Alexander Forbes Group Holdings Limited

Unaudited interim results and cash dividend announcement
for the six months ended 30 September 2016

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Securing your financial well-being

Alexander Forbes Group Holdings Limited
Registration number: 2006/025226/06
Tax reference number: 9404/921/15/8
JSE share code: AFH
ISIN: ZAE000191516
(Incorporated in the Republic of South Africa)

The condensed consolidated interim results are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of IAS 34 *Interim Financial Reporting* and the requirements of the South African Companies Act.

The accounting policies applied in the preparation of the condensed consolidated interim results are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

These interim results **have not been audited or independently reviewed** by the group's external auditors. The group's 2016 annual financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

These condensed consolidated interim results were compiled under the supervision of Deon Viljoen, CA(SA), the group chief financial officer. The directors take full responsibility for the preparation of this report.

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Investors are referred to www.alexanderforbes.co.za where the analyst presentation related to these interim results and the Annual Financial Statements for the year ended 31 March 2016 can be found.

FINANCIAL HIGHLIGHTS

Operating income

net of direct expenses
R2 695 million

This is a 5% growth when compared to the six months ended 30 September 2015.

Profit from operations

before non-trading and capital items **R574 million**

This is a 4% improvement when compared to the six months ended 30 September 2015.

Profit for the period

R416 million

This is a 4% improvement when compared to the six months ended 30 September 2015.

Normalised profit for the period

R464 million

This is an 11% improvement when compared to the six months ended 30 September 2015.

Headline earnings per share

27.0 cents
per share

This is a 4% increase when compared to the six months ended 30 September 2015.

Normalised HEPS

30.8 cents
per share

This is a 13% increase when compared to the six months ended 30 September 2015.

Average AuA and AuM

of Investment Solutions increased to **R342 billion**

This is a 5% growth when compared to the six months ended 30 September 2015.

Interim dividend declared

17 cents
per share

This is a 13% increase when compared to the six months ended 30 September 2015.

OVERVIEW OF FINANCIAL RESULTS

The group's headline earnings increased by 3% to R345 million for the six months ended 30 September 2016. A normalised representation of the results is presented on page 11 and reflects growth in attributable profit after tax of 13% to R400 million. The weighted average number of shares in issue decreased marginally as a result of the increased policyholder shares treated as treasury shares, which resulted in the headline earnings per share increasing by 4% to 27.0 cents per share for the six-month period ended 30 September 2016 (normalised headline earnings per share increased by 13% to 30.8 cents).

Operating environment

The group delivered resilient financial and operating performance in spite of a complex and volatile economic environment characterised by equity market volatility, rising unemployment and weak GDP growth.

The group's earnings are affected by the following external factors:

Equity and bond markets: Growth of the all share index (ALSI) and the SWIX to 30 September 2016 was 0.9% and 1.6% respectively. The BESA all bond index increased 8% for the same period. The volatility in the equity market has increased uncertainty and there is consensus that the current low growth environment will persist for the medium term. A total of 30% of the group's Africa revenue is asset based and this component of revenue fluctuates not only with markets but trends related to asset classes, product mix shifts and default choices.

Wage inflation: South African wage inflation has increased by approximately 7% for the first six months of the year. Wage inflation generally has a positive impact on a number of our businesses whose fees are derived from the related increase in pension contributions.

Unemployment: In the last three calendar years, the standard unemployment rate has increased steadily by 0.2% per year and is currently reported at 26.6% at the end of September 2016. The increase in unemployment has a strong correlation with cash being withdrawn from pension savings and member numbers in the retirement funds administered by the group – significant cash flows paid to employees who leave the formal employment sector has given rise to reduced revenues.

GDP: The growth in GDP for South Africa continues to lag expectation and has been recorded at 0.5% over the past six months.

Exchange rate: The weighted average rate of 19.8 ZAR/GBP for the six months ended 30 September 2016 did not change significantly when compared to the same period in the prior year.

Consolidated operating income net of direct expenses

Operating income net of direct expenses (hereinafter referred to as operating income) represents gross revenue net of direct product costs. The group's gross revenue is derived from fees charged for consulting, administration and the management of investments through multi-manager portfolios. In addition, operating income includes the net result from both long-term and short-term insurance operations.

The group produced operating income from continuing operations of R2.7 billion for the six months ended 30 September 2016, up 5% when compared to the same period last year.

