parties to acquire the Group. The board has mandated the Group executive to formally explore these expressions of interest whilst still progressing with the possible IPO. Accordingly, Preference Shareholders are advised that the Group has embarked on processes which, if successfully concluded, may have a material effect on the price of the Company´s preference shares. Accordingly, Preference Shareholders are advised to exercise caution when dealing in the Company´s preference shares until a further announcement is made.

SHARE CAPITAL

Authorised

The authorised share capital of the company comprises 2.5 billion ordinary shares, 600 million A preference shares and 319 million B preference shares.

Issued

As part of the capital restructure undertaken on 31 March 2014, the company issued an additional 873 339 806 ordinary shares and redeemed the 319 461 529 A preference shares that were in issue, with no change to the B preference shares. As detailed in note 24 to these financial statements, the group has 1 250 698 297 ordinary shares in issue at 31 March 2014, post the restructure and 21 161 113 B preference shares.

SHAREHOLDERS

The shareholders of the company comprise a private equity consortium of investors, reinvestment shareholders through a publicly listed special purpose entity, B-BBEE shareholders, including a community trust and a staff shares trust, as well as a management trust. Full details are provided in Annexure A to these financial statements.

BORROWING POWERS

In terms of the memorandum of incorporation, the borrowing powers of the company are unrestricted and the directors may exercise all the powers of the company to borrow money.

DIRECTORS' REPORT (Continued)

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of subsidiaries, joint ventures and associates, which are considered material to the group, and in respect of which the group has a continuing interest, are provided in note 47 *Consolidated and unconsolidated entities* to these financial statements.

SIGNIFICANT RESOLUTIONS

Significant resolutions for the year included:

- The approval of the sale of subsidiaries including the Guardrisk group, LCP Libera, Investment Solutions UK, MIS, Trustee Services and various smaller entities
- The approval of the debt restructure including al steps to achieve this which have been previously reported
- The approval of the redemption of the A Preference Shares
- The approval to issue new ordinary shares
- The approval of an increase in the authorised ordinary shares
- The approval of the conversion of all authorised and issued ordinary par value shares to no par value shares

PREPARATION OF FINANCIAL STATEMENTS

These annual financial statements were compiled under the supervision of Deon Viljoen, CA (SA), the Group Chief Financial Officer of the Alexander Forbes Group.

DIRECTORS' REPORT (Continued)

DIRECTORS

The directors at the date of approval of this report are:

Independent directors
MD Collier
D Konar
HP Meyer
B Petersen

Non-executive directors
AC de Beer (alternate to A Roux)
JCE Douin * (alternate to LA Hall-Kimm)
D Govender (appointed 28 May 2013)
LA Hall-Kimm **
NC Kolbe
JS Masondo (alternate to D Govender)
D Ngobeni (appointed 23 July 2013)
MC Ramaphosa (resigned 23 July 2013)
A Roux
JA van Wyk
RN Waithaka (alternate to JA van Wyk, appointed 1 September 2012)

* French
** Canadian

Executive directors	**Position**
MS Moloko	Chairman
E Chr Kieswetter	Group Chief Executive Officer
DM Viljoen	Group Chief Financial Officer

DIRECTORS' INTERESTS IN CONTRACTS

The details of transactions with directors are included in the related party note to these financial statements and relate mainly to investment in the high yield term loan. There were no other material contracts entered into in which directors of the company had an interest and which significantly affected the business of the group. The directors had no interest in any third party or company responsible for managing any of the business activities of the group.

DIRECTORS' INTERESTS IN SHARES

The executive directors of the company participate in the management trust and thereby indirectly hold shares in the company. The trust was formed as part of the private equity structure to align the interests of key management to the private equity shareholders. Via the trust, the executive directors also participate in a new special purpose vehicle created as part of the debt restructure as detailed in note 47.2 to these financial statements. Details of these investments are provided in the related party note to these financial statements.

DIRECTORS' REPORT (Continued)

DIRECTORS' EMOLUMENTS
Directors' emoluments are disclosed in the related party note to these financial statements.

COMPANY SECRETARY
The Company Secretary at the date of publication of this report is Mrs JE Salvado.

REGISTERED OFFICE
Details of the registered office of the company are as follows:

Physical address:
Alexander Forbes
115 West Street
Sandown, Sandton
2196
South Africa

Postal address:
PO Box 787240
Sandton
2146
South Africa

The company's registration number is 2006/025226/07.

EVENTS SUBSEQUENT TO REPORTING DATE
No material events occurred between the date of the financial statements and the date of approval of the financial statements that requires disclosure.

AUDITORS
PricewaterhouseCoopers Inc.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALEXANDER FORBES EQUITY HOLDINGS PROPRIETARY LIMITED

We have audited the group and separate annual financial statements of Alexander Forbes Equity Holdings Proprietary Limited set out on pages 14 to 162, which comprise the consolidated and separate statements of financial position as at 31 March 2014, and the consolidated and separate income statements and consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the group and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Alexander Forbes Equity Holdings Proprietary Limited as at 31 March 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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T: +27 (11) 797 4000, F: +27 (11) 797 5800, www.pwc.co.za

Other reports required by the Companies Act

As part of our audit of the group and separate annual financial statements for the year ended 31 March 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited group and separate annual financial statements. These reports are the responsibility of the respective preparers. Based on our reading of these reports we have not identified material inconsistencies between these reports and the audited group and separate annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: J Grosskopf
Registered Auditor
Johannesburg
9 June 2014.

ACCOUNTING POLICIES

for the year ended 31 March 2014

The principal accounting policies applied in the preparation of the group and company financial statements are set out below. These policies are consistent with those applied in the previous year, except for the changes required by Standards and Interpretations effective in 2014.

BASIS OF PREPARATION

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared in accordance with the going concern principle under the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the notes to these financial statements.

These consolidated financial statements are presented in rands, which is the company's functional currency and the group's presentation currency. All financial information presented in rands is rounded to the nearest million except when otherwise indicated.

STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2014

The following standards and interpretations have been adopted by the company as at the reporting date of 31 March 2014:

Title	Nature	Date	Impact
IFRS 1 – Amendment to IFRS 1 – First time adoption – Government loans	This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.	The amendment is effective for annual periods commencing on or after 1 January 2013.	The impact of this amendment is not considered to be relevant to the group.
IFRS7 - Amendment to IFRS 7 – Financial instruments:	The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new	The amendment is effective for annual periods commencing on or after 1 January 2013	The impact of this amendment is not significant for the group.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

disclosures – Offsetting Financial Assets and Financial Liabilities	disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.		
IAS 1 – Amendments to IAS 1 - Presentation of financial statements	The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.	The amendment is effective for annual periods commencing on or after 1 July 2012.	The impact of this amendment is not considered to be significant for the group.
IAS 19 - Amendment to IAS 19 - Employee benefits	The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all defined benefit plans.	The amendment is effective for annual periods commencing on or after 1 January 2013.	Refer to the change in accounting policy under note 49 Restatement of comparative information.
IFRS 10 – Consolidated financial statements	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.	The standard is effective for annual periods commencing on or after 1 January 2013.	Refer to the change in accounting policy under note 49 Restatement of comparative information.
IFRS 11 – Joint arrangements	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement. Joint ventures arise where the joint operator has rights to the net assets of the arrangement. Proportional consolidation of joint ventures is no longer allowed. Equity accounting is mandatory for participants in a joint venture.	The standard is effective for annual periods commencing on or after 1 January 2013.	The impact of this new standard is not considered to be significant for the group.
IFRS 12 – Disclosures of interests in other	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements,	The standard is effective for annual periods commencing	The additional disclosure required by IFRS

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

entities	associates, structured entities and other off balance sheet vehicles.	on or after 1 January 2013.	12 in notes 47 and 48.
IFRS 13 – Fair value measurement	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	The standard is effective for annual periods commencing on or after 1 January 2013	The impact of this new standard is not considered to be significant for the group.
IAS 27 (Revised) – Separate financial statements	This standard includes the accounting and disclosure required for separate financial statements.	The revised standard is effective for annual periods commencing on or after 1 January 2013.	The impact of this revised standard is not considered to be significant for the group.
IAS 28 (Revised) – Investments in associates and joint ventures	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	The revised standard is effective for annual periods commencing on or after 1 January 2013.	The impact of this revised standard is not considered to be significant for the group.
IFRS 10 - Amendment to the transition requirements in IFRS 10 - Consolidated financial statements, IFRS 11 - Joint arrangements, and IFRS 12 - Disclosure of interests in other entities	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted − for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.	The amendment is effective for annual periods commencing on or after 1 January 2013.	The impact of this amendment is not significant for the group.
IFRS 1 – Amendment to IFRS 1, First time adoption of IFRS	The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances. The amendment clarifies that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date. The consequential amendment (as a result of the amendment to IAS 1 discussed below) clarifies that a first-time adopter should provide the supporting notes for all statements presented.	The amendment is effective for annual periods commencing on or after 1 January 2013.	The impact of this amendment is not considered to be significant for the group.
IAS 1 -	The amendment clarifies the disclosure	The amendment is	The impact of this

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

Amendment to IAS 1 - Presentation of financial statements	requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.	effective for annual periods commencing on or after 1 January 2013.	amendment is not considered to be significant for the group.
IAS 16 - Amendment to IAS 16 - Property, plant and equipment	The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.	The amendment is effective for annual periods commencing on or after 1 January 2013.	The impact of this amendment is not considered to be relevant to the group.
IAS 32 - Amendment to IAS 32 - Financial instruments: presentation	The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. As a result, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.	The amendment is effective for annual periods commencing on or after 1 January 2013.	The impact of this amendment is not considered to be significant for the group.
IAS 34 - Amendment to IAS 34 - Interim financial reporting	The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.	The amendment is effective for annual periods commencing on or after 1 January 2013.	The impact of this amendment is not considered to be relevant to the group. .
IFRIC 20 - Stripping costs in the production phase of a surface mine	In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.	This interpretation is effective for annual periods commencing on or after 1 January 2013.	The impact of this interpretation is not considered to be relevant to the group.

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following standards and interpretations have been issued but are not yet effective for the group as at the reporting date of 31 March 2013.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

IFRS 9 – Financial instruments (2010), IFRS 9 – Financial instruments (2009)	IFRS 9 (2009) introduces new requirements for the classification and measurements of financials assets. Under IFRS 9 (2009), financial assets are classified and measured on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.	These standards are effective for annual periods commencing on or after 1 January 2015.	The impact of these standardst is not considered to be significant for the group.
IAS 32 - Amendments to IAS 32 – Financial instruments: presentation	The IASB has issued amendments to the application guidance in IAS 32, 'Financial Instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.	The amendments are effective for annual periods commencing on or after 1 January 2014.	The impact of these amendments may be significant for the group.
Amendment to IAS 39 on novation of derivatives	The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'.	1 January 2014	The impact of these amendments may be significant for the group.
Amendments to IAS 36, 'Impairment of assets'	These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.	1 January 2014	The impact of these amendments may be significant for the group.
Amendments to IFRS 10, "Consolidated financial statements', IFRS 12 and IAS 27 for investment entities.	The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.	1 January 2014	The impact of these amendments may be significant for the group.
IFRIC 21 – Accounting for levies.	IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognised.	1 January 2014	The impact of this Interpretation may be significant for the group.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group 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. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; with the resulting gains or losses on re-measurement recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

All material intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance. This treatment has been applied prospectively from 1 April 2010.

On the loss of control, the group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and components of equity related to the subsidiary. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost, with the change in carrying amount recognised in profit or loss under discontinued operations. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an, associate, joint venture or financial asset, depending on the level of influence retained.

The Company's separate financial statements account for subsidiaries at cost less any accumulated impairment losses.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

(b) Non-controlling interests
Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity therein. Non-controlling interests are initially measured either at fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets at the acquisition date. This is not an accounting policy election and the group will apply the choice of measurement basis on an acquisition by acquisition basis.

Subsequently the non-controlling interest consists of the amount attributed to such interest at initial recognition plus the non-controlling interest's share of change in equity since the date of the combination.

Non-controlling interests are treated as equity participants of the subsidiary companies. The group treats all acquisitions and disposals of its non-controlling interests in subsidiary companies, which do not result in a loss of control, as an equity transaction. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the group.

(c) Structured entities
A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.The group establishes structured entities for business purposes. The group may or may not have any direct or indirect shareholdings in these entities.

(d) Joint Arrangements
Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The group has assessed the nature of its joint arrangements and has determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

(e) Associates
Associates are entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method of accounting and are recognised initially at cost.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in that associate, including any other unsecured receivables, the group does not recognise any further losses, unless the group has incurred legal or constructive obligations or made payments on behalf of the associate.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. Associates' accounting policies have been changed where material and necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the income statement.

The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

(f) Collective investment schemes
Collective investment schemes (or unit trusts) managed by the group are consolidated in the same way as subsidiary companies provided the group can demonstrate the following:

- Power to direct the relevant activities that impact the variable returns of the unit trust through its mandates and voting rights;
- Exposure to the variable returns of the unit trust through its size of investment in the unit trust (for instance, investment by the group is greater than 20 percent); and
- Ability to use its power to impact the variable returns for its own benefit.

The consolidated financial assets of the collective investment schemes attributable to unit holders are shown within "Financial assets held under multi-manager investment' contracts" in the group statement of financial position with a matching linked liability to the unit-holders shown within 'Financial liabilities held under multi-manager investment contracts'.

Fair value adjustments to the financial assets and liabilities of collective investment schemes are recognised in profit or loss.

FOREIGN CURRENCY

(a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates, in other words its functional currency.

(b) Foreign exchange gains and losses arising in entity accounts
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at that date. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities are recognised in profit or loss, except when deferred in other comprehensive income for qualifying cash flow hedges.

All foreign exchange gains and losses including those that relate to borrowings and cash and cash equivalents are presented in the income statement within 'investment income or finance costs' respectively.

Translation differences on monetary items, such as financial assets held at fair value through profit or loss, are reported as part of the fair value gain or loss on such instruments. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

(c) Foreign exchange gains and losses arising on consolidation
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The results and financial positions of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of the group are translated into South African rand as follows:

- All assets and liabilities of items in the statement of financial position are translated at the reporting date at the exchange rate at that date.
- All income and expenses for each income statement item are translated at the average exchange rates for the relevant financial period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the applicable exchange rates at the dates of the transactions).
- All resulting exchange differences are recognised in other comprehensive income and accumultated in the foreign currency translation reserve.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign currency gains or losses on such item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

(that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the reporting date at the exchange rate at that date.

PROPERTY AND EQUIPMENT

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as aseparate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All day-to-day servicing of property and equipment is recognised in profit or loss as incurred.

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 and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The expected useful lives applied are as follows:

Item of property and equipment	Period of depreciation
Leasehold property and improvements	Shorter of useful life or period of lease
Computer and network equipment	3 to 5 years
Motor vehicles	4 to 10 years
Furniture and fittings	4 to 10 years
Office equipment	4 to 7 years

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

Gains and losses on disposals of property and equipment are determined by comparing proceeds from the disposal with the carrying amount of the relevant asset and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

GOODWILL

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

- The group measures goodwill at the acquisition date as: the fair value of the consideration transferred
  PLUS
- The amount of any non-controlling interest in the acquiree measured at the proportionate share of the acquiree's identifiable net assets
  PLUS
- The fair value of the existing equity interest in the acquiree (if the business combination is achieved in stages)
  LESS

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

- The fair value of the net identifiable assets acquired, liabilities (including contingent liabilities) assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Goodwill is measured at cost less accumulated impairment losses and is tested annually for impairment. In respect of equity-accounted investees (associates and joint ventures), the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee. Gains and losses on the disposal of an entity are stated after deducting the carrying amount of goodwill relating to the entity sold.

INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

(a) Purchased and developed computer software

Purchased computer software and the direct costs associated with the customisation and installation thereof, are capitalised and amortised over the useful life of the asset.

Purchased computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over the useful life of the asset. Costs that are directly associated with the production of identifiable and unique software products, which will be controlled by the group and generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

The directly associated costs include employee costs and an appropriate portion of relevant overheads of the system development team. All other costs associated with developing or maintaining computer software programmes are recognised in profit or loss as incurred.

Expenditure, which enhances and extends the benefits of computer software programmes beyond their original specifications and lives, is recognised as a capital improvement and added to the original cost of the software. Previously expensed costs are not subsequently capitalised.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives of between three and five years.

(b) Contractual customer relationships acquired as part of a business combination

Contractual customer relationships acquired as part of a business combination are recognised as intangible assets. The initial recognition of the customer relationship is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. These customer relationships are amortised on a straight-line basis over the estimated life of the acquired contracts.

(c) Deferred acquisition costs (DAC)

Incremental costs directly attributable to securing rights to receive fees for multi-manager investment services sold with investment contracts are capitalised as intangible assets if they can be separately identified, measured reliably and it is probable that their value will be recovered. An incremental cost is one that would not have been incurred if the group had not secured the investment contract.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

The DAC represents the group's contractual right to benefit from providing multi-manager investment services and is amortised on a straight-line basis over the period in which the group expects to recognise the related revenue, not exceeding five years. The costs of securing the right to provide these services do not include transaction costs relating to the origination of the investment contract.

The accounting policy in respect of DAC relating to insurance contracts is described in the relevant accounting policy on insurance contracts.

(d) Trademarks and licences
No value is attributed to internally developed trademarks, patents and similar rights. Costs incurred on these items are recognised in profit and loss as incurred. Expenditure on the development and marketing of the group's brands is also recognised in profit and loss as incurred.

FINANCIAL ASSETS
The group classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity financial assets
- Available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired.

All financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs. The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation techniques of which variables include only data from observable markets. Where the transaction price is not necessarily the fair value of the financial asset, the day one gain or loss is taken to profit or loss unless it qualifies for recognition as some other type of asset..

The purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the group has also transferred the risks and rewards of ownership.

Subsequent to initial recognition, the fair values of financial assets are based on quoted market prices, excluding transaction costs. If the market for a financial asset is not active or an instrument is an unlisted instrument, the fair value is estimated using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

When a discounted cash flow analysis is used to determine the value of financial assets, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate, at the reporting date, for a financial asset with similar terms and conditions. Where option pricing models are used, inputs are based on observable market indicators at the reporting date.

(a) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss.

ACCOUNTING POLICIES (Continued)
for the year ended 31 March 2014

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking. Derivatives are also classified as held for trading, unless they are designated as hedges at inception. All classes of financial assets classified on the statement of financial position as 'Financial assets held under multi-manager investment contracts' are designated at fair value through profit or loss.

A financial asset is designated as fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Under these criteria, the main classes of financial assets designated by the group are preference shares, unit trusts and debt securities. All classes of financial assets classified on the statement of financial position as 'Assets of cell-captive insurance facilities' are designated at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include purchased loans. This category does not include those loans and receivables that the group intends to sell in the short term or that it has designated at fair value through profit or loss or available for sale. Origination transaction costs and origination fees are capitalised to the value of the loan.

Loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses.

Receivables arising from insurance contracts are also classified into this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Short-term trade receivables are carried at original invoice amount less an estimate made for impairment based on a review of all outstanding amounts at the end of each reporting period. The difference between the fair value of short-term receivables and the invoice amount is immaterial.

Long-term trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Impairment is recognised in profit or loss when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Objective evidence that receivables are impaired includes observable data that comes to the attention of the company regarding the following events:

- Significant financial difficulty of the debtor
- A breach of contract, such as default or delinquency in payments
- It becoming probable that the debtor will enter bankruptcy or other financial re-organisation.

Other receivables include work-in-progress in respect of unbilled fee-based services, which is stated at net realisable value. Net realisable value is generally based on the unbilled time incurred to date at the expected charge rates and is the undiscounted value of the receivable.

(c) Held-to-maturity financial assets
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity, other than

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

those that meet the definition of loans and receivables. Any sale or reclassification of a more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the group from classifying investment securities as held-to-maturity for the current and the following two financial years.

The only class of financial asset classified as held-to-maturity is preference shares held for securitisation operations. Held-to-maturity financial assets are carried at amortised cost using the effective interest method, less any impairment losses.

(d) Available-for-sale financial assets
Available-for-sale financial assets are those intended to be held for an indefinite period of time and may be sold in response to liquidity needs or changes in interest rate, exchange rates or equity prices. Financial assets that are designated in this category or not classified in any of the other categories are classified as available-for-sale financial assets. The main classes of assets classified as available for sale are unlisted debt, equity and property securities.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in other comprehensive income and presented in the non-distributable reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Interest income received on available-for-sale financial assets is recognised in profit or loss, using the effective interest rate method. Dividend income received on available-for-sale financial assets is recognised in profit or loss when the group’s right to receive payments is established.

IMPAIRMENT OF FINANCIAL ASSETS
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, or disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(a) Financial assets carried at amortised cost
The group assesses whether there is objective evidence that a financial asset is impaired at each reporting date. A financial asset is impaired, and impairment losses are recognised in profit or loss only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a held-to-maturity investment or a loan has a variable

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in profit or loss.

b) Assets classified as available for sale
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS
(a) Goodwill
Goodwill is assessed annually for impairment. For purposes of impairment testing, goodwill is allocated to cash-generating units, being the lowest component of the business which is expected to generate cash flows that are largely independent of any other business component. Each of those cash-generating units represents a grouping of assets no larger than an operating segment before aggregation as used for segmental reporting purposes in the group financial statements. Impairment losses relating to goodwill are not reversed.

(b) Impairment of other non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment at each reporting date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. Value in use is the present value of projected cash flows covering the remaining useful life of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING
Derivatives are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. Any attributable transaction costs are

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

recognised in profit or loss as incurred. The fair value of publicly-traded derivatives are based on quoted bid prices for assets held or liabilities to be issued and the current offer prices for assets to be acquired and liabilities held. The fair value of non-traded derivatives is based on discounted cash flow analyses and option pricing models as appropriate.

All derivative instruments of the group are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles.
The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates derivatives as hedges of the interest payable (cash flow hedge) on the senior debt.

At the inception of the transaction the group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be, and have been, highly effective in offsetting changes in cash flows of hedged items. The fair values of derivative instruments used for hedging purposes are disclosed in the notes to the financial statements.

(a) Cash flow hedge
The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss.
Amounts accumulated in equity are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in profit or loss.

(b) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of all such derivative instruments are recognised immediately in profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

- Cash on hand
- Deposits held on call with banks
- Other short-term highly liquid investments with original maturities of three months or less
- Demand deposits
- Bank overdrafts offset against cash balances in terms of cash management arrangements.

Cash and cash equivalents backing financial liabilities held under multi-manager investment contracts and liabilities of cell-captive insurance facilities are included in the definition of cash and cash equivalents. However, given the restrictions involved in accessing this cash, it is separately identified on the statement of cash flows. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

EQUITY

a) Share capital

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

Ordinary shares and qualifying preference shares are classified as equity. Incremental costs directly attributable to the issue of equity are recognised as a deduction from equity, net of any tax effects. Incremental costs directly attributable to the issue of ordinary shares and share options as consideration for the acquisition of a business are included in the cost of acquisition.

b) Dividend distributions
Dividend distributions on ordinary shares are recognised as a reduction in equity in the period in which they are approved by the company's shareholders. Distributions declared after the reporting date are not recognised but are disclosed in the financial statements.

CLASSIFICATION OF INSURANCE AND INVESTMENT CONTRACTS
The group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the group defines a significant insurance risk as the possibility of having to pay benefits, on the occurrence of an insured event, that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk. 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. Amounts received under investment contracts are recorded as deposits under investment contract liabilities. Amounts paid under investment contracts are recorded as deductions from investment contract liabilities.

INSURANCE CONTRACTS
Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(a) Short-term insurance contracts
These contracts are casualty, property and short duration life insurance contracts. For all these contracts, premiums are recognised as revenue (earned premiums) in profit or loss proportionally over the period of coverage. Premiums are shown gross of commission and reinsurance and exclude any taxes or duties levied on premiums. Claims and related claims adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

(b) Short-term insurance liabilities
The following are classified as short-term insurance liabilities:

Unearned premiums
Short-term insurance premiums are recognised in profit or loss proportionately over the period of cover for even risk business or in line with the exposure to risk. The portion of premium accrued on in-force contracts that relates to unexpired risks at the reporting date is reported as an unearned premium liability, which is included in insurance-related payables from underwriting activities.

Outstanding claims
Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses of the claims incurred but not reported. Outstanding claims liabilities are recognised as liabilities and included in insurance related payables from underwriting activities. The expense is recognised in profit or loss as a result of the liability being raised. The group does not discount its liabilities for unpaid claims.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

(c) Long-term insurance contracts
These contracts insure events associated with human life over a long duration. Premiums are recognised as revenue in profit or loss when they become payable by the contract holder. Premiums are shown gross of commission and exclude any taxes or duties levied on premiums. Benefits payable to beneficiaries are recorded as an expense in profit or loss when they are paid.

(d) Long-term insurance liabilities
In terms of *IFRS 4 – Insurance Contracts*, insurance liabilities are permitted to be measured under existing local practice. The *Long-Term Insurance Act* of 1998, as amended, in South Africa requires long-term insurance liabilities to be valued in terms of the Financial Soundness Valuation (FSV) basis as described in Statement of Actuarial Practice 104 (SAP104) issued by the Actuarial Society of South Africa. The result of the valuation methodology and assumptions is that profits are released appropriately over the term of the policy to avoid the premature recognition of profits that may give rise to losses in future years.

The liability is valued using a discounted cash flow approach. This approach takes the sum of future expected benefit payments and administration expenses that are directly related to the contract, deducts the expected premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used and then discounts these resultant cash flows at market-related rates of interest. The liability is based on assumptions of the best estimates of future experience as to mortality, persistency, maintenance expenses and investment income.

Compulsory margins for adverse deviations (first tier margins) increase the liability as required in terms of SAP 104. Such margins are intended to provide a minimum level of prudence in the liabilities and to ensure that profits are not recognised prematurely. In addition, discretionary margins (second tier margins) may be added to the liability to ensure that profit and risk margins in the premiums are not capitalised prematurely and that profits are recognised in line with the risk profile inherent in the contracts and services provided.

Discretionary margins unwind as these risks are met over the term of each policy. Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The long-term insurance liabilities are recalculated annually by independent actuaries.

(e) Receivables and payables related to insurance contracts
Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss. The group gathers evidence that an insurance receivable is impaired using the same process adopted for loans and receivables.

(f) Embedded derivatives
The group does not separately measure embedded derivatives in an insurance contract if the embedded derivative itself qualifies for recognition as an insurance contract. Such an embedded derivative is measured as an insurance contract. All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative.

(g) Deferred policy acquisition costs (DPAC)

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

Commissions and other acquisition costs arising from property and casualty short-term insurance contracts that vary with, and are related to, securing new contracts and renewing existing contracts are capitalised. All other costs are recognised in profit or loss when incurred. The DPAC is subsequently amortised and recognised in profit or loss over the life of the policies as premiums are earned.

For long-term insurance contracts, commissions and other acquisition costs are recognised in profit or loss when incurred. The portion of the premium which recoups these costs is included in the valuation of long-term insurance contract liabilities. The commission and other acquisition costs are therefore implicitly deferred over the period of the contract in the calculation of the liabilities under long-term insurance contracts.

(h) Value of business acquired (VOBA)
On acquisition of a portfolio of contracts, either directly from another insurer or through the acquisition of a subsidiary company, the group recognises an intangible asset representing the VOBA.

The VOBA represents the present value of future profits embedded in acquired insurance contracts. The group amortises the VOBA over the effective life of the acquired contracts on the same basis as DPAC. The group assesses the value for impairment annually. This amortisation and any impairment are recognised in profit or loss.