Africa income was significantly impacted by weaker markets where 30% of the group's revenue is linked to the assets under administration and management. As reported previously, clients moved assets within the group's specialised investment product range to balanced portfolios and index or passive portfolios, both of which result in lower margins earned by the group. Investment Solutions is well positioned to offer this flexibility and it is an integral part of the group value proposition to clients.

Consolidated profit from operations

Operating profits from continuing operations, before non-trading and capital items, increased by 4% to R574 million when compared to the same period in the prior year. The divisional performance review is reflected below. Excluding the International operations, the growth for Africa was 5%, resulting in an operating profit of R475 million. This result reflects the significant efforts made to reduce costs and drive efficiencies in the operations.

Operating expenses, including the International operations, attributed to continuing operations (excluding non-trading and capital items) of R2.1 billion increased by 5% compared to the previous year (impacted by the accounting for share-based long-term incentive scheme costs). The operating expenses for South African operations increased 3% which reflects management's focus on cost containment.

The overall group trading margin on net revenue is 21.3% compared to the 21.5% for the same period in the previous financial year. The trading margin of the South African operations increase from 27.0% in the six months to 30 September 2015 to 27.8% for the period under review as a result of the cost management noted.

Divisional review of operations

The following is a brief summary of divisional trading results for the six months ended 30 September 2016.

Institutional Clients
(i) Financial Services
The Financial Services division within Institutional clients delivered R642 million of operating income, representing a 4% increase over the first six months of the prior year. Core businesses include retirement fund consulting and administration to both standalone and umbrella retirement funds, actuarial consulting, healthcare actuarial and consulting, insurance consulting, beneficiary trust consulting and administration, and group risk insurance through Alexander Forbes Life. Growth in operating income was impacted by the current low growth environment as well as poorer performance across Group Risk underwriting. Management continued with the execution of expense containment and operational efficiency enhancements, which resulted in profit from operations up 8% compared to the first six months of the previous financial year.

New business opportunities continue to be muted across retirement fund and healthcare consulting as a result of delayed decision-making at trustee and corporate levels.
We firmly believe that our value proposition remains relevant and we see strong momentum in clients continuing to value our expertise and experience as a trusted adviser in delivering favourable outcomes and experiences across their financial well-being and security.

The Alexander Forbes Retirement Fund (AFRF) continues to be a leader in the umbrella fund industry, providing relevant and cost-effective solutions to the South African market. The Alexander Forbes Coreplan umbrella fund continues to be innovative and provides low-cost simple solutions with a strong growth trajectory. Importantly, an innovative new offering was launched to our umbrella funds during this period, being in-fund preservation and in-fund living annuities. Simply explained, in-fund solutions provide members of a fund with a cost-effective solution to preserve their retirement fund savings when changing employment and also to derive an annuity income in retirement.

A number of competitors have recently entered the umbrella fund market. While we have not seen significant client losses from this increased competition, we continue to be vigilant in ensuring our products and services are world-class and continue to demonstrate the value of the trusted Alexander Forbes brand and expertise to our clients.

Despite our client base being impacted by negative employment growth and retrenchment activity in certain sectors of the economy, the number of active member records for our umbrella retirement funds has increased by 5% since September 2015. However, the number of active member records for our standalone retirement funds has decreased by 6% from 31 March 2016, mainly as a result of the loss of a large standalone retirement fund client which has chosen to in-source its administration. The cost base within our business has been adjusted for the impact of this lost client.

The closing assets under management (AuM) for the umbrella funds increased by 11% year on year to R66.8 billion at 30 September 2016. This was achieved in a period where market growth in AuM was 2%. The number of active member records administered by the umbrella funds is now just short of 310 000 (up 5% from September 2015) with 1 361 umbrella fund clients (participating employers) up 10% from September 2015.

AF Life Group Risk grew annualised premium income to R406 million at 30 September 2016, an increase of 11% when compared to the first six months of the previous financial year. Despite the pleasing increase in new business, the Life business operates in a highly competitive market. The claims experience was negatively impacted by the continued increasing trend in disability claims with disabilities having a longer rehabilitation period because of the nature of the disabilities experienced, including an increase in mental health and cancer-related disabilities. The underwriting result before interest earnings was impacted by the increased claims and required reserving and decreased by 14% compared to the same period last year.

The healthcare consulting business performed well for the first half but operating income remained flat when compared to the first six months of the prior year. An increase in the regulated cap for commission income for health broking services and new business landed for consulting services was offset by the loss of a public sector client in the health management solutions business unit in the previous financial year. Management action on the cost base resulted in a 13% increase in the profit from operations in this business.

The overall increase in expenses was contained at 3%, a very pleasing outcome in the current environment and was as a direct result of strong management focus on cost containment and operational efficiencies. As a result, profit from operations increased by 8% to R80 million for the six months ended 30 September 2016.

(ii) Investment Solutions

The operating income for the Institutional Investment Solutions segment remained flat for the first six months ended 30 September 2016 compared to the six months of the prior year. The current low return market environment persists across all major asset classes coupled with the continued net negative ongoing cash outflows which are prevalent in the retirement fund industry. The segment experienced good new business flows of R4.8 billion for the six months ended 30 September 2016; these flows were offset by net ongoing client cash outflows of R9 billion (the difference between ongoing contributions and withdrawals for benefit payments) and client losses of R1.9 billion for the same period.

Closing assets under management (including assets under administration) increased by 0.6% to R341 billion as at 30 September 2016 from 31 March 2016, of which R282 billion are institutional assets under investment management. Average assets under management increased by 5.0% compared to the first six months of the previous financial year which, aligned with the fact that operating income remained flat, reflects the continued effect of the margin pressure resulting from portfolio shifts and more generally in asset management space.

A summary of the institutional cash flows is reflected below.

Rbn	Six months 30 Sept 2016	%	Six months 30 Sept 2015
Inflows	**17.3**	(9)	19.1
New business	**4.8**		5.6
Ongoing contributions	**12.5**		13.5
Outflows	**(23.4)**	7	(21.8)
Outflows due to client losses	**(1.9)**		(1.9)
Withdrawals for benefit payments	**(21.5)**		(19.9)
Net cash flows	**(6.1)**	126	(2.7)

The increase in operating expenses is 2% for the six months ended 30 September 2016 when compared with the same period in the prior year. Profit from operations declined by 2% to R143 million. The business remains focused on disciplined cost management as part of responding to a low return environment, which is expected to prevail in the South African market into the foreseeable future.

Investment Solutions continues to provide a wide range of portfolios, customised to its clients' needs with risk-adjusted returns which are ahead of peers and benchmark. Over the past rolling 36 months ended 30 September 2016, 67% of funds were ahead of benchmark including our flagship fund, Performer, which has the highest allocation of assets. The Investment team continuously focuses on improving and deepening investment expertise across the business in the group in order to serve its clients better and add value towards their retirement savings and wealth creation while managing the risk of unusual and challenging economic environments.

(iii) Alexander Forbes Insurance

The institutional client segment of the short-term insurance business continues to grow rapidly from a very small base with gross written premiums increasing by 56% to R44 million. This division focuses on short-term insurance cover for the SME market. Operating income grew by 71% when compared to the same period last year and resulted in the profit from operations of R2 million for the six months ended 30 September 2016.

Retail Clients

(i) Financial Services

The retail clients segment of the SA Financial Services business incorporates financial planning consultants (FPC), AF Individual Client Administration (AFICA), AF Preservation Fund and the AF Life individual life insurance businesses.

Growth in operating income was 7% to R328 million for the six months to 30 September 2016 when compared to the same period in the prior year. Of this income, 56% is asset-based income and a further 43% relates to consulting and advisory fees also linked to asset values.

The business continues to feel the effects of the tough economic conditions with a decline in assets being preserved on exit and retirement from approximately 46% to approximately 45%. Positively, the FPC business is capturing a higher share of the exit and retirement flows from the 33% achieved historically to approximately 35% in the current period. The business is also experiencing an increase in withdrawals to fund income requirements. The negative effect of this was slightly muted by positive, although volatile, market returns.

Assets under advisement grew by 2% over the six months to R63.5 billion at 30 September 2016. Assets under administration grew by 1% to R52.8 billion over the same period. The focus continues to be on servicing the institutional client base while expanding the business footprint in discretionary assets.

The AF Life individual life insurance business accounts for only 1% of the Retail Financial Services operating income and is a strategic growth area from its very small base. The increased distribution channels and product innovation has enabled the business to increase the number of life policyholder clients by 35%. The business launched an internal call centre and introduced the non-underwritten product in the current period, which are proving very successful and has contributed to the increase in the life policyholder book.

Profit from operations for Retail Financial Services as a whole increased by 16% to R125 million for the period on the back of a 3% growth in operating expenses.

(ii) Investment Solutions

Closing retail assets under management by Investment Solutions increased by 5% to R59.1 billion for the six months to 30 September 2016. While the majority of the growth in assets under management is still via primary distribution, being financial planning consultants, newer distribution channels have shown good growth with assets under management from these channels growing by 42% over the prior year off a low base.