(i) Liability adequacy test
At each reporting date, for contracts measured on a retrospective basis, liability adequacy tests for insurance contracts are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. For contracts measured on the financial soundness valuation basis, the financial soundness basis is a discounted cash flow method, which meets the requirements of a liability adequacy test. Any deficiency is immediately charged to profit or loss.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

(j) 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. Contracts that do not meet these classification requirements are classified as financial assets. The benefits to which the group is entitled under its reinsurance contracts are recognised as reinsurance assets and are included in insurance related receivables from underwriting activities. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. 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.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in profit or loss when due. The group assesses its reinsurance assets for impairment at each reporting date. 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 the impairment loss in profit or loss. The group gathers evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost.

(k) Salvage and subrogation reimbursements
Some insurance contracts permit the group to sell property acquired in settling a claim (in other words salvage). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. Salvage property is recognised as an asset when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

The group may also have the right to pursue third parties for payment of some or all costs (in other words subrogation). Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised as assets when the liability is settled. The allowance is based on an assessment of the amount that can be recovered from the action against the liable third party.

INVESTMENT CONTRACTS

The group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (capital guarantees). Investment contracts without fixed terms and investment contracts with fixed and guaranteed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, derivatives or investment property (unit-linked) and are designated at inception as financial assets at fair value through profit or loss.

Valuation techniques are used to establish the fair value at inception and at each reporting date. The group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the reporting date. If the investment contract is subject to a put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

FINANCIAL LIABILITIES

The group classifies its financial liabilities into the following categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of financial liabilities at initial recognition.

Financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value, net of transaction costs incurred in the case of financial liabilities not at fair value through profit or loss.

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets. Where the transaction price is not necessarily the fair value of the financial asset, the day one gain or loss is taken to profit or loss unless it qualifies for recognition as some other type of asset.
A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(a) Financial liabilities at fair value through profit or loss
This category has two sub-categories:
- Financial liabilities held for trading
- Those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if the linked financial asset associated with this liability is acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking. Derivative liabilities are also classified as held for trading, unless they are designated as hedges at inception.

All classes of financial liabilities classified on the statement of financial position as ‘Financial liabilities held under multi-manager investment contracts’ are designated at fair value through profit or loss.

A financial liability is designated as fair value through profit or loss where the group determines such a designation will eliminate an accounting mismatch because the related assets are carried at fair value through profit or loss. All classes of financial liabilities classified on the statement of financial position as ‘Liabilities of cell-captive insurance facilities’ are designated as fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, with subsequent changes in fair value recognised in profit or loss.

(b) Financial liabilities at amortised cost
Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments and fixed maturities.

Financial liabilities classified as financial liabilities at amortised cost comprise borrowings and trade and other payables. Subsequent to initial recognition, these financial liabilities are measured at amortised cost and any difference between the proceeds, net of transaction costs, and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

DEFERRED TAX

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit-or-loss.
- Temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, and the Company intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be settled simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to fair value re-measurements of available-for-sale assets and cash flow hedges, which are recognised in other comprehensive income are accumulated in equity and are subsequently reclassified into profit or loss together with the deferred gain or loss.

EMPLOYEE BENEFITS

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through trustee administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. The pension plans are funded by payment from the relevant group companies and/or by employees.

A defined contribution plan is a post-employment benefit plan under which the group and/or employees pay fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to current or prior employee service. The group pays contributions to the plan on a mandatory, contractual or voluntary basis. The group has no further payment obligation once the contributions have been paid. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due.

A defined benefit plan is a post-employment benefit plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries like South Africa where there is no deep market for corporate bonds, the government bond rate is used. This rate is the yield at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the group's obligation.

The calculation is performed annually by qualified actuaries using the projected unit credit method.

When the calculation results in a benefit for the group, in other words plan assets exceed the defined benefit obligation, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. The group measures the economic benefits available to it in the form of refunds or reductions in future contributions at the maximum amount that is consistent with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan in accordance with IFRIC 14.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

The group's current service costs of the defined benefit plans are recognised in profit or loss in the current year.

(b) Post-retirement medical obligations
In terms of certain employment contracts, the group provides post-retirement medical benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid contributions.

The entitlement to these benefits is based upon employment prior to a certain date and is conditional on employees remaining in service up to retirement age. New employees are not entitled to this benefit. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans.

The post-retirement medical obligation has been partly funded through an insurance arrangement with a subsidiary company of the group.

(c) Leave pay provision
Short-term employee benefit obligations are measured on an undiscounted basis and are recognised in profit or loss as the related service is provided. A liability is recognised for the amount that is expected to be paid in the form of annual leave entitlements if the group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(d) Termination benefits
Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow, with respect to any one item included in the same class of obligations, may be small obligations as a whole.

Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates.

LEASES

(a) Finance leases

Assets acquired under lease agreements that transfer substantially all the risks and rewards of ownership to the group are accounted for as finance leases. The asset is capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments upon initial recognition, with an equivalent amount being stated as a finance lease liability. The capitalised asset is depreciated over the shorter of the useful life of the asset or the lease term. Lease payments are apportioned between finance costs and capital repayments using the effective interest method.

Finance costs are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance costs are recognised in profit or loss over the lease period.

(b) Operating leases

Other leases are operating leases and the leased assets are not recognised on the group's statement of financial position. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

When an operating lease is terminated before the lease term has expired, any payment required to be made to the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

CONTINGENCIES AND COMMITMENTS

Transactions are classified as contingencies when the group's obligations depend on uncertain future events not within the group's control. Items are classified as commitments when the group commits itself to future transactions with external parties.

OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the statement of financial position, only when there is a current legally enforceable right to offset the assets and liabilities and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

INCOME FROM OPERATIONS

Income from operations, which excludes value added tax, comprises:

- Commission (when the group acts in the capacity of an agent rather than as the principal in a transaction) and fees in respect of brokerage, administration, management and consultancy services
- Net underwriting profit from the risk-taking activities of insurance operations
- Net interest income from financing operations.

INCOME RECOGNITION – GENERAL OPERATIONS

(a) Risk services

- *Insurance broking commission and fee income* – comprise commission income and negotiated fees earned in respect of the placement of insurance and servicing of clients under insurance programmes. Income is recorded on the effective commencement or renewal dates of the related insurance programme. When further servicing is required to be rendered to the client, a portion of the income is deferred. The amount deferred is that which will cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. The deferred income is recognised in profit or loss over the servicing period on a consistent basis reflecting the pattern of servicing activities.
- *Consulting fees* – comprise negotiated fees for advisory services. Income is recognised based on the stage of completion as the related services are rendered. The stage of completion is determined with reference to the services performed to date as a percentage of total services to be performed.
- *Claims facilitation fees* – comprise fees earned in respect of the preparation, submission and collection of insurance claims. Income is recognised based on the stage of completion determined with reference to the proportion that costs incurred to date bear to the estimated total costs. Only costs that reflect services performed or to be performed are included in the estimated costs.
- *Underwriting agency income* – comprises commissions, fee income and profit shares earned from insurance binders and underwriting agency agreements. Commission and fee income is recorded on the effective commencement or renewal dates ofthe related insurance policy. When further servicing is required to be rendered, a portion of the income is deferred. The amount deferred is that which will cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. The deferred income is recognised in profit or loss over the servicing period on a consistent basis reflecting the pattern of servicing activities. Income which is dependent on underwriting performance is recognised when it can be measured reliably.
- *Operational interest income* – comprises interest income earned from insurance broking operations and is recognised on a time proportionate basis using the effective interest method.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

(b) Financial services

- *Consulting fees* – comprise fees earned in respect of actuarial and other advisory services. Income is recognised based on the stage of completion as the related services are rendered. The stage of completion is determined with reference to the services performed to date as a percentage of total services to be performed.
- *Administration fees* – comprise fees earned for the administration of retirement funds. Income is recognised as services are provided.
  Commission income – comprises commissions earned in respect of insurance and investment products. Commission income is recognised on the effective commencement or renewal date of the insurance or investment policy. A portion of the income is deferred when further servicing is required to be rendered. The amount deferred is that which will cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. Deferred income is recognised in profit or loss evenly over the period of the policy. Where commission income is earned on an indemnity basis, provision is made for the potential repayment of commissions.
- *Healthcare commission income* – comprises commissions earned in respect of healthcare products. Commission income is recognised on the effective commencement or renewal date of the healthcare product.
- *Fund annuity purchase fees* – comprise fees earned on fund annuity purchases. Income is recognised based on the stage of completion determined by reference to the value of the assets transferred.

(c) Multi-manager investment (Investment Solutions)

- *Multi-manager investment fees* – comprise fees earned for multi-manager investment and administration. Initial administration fees are brought to account upon inception of the investment contract and are recognised on a straight-line basis over the expected period of the contract. Ongoing multi-manager investment and administration fees are calculated on a daily basis as a percentage of assets under management. These fees are recognised as services are provided.
- *Structured product fees* – comprise fees earned on the structuring and administration of portfolios of financial instruments designed to hedge specific financial risks. These fees are recognised in profit or loss evenly over the expected period of the contract.
- *Transition management fees* – comprise fees earned for services provided in relation to the transfer of investment assets.

Income is recognised based on the stage of completion determined with reference to the value of the assets transferred.

(d) Direct marketing

- *Commission income* – comprises commissions earned on the direct marketing of insurance products. Income is recognised on the effective commencement or renewal date of the insurance policy. Where commission income is earned on an indemnity basis, provision is made for the potential repayment of commissions.
- *Underwriting agency income* – comprises commission and fee income earned from the direct marketing and administration of insurance products under insurance binder agreements. Income is recognised on the effective commencement or renewal dates of the related insurance policy. Upfront direct marketing costs are recognised in profit or loss immediately.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

INCOME RECOGNITION – FINANCING OPERATIONS

Interest and other finance income received in the form of an interest margin are recognised in profit or loss on a time proportionate basis using the effective interest method. Any directly related interest expense is recognised on the same basis.

INCOME RECOGNITION – INSURANCE OPERATIONS

- *Income from insurance activities* – refers to the accounting policies on insurance contracts.
- *Reinsurance commission income* – comprises commissions earned in respect of insurance referred to reinsurers. Income is recognised on the effective commencement or renewal date of the insurance policy. A portion of the income is deferred when further servicing is required to be rendered. The amount deferred is that which will cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. Deferred income is recognised in profit or loss evenly over the period of the policy.
- *Profit commission* – comprises negotiated profit shares with reinsurers. Income is recognised when earned.
- *Investment management fees on cell-captive insurance facilities* – income is calculated as a percentage of investment income. These fees are recognised as services are provided.
- *Management fees on cell-captive insurance facilities* – income is calculated as a percentage of premiums received. Income is recognised on the effective commencement or renewal dates of the related insurance programme. A portion of the management fees is deferred to cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. The deferred income is recognised over the servicing period on a consistent basis reflecting the pattern of servicing activities.

PROFIT FROM OPERATIONS BEFORE NON-TRADING AND CAPITAL ITEMS

The profit from operations before non-trading and capital items is made up of trading activities of the group. The trading activities are those revenues and expenses generated by the business operations of the group which are regularly reported to the board of directors when making resource allocation decisions and assessing operational performance.

Items of an exceptional nature which are not considered to be fundamental to the resource allocation and performance of business operations are thus disclosed separately as non-trading and capital items. The separate disclosure of these items consequently achieves representative disclosure of activities normally regarded as operating in nature.

NON-TRADING AND CAPITAL ITEMS

Non-trading activities relate to items such as the group professional indemnity insurance cell, adjustments arising due to business combinations, non-recurring items linked to corporate finance activities, items related to historical client settlement, impairment losses and recoveries and capital gains or losses on sale of non-current assets. Items of non-trading nature do not form part of management's consideration of the operational performance or allocation of resources of the group.

INVESTMENT INCOME

Investment income comprises interest income on funds invested, dividend income and fair value gains on financial assets at fair value through profit or loss. Interest income is recognised on a time proportionate basis in profit or loss, using the effective interest method. Dividend income earned on preference share investments held as money market investments is also recognised on a time proportionate basis using the effective interest method. All other dividend income is recognised when the right to receive payment is established, which is the ex-dividend date for equity securities.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

FINANCE COSTS

Finance costs comprise interest expense on borrowings and unwinding of discount on provisions and contingent consideration and fair value losses on financial assets at fair value through profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

INCOME TAX

Income tax expense comprises current and deferred taxes, capital gains tax, as well as secondary tax on companies applicable in South Africa. Due to the nature of indirect taxes, including non-recoverable value added tax, stamp duty, skills development levies, these are included in operating expenses in profit or loss.

Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(a) Current tax

The current income tax and capital gains tax charges are the expected tax payable or receivable on the taxable income or loss for the year, using applicable tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(b) Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes as detailed in the relevant accounting policy note.Effective 1 April 2012, STC has been replaced by dividend withholding tax, the local rate for dividend tax will be 15%.

SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and 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 key decision-maker (which is the group executive committee, which is ultimately overseen by the board of directors) to make decisions about resources to be allocated to the segments and assess its performance and for which discrete financial information is available.

Segment results that are reported to the key decision-maker include operating income net of direct expenses (net revenue) and profit from operations before non-trading and capital items (trading result) directly attributable to a segment.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. The assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to financial assets, deferred tax assets, or employee benefit assets, which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

Gains are not recognised in excess of any cumulative impairment loss.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

Intangible assets and property and equipment once classified as held for sale are not amortised or depreciated.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement and statement of other comprehensive income and statement of cash flows are represented as if the operation had been discontinued from the start of the comparative year.

CRITICAL ASSUMPTIONS AND JUDGEMENTS

The following critical accounting assumptions and judgements have been applied when preparing these financial statements:

1. PROVISIONS

Provisions are, by definition, liabilities of uncertain timing or amount. In order to establish a provision, management makes assessments of the expected amount of any future cash outflows and the estimated timing thereof. Where the effect of discounting is material, provisions payable in more than one year are discounted using pre-tax discount rates that reflect the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Refer to note 30, 'Provisions' for further information.

2. TAXATION

The group is subject to income tax in numerous jurisdictions and has many transactions and calculations for which the ultimate tax determination may be uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax charges. Where the outcome of a transaction is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

Refer to note 8,'Income tax' for further detail.

3. VALUATION OF POLICYHOLDER ASSETS AND LIABILITIES IN RESPECT OF LONG-TERM INSURANCE CONTRACTS

The actuarial value of policyholder assets and liabilities arising from long-term insurance contracts is determined using the Financial Soundness Valuation method as described in SAP 104 of the Actuarial Society of South Africa.

The method requires a number of assumptions as inputs to the valuation model. The following process is followed to determine the valuation assumptions:

- The best estimate for a particular assumption is determined.
- Prescribed margins are then applied, as required by the *Long-term Insurance Act* in South Africa and Board Notice 72 issued in terms of the act.
- Discretionary margins may be applied, as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

Best estimate assumptions as to mortality and morbidity, expenses, investment income and tax are used which may vary at each reporting date. A margin for adverse deviations is included in the assumptions.

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

Improvements in estimates have a positive impact on the value of the liabilities and related assets, while deteriorations in estimates have a negative impact.

The process for determining the assumptions used are as follows:

- Mortality and morbidity
  For group life insurance contracts, the rate of recovery from disability is derived from industry experience studies adjusted, where appropriate, for the group's own experience. For individual life insurance contracts, demographic assumptions are set with reference to reinsurer rates and industry experience.

- Expenses
  Expense assumptions are based on an expense analysis, using a functional cost approach. This analysis allocates expenses between policy and overhead expenses and within policy expenses, between new business, maintenance and claims.

- Investment income
  Estimates are made as to future investment income and are tested against market conditions as at the valuation date taking into account the terms of the liabilities. Inflation assumptions are tested against market conditions and, with regard to consistency, are tested against interest rate assumptions.

- Tax
  Allowance is made for future taxation and taxation relief.

Refer to note 11,Financial assets held under multi-manager investment contracts', note 12 'Financial assets of cell-captive and other insurance facilities', note 25,'Financial liabilities held under multi-manager investment contracts' and note 26, 'Liabilities of cell-captive and other insurance facilities' for further detail.

4. ULTIMATE LIABILITY ARISING FROM CLAIMS UNDER SHORT-TERM CONTRACTS

The estimation of the ultimate liability arising from claims under short-term insurance contracts has several sources of uncertainty. The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. There is no absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to note 20, 'Insurance receivables' and note 34, 'Insurance payables' for more details.

5. ERRORS AND OMISSIONS IN THE ORDINARY COURSE OF BUSINESS

Due to the nature of its activities the group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions or non-compliance with laws and regulations in the conduct of its ordinary course of business. As with any business with similar operations to the group, the risk exists that new claims relating to past events and significant adverse developments in past claims could result in material changes to provisions made in respect of prior years.

Refer to note 30,'Provisions' for further information.

6. GOODWILL

ACCOUNTING POLICIES (Continued)

for the year ended 31 March 2014

The group created significant goodwill and intangible assets upon its reorganisation in 2007 in terms of IFRS 3. These asset balances are evaluated for impairment on an annual basis. This evaluation is based on the estimation of future cash flows and discount rates as further explained in note 15.

7. FAIR VALUE

The group's policy for determining the fair value of financial instruments is described in the Accounting Policies. The group holds a number of financial assets and liabilities that are designated at fair value through profit or loss. Full disclosure of the valuation hierarchy and sensitivities is contained in the risk management section of this report.

Refer to note 45,'Financial risk'.

8. HEDGE ACCOUNTING

With regard to the application of cash flow hedge accounting, management applies judgment in assessing, at both inception of the hedge and on an ongoing basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of hedged items. Refer to note 24 'Equity holders' funds'.

GROUP INCOME STATEMENT

for the year ended 31 March 2014

Rm	Notes	2014	2013*
Continuing operations			
Fee and commission income	2	4 776	4 038
Direct expenses attributable to fee and commission income	2	(801)	(651)
Net income from insurance operations	3	417	350
Insurance premiums earned		1 806	1 584
Less: amounts ceded to reinsurers		(1 085)	(1 034)
Investment income from insurance operations		10	8
Less: insurance claims and withdrawals		(1 302)	(1 162)
Plus: insurance claims and benefits covered by reinsurance contracts		988	954
Operating income net of direct expenses		4 392	3 737
Operating expenses	4	(3 352)	(2 812)
Profit from operations before non trading and capital items		1 040	925
Non-trading and capital items	5	(108)	(113)
Operating profit		932	812
Investment income	6	233	129
Finance costs	7	(843)	(848)
Share of net profit of associates (net of income tax)	18	2	1
Profit before taxation		324	94
Income tax expense	8	(361)	(192)
Loss for the year from continuing operations		(37)	(98)
Discontinued operations			
Profit on discontinued operations (net of income tax)	23	542	(10)
Profit/(loss) for the year		505	(108)
Profit/(loss) attributable to:			
Equity holders		395	(191)
Non-controlling interest	9	110	83
		505	(108)

*Restated for the effects of discontinued operations and the adoption of IAS19 *Employee Benefits* and IFRS 10 *Consolidated Financial Statements.* Refer to note 49

GROUP INCOME STATEMENT (Continued)
for the year ended 31 March 2014

Rm	Notes	2014	2013*
Earnings per share from continuing operations			
Basic loss per share (cents)		**(40)**	(51)
Earnings per share from discontinued operations			
Basic profit/(loss) per share (cents)		**155**	(4)
Earnings per share from total operations			
Basic profit/(loss) per share (cents)	10	**115**	(55)

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2014

Rm	Notes	2014	2013*
Profit/(loss) for the year		**505**	(108)
Foreign currency translation differences of foreign operations		**329**	90
Foreign currency translation reserve of disposed operations recycled to profit or loss	23.2	**82**	30
Changes in fair value of cash flow hedges		**(1)**	(13)
Portion of cash flow hedge recycled to profit or loss		**20**	45
Other		**(5)**	3
Other comprehensive income for the year that will be classified to profit or loss		**425**	155
Actuarial gain/(loss) on employee benefits		**4**	(4)
Other comprehensive income/(loss) that will not be reclassified to profit or loss		**4**	(4)
Total comprehensive income for the year		**934**	43
Total comprehensive income/(loss) attributable to:			
Equity holders		**780**	(30)
Non-controlling interest		**154**	73
Total comprehensive income for the year		**934**	43

*Restated for the effects of discontinued operations and the adoption of IAS19 *Employee Benefits* and IFRS 10 *Consolidated Financial Statements.* Refer to note 49

GROUP STATEMENT OF FINANCIAL POSITION

At 2014

Rm	Notes	2014	2013*	2012*
Assets				
Financial assets held under multi-manager investment contracts	11	253 747	222 790	209 994
Financial assets of cell-captive and other insurance facilities	12	315	11 374	9 484
Property and equipment	13	335	239	165
Purchased and developed computer software	14	80	129	166
Goodwill	15	3 985	4 490	4 652
Intangible assets	16	886	1 211	1 437
Investment in associates	18	6	4	3
Deferred tax assets	29	183	164	110
Financial assets	19	409	2 064	1 209
Insurance receivables	20	814	1 073	896
Trade and other receivables	21	873	935	913
Cash and cash equivalents	22	3 907	3 626	3 062
Assets of disposal group classified as held for sale	23	91	29 938	288
Total assets		265 631	278 037	232 379
Equity and liabilities				
Share capital		5 819	3 261	3 261
Treasury shares		(405)	(21)	(29)
Accumulated loss		(763)	(1 162)	(967)
Other reserves		102	(8)	(173)
Equity holders' funds	24	4 753	2 070	2 092
Non-controlling interest		210	194	185
Total equity		4 963	2 264	2 277
Financial liabilities held under multi-manager investment contracts	25	253 747	222 790	209 994
Liabilities of cell-captive and other insurance facilities	26	315	11 374	9 484
Borrowings	27	1 652	5 409	5 448
Employee benefits	28	168	181	170
Deferred tax liabilities	29	432	450	491
Provisions	30	284	284	265
Finance lease liability	31	90	93	-
Operating lease liability	32	119	40	29
Deferred income	33	25	72	69
Insurance payables	34	2 270	3 985	2 693
Trade and other payables	35	1 531	1 353	1 328
Liabilities of disposal group classified as held for sale	23	35	29 742	131
Total liabilities		260 668	275 773	230 102
Total equity and liabilities		265 631	278 037	232 379

*Restated for the effects the adoption of IAS19 *Employee Benefits* and IFRS 10 *Consolidated Financial Statements.* Refer to note 49

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

Rm	Notes	2014	2013*
Cash flows from operating activities			
Cash generated from operations	38	1 331	1 101
Interest received		228	137
Finance costs paid	39	(2 125)	(593)
Movement in working capital and insurance balances	40	501	300
Cash settlement of cash management claims		(7)	-
Cash settlement of retirement benefit obligations		(7)	(7)
Cash flows from policyholder investment contracts	41	(5 054)	(2 482)
Taxation paid	42	(387)	(426)
Cash flows from operating activities – discontinued operations		163	227
Net cash outflow from operating activities		(5 357)	(1 743)
Cash flows from investing activities			
Net proceeds from sale of subsidiaries, associates and businesses	23.2	1 236	279
Investment in financial assets		(594)	(617)
Proceeds on disposal of financial assets		580	597
Capital expenditure incurred on property, equipment and computer software		(208)	(106)
Proceeds from sale of property, equipment and intangibles		6	3
Cash flows from investing activities – discontinued operations		22	(5)
Net cash inflow from investing activities		1 042	151
Cash flows from financing activities			
Issue of shares (net of SPV treasury shares)	24	1 903	-
Borrowings raised by SPVs in order to purchase shares		386	-
Term loan raised		1 250	-
Increase in shareholder loans		4	-
Repayment of borrowings	27.2	(4 095)	(252)
Payments made to non-controlling interests		(126)	(74)
Net cash outflow from financing activities		(678)	(326)
Decrease in cash and cash equivalents		(4 993)	(1 918)
Cash and cash equivalents at beginning of year		16 975	18 833
Foreign subsidiaries exchange differences		147	60
Cash and cash equivalents at end of year		12 129	16 975
Analysed as follows:			
Cash and cash equivalents of disposal groups held for sale		24	97
Cash and cash equivalents of continuing operations		3 907	3 626
Cash held under multimanager investment contracts		8 197	11 958
Cash held under cell-captive insurance facilities		1	1 294
		12 129	16 975

*Restated for the effects of discontinued operations and the adoption of IAS19 *Employee Benefits* and IFRS 10 *Consolidated Financial Statements.* Refer to note 49

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

Rm	Share capital	Treasury Shares	Non-distributable reserves	Accumulated loss	Total equity holders' funds	Non-controlling interest	Total equity
At 1 April 2012	3 261	-	(173)	(949)	2 139	185	2 324
Restatement for adoption revised IAS 19 *Employee Benefits*	-	-	-	(12)	(12)	-	(12)
Restatement for adoption of IFRS 10 *Business combinations*	-	(29)	-	(6)	(35)	-	(35)
At 1 April 2012 restated	**3 261**	**(29)**	**(173)**	**(967)**	**2 092**	**185**	**2 277**
(Loss) / profit for the year	-	-	-	(191)	(191)	83	(108)
Other comprehensive income	-	-	165	(4)	161	(10)	151
Total comprehensive income / (loss)	-	-	165	(195)	(30)	73	43
Movement in treasury shares	-	8	-	-	8	-	8
Other movements in non-controlling interest*	-	-	-	-	-	(64)	(64)
At 31 March 2013	**3 261**	**(21)**	**(8)**	**(1 162)**	**2 070**	**194**	**2 264**
Profit for the year	-	-	-	395	395	110	505
Other comprehensive income	-	-	381	4	385	44	429
Total comprehensive income	-	-	381	399	780	154	934
Issue of share	2 558	-	-	-	2 558	-	2 558
Movement in treasury shares	-	(384)	-	-	(384)	-	(384)
Redemption of Pikco Prefs	-	-	(271)		(271)	-	(271)
Other movements in non-controlling interest *	-	-	-	-	-	(138)	(138)
At 31 March 2014	5 819	(405)	102	(763)	4 753	210	4 963

* This amount includes distributions made to non-controlling interests as well as changes due to acquisitions and disposals of equity held by non-controlling interests.

GROUP SEGMENTAL INCOME AND PROFIT ANALYSIS

for the year ended 31 March 2014

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
Rm	**2014**	%	2013**	**2014**	%	2013**
Africa Continuing Operations (Rm)						
SA Financial Services	**1 754**	9	1 603	**387**	6	365
Investment Solutions	**717**	13	635	**360**	16	311
AF Insurance	**350**	14	307	**88**	10	80
Afrinet	**249**	23	202	**48**	33	36
Total Africa Continuing operations (Rm)	**3 070**	12	2 747	**883**	11	792
International Continuing Operations (£m)						
Total International (GBPm)	**81**	**11**	73	**12**	20	10
International Financial services	**1322**	**34**	990	**204**	45	141
Total Continuing Operations-excluding property lease	**4 392**	**18**	3 737	**1 087**	17	933
Accounting for the property lease	**-**	**-**	-	**(47)**	500	(8)
Total continuing operations-including property lease	**4 392**	**18**	3 737	**1 040**	12	925

	Depreciation &Amortisation			Assets		
Rm	**2014**	%	2013**	**2014**	%	2013
Africa Continuing Operations (Rm)						
SA Financial Services	**10**		14	**63 063**	27	49 540
Investment Solutions	**3**		3	**253 872**	14	222 873
AF Insurance	**3**		3	**592**	17	505
Afrinet	**3**		3	**3 188**	18	2 706
Total Africa	**19**	(17)	23	**320 715**	16	275 624
Total international (GBPm)	**1**		1	**73**	**(19)**	90
International financial services (Rm)	**13**	**30**	10	**1 388**	**11**	1 248
Unallocated:						
Corporate Services	**48**		47	**758**		502
Discontinued operations	**20**		28	**385**		43 990
Goodwill	**-**		-	**3 985**		4 490
Consolidation elimination*	**-**		-	**(61 600)**		(47 817)
Total Group (Rm)	**100**	**(7)**	108	**265 631**	**(4)**	278 037

GROUP SEGMENTAL INCOME AND PROFIT ANALYSIS (Continued)

* This amount relates mainly to assets invested by group companies with Investment Solutions.
**The prior year comparative figures in the table above have been re-presented following the disposal of Guardrisk, LCP Liberia and IS UK and the discontinuance of various other businesses during the year under review. The segmental report has been re-presented to take account of the effects of discontinued operations including the reallocation of shared services expenses that were previously allocated to currently discontinued operations but which remains in the continuing cost base of the group. The expenses amount to R31 million in the current year and R25 million in the prior year

The group measures segments based on Operating income net of direct expenses and Profit from operations before non-trading and capital items.