Operating income increased by 7% to R79 million when compared to the first six months of the previous financial year. Cost management initiatives have resulted in an increase in profit from operations of 21% to R40 million for the six months ended 30 September 2016.

(iii) Alexander Forbes Insurance

Alexander Forbes Insurance's growth was hampered by the difficult economic environment and higher-than-expected claims experience. Gross written premium increased by 11% to R806 million for the six months to 30 September 2016. The business continues to grow ahead of competitors based on an enhanced product offering and superior service levels.

A number of specific high-value weather-related claims had a detrimental effect on the claims for the six months ended 30 September 2016, resulting in a loss ratio of 74% for the motor and household business which is higher than the target of 72% but lower than the prior-year loss ratio of 75%.

Operating income increased by 3% to R223 million. Expenses increased by 4%, driven in part by an ongoing commitment to increase sales capacity and the impact of the weakening rand on claims procurement.

Profit from operations remained at R59 million when compared to the prior period.

Emerging Markets (previously known as AfriNet) (covering all operations in Africa outside South Africa)

In line with global operating conditions, the macroeconomic drivers for the Emerging Market operations (AFEM) remain under pressure. In particular, the impacts of the ratings downgrades for Namibia, Botswana, Kenya and Nigeria are being felt by the client base across the regions.

Operating income grew by 2% for the period, heavily impacted by the in-sourcing of the Botswana Public Officers Pension Fund (BPOPF). Cost growth was 8% for the period, impacted primarily by retrenchment costs in Botswana. AFEM's performance, excluding Botswana, shows operating income growing at 11% and cost growth at 9%, which is in line with historical operating leverage parameters. Further corrective measures to remediate the negative operating leverage situation in Botswana are under way through further reduction in overheads and consolidation of office space as well as the buildout of the retail business lines to relieve the revenue pressures.

The profit from operations declined by 19% to R26 million for the six months to 30 September 2016 when compared to the prior period.

It is pleasing to note that the Retail business lines are continuing to perform positively with policies sold in Namibia increasing by 20% compared to the same period last year. Assets under management have also shown a pleasing increase of 14%. Members under administration have decreased as a result of factors mentioned.

Nigeria continues to be a very challenging environment with a systemic shortage of foreign currency hampering business progress and business operations remain small for the time being. East Africa represents a much easier trading environment than West Africa, however, there are early signs of economic difficulties as export markets for COMESA-sourced goods remain under pressure.

Despite the pressures in the short term, the long-term demographics as well as the pension reform agenda pursued by the incumbent governments underpin the continued relevance of these markets to Alexander Forbes.

International Financial Services

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

Operating income increased by 5% to £46 million for the six months ended 30 September 2016 and profit from operations increased by 3% to £6.6 million. Revenue growth across the operations continued to grow in real terms albeit those clients continue to manage their expenditure reflecting pressure on charge-out rates. The businesses continue gaining new clients and capitalising on the demand for employer and trustee-employee benefit and actuarial consulting, investment consulting, including de-risking solutions and general insurance actuarial consulting.

It is expected that the UK's exit from the European Union may result in increased consulting opportunities in the near future but this is only likely to occur once the impact of Brexit is more certain. Although the closing exchange rates were heavily impacted, the average for the period was largely similar.

Items below profit from operations

Non-trading and capital items

Non-trading and capital items of R62 million (2015: R75 million) include the ongoing accounting amortisation of intangible assets amounting to R61 million as well as the results of the cell-captive insurance facility which are consolidated into the group's results. The accounting for amortisation has no impact on the cash flows of the group and is excluded from the normalised results (refer to the discussion on normalised results on page 10).

Investment income

Investment income of R96 million (2015: R79 million) includes R20 million (2015: R34 million) related to individual policyholder funds in Investment Solutions that are liable for fund-level taxes and for which an equal tax liability is raised. This income (and related tax expense) should theoretically be excluded when assessing the group's own investment income which largely relates to return on assets backing regulatory capital adequacy requirements. Excluding the policyholder income, the group's investment income amounts to R76 million (2015: R45 million) for the six months to 30 September 2016.

Finance costs

Finance costs for the six months ended 30 September 2016 remained unchanged at R39 million when compared to the previous period. The finance costs relate largely to the revolving credit facility provided to the group.

Accounting for Alexander Forbes shares held in policyholder investment portfolios

In terms of International Financial Reporting Standards (IFRS), any Alexander Forbes shares acquired by underlying asset managers and held by the group's multi-manager investment subsidiary for policyholders (the shares) are required to be accounted for in Alexander Forbes's consolidated financial statements as treasury shares and results in the elimination of any fair value gains or losses made on the shares. Refer to note 13.