The group has five reportable segments, as detailed above, which are the group's business units. The business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the business units, the group's chief operations decision-maker reviews internal management reports on a quarterly basis.

The following summary describes the operations in each of the group's reportable segments:

- **SA Financial Services** – is the leading retirement funds consulting and administration provider and corporate health consulting business in South Africa. The divisions include Institutional, which provides retirement fund administration, consulting and actuarial services; Retail, which provides financial and wealth advice and solutions to individuals; Healthcare, which provides medical scheme and health-related advice and actuarial services.
- **Investment Solutions** – as a multi-manager investment manager, the company selects appropriate asset managers and portfolios and monitors and reports on manager performance. The operations are currently in South Africa and Namibia.
- **AF Insurance (AFI)** – provides motor and household insurance cover.
- **AfriNet (Africa excluding South Africa)** – offers financial services products in Africa (outside South Africa). It focuses on and meets the demands of each local market, as well as adapt business products to local legislation.
- **International Financial Services** – pan-European employee benefits consultants and actuaries, providing solutions across all aspects of employee benefits to employers and their employees, pensions, investments, healthcare and risk solutions and business analytics of insurance products.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2014

Rm	2014	2013
1. FOREIGN CURRENCY EXCHANGE RATES		
The income statements and statements of financial position of material foreign subsidiaries have been translated to rands in line with IAS 21 *The effect of changes in foreign exchange rates*, using the following exchange rates:		
Rand : sterling	R:£	R:£
Weighted average rate	16.4	13.6
Closing rate	17.5	13.9
2. FEE AND COMMISSION INCOME		
Brokerage fees and commission income	25	26
Fee income from consulting and administration services	3 233	2 716
Fee income from investment management activities	1 499	1 268
Interest income from lending operations	1	8
Other income	18	20
	4 776	4 038
Direct expenses related to fees and commission income relate to sub-agent expenses, commissions paid and asset management fees	(801)	(651)

Fee income from investment management activities is based on financial assets held at fair value through profit or loss.

3. NET INCOME FROM INSURANCE OPERATIONS

	Long-term insurance		Short-term insurance		Total	
Rm	2014	2013	2014	2013	2014	2013
Gross earned premiums	417	395	1 389	1 189	1 806	1 584
Gross written premiums	417	395	1 402	1 192	1819	1 587
Less: Movement in unearned premium provision	-	-	(13)	(3)	(13)	(3)
Reinsurers's share thereof	(288)	(275)	(797)	(759)	(1 085)	(1 034)
Net earned premiums	129	120	592	430	721	550
Net investment income from insurance operations	-	-	10	8	10	8
Net expenses of insurance contracts	(4)	(6)	(21)	(17)	(25)	(23)
Net premium and investment income	125	114	581	421	706	535
Gross claims and transfers to policyholder funds	(238)	(274)	(1 039)	(865)	(1 277)	(1 139)
Reinsurers' share thereof	204	225	784	729	988	954
Net claims and transfers to policyholders' funds	(34)	(49)	(255)	(136)	(289)	(185)
Net income from insurance operations	91	65	326	285	417	350

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013

4. OPERATING EXPENSES

Operating expenses classified by nature are as follows:

	2014	2013
Amortisation	(7)	(6)
Purchased and developed computer software (refer note 14)	(6)	(5)
Intangible assets (refer note 16)	(1)	(1)
Computer and IT costs	(127)	(88)
Depreciation (refer note 13)	(73)	(74)
Leasehold property and improvements	(8)	(9)
Computer equipment	(57)	(56)
Furniture fittings, office equipment and other assets	(8)	(9)
External auditors' remuneration	(31)	(26)
Audit service – fees for audit	(23)	(22)
Non-audit service	(8)	(4)
Insurance costs	(94)	(86)
Operating lease charges	(223)	(183)
Premises – actual charges	(173)	(174)
Premises – accounting for contractual escalations	(48)	(8)
Equipment	(2)	(1)
Staff costs *	(2 316)	(1 942)
Salaries, wages and other benefits	(2 279)	(1 913)
Termination benefits	(7)	(5)
Retirement benefit contributions	(30)	(24)
Other operating expenses	(481)	(407)
Total operating expenses	(3 352)	(2 812)

***Staff costs include executive directors' and non-executive directors' remuneration. Refer to note 43 for a detailed analysis.

Total operating expenses exclude non-trading and capital items which are disclosed in note 5.

Amortisation of intangible assets arising from business combination

	2014	2013
Purchased and developed computer software (refer note 14)	(19)	(19)
Intangible assets (refer note 16)	(125)	(125)
	(144)	(144)

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013
5. NON-TRADING AND CAPITAL ITEMS		
Non trading:		
Professional indemnity insurance cell captive result	64	24
Amortisation of intangible assets arising from business combination	(144)	(144)
Corporate costs relating to debt restructure	(60)	-
Other non trading items	32	7
	(108)	(113)
6. INVESTMENT INCOME		
General operations:		
Interest income	62	46
Investment and dividend income	171	83
Total investment income	233	129
Investment income is derived from the following categories of financial assets:		
Loans receivable	62	46
Financial assets designated at fair value	171	83
	233	129
7. FINANCE COSTS		
Finance costs derived from financial liabilities classified and carried at amortised costs:		
Interest on term debt issued	(740)	(763)
Amortisation of debt raising fees capitalised to borrowings	(14)	(13)
Other interest	(29)	(14)
	(783)	(790)
Finance cost derived from financial liabilities designated as fair value through profit or loss:		
Fair value adjustment on put and call option	(60)	(58)
	(843)	(848)

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013
8. INCOME TAX EXPENSE		
South African income tax		
Current tax	(238)	(183)
Current year	(234)	(183)
Prior years	(4)	-
Deferred tax	73	107
Current year	58	107
Prior years	15	-
Foreign income tax		
Current tax	(35)	(23)
Current year	(35)	(25)
Prior years	-	2
Deferred tax	4	12
Current year	2	7
Prior years	-	-
Change in rate	2	5
Foreign withholding tax	(3)	(5)
Tax attributable to policyholders	(162)	(100)
Deferred tax - current year	(76)	(67)
Current tax - current year	(86)	(33)
	(361)	(192)

No material capital gains tax was incurred by the group in the current or previous years except in respect of discontinued operations which is included in the results of discontinued operations.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013

8. INCOME TAX EXPENSE (Continued)

The standard South African income tax rate for companies is reconciled to the group's actual tax rate as follows:

	2014	2013
South African income tax rate for companies	28.0%	28.0%
Adjusted for the effects of:		
Foreign withholding tax	1.0%	5.0%
Policyholder tax	50.1%	106.4%
Unutilised tax losses (net of prior year assessment loss utilised) *	25.8%	14.3%
Exempt income net of disallowed expenditure	(15.4%)	(47.1%)
Foreign tax rates	(2.3%)	2.6%
Prior year under provision (net of prior year over provision)	(3.2%)	(2.0%)
Non-deductible finance cost	28.0%	102.8%
Change in rate	(0.6%)	(5.7%)
Effective tax rate per income statement	111.4%	204.3%

* Unused tax losses for the group amounted to R895 million (2013: R792 million) available for set-off against future taxable income

9. PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST

	2014	2013
Profit attributable to non-controlling interest	110	83

The profits attributable to non-controlling interest results from non-controlling interest in Lane Clark & Peacock (in the United Kingdom, Belgium and Switzerland) and in Media Insurance Services (the UK direct marketing entity) and non-controlling interests in certain operations within AfriNet. The profit attributable to non-controlling interest in Lane Clark & Peacock (Switzerland) and Media Insurance Services represent the non-controlling share of profit until the date of disposal. Details of non-wholly owned subsidiaries are provided in note 47 to these financial statements. Refer to note 48 for more detail on non-controlling interest.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

10. EARNINGS PER SHARE

10.1 Basic earnings / (loss) per share

Basic earnings /(loss) per share is calculated by dividing the loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

10.2 Headline loss per ordinary share

Headline loss per ordinary share is calculated by excluding all impairment charges, and capital gains and losses, from the loss attributable to equity holders and dividing the resultant headline loss by the weighted average number of ordinary shares in issue during the year.

Headline earnings are defined in Circular 2/2013 issued by the South African Institute of Chartered Accountants.

On 31 March 2014, the company issued additional shares as part of the debt restructure detailed in note 27. Consequently, the weighted average number of shares remains at 345 million (including treasury shares) for earnings per share purposes.

	Rm	2014	2013
10.3	**Number of shares**		
	Weighted average number of shares (millions)	377	377
	Treasury shares (millions)	(32)	(32)
	Weighted average number of shares in issue (millions)	345	345
	Actual number of shares (millions)	1 251	377
	Treasury shares (millions)	(96)	(32)
	Actual number of shares in issue (millions)	1 155	345
10.4	**Calculation of headline loss**		
	Profit/(loss) attributable to equity holders	395	(191)
	Adjusted for:		
	(Profit)/loss on disposal of subsidiaries	(564)	112
	Impairment of goodwill and intangible assets	114	55
	Headline loss for the year	(55)	(24)
	Earnings per share from total operations		
	Basic earnings/(loss) per share (cents)	115	(55)
	Headline loss per share (cents)	(16)	(7)

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

10. EARNINGS PER SHARE (CONTINUED)

	Rm	2014	2013
10.5	**Calculation of earnings from continuing operations**		
	Loss for the year from continuing operations	(37)	(98)
	Less:profit attributable to non controlling interests	(102)	(79)
	Loss from continuing operations attributable to equity holders	(139)	(177)
	Adjusted for:		
	Capital items	-	-
	Headline loss from continuing operations	(139)	(177)
	Basic loss per share from continuing operations (cents)	(40)	(51)
	Headline loss per share from continuing operations (cents)	(40)	(51)
10.6	**Calculation of earnings from discontinued operations**		
	Profit/(loss) for the year from discontinued operations	542	(10)
	Less:profit attributable to non controlling interests	(8)	(4)
	Profit/(loss) from discontinued operations attributable to equity holders	534	(14)
	Adjusted for:		
	(Profit)/loss on disposal of subsidiaries	(564)	112
	Impairment of goodwill and intangible assets	114	55
	Headline profit from discontinued operations	84	153
	Basic earnings/(loss) per share from discontinued operations (cents)	155	(4)
	Headline earnings per share from discontinued operations (cents)	24	44

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

11. FINANCIAL ASSETS HELD UNDER MULTI-MANAGER INVESTMENT CONTRACTS

The policyholder assets held by the group's multi-manager investment subsidiaries in South Africa and Namibia and in the United Kingdom, until it was transferred to held for sale are analysed below. These policyholder assets are directly matched by linked obligations to policyholders.

Financial assets held in collective investment schemes managed by the group's multi-manager investment subsidiaries are also included in the consolidated statement of financial position of the group where such collective investment schemes are deemed to be controlled by the group. These financial assets are directly matched to linked obligations to unit-holders.

11.1 Movement in multi-manager and unit trust investment contracts assets

Rm	2014	2013
A reconciliation between financial assets held under multi-manager and unit trust investment contracts:		
Opening balance	222 790	209 994
*Movement during the year: **		
Acquisitions	39 229	37 160
Disposals	(37 226)	(32 458)
Investment returns after tax	31 654	37 726
Effect of movements in exchange rates	-	2 808
Reclassification of disposal groups held for sale	-	(29 645)
Other	(2 700)	(2 795)
Closing balance	253 747	222 790

* This amount is off-set by a corresponding movement in Financial liabilities held under multi-manager investment contracts' (refer note 25).

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

11. FINANCIAL ASSETS HELD UNDER MULTI-MANAGER INVESTMENT CONTRACTS (Continued)

11.2 Analysis of multi-manager and unit trust investment contract assets

An analysis of the aggregate financial assets of multi-manager and unit trust investment contracts is set out below:

Rm	2014	2013
Financial assets designated as fair value through profit or loss		
Equity securities – listed	121 055	101 063
Equity securities – unlisted	119	199
Preference shares – listed	601	710
Collective investment schemes**	45 214	36 058
Debt securities – listed	24 143	24 486
Debt securities – government stock	12 125	11 634
Debentures – listed	2 773	299
Debentures – unlisted	-	65
Policy of insurance**	21 869	20 318
Derivative financial instruments	8	1 163
Money market investments	17 643	14 837
Cash and cash equivalents		
Cash	8 197	11 958
Total financial assets held under multi-manager investment contracts	253 747	222 790

A reconciliation of the assets held under multi-manager investment contracts with the linked liabilities under such contracts is as follows:

	2014	2013
Total financial assets held under multi-manager investment contracts	253 747	222 790
Adjusted for:		
Tax on policyholder assets included in deferred tax liability of the group	(140)	(64)
Adjusted total financial assets held for policyholders under multi-manager investment contracts matched with the linked liability under such contracts *	253 607	222 726

***** Financial assets disclosure on maturity and currency is not provided as these multi-manager and unit trust investment contract assets are directly matched to linked obligations.

** The assets underlying these investments similarly consist of largely listed equity securities, debt securities, and money market investments.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

12. FINANCIAL ASSETS OF CELL-CAPTIVE AND OTHER INSURANCE FACILITIES

All financial assets held by the insurance operations of Alexander Forbes Insurance Namibia as well as Guardrisk Insurance and Guardrisk Life in South Africa, Namibia and Mauritius and Euroguard Insurance in Gibraltar, until the date of transfer to held for sale are included in Financial assets of cell-captive and other insurance facilities. An analysis of the financial assets attributable to policyholders and cell shareholders' interests in the cell-captive insurance companies is provided below. These financial assets are directly matched to linked obligations to the policyholders and cell shareholders of the cell-captive insurance companies. The promoter cell or shareholders' interest in the other financial assets of the cell-captive insurance companies are included in the relevant line items of the group statement of financial position.

Rm	2014	2013
Financial assets designated as 'fair value through profit or loss'		
Equity securities – unlisted	153	511
Preference shares – unlisted	-	177
Collective investment schemes	-	437
Debt securities – listed	-	760
Debt securities – unlisted	-	-
Receivables	4	1 067
Money market	113	6 216
Cash and cash equivalents		
Cash	1	1 294
Reinsurance assets		
Reinsurers' share of unearned premium provision	43	426
Reinsurers' share of outstanding claims provision	-	410
Reinsurers' share of IBNR provision	1	76
Total financial assets attributable to policyholders and cell shareholders' interests in cell captive insurance companies *	315	11 374

***** Financial assets disclosure on maturity and currency is not provided as these cell captive insurance facility assets are directly matched to linked obligations.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	Leasehold improvements	Computer equipment	Furniture & fittings, office equipment and other assets	Total
13. PROPERTY AND EQUIPMENT				
2014				
Carrying value				
Cost	113	232	152	497
Accumulated depreciation and accumulated impairment losses	(20)	(77)	(65)	(162)
Carrying value at 31 March 2014	93	155	87	335
Cost				
Balance at 1 April 2013	63	262	131	456
Additions to enhance existing operations	77	79	24	180
Disposals	(53)	(73)	(8)	(134)
Transfer to disposal group held for sale	(4)	(63)	(17)	(84)
Foreign subsidiaries exchange differences	30	27	22	79
Balance at 31 March 2014	113	232	152	497
Accumulated depreciation and accumulated impairment losses				
Balance at 1 April 2013	(43)	(120)	(54)	(217)
Depreciation charge for the year	(9)	(60)	(8)	(77)
Continuing operations	(8)	(57)	(8)	(73)
Operations discontinued during the year	(1)	(3)	-	(4)
Disposals	52	71	6	129
Transfer to disposal group held for sale	4	55	13	72
Foreign subsidiaries exchange differences	(24)	(23)	(22)	(69)
Balance at 31 March 2014	(20)	(77)	(65)	(162)

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

	Rm	Leasehold improvements	Computer equipment	Furniture & fittings, office equipment and other assets	Total
13.	**PROPERTY AND EQUIPMENT (Continued)**				
	2013				
	Carrying value				
	Cost	63	262	131	456
	Accumulated depreciation and accumulated impairment losses	(43)	(120)	(54)	(217)
	Carrying value at 31 March 2013	20	142	77	239
	Cost				
	Balance at 1 April 2012	71	201	136	408
	Additions to enhance existing operations	13	106	53	172
	Disposals	(14)	(41)	(43)	(98)
	Disposal as a result of business combinations	(15)	(12)	(25)	(52)
	Transfer to disposal group held for sale	(2)	(1)	-	(3)
	Foreign subsidiaries exchange differences	10	9	10	29
	Balance at 31 March 2013	63	262	131	456
	Accumulated depreciation and accumulated impairment losses				
	Balance at 1 April 2012	(48)	(101)	(94)	(243)
	Depreciation charge for the year	(11)	(61)	(14)	(86)
	Continuing operations	(9)	(56)	(9)	(74)
	Operations discontinued during the year*	(2)	(5)	(5)	(12)
	Disposals	12	41	42	95
	Disposal as a result of business combinations	11	8	18	37
	Foreign subsidiaries exchange differences	(7)	(7)	(6)	(20)
	Balance at 31 March 2013	(43)	(120)	(54)	(217)

*The depreciation charge for 2013 includes depreciation of R4 million relating to operations that were classified as discontinued in the current year resulting in the depreciation charge being reclassified to profit or loss from discontinued operations.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

13. PROPERTY AND EQUIPMENT (Continued)

Furniture and fittings, office equipment and other assets include freehold land and buildings owned by the group, which have a carrying value of R14 million (2013: R15 million). A register of freehold land and buildings is available for inspection by authorised representatives at the registered office of the company.

Rm	2014	2013
Included in property and equipment are assets capitalised as part of a finance lease. The net book value of these assets are as follows:		
Computer equipment	33	36
Cost	38	38
Accumulated depreciation	(5)	(2)
Furniture & fittings	37	42
Cost	45	45
Accumulated depreciation	(8)	(3)

Refer to the note 31 'Finance lease liabilities' for more information on the lease arrangement.

Rm	2014	2013
14. PURCHASED AND DEVELOPED COMPUTER SOFTWARE		
Carrying value		
Cost	238	323
Accumulated amortisation and accumulated impairment losses	(158)	(194)
Balance at 31 March	80	129
Cost		
Opening balance	323	328
Movement during the year:		
Additions to enhance existing operations	28	17
Disposals	(17)	-
Disposals as a result of business combinations	-	(32)
Transfer to assets relating to disposal groups held for sale	(119)	(2)
Foreign subsidiaries exchange differences	23	12
Closing balance	238	323

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013
14. PURCHASED AND DEVELOPED COMPUTER SOFTWARE (Continued)		
Accumulated amortisation and accumulated impairment losses		
Opening balance	(194)	(162)
Movement during the year:		
Amortisation charge for the year*	(44)	(17)
Continuing operations	(6)	(5)
Operations discontinued during the year	(38)	(12)
Amortisation charge arising from business combination (Note 4)	(19)	(19)
Disposals	16	-
Disposals as a result of business combinations	-	11
Transfer of assets relating to disposal groups held for sale	98	-
Foreign subsidiaries exchange differences	(15)	(7)
Closing balance	(158)	(194)

*The amortisation charge for 2013 includes amortisation of R9 million relating to operations classified as discontinued in the current year and R3 million relating to operations discontinued in the prior year resulting in the amortisation charge being reclassified to profit or loss from discontinued operations.

15. GOODWILL

	2014	2013
15.1 Carrying value	3 985	4 490
15.2 Reconciliation of movement in carrying value		
Opening balance	4 490	4 652
Movement during the year:		
Disposal of subsidiary	-	(107)
Impairment relating to subsidiary discontinued and disposed of during the year	-	(17)
Reclassification to disposal groups held for sale	(599)	(38)
Foreign exchange adjustments on foreign denominated goodwill	94	-
Closing balance	3 985	4 490

15. GOODWILL (Continued)

15.3 Analysis of goodwill balances per cash generating unit

Rm	2014	2013
SA Risk and Insurance Services		
Personal Services	445	445
Guardrisk Allied Products and Services	-	84
Alexander Forbes Compensation Technologies	95	95
Guardrisk Insurance	-	300
SA Financial Services		
Financial Services	1 126	1 126
AF Life	317	317
SA Investment Solutions	1 392	1 392
AfriNet	83	83
International Financial Services		
Lane Clark & Peacock	527	564
Financial Services	-	84
	3 985	4 490

During the year, the group classified the operations of Guardrisk group, the Swiss operations of Lane, Clark & Peacock and Trustee Services as held for sale. As a result, the carrying value of Goodwill associated with these businesses was reclassified to assets held for sale at the date of discontinuance. Subsequently, Guardrisk and the Swiss operations of LCP Libera have been disposed of by the group. Refer to note 23 for more details.

15.4 Valuation of goodwill

Goodwill is allocated to cash-generating units (CGUs) in accordance with the group's accounting policies. This represents the lowest level at which goodwill is monitored for internal management purposes and in all cases is at or below the Company's operating segment. The goodwill balances are subject to an annual impairment review as required by IAS36.

Each CGU goodwill balance is tested for a recoverable amount as determined primarily based on value-in-use calculations with the exception of LCP which was tested based on the fair value less cost to sell. These calculations use cash flow projections based on financial budgets approved by the board of directors for the forthcoming year and forecasts for up to three years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate for the geographic segment.

The fair value of LCP was established through a valuation obtained from an independent expert. The valuation was prepared referencing preceding market transactions and the price multiples of similar enterprises currently trading on the open market.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

15. GOODWILL (Continued)

15.4 Valuation of goodwill (Continued)

Key assumptions used include:

	South Africa	Africa
Discount rates (before specific segment risk) - 2014	12.6	12.6
Discount rates (before specific segment risk) - 2013	12.7	12.7
Terminal growth rates - 2014	5.5	5.9
Terminal growth rates - 2013	5.5	5.9

Sensitivity analysis

A sensitivity analysis had been performed on each of the base case assumptions used for assessing the goodwill with other variables held constant. Consideration of sensitivities to key assumptions can evolve from one financial year to the next.

The board has considered the surplus value in use or fair value and concluded that, in all cases except as noted below, there are no reasonably possible changes in key assumptions that may give rise to the carrying amount of goodwill exceeding the value in use or fair value.

For the Alexander Forbes Compensation Technologies CGU's it is reasonably possible that a change in the assumptions used could give rise to the carrying value of the goodwill equalling the value in use. The following sensitivities are therefore presented, which are calculated leaving all other variables constant:

- decrease in the compound annual growth rate in trading result;
- decrease in the terminal growth rate; and
- increase in the pre-tax discount rate.

	AFCT
Surplus value in use (Rm)	37
Decrease in CAGR	35%
Decrease in terminal growth rate	47%
Increase in discount rate	14%

15.5 Allocation of goodwill balances to cash-generating units

Factors which are not considered separable from the business of Alexander Forbes, and which contributed to the cost of the acquisition of Alexander Forbes Limited by the Company and resulted in the recognition of goodwill, include the following:

- Assembled workforce, including specific technical expertise and training expertise
- Distribution channels
- Training and recruitment programmes
- Customer service capability and service support
- Effective marketing programmes and product cross-selling opportunities
- Leading market position
- Finance-raising capabilities.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

16. INTANGIBLE ASSETS

Intangible assets comprise values attributed to contractual customer relationships and market-related intangible assets. All intangible assets are non-current in nature.

Rm	2014	2013
16.1 Carrying value		
Cost	1 744	2 048
Accumulated amortisation and accumulated impairment losses	(858)	(837)
Balance at 31 March	886	1 211
16.2 Analysis of intangible assets		
Customer lists	636	929
Trade names	250	282
	886	1 211
16.3 Reconciliation of movement in carrying value		
Opening balance	1 211	1 437
Movement during the year:		
Amortisation charged for the year*	(3)	(3)
Continuing operations	(1)	(1)
Operations discontinued during the year	(2)	(2)
Amortisation charge arising from IFRS 3 *Business Combinations* *(Note 4)**	(125)	(147)
Transfer to assets relating to disposal groups held for sale	(221)	(22)
Impairment on disposal	-	(52)
Foreign subsidiaries exchange differences	24	(2)
Closing balance	886	1 211

*The amortisation charge for the current and prior year includes amortisation of R2 million for operations classified as held for sale in the current year. The amortisation of intangible assets arising from IFRS 3 *Business combinations* includes R20 million relating to operations classified as held for sale in the current year.

The amortisation expense for both these items are recognised in profit or loss from discontinued operations in the income statement.

17. JOINT VENTURES

The group classified its interest in Alexander Forbes UK Direct Limited, an unlisted joint arrangement, as discontinued as at 31 March 2013. This results in the group's share of assets and liabilities being reclassified to Assets and liabilities of disposal groups held for sale and the results of its operations being reported as part of discontinued operations in the income statement.

During the current year, the group disposed of its financial interest in the joint venture. Refer to note 23 Assets and liabilities of disposal groups classified as held for sale for more details.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

18. INVESTMENT IN ASSOCIATES

	Rm	2014	2013
18.1	**Equity accounted carrying value**		
	Cost	3	3
	Share of cumulative post-acquisition reserves	3	1
		6	4
18.2	**Reconciliation of movement in equity accounted carrying value**		
	Opening balance	4	3
	Movement during the year:		
	Share of profits of associates	2	1
	Closing balance	6	4

At 31 March 2014, the group had a financial interest in one unlisted associate, Alexander Forbes Insurance Brokers Kenya (Kenya Insurance Brokers). The company operates as a short term insurance broker exclusively in its country of incorporation, the details of which are provided in note 47 to these financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013

19. FINANCIAL ASSETS

19.1 Total financial assets

Rm	2014	2013
Non-current financial assets	122	1 710
Current financial assets	287	354
	409	2 064

19.2 Analysis of financial assets

Rm	2014	2013
Financial assets classified as held to maturity		
Bonds	-	14
Financial assets classified as available-for-sale		
Unit trusts	1	3
Financial assets designated as fair value through profit or loss	316	1 882
Preference shares	34	44
Derivative securities	-	64
Collective investment schemes	243	183
Bonds	39	1 591
Financial assets classified as loans and receivables	92	165
Premium finance receivables	-	79
Equity release housing loans	42	44
Loans to participants of the employee share purchase trusts	8	6
Shareholder’s loan	14	14
Loans receivable	22	21
Other loans	6	1
	409	2 064

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

20. INSURANCE RECEIVABLES

Rm	2014	2013
Insurance brokerage income receivable and other insurance balances	146	106
Reinsurance brokerage income receivables	37	99
Receivables from short-term insurance contracts	243	449
Premium debtors	4	64
Reinsurers' share of unearned premium provision	24	74
Reinsurers' share of outstanding claims provision	189	283
Reinsurers' share of IBNR provision	26	28
Receivable from long-term insurance contracts	371	398
Premium debtors	37	41
Reinsurers' share of policyholder liability (group life)	306	333
Policyholder asset under long-term insurance contract (individual life)	28	24
Other insurance related receivables	17	21
	814	1 073

A reconciliation of the receivables from short-term and long-term insurance contracts with the payables from such contracts is provided in note 34 to these financial statements.

21. TRADE AND OTHER RECEIVABLES

Rm	2014	2013
Financial assets:		
Trade receivables	359	362
Other receivables	158	265
	517	627
Non financial assets:		
Accrued and not billed balances	314	255
Accrued income and prepayments	39	48
Prepaid taxation	3	5
	873	935

Included in trade and other receivables are impairments of trade receivables of R3 million (2013: R15 million)

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013
22. CASH AND CASH EQUIVALENTS		
22.1 Total cash and cash equivalents		
Cash and bank balances	3 318	3 047
Short-term deposits	589	579
	3 907	3 626
22.2 Analysis of cash resources		
Total cash and cash equivalents	3 907	3 626
Less: 'Fiduciary' cash balances linked to:		
Insurance related payables and policyholder and securitisation payables included in other payables	(1 456)	(1 466)
Less: Capital adequacy and regulatory requirements	(1 293)	(953)
Less: Cash held against current payables of insurance and other regulated entities	(62)	(249)
Less: Restricted cash balances held within group insurance facilities	(342)	(187)
Available cash resources	754	771
22.3 Cash and cash equivalents included in policyholder and cell owner assets are as follows:		
Multi-manager and unit trust investment contracts	8 197	11 958
Cell-captive insurance facilities	1	1 294
	8 198	13 252

23. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

As part of the group's strategic refocusing of its operations, certain entities have been discontinued and disposed of over the past number of years. In terms of IFRS, when an operation is discontinued, the assets and liabilities of these entities are reclassified to Assets and liabilities of disposal groups classified as held for sale at the date of discontinuance. The results of operations of the discontinued entity are reported separately in the income statement with the prior year also being restated to take this into effect.

23.1 Net profit of business units discontinued up to effective date of disposal

During the year, the group discontinued and disposed of the Guardrisk group of companies, Euroguard in the UK and the Swiss operations of Lane, Clarke & Peacock. Further, the group concluded the disposals of the operations of Media Insurance Services, Investment Solutions UK, the Afrinet Risk Services operations of Mozambique and Nigeria that were classified as discontinued at 31 March 2013.

The group also discontinued the operations of Trustee Services in the UK and certain LCP operations in Europe, both of which formed part of the International division previously following the Board's decision to dispose of these entities.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

23. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

23.1 Net profit of business units discontinued up to effective date of disposal (Continued)

The results of these operations are reported as discontinued in the income statement and the comparatives have been restated accordingly. For a breakdown of the profit or loss on disposal of subsidiaries, refer to note 23.2 Disposal of subsidiaries, associates and operations.

Rm	2014	2013
Fee and commission income	452	1 035
Less: direct expenses attributable to fee and commission income	(116)	(118)
Net income from insurance operations	281	77
Operating income net of direct expenses	617	994
Operating expenses	(460)	(768)
Profit from operations before non-trading and capital items	157	226
Non-trading and capital items	(122)	(80)
Operating profit	35	146
Investment income	-	2
Finance costs	-	(4)
Share of net profit of associates (net of income tax)	3	-
Profit before tax	38	144
Income tax expense	(60)	(42)
(Loss)/profit for the year from discontinued operations	(22)	102
Profit/(loss) on disposals	564	(112)
Total profit/(loss) from discontinued operations	542	(10)

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

23.2 Disposal of subsidiaries, associates and businesses

During the current year, the group disposed of its interest in the Guardrisk group, Euroguard Insurance, LCP Libera (the Swiss operations of LCP), Media Insurance Services, Investment Solutions UK and the AfriNet Risk Services operations in Mozambique and Nigeria.

Significant disposals in 2013 include Alexander Forbes Consultants and Actuaries, part of the Alexander Forbes International operations, as well as some of the AfriNet entities namely, Alexander Forbes Zambia, Tanzania, Uganda, Malawi and Kenya Health Care.

	2014			2013
Rm	Guardrisk	Other	Total	Total
Carrying value of net assets sold	(862)	(410)	(1 272)	(434)
Foreign currency translation reserve of disposed entities	13	(95)	(82)	(30)
Tax expense relating to disposal	(11)	-	(11)	14
	(860)	(505)	(1 365)	(450)
Net proceeds on disposal	1 514	415	1 929	338
Profit/(loss) on disposal of subsidiaries	654	(90)	564	(112)
Net consideration received in cash	1 514	415	1 929	338
Cash and cash equivalents disposed of	(440)	(253)	(693)	(59)
Net cash inflow	1 074	162	1 236	279

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

23.2 Assets and liabilities of disposal group classified as held for sale

At 31 March 2014, the operations of Swaziland Employee Benefits, Tibiyo, Trustee Services and and certain LCP operations in Europe remain as discontinued while the group pursues various disposal opportunities. The assets and liabilities of these operations are classified as Assets and liabilities of disposal groups classified as held for sale.

The table below provides an analysis of the components of assets and liabilities of disposal groups classified as held for sale. The comparative March 2013 disclosure consists of the assets and liabilities of the operations classified as held for sale at that date, being the Afrinet Risk Services operations of Tibiyo, Mozambique and Nigeria as well as the operations of Swaziland Employee Benefits, Media Insurance Services and Investment Solutions UK.

Goodwill of R84 million and intangible assets of R30 million relating to Trustee Services were classified as held for sale during the year and subsequently impaired.

23.3 Assets and liabilities of disposal group classified as held for sale

Rm	2014	2013
Financial assets held under multi-manager investment contracts	-	29 645
Long-term assets	27	28
Goodwill	21	46
Deferred tax asset	-	1
Financial assets	-	12
Trade and other receivables	9	108
Other current assets	10	1
Cash and cash equivalents	24	97
Total assets	91	29 938
Financial liabilities held under multi-manager investment contracts	-	29 645
Provisions – non-current	-	3
Insurance related payables	6	59
Trade and other payables	29	35
Total liabilities	35	29 742

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

24. EQUITY HOLDERS' FUNDS

Rm	2014	2013
24.1 Total equity holders' funds		
Share capital at no par value (note 24.2)	5 819	-
Ordinary share capital at par (note 24.2)	-	4
Preference share capital (note 24.2)	-	3
Share premium (note 24.2)	-	3 254
Treasury shares (note 24.3)	(405)	(21)
Non-distributable reserves	102	(8)
Cash flow hedge reserve(note 24.4)	-	(19)
Other reserves(note 24.5)	102	11
Accumulated loss	(763)	(1 162)
	4 753	2 070

	2014		2013		
	Number of shares '000 000	Share capital at no par value Rm	Number of shares '000 000	Share capital at par value Rm	Share premium Rm
24.2 Analysis of share capital					
Authorised					
Ordinary shares each	2 500	-	700	7	-
Non-convertible redeemable 'A' preference shares	600	-	600	6	-
Non-convertible redeemable 'B' preference shares	45	-	45	*	-
Issued					
Ordinary shares	1 251	5 819	377	4	561
Non-convertible redeemable 'A' preference shares **	-	-	319	3	2 693
Non-convertible redeemable 'B' preference shares*	21	*	21	*	-
	1 272	5 819	717	7	3 254

* The issued non-convertible redeemable 'B' preference share of 1 cent each amounted to R211 610 at year end. These shares are redeemable at the company's option for an amount of R179 million.

** As part of the debt restructure, the group redeemed the 'A' preference shares at their face value.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

24. EQUITY HOLDERS' FUNDS (CONTINUED)

24.2 Analysis of share capital

Reconciliation of movement in shares

	2014		2013		
	Number of shares	Share capital at no par value	Number of shares	Share capital at par value	Share premium
	'000 000	Rm	'000 000	Rm	Rm
Opening balance	377	4	377	4	561
Conversion to no par value shares	-	561	-	-	-
Redemption of Pikco Preference shares	45	271	-	-	-
Issue of shares relating to settlement of high yield term loan	380	2 287	-	-	-
Redemption of A preference shares	449	2 696	-	-	-
Closing balance	1 251	5 819	377	4	561

	2014	2013
24.3 Treasury shares		
Opening balance	(21)	(29)
Movement during the year:		
Contributions by members	(1)	8
Increase in Treasury shares as a result of the consolidation of the SPV funding entities	(383)	-
Closing balance	(405)	(21)

On 31 March 2014 the company provided guarantees to a local bank in order to obtain funding for the Management Share Trust and the BEE consortium to follow their rights in terms of debt restructuring. As a result these funding vehicles are consolidated into the Group financial results. The investment in AFEH directly related to the funding provided is classified as treasury shares in terms of IFRS.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

24. EQUITY HOLDERS' FUNDS (Continued)

		2014	2013
24.4	**Cash flow hedge reserve**		
	Opening balance	(19)	(51)
	Movement during the year:		
	Raised/(released) during the year from		
	Interest rate swap	(1)	(13)
	Less: amounts recycled to income statement to match income statement effect of hedged item	20	45
	Closing balance	-	(19)

Interest rate swap

Prior to its redemption, the senior preference shares in Alexander Forbes Acquisition Proprietary Limited ("AF Acquisition") bore interest at a variable interest rate linked to the prime overdraft lending rate in South Africa ("prime rate"). The Group was thus exposed to interest rate risk and an interest rate hedge was entered into with the senior lenders (Rand Merchant Bank (a division of FirstRand Bank Limited), Nedbank Limited and Investec Bank Limited) to protect AF Acquisition against adverse interest rate risk on the expected dividend payments.

The hedge instrument expired in the current year and all amounts relating to the hedge have been settled. Further, as explained in note 27 Borrowings, the senior preference shares have been fully redeemed at 31 March 2014 resulting in the AF Acquisition not requiring to extend the hedge term.

	Rm	2014	2013
24.5	**Other reserves**		
	Available-for-sale financial assets reserve	5	5
	Foreign currency translation reserve	372	6
	Redemption reserve	(271)	-
	Other reserves	(4)	-
		102	11

Redemption reserve

The redemption reserve arose in the current year due to the redemption of the Pikco Preference Shares. The Pikco Preference Shares were classified as equity instruments of the group, therefore the difference between the redemption proceeds and the original carrying value of the Pikco Preference Shares has been recorded within equity (Redemption reserve). The redemption was settled via the issue of ordinary shares. Refer to note 24.2.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013

25. FINANCIAL LIABILITIES HELD UNDER MULTI-MANAGER INVESTMENT CONTRACTS

25.1 Movement of liabilities under multi-manager and unit trust investment contracts

Rm	2014	2013
Opening balance	222 790	209 994
Movement during the year :*		
Premium inflows	39 229	37 283
Withdrawals	(37 226)	(32 486)
Investment return net of taxation	23 469	29 742
Effect of movements in exchange rates	-	2 837
Reclassification of disposal groups classified as held for sale	-	(29 645)
Other	5 485	5 065
Closing balance	253 747	222 790

* This amount is off-set by a corresponding movement in 'Financial assets held under multi-manager investment contracts' (refer note 11).

25.2 Discounted maturity analysis of liabilities under multi-manager and unit trust investment contracts

Rm	2014	2013
Due within one year	118	-
Due between one and five years	-	94
Open ended	253 629	222 696
	253 747	222 790

These policyholder liabilities arise from multi-manager and unit trust investment contracts issued by the group's multi-manager investment subsidiaries in South Africa, Namibia and the United Kingdom. The policyholder liabilities are directly matched to the linked policyholder assets.

These are financial liabilities designated as fair value through profit or loss

Rm	2014	2013
Financial liabilities linked to investment contracts - current	253 747	222 696
Financial liabilities linked to investment contracts – non-current	-	94
	253 747	222 790

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

26. LIABILITIES OF CELL-CAPTIVE AND OTHER INSURANCE FACILITIES

Under IFRS, all liabilities of Alexander Forbes Insurance Namibia as well as Guardrisk Insurance and Guardrisk Life in South Africa, and Mauritius and Euroguard Insurance in Gibraltar, until the date of transfer to held for sale are included in Liabilities of cell-captive and other insurance facilities. An analysis of the policyholders' and cell owners' interests in the liabilities of these cell-captive insurance companies is provided below.

Rm	2014	2013
Short-term insurance technical liabilities	140	5 463
Gross unearned premium provision	140	3 187
Gross outstanding claims provision	-	1 577
Gross IBNR provision	-	699
Long-term insurance technical liabilities		
Policyholder liability	151	1 979
Insurance liabilities of cell captive insurance facilities	291	7 442
Other liabilities attributable to policyholders and cell-owners	24	3 932
Cell-owners' interest	16	2 924
Payables	8	1 130
Taxation receivable	-	(122)
	315	11 374

27. BORROWINGS

27.1 Analysis of borrowings

On 31 March 2014 the Alexander Forbes group undertook a capital restructure. The capital restructuring was aimed at refinancing certain term debt facilities and redeeming and replacing substantially all remaining debt instruments and preference share instruments in the capital structure of the group with ordinary equity. A single senior debt layer remains which may, over time, be reduced by reapplying internal cash flows to meet regulatory capital requirements as and when they become effective.

The rationale for the capital restructuring of the Group was to:

- optimise and simplify the capital structure of the Group;
- ensure compliance with regulatory changes to be brought about by the Interim Measures which are expected to be implemented during this calendar year; and
- align the company's shareholder interests in the Group capital structure.
- facilitate the realisation by the company's shareholders in due course.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

27. BORROWINGS (CONTINUED)

27.1 Analysis of borrowings (Continued)

Prior to the capital restructure the Senior Preference Shares were redeemed in full. All related security obligations were released by the preference shareholders.
The capital restructuring steps which impacted on the borrowings of the Group include the following:

- The issue of 380 million new ordinary shares to shareholders of AF Equity Holdings, the proceeds of which were used to settle the high yield term loan and the put and call option
- A bridge loan finance facility in addition to cash generated from operations and proceeds from the disposal of subsidiaries were used to settle the PIK debentures
- A new term loan facility obtained from a local bank was used to refinance the bridge loan facility above

The final result of the debt restructure is shown below.

Rm	**2014**	2013
Term loan (27.4)	**1 250**	-
Senior preference shares (27.5)	**-**	1 460
High yield term (note 27.6)	**-**	1 735
Put and call option – at fair value (note 27.6)	**-**	304
The Pay –In-Kind debentures (27.8)	**-**	1 898
SPV Preference shares	**386**	-
Total interest bearing borrowings	**1 636**	5 397
Equity holder's loan	**16**	12
	1 652	5 409

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

27. BORROWINGS (CONTINUED)

27.2 Reconciliation of movement in borrowings

	Senior pref shares	High yield term loan	Put and call option	PIK Debenture	New Term loan	SPV Pref. Shares	Other	2014 Total	2013 Total
Opening balance	1 460	1 735	304	1 898	-	-	12	5 409	5 448
Movements for the year:									
Interest accrued	90	292	-	337	-	-	-	719	717
Interest paid	(129)	(482)	-	(1 485)	-	-	-	(2 096)	(575)
Redemptions paid	(1 429)	-	-	-	-	-	-	(1 429)	(252)
Borrowings repaid	-	(1 552)	(364)	(750)		-	-	(2 666)	-
Borrowings raised	-	-	-	-	1 250	386	4	1 640	1
Fair value movement	-	-	60	-	-	-	-	60	57
Movement in capitalised costs	8	7	-	-	-	-	-	15	13
Closing balance	-	-	-	-	1 250	386	16	1 652	5 409

27.3 Discounted maturity analysis of borrowings

Rm	2014	2013
Payable on demand	16	12
Due within one year	-	836
Due between one and five years	1 636	4 561
Due after five years	-	-
	1 652	5 409

27.4 Term loan facility

On 31 March 2014, a subsidiary company, Alexander Forbes Acquisition Proprietary Limited (AF Acquisition), obtained a term loan facility ('term loan') amounting to R1 250 million. The term loan bears interest at three months JIBAR plus 2.1% per annum compounded quarterly. The interest is payable quarterly while the capital is repayable in three years together with any unpaid interest on 31 March 2017.

27. BORROWINGS (CONTINUED)

27.4 Term loan facility (Continued)

If AF Acquisition fails to pay any principal amount or interest amount payable by it on its due date, interest shall accrue on the loan and any accrued and unpaid interest from the due date up to the date of actual payment at a rate which is equal to the Interest Rate (JIBAR plus 2.1%) which would otherwise be applicable plus 2%, for so long as such payment remains outstanding and has not been remedied after any applicable grace period (if any).

The term loan may be repaid at any time, in whole or in part, which would include the capital plus any accrued and unpaid interest to the repayment date.

The term loan is subject to certain mandatory repayment events. For instance, the loan would be repaid if AF Acquisition or any other member of the Group disposes of any of its assets or business (whether pursuant to a single transaction or a series of transactions) which, when aggregated with all other assets disposed of by members of the Group since the signature date, directly or indirectly contribute more than 30% of the consolidated EBITDA or assets of the group for the 12 month period up to and as at the date of disposal.

In addition, all amounts outstanding on the term loan, together with accrued and unpaid interest, shall become immediately due and payable in the event of a sale of all or substantially all of the assets or business of the group or if a change of control occurs. AF Acquisition must repay the term loan if the lender becomes aware that it is unlawful in any applicable jurisdiction for such lender to perform its obligations under a term finance document.

27.5 Senior debt preference shares

A subsidiary company, Alexander Forbes Acquisition Proprietary Limited (AF Acquisition), had issued preference shares in equal proportion to three South African banks. The preference shares paid semi-annual dividends at a dividend rate of 93.5% of the South African prime rate.

During the year, cash generated from operations and proceeds on the disposal of subsidiaries were used to redeem the senior preference shares in full as follows:

- R136 million redemption of shares on 31 May 2013;
- R425 million redemption of shares on 30 November 2013; and
- R869 million redeemed on 4 March 2014.
- R8 million capitalized debt origination costs were written off

Prior to the settlement of the preference shares, AF Acquisition was subject to certain undertakings, guarantees and commitments as part of the security structure. Following the redemption of the senior preference shares, any related undertakings, guarantees and commitments on the preference shares ceased to exist.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

27. BORROWINGS (CONTINUED)

27.6 High-yield term loan

A subsidiary company, Alexander Forbes Funding Proprietary Limited (AF Funding) had issued the high-yield term loan ("term loan") amounting to R1 487 million to a consortium of investors consisting mainly of shareholders. This term loan bore interest at a fixed rate of 16.8%.

The term loan had a maturity date of 18 September 2015. During the year, the term loan was repaid in full as part of the debt restructure as follows:

- R110 million payment for accrued interest on 18June 2013
- R406 million accrued interest on 31 March 2014; and
- R1 487 million capital repaid on 31 March 2014.
- R 30 million capitalized debt origination costs were repaid on 31 March 2014

Prior to the settlement of the high yield term loan, AF Funding was subject to certain undertakings, guarantees and commitments as part of the security structure. Following the repayment of the loan, any related undertakings, guarantees and commitments on the loan ceased to exist.

27.7 Put and call agreement

Following the settlement of the High Yield term loan, additional amounts payable on the term loan in terms of a put and call option agreement were settled in full. Under the put and call option agreement, AF Funding had issued preference shares to a security agent on behalf of the term loan lenders. As part of the debt restructure the AF Funding Preference Shares which were subject to the put and call option was purchased from the HY Lenders by AF Equity Holdings, these preference shares were called and settled with the proceeds raised by an additional issue of ordinary shares to AF Equity Holdings shareholders.

Prior to the settlement of the put and call liability, AF Funding was subject to certain undertakings, guarantees and commitments as part of the security structure. Following the settlement of the put and call liability, any related undertakings, guarantees and commitments on the put and call liability ceased to exist.

27. BORROWINGS (CONTINUED)

27.8 Pay-in-Kind ("PIK") debentures

A subsidiary company, Alexander Forbes PIK Funding Proprietary Limited ("AF PIK"), had issued 100 000 000 unsecured debentures for a principal amount of R7.50 each. The debentures bore interest at 17% per annum compounded semi-annually on 31 May and 30 November each year. Unpaid interest is capitalised annually. The interest accrued for the year together with the capital amount was redeemable on the 10th anniversary from the date of issue, namely on 26 July 2017.

As part of the debt restructure during the year, AF PIK settled the PIK debentures in full.

- R337 million of accrued interest on 31 March 2014; and
- R1 898 million of capital redeemed on 31 March 2014.

Prior to the settlement of the PIK debentures, AF PIK was subject to certain undertakings, guarantees and commitments as part of the security structure. Following the redemption of the PIK debentures, any related undertakings, guarantees and commitments on the PIK debentures ceased to exist.

27.9 Financial covenants

The new term loan provides that the Net Debt to EBITDA ratio in respect of the immediately preceding rolling 12 month period shall not at any time exceed 2:1 (Debt Cover Ratio).

Prior to the debt restructure on 31 March 2014, the group was subject to various financial covenants including maintenance and distribution covenants. As part of the settlement of all debt balances these covenants were set aside and there is no remaining obligation to the previous debt providers.

27.10 SPV Preference shares

AF BEE Funding SPV Proprietary Limited and AF MST Funding SPV Proprietary Limited

In order to facilitate participation in the capital restructure, two special purpose vehicles ('SPV's") were established to follow the rights on behalf of the Management Share Trust and the BEE consortium. The SPV's issued preference shares to a major bank and used the funds received to purchase ordinary shares in AFEH. Certain guarantees were provided by a subsidiary of AFEH which results in the SPV's being consolidated and the shares purchased being treated as treasury shares.

The Alexander Forbes BEE Funding SPV, issued preference shares to a major bank for an aggregate subscription price of R158 million. Further, the Alexander Forbes MST Funding issued preference shares to a major bank for an aggregate subscription price of R228 million.

The preference shares pay quarterly dividends at a dividend rate of 75% of the South African prime rate with the first payment made on 31 May 2014.

The preference shares are redeemable on 31 March 2017. However the SPVs are entitled to make voluntary early redemption either out of (i) internally generated cash flows or (ii) direct or indirect proceeds of refinance. The preference shares would become redeemable should either of the SPV company's realise its assets.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

27. BORROWINGS (CONTINUED)

27.10 SPV Preference shares (Continued)

The preference share facility is subject to certain early redemption events and certain mandatory redemption events customary for such financing, the occurrence of which would require the redemption of all of the preference shares. These include but are not limited the following:

- Failure to make payment by the SPVs or AF Acquisition
- Breach of certain undertakings by the SPVs or AF Acquisition
- Breach of the debt cover ratio which at anytime should not exceed 2:1
- The SPVs, AF Acquisition, AFEH or material subsidiary of AFEH group become insolvent
- Assets of the SPVs AF Acquisition, AFEH or material subsidiary of AFEH group are attached and such attachment is not lifted within 30 days
- Disposal of assets by the SPVs, AF Acquisition, AFEH or material subsidiary of AFEH group that is not a permitted disposal and is not for the purposes of settling the Preference shares.

The preference shares are also subject to certain undertakings that, without the prior consent of the major bank and subject to certain customary and other agreed exceptions, limit the ability of the SPVs to, among other things:

- Enter into amalgamations, mergers, consolidation or corporate transactions.
- Incur any financial indebtedness except in the ordinary course of business and for special permitted purposes.
- Give any guarantee or security interest except for permitted guarantees and security interests
- Issue additional equity instruments except for the permitted share issues or grant any loans other than permitted loans.
- Purchase or redeem its equity instruments or otherwise reduce or alter its share capital.
- Make any distributions except for permitted distributions.

The preference shares are guaranteed by AF Acquisition Proprietary Limited.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013
28. EMPLOYEE BENEFITS		
28.1 Total employee benefits		
Defined benefit pension fund obligation – South Africa (note 28.2)	-	-
Defined benefit pension fund obligation – LCP Libera (Switzerland) (note 28.3)	-	-
Post-retirement medical benefit obligation – South Africa (note 28.4)	114	129
Provision for leave pay (note 28.5)	54	52
	168	181

Substantially all employees are covered by defined contribution retirement fund arrangements in the major territories in which the group operates. The group also has a defined benefit pension fund as disclosed below (which is closed to new entrants). Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependant pensions. The defined contribution and defined benefit pension funds in South Africa are both governed by the *Pension Funds Act*.

28.2 Defined benefit pension fund obligation – South Africa

The closed defined benefit pension fund provides a pension of 2% of final pensionable salary for each year of pensionable service plus 0.5% of final pensionable salary for each year of pensionable service in excess of 25 years. The fund was closed to new members on 31 December 1992.

The pension fund is funded with the assets of the fund being held independently of the group's assets in a separate trustee-administered fund.

The fund is valued by a statutory actuary on a tri-annual basis, with a full actuarial assessment being completed on 31 March 2014. The actuary is of the opinion that the fund is in a sound financial position. For accounting reporting, the projected unit credit method is used to value the liability.

The membership of the fund as at the last actuarial valuation at 31 March 2014 comprised 12 active members and 72 pensioners.

A portion of fund assets are managed by our subsidiary, Investment Solutions, and the total value is R179 million (2013: R168 million). Another portion of the fund assets is invested with a financial institution with a credit rating of AA per FITCH Ratings Limited. These assets are secured by South African government bonds as such Alexander Forbes pension fund will be entitled to the proceeds of the bonds should the financial institution default.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013

28. EMPLOYEE BENEFITS (Continued)

28.2 Defined benefit pension fund obligation – South Africa

	2014	2013
Present value of benefit obligation	(147)	(157)
Fair market value of the plan assets	193	184
	46	27
Impact of asset ceiling	(46)	(27)
Total	-	-

Reconciliation of movements

Rm	Present value of obligation	Fair value of plan assets	Total	Impact of asset ceiling	Total
At 31 March 2013 (restated)	(157)	184	**27**	(27)	**-**
Current service costs	(2)	-	**(2)**	-	**(2)**
Interest expense	(11)	13	**2**	-	**2**
Remeasurements	15	3	**18**	-	**18**
Change in economic assumptions	17				
Other	(2)				
Contributions	-	1	**1**	-	**1**
Payment from plans					
Benefits paid	8	(8)	**-**	-	**-**
Adjustment to the asset ceiling				(19)	**(19)**
At 31 March 2014	(147)	193	**46**	(46)	**-**

Rm	2014	2013	2012
The principal actuarial assumptions applied are as follows:			
Discount rate	8.70%	8.50%	8.50%
Inflation rate	6.40%	6.00%	6.00%
Salary increase rate	7.40%	7.00%	7.00%
Pension increase allowance	6.40%	6.00%	6.00%

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

28. EMPLOYEE BENEFITS (Continued)

28.2 Defined benefit pension fund obligation – South Africa

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions above are as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(9.8%)	12.6%
Inflation rate	1%	12.5%	(9.9%)

The mortality rates are assumed as follows:

Pre-retirement: SA85-90 (Light) table

Post-retirement: PA(90) ultimate table rated down 2 years plus 1% improvement p.a. from 28 February 2004

The components of plan assets are as follows:

	2014	2013
Cash	8.26%	6.94%
Equity		
Listed Equities	21.89%	20.86%
Unlisted equities	0.04%	0.05%
Bonds	53.33%	58.21%
Property	2.00%	1.58%
International		
Equity	10.65%	9.74%
Bonds	0.26%	0.74%
Cash	2.30%	0.71%
Property	0.07%	0.13%
Other	0.33%	0.33%
Other	0.87%	0.71%
	100%	100%

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

28.3 Defined benefit pension fund obligation – LCP Libera (Switzerland)

The employees of LCP Libera (Switzerland) contribute to a defined contribution pension fund which provides a minimum pension fund obligation based on the Pensionskasse ATAG Treuhand (PK ATAG). There are 80 active members in this fund.

The pension fund is funded with the assets of the fund being held independently of the group's assets in a separate trustee-administered fund. At 31 March 2014 and 31 March 2013, all pension fund assets were invested in money market instruments.