This accounting treatment has the effect that fair value movements in respect of linked investment policy assets and liabilities that would normally be offset (and economically should be offset) are not being matched in the income statement. The resultant mismatch between the asset and liability movement does not reflect the economic substance of the transactions. The impact of this mismatch is that an accounting profit or loss will be reported in Alexander Forbes's consolidated income statement, whereas no actual economic profit or loss will ever be realised by the group. The reported profit of R2 million (2015: R44 million) arising from the accounting for policyholder investments as treasury shares for the reporting period is separately disclosed on the face of the income statement.

Profit before and after tax from continuing operations

After non-trading items, finance charges and the effect of the policyholder investments explained earlier, the group's profit before taxation from continuing operations of R574 million for the six months ended 30 September 2016 is 2% higher than the same period in the prior year.

The effective tax rate compared to profit before tax appears high as a result of taxation payable on behalf of policyholders being included in this amount (refer to the investment income discussion on this page as well as note 8).

The tax rate, excluding the policyholder tax, is 24.9%; which is largely due to the lower UK tax rate and applied only to the group's share of the partnership earnings from LCP. Profit after tax was R416 million for the six months ended 30 September 2016 compared to R401 million in the comparable period of the previous year.

Discontinued operations

The business results reflected as discontinued operations comprise Alexander Forbes Compensation Technologies (AFCT). The disposal of AFCT was concluded on 15 July 2016 and the effects of the disposal are included in the results for the period. The results of discontinued operations are further detailed in note 9.

Normalised results

The group's normalised results are presented to reflect the basis upon which management manages the group and reflects the economic substance of the group's performance. The adjustments between the IFRS condensed consolidated income statement and the normalised results are as follows:

(a) Accounting for property lease

The accounting treatment for long-term leases, particularly at the Sandton head office, continues to have a small positive impact on the group's growth rate. The impact is isolated and removed from normalised results to afford a better comparison and to reflect the true premises cost over the long term.

(b) Capitalisation of intangible assets and the related amortisation

Non-trading and capital items include the ongoing accounting amortisation of the intangible assets amounting to R61 million for the six months ended 30 September 2016 and R63 million in the prior financial year. The capitalisation of intangible assets and the related amortisation resulted from the required accounting treatment at the time of the private equity acquisition of the group under common control in 2007. As the holding company that was established at the time remains in existence (and is now the listed entity), the amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group and does not relate to equity employed in operations.

(c) Professional indemnity insurance cell result

The company has a comprehensive insurance programme of which the first layer is self-insured through a cell-captive insurance arrangement. The structure of the cell captive is such that it falls within the requirements of IFRS 10 for controlled entities and is therefore consolidated in our results. The impact of the inclusion of this insurance cell on the group results is separately isolated in non-trading items. The profit or loss of the cell captive is excluded from our normalised results.

(d) Accounting for Alexander Forbes shares held in policyholder investment portfolios

As discussed, this accounting treatment has the effect that fair value movements in respect of linked investment policy assets and liabilities that would normally be offset (and economically should be offset) are not being matched in the income statement. The resultant mismatch between the asset and liability movement does not reflect the economic substance of the transactions.

(e) Investment income and taxation payable on behalf of policyholders

The group's tax rate compared to profits before tax appears high as a result of taxation payable on behalf of policyholders being included in this amount (refer to the investment income discussion as well as note 8). The normalised results exclude the policyholder tax expense and the related investment income, which directly offset this tax expense.

Condensed consolidated normalised results (unaudited)

For the six months ended 30 September 2016

Rm	Six months 30 Sept 2016	%	Six months 30 Sept 2015
Continuing operations			
Fee and commission income	**2 933**		2 792
Direct expenses attributable to fee and commission income	**(521)**		(487)
Net income from insurance operations	**283**		258
Operating income net of direct expenses	**2 695**	5	2 563
Operating expenses	**(2 106)**		(1 996)
Profit from operations before non-trading and capital items	**589**	4	567
Non-trading and capital items	**(7)**		(4)
Operating profit	**582**	3	563
Investment income	**76**		45
Finance costs	**(39)**		(39)
Share of profit of associates (net of income tax)	**3**		2
Profit before taxation	**622**	9	571
Income tax expense	**(158)**		(152)
Profit for the period from continuing operations	**464**	11	419
Attributable to:			
Equity holders	**400**	13	354
Non-controlling interest holders	**64**	–	65
	464	11	419
Normalised earnings per share (cents)	**30.8**	13	27.3
Normalised weighted average number of shares in issue (millions)	**1 299**		1 299

Financial position and dividends

Financial position and capital requirements
The financial position of the group remains strong and all regulated entities within the group comply with current solvency, liquidity and regulatory capital adequacy requirements.