The fund is valued by a statutory actuary on a tri-annual basis, with the last full actuarial assessment being completed on 3 May 2012. For accounting reporting, the projected unit credit method is used to value the liability. This is based on an actuarial projection of the statutory valuation updated to 31 March 2012 taking into account market conditions and the fund's experience to date.

During the current year the LCP Libera subsidiary was disposed and as such the obligation in the Group no longer exists.

CHF m	2014	2013
The latest actuarial valuation reflected the following:		
Defined benefit obligation	-	35
Fair market value of fund assets	-	(35)
Funded status deficit/(surplus)	-	-
Less: Unrecognised actuarial deficit	-	-
Amount recognised in the statement of financial position	-	-
A reconciliation of the movement in the pension fund obligation is as follows:		
Opening asset	-	-
Movement during the year:		
Charge per income statement	-	1
Contribution paid	-	(1)
Closing asset	-	-

28.4 Post-retirement medical benefit obligation – South Africa

In South Africa, certain employees, who joined the group before 1 March 1997, are entitled to a post-retirement medical aid subsidy. At 31 March 2014, this applies to a total of 368 people (2013: 371) and comprises 97 active employees (2013: 87) and 272 pensioners (2013: 275). Employees who joined the group after 1 March 1997 are not eligible for post-retirement medical aid subsidies.

Employees employed before 1 March 2009 are eligible for a death in service subsidy. If a member eligible for a death in service subsidy dies in service, their dependants are eligible to receive a 50% subsidy of medical scheme contributions subject to the fixed rand amount as for the post-retirement subsidy.

The obligation is valued every year by actuaries using the projected unit credit method. The date of the last actuarial valuation was 31 March 2014. The post-retirement medical obligation is partly funded through a cell-captive insurance arrangement, the assets of the insurance cell totalled R71 million at 31 March 2014 (2013: R71 million).

The cell captive insurance policy is consolidated in the group's results and the related asset which backs this post employment liability is reflected in cash and cash equivalents.

The post-retirement medical aid subsidy paid to pensioners is subject to a maximum rand amount. This rand amount increases with inflation (CPI) each year. In order to compensate for the rand amount increase of the subsidy being different to medical aid inflation, the group established a hardship fund in 2004 to provide assistance to specifically identified pensioners in financial need.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

28. EMPLOYEE BENEFITS (Continued)

28.4 Post-retirement medical benefit obligation – South Africa (continued)

Rm	2014	2013
The latest actuarial valuation reflected the following:		
Medical benefit obligation	**99**	115
Hardship fund liability	**15**	14
Recognised liability in the statement of financial position	**114**	129
A reconciliation of the movement in the post-retirement medical benefit obligation in South Africa is as follows:		
Opening balance	115	106
Current service costs	2	3
Interest expense	9	9
Remeasurements	(5)	4
Change in economic assumptions	(7)	8
Other	2	(4)
Benefits paid	(7)	(7)
Transfer to trade payables	(15)	-
Closing balance	99	115
The principal actuarial assumptions applied are as follows:		
Discount rate	**8.9%**	7.9%
Inflation (CPIX) rate	**6.5%**	6.0%
Retirement age	**60/65 yrs**	60/65 yrs

Mortality rates are assumed as follows:

Pre-retirement: SA85-90 (Light) ultimate table

Post-retirement: PA (90) ultimate table rated down 2 years plus 1% improvement per annum (from a base year of 2006)

28. EMPLOYEE BENEFITS (Continued)

28.4 Post-retirement medical benefit obligation – South Africa (Continued)

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions above are as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(10.4%)	12.8%
Inflation (CPIX) rate	1%	12.7%	(10.5%)

28.5 Provision for leave pay

Rm	2014	2013
Opening balance	50	51
Movement during the year:		
Increase in provision	24	35
Decrease in provision	(14)	(35)
Transferred to held for sale	(7)	-
Disposal of businesses	-	(2)
Foreign subsidiaries exchange differences	1	1
Closing balance	54	50

The group's policy is that leave days are forfeited at the end of each annual leave cycle, unless a carry forward of leave days is specifically authorised or provided for in an employment agreement. The timing of the use of the leave pay provision depends on employees' leave plans and resignations from employment during the year.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

29. DEFERRED TAXATION

Rm	2014	2013
29.1 Net deferred tax liability balance		
Deferred tax assets (note 29.3)	183	164
Deferred tax liabilities (note 29.4)	(432)	(450)
	(249)	(286)
29.2 Reconciliation of movement in the net deferred tax liability balance		
Opening balance	(286)	(381)
Movement during the year:		
(Charge)/credit per income statement	(1)	89
Charge to income statement relating to operations discontinued and disposed of in the current year	25	(9)
Degrouping tax charge resulting from the sale of business	-	9
Transfer to asset groups held for sale of business	13	-
Change in rate	2	5
Foreign subsidiaries exchange differences	(2)	1
Closing balance	(249)	(286)
29.3 Analysis of deferred tax assets		
Retirement benefit obligations	15	13
Deferred income	3	4
Calculated tax losses	104	60
Provisions	39	94
Operating lease liability	20	7
Other items	2	(14)
Total deferred tax assets	183	164
29.4 Analysis of deferred tax liabilities		
Work-in-progress	(29)	(30)
Deferred tax on policyholder assets	(140)	(64)
Accelerated tax allowances, provisions and other items	(5)	(1)
Deferred tax recognised in terms of IFRS 3 *Business Combinations* *	(258)	(355)
Total deferred tax liabilities	(432)	(450)

* This amount represents the deferred tax balance raised on intangible assets recognised at the time of the private equity transaction

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

30. PROVISIONS

Rm	2014	2013
Proposed client settlements	99	106
Provisions for errors and omissions claims	159	154
Other	26	24
Total	284	284

30.1 Analysis and reconciliation of movement in provisions

	Proposed client settlements	Provisions for errors and omission claims	Other	Total
Balance at 31 March 2013	106	154	24	284
Movement during the year:				
Increase in provision	4	(26)	5	(17)
Decrease in provision and payments made	(11)	(6)	(6)	(23)
Foreign subsidiaries exchange differences	-	37	3	40
Balance at 31 March 2014	99	159	26	284
Balance at 31 March 2012	95	125	45	265
Movement during the year:				
Reclassification	-	-	-	-
Increase in provision	30	30	19	79
Interest accrued	-	-	-	-
Decrease in provision and payments made	(19)	(18)	(41)	(78)
Foreign subsidiaries exchange differences	-	17	1	18
Balance at 31 March 2013	106	154	24	284

The provision for proposed client settlements is current in nature while all other provisions are considered to be non-current.

Uncertainties affecting the timing and amount of the settlement of provisions are discussed in the relevant note below.

30. PROVISIONS (Continued)

30.2 Provision for client settlements and other legal claims

In the past, the group voluntarily appointed independent legal advisors to conduct a full review of past and current business practices across all of the South African operations. The results of the review were fully disclosed and published on the group's website. Following this review in 2006, the provision for proposed client settlements for historical business practices, including the practice referred to as 'bulking' was made. Interest accrues on this provision at the prime lending rate less 4% up to the date of settlement payments.

To date, the group has made substantial progress in relation to the client settlement process, with the vast majority of all retirement funds who received offers having accepted the settlement offer. The settlement offers are made in full and final settlement of the matter, however, a contingent liability remains in respect of any clients who have not accepted the settlement offer. Refer to note 37.2 Contingencies.

30.3 Provision for errors and omissions claims

The group's errors and omissions risk is insured in the London market (the market policy), with a limit of R1.9 billion for each and every claim or loss in the annual aggregate in excess of the aggregate deductible of R90 million.

Upon exhaustion of the aggregate deductible of R90 million, a residual deductible of R100 000 each and every claim or loss shall apply, but R30 000 each and every claimant deductible in respect of investment and investment related business activities regulated by the Financial Services Authority in the UK.

The aggregate deductible of R90 million (subject to a deductible of R1.5 million (Africa operations) or £100 000 (UK)) each and every claim or loss in the annual aggregate is insured with a third party cell-captive insurer, Mannequin Insurance PCC Limited (the Mannequin policy). The limit of the Mannequin policy is equal to the limit of the aggregate deductible of the market policy.

The market policy covers all subsidiary and associate companies, except for Lane Clark & Peacock. The Mannequin policy excludes associates and non-wholly-owned operations, with some exceptions. Such operations are required to insure their own risk up to a limit of R15 million, after which they are included in the market policy up to an additional limit of R110 million, providing them total cover of R125 million. Lane Clark & Peacock effect their own cover.

The Group has arranged a separate errors and omissions run-off cover for the Financial Services operations in the UK sold to JLT (to comply with contractual obligations in the sale purchase agreement) with a limit of £55 million any one claim or loss in the aggregate, with the excess layers on the Group programme providing further cover up to R1,2 billion. . This is in respect of claims notified post completion of the sale of the operations for which the Group retains responsibility.

The Group has an equity investment in a cell in Mannequin Insurance PCC Limited, which entitles the group to the underwriting profits earned by this insurance cell. The group is required to maintain the insurance cell and ensure it is adequately capitalised. Additional capital is required to be paid in the event that underwriting losses are incurred by the insurance cell.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

30. PROVISIONS (Continued)

30.3 Provision for errors and omissions claims (Continued)

The assets, liabilities, income statement and cash flow effects attributable to the group's investment in the Mannequin Insurance cell are included in the consolidated financial statements of the Group. The effect is to eliminate the premium payments to the cell-captive insurer on consolidation and to recognise the assets, liabilities, cash flows and net operating results of the insurance cell in the consolidated financial statements of the group. The insurance premiums charged to the various group operations continue to be allocated to the relevant businesses in determining the trading results of operations reflected in the segmental profit analysis.

30.4 Other provisions

Other provisions include the following:

- Provision for clawback of commissions received by the group. This provision is based on historical client lapse experience. However, it may not be representative of future client lapse experience which will affect the quantum of commission required to be repaid to insurers.

- Provision for contractual obligations in relation to premises leases entered into in the United Kingdom, which require the relevant buildings to be refurbished at the end of the lease term. The nature of the actual expenditure and quantum thereof will only be determined at the end of the lease term.

- Provision for onerous premises leases. This provision is based on management's best estimate but conditions may change regarding the likelihood, timing and commercial terms of sub-lease arrangements in respect of unoccupied office space.

31. FINANCE LEASE LIABILITY

Rm	Future minimum lease payments	Interest	Present value of minimum lease payments at 31 March 2014	Present value of minimum lease payments at 31 March 2013
Not later than one year	7	-	7	6
Later than one year but not later than five years	34	(3)	31	29
Later than five years	67	(15)	52	58
	108	(18)	90	93

In 2010, the group entered into a lease agreement for a head office building which took effect on 1 October 2012. The lease is for a period of twelve years. This head office building comes fully furnished with items of furniture and fixtures including IT equipment. The items of furniture, fixtures and equipment will be used for a majority of their economic lives and consequently have been classified as finance leases. The minimum lease payments were therefore split between (i) land and building (operating lease component) and (ii) furniture and fixtures including IT equipment (finance lease component) based on their relative fair values.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013
32. OPERATING LEASE LIABILITY		
Premises lease deferral: Accelerated recognition of lease costs resulting from straight-lining of lease expenses (with no recognition of time value of money) in terms of IAS 17.	119	40

The significant leases to which this deferral relates are 115 West Street, Sandton (commenced October 2012, Alexander Forbes Place, 61 Katherine Street, Sandton (ended September 2012), and Alexander Forbes Place, 90 Rivonia Road, Sandton (ended September 2012). The escalation clause is 7.5% per annum for 115 West Street, Sandton.

Rm	2014	2013
33. DEFERRED INCOME		
Cell-captive operations: Underwriting agency income - income deferred to cover future servicing costs, together with a reasonable margin thereon	-	49
Financial Services: Commission income on insurance and investment products - income deferred to cover future servicing costs, together with a reasonable margin thereon	25	23
	25	72
34. INSURANCE PAYABLES		
34.1 Total insurance payables		
Payables from broking activities	23	60
Reinsurance creditors	283	261
Claims float held for insurance operations	24	20
Payables from short-term insurance contracts	316	604
Gross unearned premium provision	45	112
Gross outstanding claims provision	232	436
Gross IBNR provision	39	56
Payables from long-term insurance contracts		
Policyholder liability under long-term insurance contracts (group life)	360	1 985
Payables from umbrella retirement fund activities*	1 264	1 055
	2 270	3 985

*A substantial portion of the payables from umbrella fund activities results from a timing difference between the receipt of funds from new clients at year-end and the investment of these funds with the group's multi-manager investment subsidiary subsequent to year-end.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013

34. INSURANCE PAYABLES (Continued)

34.2 Policyholder liability under long-term insurance contracts

The policyholder liability arises from group life business written by a long-term insurance subsidiary of the group. The net liability position comprises:

Rm	2014	2013
Gross policyholder liability (refer note 34.1 above)	360	1 985
Less: Reinsurance assets relating to the policyholder liability (refer note 20)	(306)	(333)
Net liability to policyholders	54	1 652

A reconciliation of the movement in the net policyholder liability is as follows:

Rm	2014	2013
Opening balance	1 652	827
Movement during the year:		
Net (decrease)/increase in claims experience	63	825
Transfer to assets and liabilities of disposal groups held for sale	(1 661)	-
Closing balance	54	1 652

34.3 Net payables from short-term insurance contracts

The net payables from short-term insurance contracts arise from short-term insurance business written by the short-term insurance subsidiaries of the group. The net payables position comprises:

Rm	2014	2013
Payables from short-term insurance contracts (refer note 34.1 above)	316	604
Less: Receivables from short-term insurance contracts (refer note 20)	(243)	(449)
Net payables from short-term insurance contracts	73	155

A reconciliation of the movement in the net payables is as follows:

Rm	2014	2013
Opening balance	155	120
Movement during the year:		
Net claims incurred	(82)	35
Closing balance	73	155

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013

35. TRADE AND OTHER PAYABLES

	2014	2013
Financial liabilities:		
Trade payables	429	449
Accrued expenses	217	166
Other payables	307	268
	953	883
Non financial liabilities:		
Employee based accruals	471	379
Taxation payable	107	91
	1 531	1 353

36. COMMITMENTS

36.1 Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	Premises	Furniture & fittings, office equipment and other assets	2014 Total	2013 Total
Due within one year	155	9	164	189
Due between one to five years	814	1	815	748
Due after five years	1 501	-	1 501	1 587
	2 470	10	2 480	2 524

Rm	2014	2013

36.2 Capital commitments

	2014	2013
Commitments in respect of capital expenditure approved by directors:		
Contracted for	-	-
Not contracted for	4	4
	4	4

The funds to meet these commitments will be provided from internal cash resources generated by operations.

36. COMMITMENTS (Continued)

36.3 Revolving credit facility

Alexander Forbes International Ltd (AFIL) and AF Acquisition, the direct holding company of Alexander Forbes Limited, entered into a revolving credit facility agreement with FirstRand Group for a maximum aggregate amount of R200 million.

This Rand denominated facility to AF Acquisition bears interest at the South African prime rate of interest. The revolving credit facility is available for drawing until July 2014 and drawings are permitted as and when required during the availability period, upon satisfaction of certain conditions.

Under the revolving credit facility, a commitment fee is payable to the lender in respect of each calendar quarter until the final payment date. The commitment fee is calculated as 0.9% of the average amount available for draw-down during the quarter, calculated daily and payable in arrears on 31 May and 30 November each calendar year.

The outstanding balance on the revolving credit facility, Rnil at 31 March 2014 (2013: Rnil), is obliged to be repaid upon a ‘mandatory redemption event’ or ‘early redemption event’, both as defined in the preference share agreement. The repayment must occur within 30 days of demand of such repayment.

This facility ranks pari passu with senior debt preference shares issued by AF Acquisition as set out in the Intercreditor agreement (defined below).

36.4 Inter-creditor agreement

Subsequent to the debt restructure detailed in note 27 Borrowings, the inter-creditor agreement ceased to exist.

36.5 Guarantors under the high-yield term loan agreement

Subsequent to the debt restructure detailed in note 27 Borrowings, all guarantees under the high-yield loan agreement ceased to exist.

37. CONTINGENCIES

37.1 Overview

In the conduct of its ordinary course of business, the Group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The Directors are satisfied, based on present information and the assessed probability of claims eventuating, that the Group has adequate insurance programmes and provisions in place to meet such claims. However, like all businesses of this type, the risk exists that significant adverse developments in past claims, or a significant increase in the frequency or severity of future claims for errors and omissions, could have a material effect on the Group's reported results.

The structure of the Group's professional indemnity insurance program is explained in note 30.3 to these financial statements.

37.2 Client settlements arising from historical business practices

'"Bulking" is the term used to describe the practice of aggregating, on a notional basis, the total value of administered bank current accounts in order to negotiate better interest rates with the banks on behalf of clients. In response to identifying that there was inadequate disclosure to clients of fees historically received in respect of such bulking arrangements implemented by a subsidiary, it made settlement offers to such affected clients. In addition, as part of the commitment to meet the highest standards of governance and integrity, Alexander Forbes appointed independent legal advisers and auditors to conduct a full review of the past and current business practices across all of the South African operations of the Group during 2006. The results of this review were fully disclosed to the Regulator and published on the Group's website. As a result of the bulking matter and the comprehensive business practice review, the Group made provision for amounts in respect of proposed client settlements relating to bulking and issues identified during the wider business practice review. Interest accrues on these settlement amounts up to the date of payment. As of the date of these financial statements, most clients and past clients have accepted these settlement offers and the necessary payments have been made. The Group continues to make progress with settlement payments to remaining clients which now mainly consist of closed and liquidated funds. Although provisions made are considered to be adequate, a contingent liability remains in this regard.

37.3 SARS information request in respect of the interest deduction relating to the 2007 company reorganisation

During the year, the group received information requests from the South African Revenue Service (SARS) focused on the 2007 acquisition of the businesses by a consortium of private equity investors. In particular, SARS seems to be exploring the debt introduced at the time of the transaction and the related interest deductions claimed by various subsidiaries since the transaction. The directors continue to believe that such interest deduction is allowable for tax purposes and the consolidated financial statements do not reflect any adjustments that may be necessary should a portion or all of the interest be disallowed by SARS.

Furthermore, the Group has not received any indication from SARS as to the outcome or findings of their review of the information provided following the information requests. Consequently, the Group is unable to estimate with sufficient reliability the potential financial effect of the aforementioned contingent liability, if any.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013
38. CASH GENERATED FROM OPERATIONS		
Profit before taxation from continuing operations	324	94
Items disclosed separately:		
Net interest expense	610	719
Non-cash items:		
Depreciation of property and equipment	73	74
Amortisation of intangible assets	191	163
Movement in operating lease liability	79	11
Impairment losses		
Movement in deferred income and expenses	60	3
Income statement charge for retirement benefit obligations	-	4
Interest income on financial assets	-	3
Movement in provisions	(33)	1
Foreign exchange movements on intercompany loans	31	32
Movement in other non-cash items	(4)	(3)
	1 331	1 101
39. INTEREST PAID		
Finance costs per income statement	(843)	(848)
Non cash finance costs	814	255
Capitalised interest on borrowings paid (refer to note 27)	(2 096)	-
Finance costs paid	(2 125)	(593)
40. MOVEMENT IN WORKING CAPITAL AND INSURANCE BALANCES		
Movement in working capital balances		
Trade and other receivables	(33)	(143)
Trade and other payables	197	142
Movement in insurance balances		
Insurance receivables	(17)	(178)
Insurance payables	354	1 292
Non-cash movement in insurance payables relating to fair value adjustment on financial assets	-	(813)
	501	300

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

Rm	2014	2013
41. CASH FLOWS FROM POLICYHOLDER INVESTMENT CONTRACTS		
Acquisitions	**39 229**	37 283
Investments made net of disinvestments	**(5 764)**	(7 823)
Transfer to held for sale*	**(1 301)**	-
Movement in cell-captive insurance facilities	**8**	544
Disposals	**(37 226)**	(32 486)
	(5 054)	(2 482)

*Subsequent to the transfer to assets held for sale, the Guardrisk group of companies was disposed as detailed in note 22.2 Disposal of subsidiaries.

Rm	2014	2013
42. TAXATION PAID		
Taxation payable at beginning of year	**(91)**	(203)
Prepaid tax at beginning of year	**5**	20
Charge in income statement	**(362)**	(322)
Charge to income statement for operations discontinued and disposed of in the year included in discontinued operations	**(71)**	-
Adjusted for:		
Tax attributable to policyholders	**(2)**	-
Reclassification of disposal Groups held for sale	**29**	5
Sale of business – discontinued operations	**-**	(13)
Foreign subsidiaries exchange differences	**2**	1
Interest and penalties	**(1)**	-
Prepaid taxation at end of year	**(3)**	(5)
Taxation payable at end of year	**107**	91
	(387)	(426)

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

43. RELATED PARTY DISCLOSURE

List of related party relationships

43.1 Major shareholders

The equity holders of the company are detailed in Annexure B to these financial statements.

The private equity consortium investors together have a 53.6% interest in the company. However, no single member of the consortium or any other shareholder has an effective equity interest of more than 19% in the company.

43.2 Subsidiaries, joint ventures and associates

Details of subsidiaries, joint ventures and associates, which are considered material to the group and in respe of which the group has a continuing interest, are provided in Annexure A to these financial statements.

43.3 Post-employment benefit plans

Details of retirement benefit plans are provided in note 28 ‘Employee benefits’.

43.4 Directors

Details of the directors of the company are provided in the Directors’ Report.

43.5 Prescribed officers

The group has defined the Group Chief Executive, the Group Chief Financial Officer and the Managing Directors of the major operating segments as prescribed officers of the group as defined by the new *Companies Act* 2008.

43.6 Key management personnel

Key management personnel are defined as the prescribed officers and the Board of Directors of Alexander Forbes Equity Holdings Proprietary Limited.

43.6 Key management personnel

Key management personnel are defined as the prescribed officers and the Board of Directors of Alexander Forbes Equity Holdings Proprietary Limited.

SUMMARY OF RELATED PARTY TRANSACTIONS

43.7 Transactions with shareholders

Details of the change in shareholding as a result of the debt restructure undertaken on 31 March 2014 are detailed in Annexure A to these financial statements.

A portion of the fees paid to non-executive directors during the year of R1.6 million (2013: R1.5 million) are paid to the shareholder company that the non-executive directors represent.

43.8 Transactions with subsidiaries and joint ventures

Details of dividends and fees received from subsidiary companies, where applicable, are provided in the company financial statements. The company has loans to and from its subsidiary companies, details of which are provided in the company financial statements. All transactions and balances with subsidiaries are eliminated on consolidation in line with the Group’s accounting policies.

There have been no material transactions with joint ventures during the year.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

43. RELATED PARTY DISCLOSURE (Continued)

43.9 Transactions with associates

As detailed in note 18 ‘Investment in associates’, no dividends were received from Associates in the current and prior years.

43.10 Transactions with post-employment benefit plans

Contributions to retirement benefit plans amounted to R2 million (2013: R1 million) to the defined benefit fund and R7 million (2013: R7 million) to the post-retirement medical obligation plan, as detailed in note 28 ‘Employee benefits’. There are no amounts outstanding at year-end. Assets of the retirement benefit plans are invested through Investment Solutions Limited, these assets amount to R179 million (2013: R168 million).

The retirement benefit plans of the Group are compulsory funds and as such key management are participants in the fund. At 31 March 2014, the investments held through the retirement benefit plans by key management are R28 million (2013: R22.2 million).

43.11 Transactions with directors

The remuneration of executive directors is determined and approved by the Remuneration Committee. The remuneration of non-executive directors, in the form of fees, is proposed by the Remuneration Committee and approved by shareholders at each annual general meeting.

The Remuneration Committee consists of a majority of non-executive directors. As a committee of the board, the committee determines, agrees and develops the general policy on executive directors’ and senior management’s remuneration. The objective is to ensure that such remuneration is fair, responsible and appropriate and that the conditions of employment and remuneration scales are market-related and at levels sufficient to attract, retain and motivate individuals of quality, taking account of the fact that the Group is an international business.

The Remuneration Committee is also mandated to determine the criteria necessary to measure the performance of the executive directors in discharging their responsibilities. There are no management, consulting, technical or other fees, nor any commission, paid to directors other than what is disclosed below.

Executive directors’ and chairman’s remuneration paid to current officeholders during the year are detailed below. In addition bonuses amounting to R28.4 million (2013: R23.8 million) for the current period under review were accrued and have not yet been paid.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

43. RELATED PARTY DISCLOSURE (Continued)

Executive directors and prescribed officers (R'000)	Salary	Bonus	Benefit and allowances	Retirement and medical contributions	Total
2014					
MS Moloko (Chairman)	**2 240**	**2 250**	**47**	**317**	**4 854**
E Chr Kieswetter (Group Chief Executive)	**4 626**	**5 200**	**99**	**484**	**10 409**
DM Viljoen (Group Chief Financial Officer)	**3 126**	**3 600**	**69**	**504**	**7 299**
S Schoeman* (Managing Director)	**1 893**	**1 801**	**42**	**326**	**4 062**
D Msibi* (Managing Director)	**2 253**	**2 999**	**54**	**362**	**5 668**
P Edwards* (Managing Director)	**2 348**	**2 000**	**45**	**419**	**4 812**
G Dhombo* (Managing Director)	**1 902**	**1 722**	**38**	**200**	**3 862**
Total for the year	**18 388**	**19 572**	**394**	**2 612**	**40 966**

* Prescribed officers

Executive directors and prescribed officers (R'000)	Salary	Bonus	Benefit and allowances	Retirement and medical contributions	Total
2013					
MS Moloko (Chairman)	2 068	2 001	48	299	4 416
E Chr Kieswetter (Group Chief Executive)	3 704	4 700	657	457	9 518
DM Viljoen (Group Chief Financial Officer)	2 858	3 500	71	471	6 900
S Schoeman* (Managing Director)	1 660	1 650	112	306	3 728
D Msibi* (Managing Director)	2 080	2 356	44	342	4 821
P Edwards* (Managing Director)	1 749	2 000	115	333	4 198
G Dhombo* (Managing Director)	1 656	1 650	142	188	3 636
Total for the year	**15 775**	**17 857**	**1 189**	**2 396**	**37 217**

* Prescribed officers

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

43. RELATED PARTY DISCLOSURE (Continued)

GBP	Salary	Bonus	Loss of office	Retirement and medical contributions	Total
2014					
G Stobart* (Managing Director)	227 492	260 000	-	51 660	539 152
T Gusmao* (Managing Director)	-	-	-	-	-
Total for the year (GBP)	227 492	260 000	-	51 660	539 152
Total for the year (R'000)	3 669	4 193	-	833	8 695
2013					
G Stobart* (Managing Director)	234 192	250 000	-	50 834	535 026
T Gusmao* (Managing Director)	97 201	220 000	113 169	33 920	464 290
Total for the year (GBP)	**331 393**	**470 000**	**113 169**	**84 754**	**999 316**
Total for the year (R'000)	**4 507**	**6 392**	**1 539**	**1 153**	**13 591**

Shareholding in the Group

The directors' and prescribed officers' indirect shareholding of Alexander Forbes Equity Holdings Proprietary Limited is through the Alexander Forbes Management Trust and the Alexander Forbes Management Co-Investment Trust (the trust), which was formed for senior executives of the Alexander Forbes Group. Prior to the completion of the group debt restructuring, these trusts held in aggregate shares amounting to 8.7% of the ordinary share capital of the company. As part of the group debt restructuring on 31 March 2014, a special purpose vehicle, AF MST Funding SPV Proprietary Limited was formed for the benefit of management and holds ordinary shares in the company. Following the completion of the debt restructuring, these trusts, together with the newly formed special purpose vehicle, now hold in aggregate shares amounting to 5.7% of the ordinary share capital of the company. Participants in the trust do not directly own shares in the company. However, the trusts hold shares in the company for the benefit of the participants. Each participant made a contribution of capital to the trust. The original value at which the points were allocated from the trust was R1.00 each. The most recent value at which points were allocated as at 31 March 2014 was R2.46 each.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

43. RELATED PARTY DISCLOSURE (Continued)

Shareholding in the Group (Continued)

The equivalent beneficial interest of the directors' and prescribed officers' is detailed below.

Executive directors and prescribed officers' participation in the Alexander Forbes Group Management Share Trust Scheme

	Points 31 March 2012	Points forfeited in 2013	Points 31 March 2013	Points acquired in 2014	Points 31 March 2014
MS Moloko (Chairman)	1 801 034	-	1 801 034	-	1 801 034
E Chr Kieswetter (Group Chief Executive)	4 310 494	-	4 310 494	2 406 651	6 717 145
DM Viljoen (Group Chief Financial Officer)	2 260 870	-	2 260 870	938 000	3 198 870
G Dhombo* (Managing Director)	960 870	-	960 870	400 000	1 360 870
P Edwards* (Managing Director)	817 391	-	817 391	500 000	1 317 391
S Schoeman* (Managing Director)	960 870	-	960 870	-	960 870
T Gusmao* (Managing Director)	1 434 783	(634 783)	800 000	-	800 000
G Stobart* (Managing Director)	1 934 783	-	1 934 783	840 000	2 774 783
D Msibi* (Managing Director)	1 500 000	-	1 500 000	-	1 500 000
	15 981 095	**(634 783)**	**15 346 312**	**5 084 651**	**20 430 963**

Investments in the High Yield Term Loan

In 2009 certain key management were afforded the opportunity to invest in the high-yield term loan and related instruments in line with their shareholding through the Management Trust. Key management has invested R2.05 million directly into the loan and the relevant assets associated, on the same terms and conditions as the rights offer applicable to all shareholders at the time. In addition, those members who did not follow their rights are beneficiaries of the HY Investment Trust. The HY Investment Trust was incorporated for management for the purposes of this transaction and the right to invest in the high yield term loan and related assets were sold to RMB. The payment for these rights by RMB will be determined at the settlement date of the high yield term loan and related instruments and will depend on the return on investment achieved by RMB.

The high yield term loan was settled as part of the debt restructure on 31 March 2014 and as a result those members of management who had invested directly in the high yield term loan, were settled in full. RMB also received settlement of the high yield term loan and as a result of the return on investment achieved, made a payment to the HY Investment Trust. In addition the HY Investment Trust sold their Pikco Preference Shares to the MST Funding SPV. The proceeds by the HY Investment Trust received from RMB and the Pikco Preference share sale were distributed to the beneficiaries of the HY Investment Trust.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

43. RELATED PARTY DISCLOSURE (Continued)

Long-Term Incentive Plan (LTIP)

A Long-Term Incentive Plan (LTIP) was established during the previous financial year aimed at improving retention of key staff and management and first awards were made in January 2012. The benefit is linked to compound growth rate hurdles achieved in the value of shareholders' equity at the time of exit by the current private equity investors from 1 April 2011. The date of exit is uncertain and the scheme has no value below a compound growth rate of 12%. This incentive, if any value is achieved, is payable in two tranches being 50% at the time of exit and 50% eighteen months later if the participant remains in employment. The value reflected for each below is the probability based estimated present value of the LTIP at year end. The LTIP had no value at 31 March 2014 (2013: Rnil)

Subsequent to year-end, a new LTIP scheme was approved that will replace the scheme described above. The new scheme has similar terms to the current scheme but has recalibrated performance measures following the various disposals resulting from the strategic refocus as well as the capital restructure of the group. The scheme will also contain a 50% pure retention component aimed at ensuring retention of key individuals during and after the anticipated exit by the private equity shareholders with the balance being based on future performance criteria.

A separate Long-Term Incentive Scheme was established for Investment Solutions amongst key staff and management. D Msibi participates in this scheme which is based on a participation of profit growth above a compound growth rate of 10% per annum. The incentive payment so determined, if any, is paid in three equal tranches over the ensuing three years if the participant remains in employment.

R'000	2014	2013
MS Moloko (Chairman)	-	-
E Chr Kieswetter (Group Chief Executive)	-	-
DM Viljoen (Group Chief Financial Officer)	-	-
S Schoeman *(Managing Director)	-	-
D Msibi *(Managing Director)	395	201
P Edwards *(Managing Director)	-	-
G Dombo *(Managing Director)	-	-
T.Gusmao *(Managing Director)	-	-
	394	201

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

43. RELATED PARTY DISCLOSURE (Continued)

Non-executive directors' fees and remuneration

Non-executive directors are paid by other companies in the Alexander Forbes Group and independent non-executive directors are paid fees by the company and other companies within the Alexander Forbes Group.

Independent Non-executive directors (R'000)	Salary	Bonus	Retirement and medical contrib-utions	Other*	Total
2014					
B Petersen	-	-	-	852	852
D Konar	-	-	-	1 552	1 552
M Collier	-	-	-	1 067	1 067
H Meyer	-	-	-	516	516
Total for the year	-	-	-	**3 987**	**3 987**
2013					
B Petersen	-	-	-	794	794
D Konar	-	-	-	824	824
M Collier	-	-	-	1 151	1 151
H Meyer	-	-	-	482	482
Total for the year	**-**	**-**	**-**	**3 251**	**3 251**

*Other refers to directors' fees paid. Directors' fees consist of a combination of standard fees plus additional fees for committee or sub-committee membership over and above the standard working programme.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

43. RELATED PARTY DISCLOSURE (Continued)

Non-executive directors' fees and remuneration (Continued)

Non-executive directors (shareholder company represented) (R'000)	Salary	Bonus	Retirement and medical contribu-tions	Other*	Total
2014					
N Kolbe – (Actis AF Holdings Limited)	-	-	-	324	324
D Govender – (Shanduka Advisors Proprietary Limited)	-	-	-	324	324
D Ngobeni – (Shanduka Advisors Proprietary Limited)	-	-	-	324	324
A Roux - (Ethos Capital v GP (SA) Limited)	-	-	-	324	324
JA van Wyk – (Actis AF Holdings Limited)	-	-	-	324	324
Total for the year	-	-	-	1 620	1 620

Non-executive directors (shareholder company represented) (R'000)	Salary	Bonus	Retirement and medical contribu-tions	Other*	Total
2013					
N Kolbe – (Actis AF Holdings Limited)	-	-	-	307	307
D Govender – (Shanduka Advisors Proprietary Limited)	-	-	-	307	307
MC Ramaphosa - (Shanduka Advisors Proprietary Limited)	-	-	-	307	307
A Roux - (Ethos Capital v GP (SA) Limited)	-	-	-	307	307
JA van Wyk – (Actis AF Holdings Limited)	-	-	-	307	307
Total for the year	**-**	**-**	**-**	**1 535**	**1 535**

*Other refers to directors' fees paid.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

43. RELATED PARTY DISCLOSURE (Continued)

Rm	2014	2013
43.12 Transactions with key management		
Short-term employee benefits (salary, bonus and other benefits)	53	53
Post employment benefits	3	2
	56	55

Transactions with Group companies

Members of key management have personal investments in Investment Solutions amounting to R60 million (2013: R13 million). Certain members also insure their personal assets through Alexander Forbes Insurance. These transactions are all concluded at market rates on an arm's length basis.

44. INSURANCE RISK

44.1 Overview

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those that transfer significant insurance risk, being the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Such insurance contracts are issued by the Group's insurance subsidiary companies namely, Alexander Forbes Insurance and Alexander Forbes Life, as detailed below. These insurance companies are authorised and regulated by the Financial Services Board (FSB) in South Africa and Namibia, the Financial Services Authority (FSA) in Gibraltar and the FSA in the United Kingdom.

The Group also issues contracts which are classified as investment contracts. These contracts transfer financial risk with no significant insurance risk. Financial risk is defined as 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 process or rates or credit index or other variable. The Group's multi-manager investment subsidiaries operate under long-term insurance licences and they too are authorised and regulated by the FSB in South Africa and Namibia and the FSA in the United Kingdom. These licences are issued in order for the multi-manager to issue only linked investment policies and thus these businesses do not assume any insurance risk. For accounting purposes, the contracts issued to policyholders are classified as investment contracts. The assets arising from these investment contracts are directly matched by linked obligations to the policyholders and the assets and linked obligations are separately reflected in the Group statement of financial position as 'Financial assets held under multi-manager investment contracts' and 'Financial liabilities held under multi-manager investment contracts' respectively.

The remaining two insurance subsidiaries, namely Alexander Forbes Insurance and Alexander Forbes Life, transact conventional short-term and long-term insurance business under limited risk-taking mandates.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

44. INSURANCE RISK (Continued)

The names of the insurance subsidiaries and the nature of their respective insurance operations are detailed below.

44.1 Name of subsidiary Company (and country of incorporation)	Nature of insurance operations
Alexander Forbes Insurance Company Namibia Limited	Personal lines short-term insurance, cell captive and contingency short-term insurance as well as motor related short-term insurance products.
Alexander Forbes Insurance Company Limited (South Africa) and Alexander Forbes Life Limited (South Africa)	Cell-captive short-term insurance Personal lines short-term insurance Long-term insurance

Rm	**2014**	2013
44.2 Insurance contract liabilities of insurance subsidiaries included in the statement of financial position (by nature of liability)		
Net unearned premium provision from short-term insurance contracts	**21**	38
Gross unearned premium provision	**45**	112
Less: Reinsurers' share of unearned premium provision	**(24)**	(74)
Net outstanding claims provision from short-term insurance contracts	**43**	153
Gross outstanding claims provision	**232**	436
Less: Reinsurers' share of outstanding claims provision	**(189)**	(283)
Net IBNR provision from short-term insurance contracts	**13**	28
Gross IBNR provision	**39**	56
Less: Reinsurers' share of IBNR provision	**(26)**	(28)
Policyholder liability under long-term insurance contracts (Group life)	**54**	1 652
Gross policyholder liability	**360**	1 985
Less: Reinsurers' share of policyholder liability	**(306)**	(333)
Policyholder asset under long-term insurance contracts (individual life)	**(28)**	(24)
Net liabilities under insurance contracts	**103**	1 847

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

44. INSURANCE RISK (Continued)

44.3 General management of insurance risk

In addition to the management of insurance risk by each subsidiary (as detailed in the sections below), the Group has the following insurance risk management controls:

Risk committees

Audit committees

There are audit committees for each business division within the Group. These audit committees report to the Group Audit Committee and to the operational boards of directors. The relevant business audit committee deals with the insurance subsidiary that reports into that business operation. These committees serve to satisfy the Group and operational boards of directors that adequate internal and financial controls are in place and that material risks are managed appropriately. More specifically, these committees are responsible for reviewing the financial statements and accounting policies, the effectiveness of the management information and systems of internal control, compliance with statutory and regulatory requirements, interim and final reports, the effectiveness of the internal audit function, external audit plans and findings on their respective reports. These committees report directly to the relevant board of directors and comprise three non-executive directors, including a chairman. The committee meetings are attended by the external and internal auditors and are held at least quarterly.

Statutory actuaries

The statutory actuaries of the long-term insurance subsidiaries report annually on the capital adequacy and the financial soundness at the year-end date and for the foreseeable future. All new premium rates or premium rates where changes are required are reviewed by the statutory actuaries and dividends are approved prior to payment to ensure that the insurance subsidiaries remain financially sound thereafter.

Capital adequacy requirements

A minimum level of solvency is required to be held within each insurance subsidiary to meet the regulatory capital adequacy requirements. For the long-term insurance subsidiaries, the capital adequacy requirement (“CAR”) is calculated to determine whether the excess of assets over liabilities is sufficient to provide for the possibility of actual future experience departing from the assumptions made in calculating the policyholder liabilities and against fluctuations in the value of assets. CAR statutory returns are submitted to the Registrar of Long-Term Insurance on a quarterly basis and valuations are performed by the statutory actuary on an annual basis. As at 31 March 2014, the CAR held by the long- term insurance company Alexander Forbes Life Limited amounted to R172 million (2013: R139 million). On a times cover to shareholders funds, the long-term insurance subsidiary Alexander Forbes Life Limited is covered 1.67 times (2013: 1.78 times). Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience that is worse than assumed in the financial soundness valuation. The insurance subsidiary must maintain shareholders’ funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the subsidiary’s business.

44. INSURANCE RISK (Continued)

44.3 General management of insurance risk (Continued)

Capital adequacy requirements (Continued)

Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience that is worse than assumed in the financial soundness valuation. The insurance subsidiary must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the subsidiary's business.

The short term insurance subsidiary companies were required, in terms of the provisions of the Short Term Insurance Act, 53 of 1998, to maintain a solvency margin of 15% of net written premium, as defined by the act. The capital requirements were calculated in accordance with the Board Notice 27 of 2010; as required by the Short-Term Insurance Act, No 53 of 1998. In accordance with the Act and with effect from 1 January 2012 Board Notice 169 of 2011 replaced Board Notice 27 of 2010. As a consequence there is no longer a requirement to maintain a solvency margin of 15% of net written premium; instead a solvency capital reserve has been established in accordance with the Act and the requirements of board notice 169 of 2011. The solvency capital reserve required as per the Act is for Alexander Forbes Insurance Company R95 million (2013: R71 million); and the company reserves as at the reporting date is R128 million (2013: 91 million).

Concentration risk

The Group is not exposed to any significant concentration risk as the insurance contracts issued by the Group's insurance subsidiaries are adequately spread across the major classes of insurance risks. In addition, each insurance subsidiary company is cognisant of concentration risk for their individual entity and each insurance product and takes steps to mitigate this risk, including purchasing reinsurance protection.

Reinsurance

Reinsurance is used to manage the level of underwriting risk accepted by the Group. Reinsurance vetting procedures are in place and reinsurance programmes are assessed on a regular basis to ensure appropriateness of the cover obtained, including the individual cessions and accumulations per reinsurer. The financial condition of reinsurers (identified by their credit rating) is considered when placing reinsurance cover and evaluated on an ongoing basis. The individual insurance subsidiaries limit the level of reinsurance credit risk accepted by placing limits on their exposures to a single counterparty. The individual insurance subsidiaries hold catastrophe reinsurance to mitigate the risk of a single event causing multiple accumulation of claims. The Group has a Risk Committee which evaluates, approves and monitors both insurance and reinsurance markets that the Group operates in and reports back to the relevant operational Boards with recommendations.

44. INSURANCE RISK (Continued)

44.3 General management of insurance risk (Continued)

Enterprise wide risk management

The Group has implemented an enterprise wide risk management programme whereby the objective is to entrench risk management into the day-to-day business activities whereby the insurance subsidiary understands the risk events that may prevent it from achieving its objective; has identified the risk mitigating controls in place and has assessed their efficiency; and has formulated a plan wherever additional action is required.

Terms and conditions of insurance contracts

Personal lines insurance is provided to the general public in their individual capacities. The duration of this insurance is typically monthly but in some cases, annually. The classes of risk underwritten by AF Insurance include property, casualty, personal accident and motor.

Risks that arise from insurance contracts

This business activity relates to the assumption of the risk of loss from events involving persons and etc. As such, the subsidiary is exposed to uncertainty surrounding the timing, severity and frequency of claims under insurance contracts. As insurance events are random, actual experience may vary from what was estimated using established statistical techniques.

The majority of the subsidiary's insurance contracts are 'short-tail', meaning that any claim is settled within one year after the loss date. The subsidiary's 'long-tail' exposures are limited to personal accident, third party motor and public liability. Claims in respect of long-tail business comprise less than 0.1% of an average year's claims cost and are not considered to be a major risk to the Group.

There is no significant concentration of risk as the subsidiary's risks are adequately spread geographically, as well as across the major classes of insurance risk.

The subsidiary calculates its exposure to catastrophe risk by studying the spread of risk nationwide in rand terms and identifying the concentration per certain territories in the event of a natural catastrophe. The subsidiary's concentration exposure for its personal lines book is considered to be in the Johannesburg area and the event has been identified as a possible earthquake. This assessment is done annually at renewal of the catastrophe programme and reinsurance protection is purchased on a non-proportional basis accordingly thereby limiting the exposure to the subsidiary. The current net exposure is R4 million (2013: R4.35 million).Current net exposure is R1 million (2013:R650 000)

Mitigation of insurance risks

Insurance risk is managed by centralised control of pricing and acceptance criteria, underwriting limits, reinsurance and continual monitoring of emerging issues.

There is proportional reinsurance in place for between 75% and 90% of the property and motor personal lines insurance book. Hence the net retention on book is no more than 25% and 10% respectively. There is also non-proportional reinsurance providing protection on a per risk catastrophe basis, capping the net exposure in the event of a single large loss or loss occurrence constituting a catastrophe at a gross amount of around R4 miliion.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

44. INSURANCE RISK (Continued)

44.4 Personal lines short-term insurance

The personal accident insurance book is a high volume low risk portfolio and is protected on a stop loss basis whereby reinsurance protection is purchased to protect the subsidiary in the event of adverse claims experience. The business is written on a monthly basis.

Mitigation of insurance risks (Continued)

Exposures to individual policyholders and Groups of policyholders are monitored as part of the credit control process. The subsidiary is also protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries as provided for in the *Short-Term Insurance Act* in South Africa. In addition most intermediaries are fellow subsidiaries and are not considered to be a credit risk.

44.5 Long-term insurance

Terms and conditions of insurance contracts

The insurance contracts consist of annually renewable Group life and individual life mortality and morbidity contracts. Group business consists of insurance for retirement funds and other Group schemes and covers the contingencies of death and disability. Individual life business covers death, disability and impairment contingencies. There are no surrender values or investment components inherent in any of these policies.

Risks that arise from insurance contracts

These contracts insure events associated with human life (for example, death or survival) which are re-priced on an annual basis. The Group insurance business is subject to mortality and morbidity risk. The risk is that future claims will exceed expectations, which could result from epidemics such as AIDS and Avian Flu, as well as unexpected changes in lifestyles and living patterns. Since the term of a Group policy is typically one year and upfront costs are limited, the risk of non-recoupment of expenses due to withdrawals is limited.

An individual insurance product was launched during the 2006 financial year. As at 31 March 2014, it remains a relatively immaterial part of the overall life insurance exposure. The product is subject to mortality, morbidity, withdrawal and expense risk.

There is exposure to concentration risk on the Group insurance business as there is not yet a wide spread of Group schemes and a single event could result in multiple claims. Catastrophe reinsurance is in place to mitigate this risk. There is no significant concentration risk on the individual insurance business due to the current low level of business transacted.

As of 31 March 2014, the Group had exposure with the supporting actuarial reserves of approximately R42 million (2013: R47 million) in group insurance business. The individual life business has no exposure and reflects a negative actuarial reserves asset of R28.2 million (2012: R23.9 million).

44. INSURANCE RISK (Continued)

44.5 Long-term insurance (Continued)

Mitigation of insurance risk

In respect of Group insurance business, free cover limits are set on a per scheme basis and are formula-driven, taking into account the number of lives and average sums assured. Sums assured in excess of the free cover limit are medically tested. Policy terms and conditions allow for an annual review of premium rates so allowing the management of premiums in line with emerging claims experience. The annual premium reviews take all pertinent information from one year to the next into account.

In respect of individual insurance business, the major risks are mortality, morbidity, withdrawal and expense. Premiums on this business line are differentiated by age, gender and smoker status. Stringent socio-economic qualification criteria apply. Future premium rates are also not guaranteed and may be adjusted if mortality and morbidity experience worsens. Market pressures and delays in implementing changes could, however, counter this mitigating effect. Withdrawal risk is mitigated to some extent by commission clawback clauses in contracts with intermediaries. Expense risk is mitigated through detailed analysis of costs in determining the expense assumptions in the valuation, as well as ongoing expense management.

The insurance risks are also managed through reinsurance arrangements. The appropriate reinsurance structures are assessed by conducting scenario analyses which project outcomes under different reinsurance structures. The retention limits are then set in accordance with risk appetite. The Group insurance business has proportional reinsurance for 85% of the book. There is also non-proportional reinsurance providing protection on a per risk and catastrophe basis, capping the net exposure in the event of a single large loss or loss occurrence constituting a catastrophe.

Sensitivity analysis

The most critical assumption underlying the liabilities relating to group insurance is the rate of recovery from illness or disability associated with claims in payment. The sensitivity to a recovery rate 20% lower than assumed is less than R46 million (2013: R51 million). The sensitivity to assumptions on negative liabilities arising from the individual insurance contracts is currently insignificant.

45. FINANCIAL RISK

Introduction

The Group's activities expose it to various financial risks arising from its financial assets and liabilities. Financial risks comprise credit risk, liquidity risk and market risk. These risks are defined below:

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation thereby causing the Group to incur a financial loss.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to raise funds to meet commitments associated with a financial instrument.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, principally as a result of changes in market conditions. These market conditions include interest rates, foreign currency exchange rates and other price conditions

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate in Rand due to changes in foreign exchange rates.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk and currency risk).

The financial risks relating to the Group's activities can be split into various operations of the Group that reflect the risk profiles of these operations. The operations are: multi-manager investment operations, conducted through the Investment Solutions subsidiary companies and general operations conducted including the insurance broking and consulting operations; employee benefit consulting, administration and management operations; and insurance operations conducted by the Group's short-term personal lines insurer, Alexander Forbes Insurance, and the Group's long-term Group life insurer, Alexander Forbes Life. The nature of financial assets and liabilities of each operation is described below.

Multi-manager investment operations

The financial assets held under multi-manager investment operations are held for the benefit of policyholders and are directly matched by linked obligations to policyholders. Both the assets and the liabilities have been designated at fair value through profit or loss. No assets held under multi-manager investment operations have been pledged as collateral.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

General operations

The financial assets and liabilities arising from general operations result from the insurance broking and consulting operations; employee benefit consulting, administration and management operations; and insurance operations conducted by the Group's short-term personal lines insurer, Alexander Forbes Insurance, and the Group's long-term Group life insurer, Alexander Forbes Life.

The following table reflects the financial assets and financial liabilities of the Group including their respective IAS 39 classifications:

Rm	2014	2013
Assets		
Financial assets held under multi-manager investment contracts		
- Fair value through profit or loss – Designated	245 550	210 832
- Loans and receivables	8 197	11 958
Financial assets of cell captive insurance facilities		
- Fair value through profit or loss – Designated	315	11 374
General operations		
Financial assets		
- Available for sale	1	3
- Fair value through profit or loss – Designated	316	1 882
- Held to maturity	-	14
- Loans and receivables	92	165
Trade and other receivables		
- Loans and receivables	831	882
Cash and cash equivalents	3 907	3 626
Total financial assets	**259 209**	240 736
Liabilities		
Financial liabilities held under multi-manager investment contracts		
- Fair value through profit or loss – Designated	253 747	222 790
Liabilities of cell captive insurance facilities	315	11 374
General operations		
Borrowings		
- Financial liabilities held at amortised cost	1 652	5 105
- Fair value through profit or loss – Designated	-	304
Trade and other payables		
- Financial liabilities held at amortised cost	953	883
Total financial liabilities	**256 667**	240 456

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.1 Credit risk

45.1.1 Objectives, policies and process to manage credit risk

(i) Multi-manager investment operations

All asset managers are governed by strict investment mandates, specifically set out by the Group to meet the investment objectives of the respective policyholder portfolios and where appropriate, specific minimum investment grading ratings. In addition, investment mandates are subject to restrictions imposed by regulation 28 to the *Pension Funds Act* , 24 of 1956.

(ii) General operations

Financial assets

The financial assets designated as fair value through profit or loss are actively managed by multiple investment managers and placed with high credit rated financial institutions. The Group has established an investment strategy committee which reviews all investments on the basis of total asset security and minimised credit risk to the Group. Industry specialists as well as the Group's panel of investment managers are invited to the quarterly meetings.

Discounted debtors relate to injury on duty claims ceded from medical service providers. The Group credit risk is with the Compensation Commissioner for Occupational Injuries On Duty. In addition, amounts not paid by the commissioner are reclaimed from the medical service provider.

Trade and other receivables

Trade and other receivables are managed through ongoing review and impaired if objective evidence is established that the Group will not collect all amounts due according to the original terms of the receivable. The Group has policies in place to ensure that services are provided to customers with an appropriate credit history.

Cash and cash equivalents

The Group has policies that limit the amount of credit exposure to any one financial institution including the requirements by the *Short-term* and *Long-term Insurance Act* for minimum levels of asset spreading that are applicable to the insurance subsidiary companies. The financial institutions used in the current and prior financial year had ratings, as determined by external credit rating agencies Fitch and Standard & Poor's, of between AA and BBB.

There have been no significant changes in the way in which credit risk is managed since the prior year.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.1 Credit risk (Continued)

45.1.1 Objectives, policies and process to manage credit risk (Continued)

(ii) General operations (Continued)

45.1.2 Exposure to credit risk

(i) Multi-manager investment operations

There is no direct significant credit risk to the Group on these assets as they are directly matched to policyholders' liabilities, therefore any credit risk in respect of policyholder assets is carried by the policyholder and not the Group.

An analysis of financial assets held under multi-manager investment contracts indicates that R8 959 million of the assets are with institutions rated between AAA and A- (3.72%) of the assets, R35 040 million of the assets are with institutions rated between BBB and B- (14.57%), and the remaining 81.71% include listed equity and preference share securities and therefore do not expose the group to credit risk.

(ii) General operations

Financial assets

These assets are carried at fair value with the carrying amount at each reporting date representing the Group's maximum exposure to credit risk in relation to these assets. No financial assets designated as fair value through profit or loss have been pledged as collateral. These financial assets are held with reputable institutions and the credit risk has been evaluated to be minimal.

Financial assets mainly comprise preference shares, premium finance receivables, discounted debtors, loan notes and equity housing loans.

Rm	2014	2013
Financial assets classified as held to maturity		
- Bonds	-	14
Financial assets classified as held for sale		
- Unit trusts	1	3
Financial assets designated at fair value through profit or loss		
- Preference shares	34	44
- Derivative securities	-	64
- Collective investment schemes	243	183
- Bonds	39	1 591
Financial assets classified as loans and receivables		
- Premium finance receivables	-	79
- Equity housing loans	42	44
- Other loans	50	42
	409	2 064

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.1 Credit risk (Continued)

45.1.2 Exposure to credit risk (Continued)

There is no concentration of credit risk on premium finance receivables and discounted debtors as the receivables have been advanced to a large number of clients with no significant concentration to a single client. The carrying amounts of these receivables approximate the fair values at each reporting date and represent the Group's maximum exposure to credit risk in relation to these assets.

Other loans are amounts owing by staff and shareholders; the credit risk is assessed against the relationship with these parties.

Trade and other receivables

The carrying amounts of these receivables reflected on the statement of financial position approximate their fair value at reporting date and represent the Group's maximum exposure to credit risk in relation to these assets. At reporting date, the Group did not consider there to be a significant concentration of credit risk to trade and other receivables which had not been adequately provided for. Trade and other receivables comprise amounts due spread across a large number of clients. The Group's top 20 clients overall represent only approximately 5% of income from operations and no single client contributes more than 0.4% of the Group's income from operations.

Maximum exposure and age analysis of financial assets including those that are past due but not impaired is analysed below:

Rm	Current 0-30 days	Past due 30-60 days	Past due 60-90 days	Past due 90+ days	Total
31 March 2014					
Trade receivables	253	54	12	40	359
Other receivables	88	8	-	62	158
	341	62	12	102	517
31 March 2013					
Trade receivables	259	75	13	15	362
Other receivables	148	28	2	87	265
	407	103	15	102	627

Cash and cash equivalents

Cash and cash equivalents balances and transactions are limited to high credit quality institutions. At reporting date the Group did not consider there to be a significant concentration of credit risk to cash and cash equivalents balances other than cash balances which are placed with one of the four large South African banking institutions as approved by the operational board of directors.