The group is appropriately positioned for the pending introduction of consolidated supervision by the regulators. Based on representation made by the FSB, the effective date of implementation of the formal framework for group-wide supervision is now expected to be 1 July 2017, however, current reporting requirements to the regulator already incorporate the expected formal framework.

As at 30 September 2016 the theoretical consolidated regulatory capital position, using the measures and interpretations under the Solvency Assessment and Management (SAM) standard, is a surplus of R507 million (before the proposed dividend distribution). The Investment Solutions' internal model for risk-based capital adequacy assessment is established and evaluation and approval will be sought once allowed under SAM in 2017. The surplus estimation does not include any benefit that may be achieved from Investment Solutions or the group using an approved internal model for capital determination.

Interim dividend
A dividend declaration has been considered, taking into account the group's current and projected regulatory position as well as the highly cash-generative nature of the group. The investment into modernising technology will demand additional capital investment, however, this is expected to be provided for through ongoing earnings.

Notice is hereby given that the directors have declared an interim gross cash dividend of 17 cents (14.45 cents net of dividend withholding tax) per ordinary share for the six months ended 30 September 2016.

The dividend has been declared from income reserves. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt. The issued number of shares at the date of declaration is 1 341 426 963.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend
Tuesday, 10 January 2017

Shares commence trading 'ex' dividend
Wednesday, 11 January 2017

Record date
Friday, 13 January 2017

Payment date
Monday, 16 January 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 January 2017 and Friday, 13 January 2017, both days inclusive.

Prospects

Looking ahead, we expect market activity to be influenced by geopolitical and macroeconomic uncertainty over the next several reporting periods and the outlook to remain challenging.

The group's strategy is to focus on building a globally distinctive pan-African financial services leader across five core pillars. Our strategic priorities include:

- Focus on the customer with a clear brand strategy and customer value proposition.
- Grow Retail and Emerging Market business lines, leveraging the Institutional platform, plus open market.

- Address margin compression across Institutional clients business lines.
- Modernisation of host systems, including increasing digital capabilities.
- Execute expense savings programmes.
- Maintain solid capital position and strong cash generation while returning capital to shareholders.

Change in directorate

The board is pleased to welcome Mr AA Darfoor, who was appointed on 1 September 2016 as group chief executive. Mr DM Viljoen resumed his position as group chief financial officer and the board thanks Mr Viljoen for fulfilling both these roles during the period under review.

On behalf of the board of directors:

MS Moloko
Chairman

AA Darfoor
Group chief executive

Johannesburg
25 November 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2016

Rm	Notes	**Six months 30 Sept 2016**	Six months 30 Sept 2015	12 months 31 March 2016
Continuing operations				
Fee and commission income	3	**2 933**	2 792	5 839
Direct expenses attributable to fee and commission income		**(521)**	(487)	(1 003)
Net income from insurance operations	4	**283**	258	540
Operating income net of direct expenses		**2 695**	2 563	5 376
Operating expenses		**(2 121)**	(2 011)	(4 166)
Profit from operations before non-trading and capital items		**574**	552	1 210
Non-trading and capital items	5	**(62)**	(75)	(137)
Operating profit		**512**	477	1 073
Investment income	6	**96**	79	294
Finance costs	7	**(39)**	(39)	(71)
Reported profit arising from accounting for policyholder investments in treasury shares	13	**2**	44	59
Share of profit of associates (net of income tax)		**3**	2	4
Profit before taxation		**574**	563	1 359
Income tax expense	8	**(158)**	(162)	(468)
Profit for the period from continuing operations		**416**	401	891
Discontinued operations				
Profit/(loss) on discontinued operations (net of income tax)	9	**–**	3	(17)
Profit for the period		**416**	404	874
Attributable to:				
Equity holders		**349**	337	729
Non-controlling interest holders		**67**	67	145
		416	404	874
Basic earnings per share (cents)	10	**27.3**	26.3	56.9
Diluted earnings per share (cents)	10	**26.9**	25.7	56.4
Weighted average number of shares in issue (millions)	10	**1 279**	1 282	1 282