The financial institutions used in the current and prior financial year had ratings, as determined by external credit rating agencies Fitch and Standard & Poor's, of between AA and BBB.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.2 Liquidity risk

45.2.1 Objectives, policies and process to manage liquidity risk

(i) Multi-manager investment operations

The multi-manager investment operations are conducted through long-term insurance subsidiary companies who issue insurance contracts to policyholders. These long-term insurance companies are registered financial institutions and are required to hold minimum solvency capital to, inter alia, reduce policyholder exposure to the Group's liquidity risk. The regulator of insurance companies, the FSB in South Africa and the FSA in the United Kingdom, are regulatory authorities that regularly review compliance with these minimum capital requirements. Management monitors compliance with these minimum capital requirements.

In addition, liquidity risk arising from unexpected lapses and withdrawals is limited through policy terms and conditions that restrict claims to the value and timing at which the assets are realised. The maturity analysis of these policyholders' liabilities is detailed in the note to these financial statements called 'Financial liabilities held under multi-manager investment contracts' and these liabilities are mostly open-ended as per note 25.2.

(ii) General operations

Liquidity risk management implies maintaining sufficient cash and ensuring the availability of funding through an adequate amount of cash resources and credit facilities. The Group has a revolving credit facility of R200 million, which can be used for general corporate working capital purposes. Monitoring of budgeted and projected cash flows supports the fact that the Group will generate sufficient cash flows from operations to limit the impact of liquidity risk. The Group has prescribed authority mandates and borrowing limits. Compliance with debt covenants is monitored by the Group and divisional boards.

The group has targeted a level of long term borrowings that is determined by the capital committee. The capital and related debt structure is limted in the underlying solo legal entities by the current regulatons for each entity. These regulations include the Short and Long term Insurance Acts and the FAIS legislation. At a Group level, the committee has considered the planned implementation of the Insurance Laws Ammendment Bill ("ILAB") and the anticipated Solvency Assessment and Management ("SAM") regulations. The targeted long term borrowing under these anticipated regulations is limited.

The Group sets limits on the minimum proportion of maturing funds available to meet claims arising from long-term insurance contracts and unexpected levels of demands. Similarly the majority of the assets held to match short-term insurance contracts are in money market instruments which are highly liquid. Net cash flows are monitored closely to ensure claim payments under long-term and short-term insurance contracts can be made when requested. Long-term and short-term insurance subsidiaries are registered financial institutions and are required to hold minimum capital and reduce policyholder exposure to the Group's liquidity risk. The regulatory authority in South Africa regularly reviews compliance with these minimum capital requirements. Management monitors compliance with these minimum capital requirements. Assets linked to investments are realisable at short notice.

45. FINANCIAL RISK (Continued)

45.2 Liquidity risk (Continued)

45.2.2 Exposure to liquidity risk

(i) Multi-manager investment operations

Liquidity risk arises from unexpected lapses and withdrawals by policyholders. The Group is able in such cases to transfer ownership of the underlying assets within the policy to the policyholder to extinguish its liability.

(ii) General operations

As detailed in note 27, the group undertook a debt restructure on 31 March 2014, resulting in the group having a single layer of unsecured term debt. The group may in time reduce the debt by the application of internal cash flow or refinance the debt on maturity in 2017 in the market. The group believes the refinancing risk is mitigated by the lower level of gearing subsequent to the restructure.

There have been no significant changes in liquidity risk exposures since the prior year.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.2 Liquidity risk (Continued)

45.2.2 Exposure to liquidity risk (Continued)

Liquidity analysis for assets and liabilities at a Group level

2014	**Contractual cash flows (undiscounted)**					
					Undated/	
Rm	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Linked**	**Total**
Assets						
Financial assets held under multi-manager investment contracts	118	-	-	-	253 629	253 747
Financial assets of cell-captive insurance facilities	-	-	-	-	315	315
Financial assets	291	1	-	23	94	409
Trade and other receivables	514	-	-	-	3	517
Cash and cash equivalents	1 707	-	-	-	2 200	3 907
Total financial assets	2 630	1	-	23	256 241	258 895
Liabilities						
Financial liabilities held under multi-manager investment contract *	118	-	-	-	253 629	253 747
Liabilities of cell-captive insurance facilitates*	-	-	-	-	315	315
Borrowings	123	1 886	-	-	16	2 025
Trade and other payables	939	-	-	-	16	955
Total financial liabilities	1 180	1 886	-	-	253 976	257 042

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.2 Liquidity risk (Continued)

45.2.2 Exposure to liquidity risk (Continued)

Liquidity analysis for assets and liabilities at a Group level

2013	**Contractual cash flows (undiscounted)**					
Rm	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Undated /Linked**	**Total**
Assets						
Financial assets held under multi-manager investment contracts	94	-	-	-	222 696	222 790
Financial assets of cell-captive insurance facilities	-	-	-	-	11 374	11 374
Financial assets	310	-	1 591	66	97	2 064
Trade and other receivables	623	-	-	-	4	627
Cash and cash equivalents	2 205	-	-	-	1 421	3 626
Total financial assets	3 232	-	1 591	66	235 592	240 481
Liabilities						
Financial liabilities held under multi-manager investment contract *	2 294	-	-	-	220 496	222 790
Liabilities of cell-captive insurance facilitates*	2 621	-	-	-	8 753	11 374
Borrowings	1 217	6 242	3 844	-	12	11 315
Trade and other payables	875	-	-	-	8	883
Total financial liabilities	7 007	6 242	3 844	-	229 269	246 362

*Although these financial liabilities are payable on demand they can be settled in cash or by delivery of the underlying assets.

The directors of the company are confident that the future liquidity requirements of the company will be met through the future cash flows generated.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.3 Market risk

45.3.1 Objectives, policies and processes to manage market risk

(i) Multi-manager investment operations

The Group has established an investment committee which, in conjunction with the board of directors of the multi-manager investment subsidiary companies, is responsible for setting investment strategies for the various investment portfolios and monitoring compliance therewith.

Investment Solutions employs a multi-manager investment approach, focusing on reducing risk through optimal and multiple layer diversifications. The structure of investment portfolios is based on the contracts entered into and the risk profile selected by the client. Within these parameters, investments are managed with the aim of delivering superior returns, while limiting risk to acceptable levels, within the framework of statutory requirements. Although Investment Solutions does not make use of derivatives directly, the underlying managers may do so within strict mandate controls to achieve a particular portfolio's investment objective in the most effective manner or to smooth or protect portfolio returns.

(ii) General operations

Interest rate risk

The group does not hedge against the interest rate exposure of fee income derived by the Group and the board has accepted that changes in interest rates can result in volatility in the Group's earnings. An increase or decrease in interest rates impacts on the value of debt securities and cash balances included in assets from multi-manager investment contracts.

The group's debt restructure on 31 March 2014 resulted in it having a single layer of debt with interest linked to the 3 month JIBAR.

Currency risk

The group does not hedge against its currency exposure to earnings and the board has accepted that changes in exchange rates can result in volatility in the Group's earnings when reported in rand.

Other price risk

The Group monitors the risk associated with the fee income attributable to the equity assets under management in the multi-manager investment operations. The exposure to equity markets is monitored and specific advice is taken on the economic outlook with regard to this fee income. The group considers various derivative instruments to protect this income stream, however, no hedges were in place during the year or at year end.

There have been no significant changes in the way in which market risk is managed since the prior year.

45. FINANCIAL RISK (Continued)

45.3 Market risk (Continued)

45.3.2 Exposure to market risk

(i) Multi-manager investment operations

Policyholders' liabilities are linked to investments in equity securities, preference shares, debt securities, collective investment schemes, mutual funds, cash and other assets. These are valued at ruling market values and are therefore susceptible to daily market fluctuations.

There is no direct significant market risk, either by interest rate, currency or other price risk, to the Group on financial assets held in respect of multi-manager investment contracts as the effect of any changes in these market risks is directly attributable to policyholder assets and policyholder assets are directly matched by policyholder liabilities. There are assets held within the policyholder assets which are exposed to currency risk arising from various currency exposures primarily with respect to sterling, euro and the US dollar, but these are matched by policyholder liabilities.

Fee income earned by the Group on assets from multi-manager investment operations is based on assets which are exposed to fluctuations in interest rates, foreign currencies and equity prices. The Group does not hedge against the interest rate and currency exposures and the board has accepted that changes in interest and exchange rates can result in volatility in the Group's earnings.

(ii) General operations

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for interest costs on provisions for client settlements which are sensitive to short-term interest rates. This impact is offset by the effect of short-term interest rate movements on interest earned on cash balances.

As detailed above, fee income derived by the Group on assets from multi-manager investment contracts will be impacted by any changes in value of such assets arising from fluctuations in interest rates.

In addition, a portion of fee income earned in the retail business in the Financial Services operations in South Africa is affected by changes in interest rates as this income is linked to assets managed by this business.

The group's debt restructure on 31 March 2014 resulted in it having a single layer of debt with interest linked to the 3 month JIBAR.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.3 Market risk (Continued)

45.3.2 Exposure to market risk (Continued)

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. As reflected in segmental profit analysis contained in these financial statements, the Group derives a portion of its operating profit before non trading and capital items in foreign currencies. Approximately 45% (2013: 30%) of the Group's trading results from operations is derived from its international operations, primarily in the United Kingdom, and 11% (2013: 10%) from operations in Africa outside of South Africa.

Fee income derived by the Group on assets from multi-manager investment operations will also be impacted by any changes in value of such assets arising from fluctuations in foreign currency exchange rates.

In addition, a portion of fee income earned in the retail business in the Financial Services operations in South Africa is impacted by changes in foreign currencies as this income is linked to assets managed by this business.

Concentration risk

The Group is not exposed to any significant concentration risk.

Other price risk

As detailed above, fee income derived by the Group on assets from multi-manager investment operations will be impacted by any changes in the value of such assets arising from fluctuations in equity markets.

In addition, a portion of fee income earned in the retail business in the Financial Services operations in South Africa is impacted by changes in equity markets as this income is linked to assets managed by this business.

45.4 Fair value hierarchy

A number of the Group's accounting policies and disclosures for financial assets and liabilities require the determination of fair value. Fair value measurement is influenced by current market conditions and is subject to the financial risks noted above.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.4 Fair value hierarchy (Continued)

A summary of the financial assets and liabilities measured at fair value for the Group, split per financial instrument, is presented in the introduction to this note and shown in summary below:

Rm	Fair value	Book value*	2014	2013
Assets				
Financial assets held under multi-manager investment contracts	253 747		253 747	222 790
Financial assets of cell captive insurance facilities	315		315	11 374
General operations				
Financial assets	317	92	409	2 064
Trade and other receivables	-	831	831	627
Cash and cash equivalents		3 907	3 907	3 626
Total financial assets	254 379	4 830	259 209	240 481
Liabilities				
Financial liabilities held under multi-manager investment contracts	253 747		253 747	222 790
Liabilities of cell-captive insurance facilities	315		315	11 374
General operations				
Borrowings	-	1 652	1 652	5 409
Trade and other payables	-	953	953	883
Total financial liabilities	254 062	2 605	256 667	240 456

***** For financial assets and financial liabilities not measured at fair value the book values have been disclosed which approximates the fair value.

45. FINANCIAL RISK (Continued)

45.4 Fair value hierarchy (Continued)

45.4.1 Valuation methods and assumptions for valuation techniques

At 31 March 2014, financial assets classified as Level 1 comprise approximately 74% (2013: 73%) of financial assets measured at fair value on a recurring basis. Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturities and equity securities.

At 31 March 2014, financial assets classified as Level 2 comprise approximately 25% (2013: 25%) of financial assets measured at fair value on a recurring basis. They primarily include government and agency securities and certain corporate debt securities. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security’s duration, also taking into consideration issuer-specific credit quality and liquidity. These valuation methodologies have been studied and evaluated by the Group and the resulting prices determined to be representative of exit values.

Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. Additional observable inputs are used when available, and as may be appropriate.

As disclosed in Note 11.2, the net fair value of derivative positions is approximately R8 million at 31 March 2014 (2013: R1 163 million). All of these derivative contracts are traded in the over-the-counter (OTC) derivative market and are predominantly classified in Levels 2. The fair values of derivative assets and liabilities traded in the OTC market are determined using quantitative models that require use of the contractual terms of the derivative instruments and multiple market inputs, including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors, which are then applied to value the positions. The predominance of market inputs is actively quoted and can be validated through external sources or reliably interpolated if less observable.

The credit risk of the counterparty and of the Group is considered in determining the fair values of all OTC derivative asset and liability positions, respectively, after taking into account the effects of master netting agreements and collateral arrangements. In each reporting period, the Group values its derivative positions using the standard swap curve and evaluates whether to adjust the embedded credit spread to reflect change in counterparty or its own credit standing.

At 31 March 2014, investments classified as Level 3 comprise approximately 1% (2013: 2%) of financial assets measured at fair value on a recurring basis. They primarily include suspended listed and unlisted equity securities, collective investment schemes whose traded prices are not considered liquid enough to justify Level 2 observation, community property company assets and infrastructure and development assets. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement. The Group applies various due-diligence procedures, as considered appropriate, to validate these non-binding broker quotes for reasonableness, based on its understanding of the markets, including use of internally-developed assumptions about inputs a market participant would use to price the security.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)
45.4 Fair value hierarchy (Continued)
45.4.1 Valuation methods and assumptions for valuation techniques (Continued)

The Group issues a significant number of investment contracts that are designated at fair value through profit or loss. These investment contracts are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. A variety of factors are considered in the Group's valuation techniques, including time value, credit risk (both own and counterparty), embedded derivatives (such as unit-linking features), volatility factors (including contract holder behaviour), servicing costs and activity in similar instruments. Since significant inputs are based on unobservable inputs, these investment contract liabilities are classified as Level 2 instruments in the fair value hierarchy.

The following table presents significant inputs to show the sensitivity of Level 3 measurements and assumptions used to determine the fair value of the financial assets.

Instrument	**Valuation technique**	**Significant inputs**
Suspended listed equities	Exchange trade price	Last exchange traded price
Community property company assets	Discounted cash flow model	Capitalisation rates and discounts rates
Infrastructure and development assets	Equity Distribution discount model, cost, mark to market, price earnings multiple and liquidation value Debt Discounted cash flow model	Equity Interest rates and exchange traded prices Debt Interest rates-fixed and floating

The Group's overall profit or loss is not sensitive to the inputs of the models applied to derive fair value.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.4 Fair value hierarchy (Continued)

45.4.2 Financial assets and liabilities at fair value

Financial assets and liabilities measured at fair value at 31 March 2014

2014	Fair value levels			Total fair value
Rm	Level 1	Level 2	Level 3	
Financial assets held under multi-manager investment contracts				
Equity securities – listed	119 078	1 977	-	121 055
Equity securities – unlisted	-	-	119	119
Preference shares – listed	601	-	-	601
Collective investment schemes	45 172	42	-	45 214
Debt securities – listed	-	24 143	-	24 143
Debt securities – government stock	12 125	-	-	12 125
Debentures – listed	2 773	-	-	2 773
Policy of insurance	-	20 299	1 570	21 869
Derivative financial instruments	-	8	-	8
Money market instruments – listed	60	17 583	-	17 643
Cash and cash equivalents	8 197	-	-	8 197
	188 006	64 052	1 689	253 747
Financial assets of cell-captive insurance facilities				
Equity securities – unlisted	-	-	153	153
Receivables	-	48	-	48
Money market investments	113	-	-	113
Cash and cash equivalents	1	-	-	1
	114	48	153	315
General operations				
Financial assets:				
Preference shares – listed	34	-	-	34
Bonds	-	39	-	39
Collective investment schemes	-	243	-	243
	34	282	-	316
Total financial assets measured at fair value	188 154	64 382	1 842	254 378

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.4 Fair value hierarchy (Continued)

45.4.2 Financial assets and liabilities at fair value

2013	Fair value levels			Total
Rm	Level 1	Level 2	Level 3	
Financial assets held under multi-manager investment contracts				
Equity securities – listed	101 063	-	-	101 063
Equity securities – unlisted	-	-	199	199
Preference shares – listed	710	-	-	710
Collective investment schemes	36 058	-	-	36 058
Debt securities – listed	28	24 458	-	24 486
Debt securities – government stock	11 634	-	-	11 634
Debentures – listed	299	-	-	299
Debentures – unlisted	-	65	-	65
Derivative financial instruments	19	1 144	-	1 163
Unit linked investment contracts	1 439	17 229	1 650	20 318
Cash and cash equivalents	11 958	-	-	11 958
Money market instruments – listed	258	14 579	-	14 837
	163 466	57 475	1 849	222 790
Financial assets of cell-captive insurance facilities				
Equity securities – unlisted	-	-	511	511
Receivables	30	150	1 799	1 979
Preference shares – unlisted	-	-	177	177
Collective investment schemes	-	-	437	437
Debt securities – listed	760	-	-	760
Money market investments	5 506	710	-	6 216
Cash and cash equivalents	1 294	-	-	1 294
	7 590	860	2 924	11 374
General operations				
Financial assets:				
Derivative securities	64	-	-	64
Preference shares – listed	44	-	-	44
Bonds	-	1 591	-	1 591
Collective investment schemes	11	175	-	186
	119	1 766	-	1 885
Total financial assets measured at fair value	171 175	60 101	4 773	236 049

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.4 Fair value hierarchy (Continued)

45.4.2 Financial assets and liabilities at fair value

2014 Rm	Fair value levels Level 1	Level 2	Level 3	Total fair value
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	-	253 747	-	253 747
Liabilities of cell-captive insurance facilities	-	315	-	315
Total financial liabilities measured at fair value	-	254 062	-	254 062
2013				
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	-	222 790	-	222 790
Liabilities of cell-captive insurance facilities	-	-	11 374	11 374
Borrowings at fair value	-	304	-	304
Total financial liabilities measured at fair value	-	223 094	11 374	234 468

45.4.3 Changes in Level 3 instruments

Financial assets

	Multi-manager investment operations	Cell captive insurance facilities	General operations	Total
Opening balance at 1 April 2013	1 849	2 924	-	4 773
Total gains and losses recognised in profit or loss	(69)	87	-	18
Transfer from loans and receivables	104	-	-	104
Disposal of subsidiaries	-	(2 835)	-	(2 835)
Purchases	207	-	-	207
Sales	(402)	(23)	-	(425)
Closing balance at 31 March 2014	1 689	153	-	1 842

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

45. FINANCIAL RISK (Continued)

45.4 Fair value hierarchy (Continued)

45.4.3 Changes in Level 3 instruments (Continued)

	Multi-manager investment operations	Cell captive insurance facilities	General operations	Total
Financial assets				
Opening balance at 1 April 2012	1 249	-	-	1 249
Total gains and losses recognised in profit or loss			-	
Fair value gains and losses	178	-	-	178
Transfer from loans and receivables	415	-	-	415
Purchases	35	2 924	-	2 959
Sales	(28)	-	-	(28)
Closing balance at 31 March 2013	1 849	2 924	-	4 773
Financial liabilities				
2014				
Opening balance at 1 April 2013	-	11 374	-	11 374
Transfer to level 2	-	-	-	-
Disposal of subsidiary	-	(11 374)	-	(11 374)
Closing balance at 31 March 2014	-	-	-	-
2013				
Opening balance at 1 April 2012	-	9 484	-	9 484
Total gains and losses recognised in profit or loss:				
Fair value gains and losses	-	374	-	374
Other movement in policy holder liabilities	-	3 284	-	3 284
Investments	-	(1 768)	-	(1 768)
Disposals	-	-	-	
Closing balance at 31 March 2013	-	11 374	-	11 374

The Group's profit or loss will not significantly be affected by favourable or unfavourable changes in the Level 3 assets shown above. The financial assets and liabilities of multi-manager investment contracts are linked and all movements in these assets will be met with a converse movement in the liabilities associated. Similarly the cell owner insurance assets and liabilities are also linked.

46. OPERATIONAL, LEGAL AND CAPITAL RISK

46.1 Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The group mitigates these risks through a risk management framework, systems of internal controls, internal audit and compliance functions and other measures such as back-up procedures, contingency planning and insurance.

46.2 Legal and regulatory risk

The group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations, in the conduct of its ordinary course of business. The directors are satisfied, based on present information and the assessed probability of claims eventually, that the group has adequate insurance programmes and provisions in place to meet such claims. However, like all businesses of our type, the risk exists that significant adverse developments in past claims, or a significant increase in the frequency of severity of future claims for errors and omissions, could have a material effect on the group's reported results. Details of the structure of the group's errors and omissions insurance programme are provided in the relevant note to these financial statements.

46.3 Capital

The group's objectives when managing capital are:

- *To comply with capital requirements required for insurers as determined by legislation.*
- *To safeguard the group's ability to continue as a going concern so that it can provide returns for its shareholders and benefits for other stakeholders.*

Regulated insurance and investment subsidiary companies

The capital adequacy requirement (CAR) is calculated to determine whether the excess of assets over liabilities is sufficient to provide for the possibility of severely adverse future experience. The calculation is as required by the *Long- term Insurance Act*, 1998, in South Africa and calculated in terms of the guidance notes issued by the Actuarial Society of South Africa (ASSA). The CAR is determined with reference to the guidance issued by ASSA but is subject to a minimum of R10 million or 13 weeks, operating expenses in terms of directive 140.A.i(LT) of the Financial Services Board or 0.3% of gross policyholder liabilities. The subsidiary companies are required to hold sufficient equity and reserves to meet its CAR and can only distribute accumulated profits in excess of CAR.

For Investment Solutions, all liabilities are directly related to asset values and no mortality or similar risks are assumed, the only risk to be considered is operational risk. The CAR held at reporting date was R456 million (2013: R321 million), representing an excess of assets over liabilities of 2.2 times (2013: 2.9 times).

The CAR held by Alexander Forbes Life at reporting date was R172 million (2013: R139 million), representing an excess of assets over liabilities of 1.67 times (2013: 1.78 times).

46. OPERATIONAL, LEGAL AND CAPITAL RISK (Continued)

46.3 Capital (Continued)

Regulated insurance and investment subsidiary companies (Continued)

For statutory purposes, the share capital of cell-captive insurance subsidiary companies consists of ordinary shares and ‘A’ and ‘L’ shares.

The cell-captive insurance subsidiary companies submit quarterly and annual returns to the South African Financial Services Board in terms of the *Short-term Insurance Act*, 53 of 1998 of South Africa (the act). The companies are required at all times to maintain a statutory surplus asset ratio as defined in the act. The returns submitted to the Regulator showed that the companies have met the minimum capital requirements throughout the year.

The implementation by the Financial Services Board of consolidated supervision, although postponed from the original implementation date, is expected to become effective in January 2015. The current capital structure of the group has been significantly restructured to ensure that it best meets the long-term regulatory and operational requirements of the group.

General operations

When maintaining capital, the group’s objectives are to maintain a sufficient level of capital without compromising the ability to operate effectively. This is achieved by using available cash balances to fund working capital requirements and returning capital to shareholders and lenders as and when excess cash is generated. When required, the group makes use of intergroup loans from its direct or indirect holding company as a source of funds.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

47. CONSOLIDATED AND UNCONSOLIDATED ENTITIES

47.1 CONSOLIDATED ENTITIES
Material subsidiaries, joint ventures and associates in which the Group has a financial interest.

Entity	Nature of business	Year-end date	Economic interest 2014	Economic interest 2013
1. HOLDINGS COMPANIES ABOVE THE OPERATIONAL ALEXANDER FORBES LIMITED GROUP				
Alexander Forbes Holdco Proprietary Limited	Holding company	31 March	100	100
Alexander Forbes PIK Funding Proprietary Limited	Holding company	31 March	100	100
Alexander Forbes Funding Proprietary Limited	Holding company	31 March	100	100
Alexander Forbes Acquisition Proprietary Limited	Holding company	31 March	100	100
2. OPERATIONAL COMPANIES WITHIN THE ALEXANDER FORBES LIMITED GROUP				
Alexander Forbes Administration Services Proprietary Limited	Risk services	31 March	100	100
Alexander Forbes Compensation Technologies Proprietary Limited	Facilitation of injury on duty and road accident claims	31 March	100	100
Alexander Forbes Direct Proprietary Limited	Risk services	31 March	100	100
Alexander Forbes Financial Planning Consultants Proprietary Limited	Financial planning	31 March	100	100
Alexander Forbes Financial Services Proprietary Limited	Financial services and risk services	31 March	100	100
Alexander Forbes Group & Technology Services Proprietary Limited	Technology services	31 March	100	100
Alexander Forbes Health Proprietary Limited	Healthcare	31 March	100	100
Alexander Forbes Individual Client Administration Services Proprietary Limited	Financial services administration	31 March	100	100
Alexander Forbes Insurance Company Limited	Short-term personal lines insurer	31 March	100	100
Alexander Forbes Life Limited	Long-term insurer	31 March	100	100
Alexander Forbes Retail Holdings Proprietary Limited	Financial services	31 March	100	100
Caveo Fund Solutions Proprietary Limited	Hedge fund management company	31 March	50.01	50.01
Faranani Risks Solutions Proprietary Limited	Risk services	31 March	100	100

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

47. CONSOLIDATED AND UNCONSOLIDATED ENTITIES (continued)

Entity	Nature of business	Year-end date	Economic interest 2014	Economic interest 2013
Guardrisk Allied Products and Services Proprietary Limited	Risk services	31 March	-	100
Guardrisk Insurance Company Limited	Short-term cell-captive insurer	31 March	-	100
Guardrisk Life Limited	Long-term cell-captive insurer	31 March	-	100
Homeplan Financial Solutions Proprietary Limited	Pension-backed lending	31 March	100	100
Investment Solutions Limited	Multi-manager investment	31 March	100	100
Investment Solutions Administrative Services Proprietary Limited	Administrative services provider	31 March	100	100
Investment Solutions Unit Trust Limited	Unit trust management	31 March	100	100
Premium Payment Plan Proprietary Limited	Premium financing	31 March	100	100
Seniors Finance Proprietary Limited	Equity housing finance	31 March	83	83
Superflex Limited	Multi-manager investment	31 March	100	100
Alexander Forbes AfriNet Investments Proprietary Limited	Holding company for African operations	31 March	100	100
REST OF AFRICA				
Alexander Forbes Financial Services (Botswana) Limited	Financial services (Botswana)	31 March	67	67
Alexander Forbes Assets Consultants Proprietary Limited	Financial Services (Botswana)	31 March	74	74
Alexander Forbes Financial Services Uganda Limited	Financial Services (Uganda)	31 March	55	55
Alexander Forbes Financial Services (East Africa) Proprietary Limited	Financial services (Kenya)	31 December	60	60
Guardrisk International Limited PCC	Cell-captive insurance (Mauritius)	31 March	-	100
Alexander Forbes Mozambique Lda*	Risk services (Mozambique)	31 December	-	65
Guardrisk Namibia Insurance Company Limited	Cell-captive insurance (Namibia)	31 March	75	75
Guardrisk Life Namibia Limited	Cell-captive life assurance (Namibia)	31 March	75	75
Femi Johnson Company*	Risk services (Nigeria)	31 March	-	60

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

47. CONSOLIDATED AND UNCONSOLIDATED ENTITIES (continued)

Entity	Nature of business	Year-end date	Economic interest 2014	Economic interest 2013
Alexander Forbes Financial Services Namibia Proprietary Limited	Financial services and risk services (Namibia)	31 March	70	70
Investment Solutions Namibia Limited	Multi-manager investment (Namibia)	31 March	70	70
Alexander Forbes Consulting Actuaries Nigeria Limited	Financial services (Nigeria)	31 March	78	78
Swaziland Employee Benefit Consultants Proprietary Limited*	Financial services (Swaziland)	31 March	50	50
Alexander Forbes Zimbabwe Holdings Proprietary Limited	Risk services (Zimbabwe)	31 March	60	60

ASSOCIATES

Entity	Nature of business	Year-end date	Economic interest 2014	Economic interest 2013
Alexander Forbes Insurance Brokers Kenya Limited	Risk services (Kenya)	31 March	40	40
Tibiyo Insurance Brokers Proprietary Limited*	Risk services (Swaziland)	31 March	41.25	41.25

* These entities are held for sale

UNITED KINGDOM/EUROPE

Entity	Nature of business	Year-end date	Economic interest 2014	Economic interest 2013
Alexander Forbes International Limited	Ultimate holding company for international Group	31 March	100	100
Alexander Forbes Channel Islands Limited	Financial services	31 March	100	100
Alexander Forbes Group Jersey Limited	Holding company in Jersey	31 March	100	100

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

47. CONSOLIDATED AND UNCONSOLIDATED ENTITIES (continued)

Entity	Nature of business	Year-end date	Economic interest 2014	Economic interest 2013
Alexander Forbes Services Limited	Group service company	31 March	**100**	100
Alexander Forbes Financial Services Holdings Limited	Holding company in the United Kingdom	31 March	**100**	100
Alexander Forbes Trustee Services Limited	Corporate trustee services	31 March	**100**	100
Euroguard Insurance Company PCC Limited	Short-term cell-captive insurer (Gibraltar)	31 March	**-**	100
Investment Solutions (Jersey) Limited *	Multi-manager investment	31 March	**100**	100
Lane Clark & Peacock LLP	Financial services	31 March	**100**	60
Lane Clark & Peacock Netherlands BV	Financial services	31 March	**100**	48
Lane Clark & Peacock Ireland Limited	Financial services	31 March	**100**	48
Lane Clark & Peacock Belgium CVBA *	Financial services (Belgium)	31 March	**100**	54
LCP Libera AG	Financial services (Switzerland)	30 June	**-**	56
Media Insurance Services Limited	Direct marketing entity in run-off	31 March	**-**	80
Alexander Forbes UK Direct	Limited Direct marketing insurance intermediary	31 March	**-**	40
Investment Solutions Group Limited	Holding company	31 March	**-**	100
Investment Solutions Limited	Multi-manager Investment	31 March	**-**	100
Investment Solutions Fund Managers Limited	Fund manager	31 March	**-**	100
Investment Solutions Investment Administration Services	Limited Service company	31 March	**-**	100
JOINT VENTURES:				
Alexander Forbes UK Direct Limited	Direct marketing	31 March	**-**	40
LCP Asalis AG	Financial services (Switzerland)	31 March	**-**	95

* These entities are held for sale

47. CONSOLIDATED AND UNCONSOLIDATED ENTITIES (continued)

47.2 CONSOLIDATED STRUCTURED ENTITIES

The Group consolidates the following special purpose vehicles:

- Management Share Trust
- MST SPV (Pty) Ltd
- BEE SPV (Pty) Ltd

These entities are consolidated due to the group having exposure to variability of returns in these entities and the power to direct the relevant activities that affect this exposure.

Management Share Trust ("MST")

The group formed the MST in 2007 with the intention of providing certain members of management an opportunity to invest in the group. The group provides financial assistance in the form of a loan account to the trust. The loan is interest bearing and does not have a fixed term of repayment.

MST SPV (Pty) Ltd and BEE SPV (Pty) Ltd

As part of the debt restructure undertaken by the group on 31 March 2014, the MST and Alexander Forbes Management Co-Investment Trust ("the Co-Investment Trust") obtained the right to invest in additional ordinary shares of AFEH in order not to dilute its existing investment. MST SPV was formed, the shareholders of which are the MST and the Co-Investment Trust.

Also as part of the debt restructure, Golden Falls obtained the right to invest in additional ordinary shares of AFEH. This right was given to the shareholders of Golden Falls, being the Alexander Forbes Community Trust and the Alexander Forbes Staff Share Trust. As a result, BEE SPV was formed, the shareholders of which are the Alexander Forbes Community Trust and the Alexander Forbes Staff Share Trust.

The purpose of the SPVs was to create ring-fenced companies to raise funding in the form of preference shares for the investment in the ordinary shares of AFEH.

Alexander Forbes Acquisitions (Pty) Ltd ("AF Acquisitions") provided a guarantee to RMB in respect of the preference shares issued by the MST SPV and the BEE SPV. Further information on the funding arrangement is provided in note 27 – Borrowings.

The structures result in the ordinary shareholders participating in any increase of the fair value of the AFEH shares on an exit event above the carrying value of the loan (capital plus accrued interest). However, if the fair value of the AFEH shares on an exit event is below the carrying value of the loan, the deficit does not result in a loss for the ordinary shareholders because AF Acquisitions settles the deficit via the guarantee. This transaction therefore falls within the scope of IFRS 2 and as such requires that the company recognises the expense between the fair value of the effective call option and any consideration paid by the participants.

Consideration was given to the fair value of the option based on the following:

- the transaction at year end was performed at fair value,
- the expected term of the loan is less than 90 days,
- the indicative value of the equity security is significantly higher than the loan balance,
- the cost of the funding was not onerous or did not imply significant risk.

A valuation performed for the instrument indicated that the expense was not material and therefore no expense has been recognised at year end.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

47. CONSOLIDATED AND UNCONSOLIDATED ENTITIES (continued)

47.3 UNCONSOLIDATED STRUCTURED ENTITIES

While the group consolidates certain structured entities, other structured entities are not consolidated due to the group not having an exposure to variability in returns and the power to govern the activities that affect this exposure. The unconsolidated structured entities in which the group has an interest are:

- Alexander Forbes Staff Share Trust
- Certain Collective Investment Schemes of which the group is the Fund Manager and has an investment

Alexander Forbes Staff Share Trust ("the Staff Share Trust")

The Staff Share Trust was formed to provide a vehicle for employee investment in the ordinary shares of AFEH. While the trust is not consolidated, the group has invested in preference shares of R34 million issued by the trust, which is included in Financial Assets on the Statement of Financial Position. All rights granted by the Staff Share Trust are fully vested in the hands of the beneficiaries. The group does not intend to provide any financial assistance to the trust nor are there any contractual obligations to provide financial assistance to the Trust.

Unconsolidated Collective Investment Schemes

The group manages 6 collective investment schemes as fund manager which are not consolidated. It also invests certain policyholder assets with these trusts. The value of these investments at 31 March 2014 is R526 million (8.4% of the total assets in the schemes), included in Financial assets of multi-manager investment contracts on the Statement of Financial Position. The group provides no financial assistance to the schemes nor is there any contractual obligation to provide assistance to the scheme.

48. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

The Group consolidates certain entities with material subsidiaries. The summarised financial information of these entities are disclosed below.

The information represents 100% of the entity's results and has not been adjusted for the non controlling interest share. Intercompany transactions and balances have not been eliminated.

	Alexander Forbes Insurance Company Namibia Limited		Alexander Forbes Financial Services Botswana		LCP LLP	
Rm	2014	2013	2014	2013	2014	2013
Balance sheet information						
Total assets	348	282	29	26	781	445
Total liabilities	(335)	(271)	(6)	(5)	(437)	(234)
Total net assets	13	11	23	21	344	211
Summarised income statement						
Revenue	68	62	79	65	1 299	974
Profit before tax	11	7	34	29	253	156
Tax expense	(5)	(3)	(8)	(6)	-	-
Profit after tax	6	4	26	23	253	156
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	6	4	26	23	253	156

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

48. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST (CONTINUED)

Rm	Alexander Forbes Insurance Company Namibia Limited 2014	2013	Alexander Forbes Financial Services Botswana 2014	2013	LCP LLP 2014	2013
Total comprehensive income allocated to non controlling interest	-	-	10	7	101	63
Dividends paid to non controlling interest	(1)	-	(25)	(21)	59	60
Summarised cash flows						
Cash from operating activities	9	7	19	17	735	478
Cash from investing activities	-	-	-	1	(98)	12
Cash from financing activities	-	-	(18)	(15)	(537)	(456)
Net increase/(decrease) in cash and cash equivalents	9	7	1	3	100	10
Exchange rate differences	-	-	-	-	1	(1)
Cash and cash equivalents at beginning of the year	129	122	13	10	96	87
Cash and cash equivalents at year end	138	129	14	13	197	96

Significant restrictions

LCP LLP is governed by a partnership agreement which places limitations on the distribtions of profits to partners to two specific dates in the year.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

49. RESTATEMENT OF COMPARATIVE INFORMATION FOR THE IMPACT OF NEW AND REVISED ACCOUNTING STANDARDS

The following tables summarise the material impact on the Group's financial position and comprehensive income resulting from the adoption of IFRS 10 *Consolidated Financial Statements,* and IAS 19 revised *Employee Benefits*. The restatement arising on discontinuance of operations has not been set out below.

The adoption of IFRS 10 resulted in the consolidation of the management share trust due to the revised definition of control.

The adoption of the revised IAS 19 resulted in actuarial gains/losses being recognised immediately in other comprehensive income, rather than being deferred and recognised using the corridor approach over the lives of eligible employees.

Impact on 31 March 2013 Group statement of financial position

Rm	**As previously reported**	**Defined benefit obligation**	**Consolidation of Management Share Trust**	**Restated**
Assets				
Policyholder and cell captive assets	234 164	-	-	234 164
Other assets	9 374	-	-	9 374
Trade and other receivables	961	-	(26)	935
Cash and cash equivalents	3 624	-	2	3 626
Assets and disposal Groups classified as held for sale	29 938	-	-	29 938
Total assets	**278 061**	**-**	**(24)**	**278 037**
Equity and liabilities				
Share capital	3 261	-	-	3 261
Treasury shares	-	-	(21)	(21)
Accumulated loss	(1 132)	(24)	(6)	(1 162)
Other reserves	(8)	-	-	(8)
Equity holders' funds	2 121	(24)	(27)	2 070
Non-controlling interest	194	-	-	194
Total equity	**2 315**	**(24)**	**(27)**	**2 264**
Policyholder and cell captive liabilities	234 164	-	-	234 164
Other liabilities	10 333	-	-	10 333
Employee benefits	157	24	-	181
Trade and other payables	1 350	-	3	1 353
Liabilities of disposal Group classified as held for sale	29 742	-	-	29 742
Total liabilities	**275 746**	**24**	**3**	**275 773**
Total equity and liabilities	**278 061**	**-**	**(24)**	**278 037**

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

49. RESTATEMENT OF COMPARATIVE INFORMATION FOR THE IMPACT OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

Impact on 31 March 2013 Group income statement

Rm	As previously reported *	Defined benefit obligation	Restated
Continuing operations			
Operating profit	812	-	812
Investment income	137	(8)	129
Finance costs	(848)	-	(848)
Share of net profit of associates (net of income tax)	1	-	1
Profit before tax	102	(8)	94
Income tax expense	(192)	-	(192)
Loss for the year from continuing operations	(90)	(8)	(98)
Discontinued operations			
Loss on discontinued operations	(10)	-	(10)
Accumulated loss for the year	(100)	(8)	(108)
Loss attributable to:			
Equity holders	(183)	(8)	(191)
Non-controlling interest	83	-	83
	(100)	(8)	(108)

* Restated for the effects of discontinued operations

Note: The consolidation of the management share trust did not require the restatement of the Group income statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

49. RESTATEMENT OF COMPARATIVE INFORMATION FOR THE IMPACT OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

Impact on 31 March 2013 Statement of Comprehensive Income

Rm	As previously reported	Defined benefit obligation	Restated
Loss for the period	(100)	(8)	(108)
Foreign currency translation differences of foreign operations	90	-	90
Foreign currency translation reserve of disposed operations	30	-	30
Changes in fair value of cash flow hedges	(13)	-	(13)
Portion of fair value hedge transferred to profit or loss	45	-	45
Other	3	-	3
Other comprehensive income for the period (net of income tax) that will be reclassified to profit or loss	155	-	155
Actuarial gains/(losses) on valuation of employee benefits	-	(4)	(4)
Other comprehensive income for the period (net of income tax) that will not be reclassified to profit or loss	-	(4)	(4)
Total comprehensive income for the period	**55**	**(12)**	**43**

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

49. RESTATEMENT OF COMPARATIVE INFORMATION FOR THE IMPACT OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

Impact on 31 March 2012 Group statement of financial position

Rm	As previously reported	Defined benefit obligation	Consolidation of Management Share Trust	Restated
Assets				
Policyholder and cell captive assets	219 478	-	-	219 478
Other assets	8 638	-	-	8 638
Trade and other receivables	944	-	(31)	913
Cash and cash equivalents	3 053	-	9	3 062
Assets and disposal Groups classified as held for sale	288	-	-	288
Total assets	**232 401**	**-**	**(22)**	**232 379**
Equity and liabilities				
Share capital	3 261	-	-	3 261
Treasury shares	-	-	(29)	(29)
Accumulated loss	(949)	(12)	(6)	(967)
Other reserves	(173)	-	-	(173)
Equity holders' funds	2 139	(12)	(35)	2 092
Non-controlling interest	185	-	-	185
Total liabilities	**2 324**	**(12)**	**(35)**	**2 277**
Policyholder and cell captive liabilities	219 478	-	-	219 478
Other liabilities	8 995	-	-	8 995
Employee benefits	158	12	-	170
Trade and other payables	1 315	-	13	1 328
Liabilities of disposal Group classified as held for sale	131	-	-	131
Total liabilities	**230 077**	**12**	**13**	**230 102**
Total equity and liabilities	**232 401**	**-**	**(22)**	**232 379**

COMPANY INCOME STATEMENT

for the year ended 31 March 2014

Rm	Notes	2014	2013
Operating expenses		(5)	(7)
Operating loss		(5)	(7)
Investment income		2	1
Finance costs	1	(3)	-
Loss before taxation		(6)	(6)
Income tax expense		-	-
Loss for the year		(6)	(6)

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

Rm	2014	2013
Loss for the year	(6)	(6)
Other comprehensive loss for the year (net of income tax)	-	-
Total comprehensive loss for the year (net of income tax)	(6)	(6)

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

Rm	Share capital	Accumulated loss	Total equity
At 1 April 2012	3 261	(34)	3 227
Loss for the year	-	(6)	(6)
At 31 March 2013	3 261	(40)	3 221
Issues of shares	2 558	-	2 558
Loss for the year		(6)	(6)
At 31 March 2014	5 819	(46)	5 773

COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2014

Rm	Notes	2014	2013
Assets			
Investment in subsidiary	2	5 748	3 190
Receivables		39	38
Cash and cash equivalents		-	5
Receivables from Group companies		-	3
Taxation prepaid		1	1
Total assets		5 788	3 237
Equity and liabilities			
Share capital	3	5 819	3 261
Retained earnings		(46)	(40)
Total equity		5 773	3 221
Borrowings	4	15	12
Other payables		-	4
Total liabilities		15	16
Total equity and liabilities		5 788	3 237

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

Rm	Notes	2014	2013
Cash flows from operating activities			
Cash utilised in operations	5	(10)	(10)
Investment income		2	1
Taxation paid	6	-	-
Net cash outflow from operating activities		(8)	(9)
Cash flows from investing activities			
Investment subsidiary		2 558	-
		2 558	-
Cash flows from financing activities			
Issue of shares		2 558	-
Increase in borrowings		3	-
Net proceeds of shareholder loans		-	1
Net cash outflow from financing activities		2 561	1
Increase/(decrease) in cash and cash equivalents		(5)	(8)
Cash and cash equivalents at beginning of period		5	13
Cash and cash equivalents at end of period		-	5

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2014

	Rm	2014	2013
1.	**Non trading and capital items**		
	Waiver of group loan receivable	(3)	-

The loan to Alexander Forbes Holdco (Pty) Ltd was waivered in the current year in line with the group's debt restructure as detailed in note 27 of the group financial statements attached hereto.

	Rm	2014	2013
2.	**Investment in subsidiary**		
	Opening carrying value	3 190	3 190
	Increase in investment in Alexander Forbes Holdco (Pty) Ltd	2 558	-
	Carrying value	5 748	3 190

As part of the debt restructure undertaken by the group, the company increased its investment in Alexander Forbes Holdco (Pty) Ltd during the year.

The investment in subsidiary is carried at cost less provision for impairment and amounts written off.

Details of the group's financial interests in its subsidiaries are set out in note 47 to the group financial statements attached hereto.

	Rm	2014	2013
3.	**Share capital and premium**		
	Share capital at no par value	5 819	
	Share capital at par value	-	7
	Share premium of par value shares	-	3 254
		5 819	3 261

*During the year, the entity converted its shares from par value shares to no par value shares in accordance with the Companies Act.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2014

	2014		2013		
	Number of shares	Share capital at no par value	Number of shares	Share capital at par value	Share premium
	'000	Rm	'000	Rm	Rm
3. Share capital and share premium (Continued)					
3.1 Share capital					
Authorised					
Ordinary shares no par value	2 500 000		700 000	7	
Non-convertible redeemable 'A' preference shares	600 000		600 000	6	
Non-convertible redeemable 'B' preference shares	45 000		45 000	-	
Issued					
Ordinary shares no par value	1 250 698	5 819	377 358	4	561
Non-convertible redeemable 'A' preference shares of 1 cent each	-		319 462	3	2 693
Non-convertible redeemable 'B' preference shares of 1 cent each**	21 161		21 161	-	-
	1 271 859	5 819	717 981	7	3 254

* * The issued non-convertible redeemable 'B' preference shares of 1 cent each amounted to R211 611 at year-end. Theses shares are redeemable at the company's option for an amount of R179 million.

As part of the debt restructure, the A preference shares were redeemed at their face value of R2 696 million.

	2014	2013
4. Borrowings		
Loans from shareholders	15	12

The loans from shareholders are unsecured, have no fixed repayment terms and bear no interest at market-related rates.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2014

Rm	2014	2013
5. Cash utilised in operations		
Cash utilised in operations		
Loss before taxation	(6)	(6)
Cash items:		
Investment income	(2)	(1)
Non cash items:		
Waiver of group loan receivable	3	-
Movement in working capital balances		
Other receivables	(1)	(1)
Payables	(4)	-
Intergroup payables and receivables	-	(2)
	(10)	(10)
6. Taxation paid		
Taxation prepaid at beginning of year	1	1
Taxation prepaid at end of year	(1)	(1)
	-	-

7. Related party disclosure

List of related party relationships

Major shareholders

The equity holders of the company are detailed in Annexure A to these financial statements.

The private equity consortium investors together have a 53.6% interest in the company. However, no single member of the consortium has an effective equity interest of more than 19% in the company.

Subsidiaries, joint ventures and associates

Details of subsidiaries, joint ventures and associates, which are considered material to the Group and in respect of which the Group has a continuing interest, are provided in note 47 to the group financial statements attached hereto.

Key management personnel

Details of key management personnel are included in the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2014

7. Related party disclosure (Continued)

Summary of related party transactions

7.1 Transactions between related parties comprise non-interest-bearing loans.

Rm	2014	2013
7.2 Transactions with subsidiaries		
Loan balances classified as intercompany loans		
Opening balance	3	3
Waiver of loan	(3)	-
Closing balance	-	3

The company had a loan with its subsidiary, Alexander Forbes Holdco (Pty) Ltd which was waived in the current year as part of the debt restructure referred to in note 27 of the group financial statements attached hereto.

ANNEXURE A

Ordinary shareholders of the company at 31 March are as follows:

	2014		2013	
Shareholding information	**Analysis of shareholders**	**Number of shares % of total**	**Analysis of shareholders**	**Number of shares % of total**
Actis AF Holdings Limited	163 677 070	13.1%	46 096 679	12.2%
Ontario Teachers' Pension Plan Board	233 840 549	18.7%	62 230 516	16.5%
Caisse de Dépôt et Placement du Québec	120 513 854	9.6%	34 470 276	9.1%
Ethos Capital v GP (SA) Limited	121 219 921	9.7%	32 267 675	8.6%
Harbourvest International Private Equity Partners	31 221 400	2.5%	13 829 004	3.7%
Alexander Forbes Preference Share Investments Limited	355 178 339	28.4%	100 000 000	26.5%
Dream World Investments 518 Proprietary Limited	40 880 349	3.3%	17 013 839	4.5%
Born Free Investments 580 Proprietary Limited	19 935 176	1.6%	8 296 746	2.2%
Golden Falls Trading 485 Proprietary Limited	36 777 458	2.9%	30 161 113	8.0%
AF BEE Funding SPV Proprietary Limited	26 100 314	2.1%	-	-
K2013116223 Proprietary Limited	29 789 009	2.4%	-	-
Alexander Forbes Management Trust	32 309 920	2.6%	32 309 920	8.6%
Alexander Forbes Management Co-Investment Trust	1 640 427	0.1%	682 723	0.1%
AF MST SPV Funding Proprietary Limited	37 614 511	3.0%	-	-
Total issued share capital	**1 250 698 297**	**100.0%**	**377 358 491**	100.0%

ANNEXURE B – AUDIT COMMITTEE REPORT

The audit committee is pleased to present its report for the financial year ended 31 March 2014. The audit committee is an independent statutory committee appointed by the shareholders. In compliance with King III Code and Section 61 of the *Companies Act*, 2008, the shareholders of the company have appointed independent directors as its audit committee. The board of directors delegates certain duties to the audit committee. This report includes those duties and responsibilities.

Terms of reference

The audit committee has adopted formal terms of reference, which are reviewed and updated as necessary on an annual basis (or more frequently if required) by both the audit committee and the board. The committee has conducted its affairs in accordance with its terms of reference and has discharged its responsibilities contained therein. A copy of the audit committee's current terms of reference is available on the company's website (www.alexanderforbes.co.za).

Composition and function

The audit committee comprises three independent members. In accordance with King III, the audit committee members are appointed annually by the shareholders. The chairman of the board, certain non-executive board members, the group chief executive, the group chief financial officer, the group chief risk officer, the group IT executive, external auditors, internal auditors and other assurance providers attend meetings by invitation. The audit committee undergoes an annual self-assessment.

Roles and responsibilities

The audit committee is satisfied that it complied with its legal, regulatory and other responsibilities during the financial year ended 31 March 2014. The audit committee's primary objective is to assist the board with its responsibilities for the management of risk, safeguarding of assets, oversight over financial control and reporting internal controls, shareholder reporting and corporate governance, particularly relating to legislative and regulatory compliance. The audit committee's role and responsibilities include statutory and regulatory duties as per the *Companies Act,* 2008 and according to King III on Governance for South Africa 2009. In addition, the board has assigned certain other duties to the audit committee, embodied in its terms of reference. The board reviews these duties and terms of reference every year.

THE INTEGRATED ANNUAL REPORT

The audit committee is responsible for overseeing the group's integrated annual report and the reporting process. This is the fourth integrated annual report. It focuses not only on the group's financial performance, but also economic, social and environmental performance. It also sets out how the business has engaged with stakeholders, addressed its material issues and governed its business.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The audit committee has reviewed the annual financial statements for the year ended 31 March 2014, , and believes that it presents a balanced view of the group's performance for the period under review and that it complies with international financial reporting standards.
During the period under review the committee:

- reviewed and discussed the audited annual financial statements with the external auditors, the Chief Executive and the Chief Financial Officer;
- reviewed the external auditors' report and management's response thereto;
- reviewed significant adjustments resulting from external audit queries and accepted unadjusted audit differences, and
- received and considered reports from the internal auditors.

ANNEXURE B – AUDIT COMMITTEE REPORT (Continued)

REGULATORY REPORTING

The committee:

- reviewed the adequacy of the regulatory reporting processes, including the quality of reporting and the adequacy of systems and people to perform these functions;
- considered the findings of any audited regulatory reports as they related to the key responsibility of the committee and the monitoring of management actions with a view to resolving any issues identified, and
- performed such other functions as are prescribed in the regulations relating to the relevant Acts applicable to the group.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The audit committee has satisfied itself that the external auditor is independent of the group, as set out in section 94(8) of the *Companies Act*, 2008, which includes consideration of previous appointments of the auditor, the extent of other work the auditor has undertaken for the group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its independence. The committee ensured that the appointment of the auditor complied with the *Companies Act*, 2008 and any other legislation relating to the appointment of auditors.

The committee, in consultation with management, agreed to the engagement letter, terms, audit plan as well as scope of work performed and budgeted audit fees for the 2012/13 year. A formal procedure has been adopted to govern the process whereby the external auditor may be considered for performing non-audit services.

The committee has nominated, for election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm and Mr J Grosskopf as the designated auditor responsible for performing the functions of auditor for the 2014/15 year.

The audit committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisers.

INTERNAL CONTROLS

The audit committee considers significant control deficiencies raised by management and the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the audit committee ensures that management takes appropriate action. Based on assurance obtained throughout the year, the audit committee confirms that the internal controls are working optimally and that there are no known material deficiencies to report on for the past financial year.

WHISTLE BLOWING

During the year, the audit committee reviewed the whistle-blowing programme and reports resulting from the programme. We have ensured that, where appropriate, management made independent investigations and took appropriate follow-up action. The audit committee receives reports of any complaints, whether from within or outside the group, relating to the accounting practices and internal audit of the group, the content or auditing of the group’s financial statements, the internal financial controls of the group and related matters.

ANNEXURE B – AUDIT COMMITTEE REPORT (Continued)

COMBINED ASSURANCE

The audit committee is satisfied that the group has optimised the assurance coverage obtained from management, internal and external assurance providers, in accordance with an appropriate combined assurance model.

GOING CONCERN

The audit committee has reviewed a documented assessment, including key assumptions prepared by management, of the going concern status of the group and has made a recommendation to the board in accordance therewith. The board's statement on the going concern status of the group, as supported by the audit committee, appears in the directors' responsibility for financial reporting section of the integrated annual report.

GOVERNANCE OF RISK

The audit committee fulfils a dual function, being both an audit committee and a risk committee. Internal audit performs a full assessment of the risk management on an ongoing basis.

INTERNAL AUDIT

The audit committee is responsible for ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority within the group to enable it to perform its duties. Furthermore, the audit committee oversees cooperation between the internal and external auditors, and serves as a link between the board of directors and these functions. The audit committee approved the internal audit charter and the internal audit function's annual audit plan during the year under review.

The internal audit function reports to the relevant divisional audit committees with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the group's operations. The head of group internal audit is responsible for regularly reporting the findings of the internal audit work against the agreed internal audit plan to the audit committee. The head of group internal audit has direct access to the group audit committee, primarily through its chairman. During the year, the committee met with the external auditors and with the head of group internal audit without management being present.

CONCLUSION

Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit, the committee confirmed that:

- the internal controls of the group had been effective in all material aspects throughout the year under review;
- these controls had ensured that the group's assets had been safeguarded;
- proper accounting records had been maintained;
- resources had been utilised efficiently, and
- the skills, independence, audit plan, reporting and overall performance of the external auditors were acceptable, and the committee recommended their reappointment in 2014.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE GROUP CHIEF FINANCIAL OFFICER (GCFO) AND THE FINANCE FUNCTION

The audit committee has satisfied itself that the GCFO has appropriate expertise and experience to execute his designated functions. The audit committee has considered and has satisfied itself of the appropriateness of the expertise, experience and adequacy of resources of the finance function.

ANNEXURE B – AUDIT COMMITTEE REPORT (Continued)

APPROVAL

The committee considers the accounting practices and internal financial controls that have led to the compilation of the annual financial statements to be appropriate. We further concurred with and accepted the external auditors' report on the annual financial statements and have recommended the approval thereof to the board. The board subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

Dr L Konar

Chairman of the audit committee

Sandton
9 June 2014

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