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

Rm	**Six months 30 Sept 2016**	Six months 30 Sept 2015	12 months 31 March 2016
Profit for the period	**416**	404	874
Foreign currency translation differences of foreign operations	**(220)**	206	198
Foreign currency translation reserve of disposed operations recycled to profit or loss	**–**	–	2
Release of available-for-sale reserves	**–**	–	(5)
Other comprehensive income for the period (net of income tax) that will be reclassified to profit or loss	**(220)**	206	195
Total comprehensive income for the period	**196**	610	1 069
Total comprehensive income attributable to:			
Equity holders	**160**	519	903
Non-controlling interest holders	**36**	91	166
Total comprehensive income for the period	**196**	610	1 069

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

Rm	Note	30 Sept 2016	30 Sept 2015	31 March 2016
ASSETS				
Financial assets held under multi-manager investment contracts	13	**278 817**	258 231	276 258
Financial assets of insurance and cell-captive facilities		**234**	371	253
Property and equipment		**313**	343	355
Purchased and developed computer software		**154**	126	139
Goodwill		**3 898**	3 995	3 995
Intangible assets		**610**	734	681
Investment in associates		**11**	6	8
Deferred tax assets		**156**	159	157
Financial assets		**490**	411	489
Insurance receivables		**1 067**	920	981
Trade and other receivables		**962**	959	933
Cash and cash equivalents		**4 466**	4 242	4 877
Assets of disposal groups classified as held for sale		**–**	177	131
Total assets		**291 178**	270 674	289 257

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2016

Rm	Note	**30 Sept 2016**	30 Sept 2015	31 March 2016
EQUITY AND LIABILITIES				
Equity holders' funds		**5 789**	5 728	5 901
Non-controlling interest		**169**	163	255
Total equity		**5 958**	5 891	6 156
Financial liabilities held under multi-manager investment contracts	13	**278 940**	258 355	276 382
Liabilities of insurance and cell-captive facilities		**234**	371	253
Borrowings		**807**	622	705
Employee benefits		**174**	185	166
Deferred tax liabilities		**287**	269	322
Provisions		**324**	350	352
Finance lease liability		**78**	83	80
Operating lease liability		**260**	255	266
Deferred income		**47**	49	34
Insurance payables		**2 753**	2 851	2 878
Trade and other payables		**1 316**	1 332	1 620
Liabilities of disposal groups classified as held for sale		**–**	61	43
Total liabilities		**285 220**	264 783	283 101
Total equity and liabilities		**291 178**	270 674	289 257
Total equity per above		**5 958**	5 891	6 156
Number of ordinary shares in issue (millions)		**1 279**	1 282	1 282
Net asset value per ordinary share (cents)		**466**	460	480

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

Rm	Note	**Six months 30 Sept 2016**	Six months 30 Sept 2015	12 months 31 March 2016
Cash flows from operating activities				
Cash generated from operations		**619**	513	1 313
Interest received		**74**	37	84
Interest paid		**(35)**	(34)	(62)
Taxation paid		**(242)**	(227)	(500)
Dividends paid		**(289)**	(156)	(352)
Operating cash flows from continuing operations		**127**	133	483
Operating cash flows relating to insurance and policyholder contracts		**(415)**	235	568
Cash flows from policyholder investment contracts		**2 482**	5 620	5 561
Cash flows from operating activities – discontinued operations		**14**	18	(9)
Net cash inflow from operating activities		**2 208**	6 006	6 603
Cash flows from investing activities				
Proceeds from sale of subsidiary	9	**52**	–	–
Net cash inflows/(outflows) on financial assets		**10**	16	(54)
Payments for capital expenditure for the period (net of proceeds on disposal)		**(63)**	(95)	(182)
Dividends received from associates		**–**	5	5
Cash flows from investing activities – discontinued operations		**–**	–	(2)
Net cash outflow from investing activities		**(1)**	(74)	(233)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 September 2016

Rm	Six months 30 Sept 2016	Six months 30 Sept 2015	12 months 31 March 2016
Cash flows from financing activities			
Borrowings raised	**100**	–	–
Repayment of borrowings	**–**	(383)	(299)
Payments to non-controlling interests	**(122)**	(118)	(101)
Net cash outflow from financing activities	**(22)**	(501)	(400)
Net increase in cash and cash equivalents	**2 185**	5 431	5 970
Cash and cash equivalents at the beginning of the period	**15 748**	9 674	9 674
Exchange (loss)/gain on foreign cash and cash equivalents	**(127)**	99	104
Cash and cash equivalents at the end of the year	**17 806**	15 204	15 748
Analysed as follows:			
Cash and cash equivalents of continuing operations	**4 466**	4 242	4 877
Cash held under multi-manager investment and insurance contracts	**13 323**	10 917	10 820
Cash held under cell-captive insurance facilities	**17**	–	38
Cash and cash equivalents of disposal groups held for sale	**–**	45	13
	17 806	15 204	15 748

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

Rm	Share capital	Treasury shares	Other reserves	Accumu-lated loss	Total equity holders' funds	Non-controlling interest	Total equity
At 31 March 2015	6 192	(166)	(36)	(640)	5 350	190	5 540
Total comprehensive income	–	–	182	337	519	91	610
Profit for the period	–	–	–	337	337	67	404
Other comprehensive income	–	–	182	–	182	24	206
Total transactions with owners of the company	–	–	15	(156)	(141)	(118)	(259)
Dividends paid	–	–	–	(156)	(156)	–	(156)
Movement in share-based payment reserve	–	–	15	–	15	–	15
Other movements in non-controlling interest	–	–	–	–	–	(118)	(118)
At 30 September 2015	6 192	(166)	161	(459)	5 728	163	5 891
Total comprehensive income	–	–	(8)	392	384	75	459
Profit for the period	–	–	–	392	392	78	470
Other comprehensive income	–	–	(8)	–	(8)	(3)	(11)
Total transactions with owners of the company	–	(15)	4	(200)	(211)	17	(194)
Movement of treasury shares	–	(15)	–	–	(15)	–	(15)
Shares issued*	–	–	–	–	–	–	–
Dividends paid	–	–	–	(196)	(196)	–	(196)
Movement in share-based payment reserve	–	–	4	–	4	–	4
Other movements in non-controlling interest**	–	–	–	(4)	(4)	17	13
At 31 March 2016	6 192	(181)	157	(267)	5 901	255	6 156

* During the prior period the company issued 39 million shares to the Employee Share Option Plan for 1 cent per share.

** These amounts include distributions made to non-controlling interest holders as well as changes to acquisitions and disposals of equity held by non-controlling interest holders.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 September 2016

Rm	Share capital	Treasury shares	Other reserves	Accumu-lated loss	Total equity holders' funds	Non-controlling interest	Total equity
At 31 March 2016	6 192	(181)	157	(267)	5 901	255	6 156
Total comprehensive income	–	–	(189)	349	160	36	196
Profit for the period	–	–	–	349	349	67	416
Other comprehensive income	–	–	(189)	–	(189)	(31)	(220)
Total transactions with owners of the company	–	(1)	19	(290)	(272)	(122)	(394)
Movement of treasury shares	–	(1)	–	–	(1)	–	(1)
Dividends paid	–	–	–	(287)	(287)	–	(287)
Movement in share-based payment reserve	–	–	20	–	20	–	20
Other movements in non-controlling interest*	–	–	(1)	(3)	(4)	(122)	(126)
At 30 September 2016	6 192	(182)	(13)	(208)	5 789	169	5 958

* These amounts include distributions made to non-controlling interest holders as well as changes to acquisitions and disposals of equity held by non-controlling interest holders.

GROUP SEGMENTAL INCOME AND PROFIT ANALYSIS

For the six months ended 30 September 2016

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
Rm	2016	%	2015	2016	%	2015
Institutional clients						
Financial Services	**642**	4	619	**80**	8	74
Investment Solutions	**329**		329	**143**	(2)	146
AF Insurance	**12**	71	7	**2**	>100	–
	983	3	955	**225**	2	220
Retail clients						
Financial Services	**328**	7	306	**125**	16	108
Investment Solutions	**79**	7	74	**40**	21	33
AF Insurance	**223**	3	216	**59**	0	59
	630	6	596	**224**	12	200
Emerging Markets	**165**	2	161	**26**	(19)	32
Total Africa	**1 778**	4	1 712	**475**	5	452
International Financial Services (GBPm)	**46**	5	44	**6.6**	3	6.4
International Financial Services (Rm)	**917**	8	851	**131**	3	127
Total before items below	**2 695**	5	2 563	**606**	5	579
Accounting for property leases				**(15)**		(15)
Accounting for share scheme costs				**(17)**		(12)
Total group (Rm)	**2 695**	5	2 563	**574**	4	552

The segmental analysis provided above reflects the operating structure under which management currently reports. Although this structure has previously been communicated to stakeholders in the financial results in the prior year as well as in the integrated financial report, the above table reflects a change in presentation from the segmental report presented in the interim results for the period ended 30 September 2015. Owing to the change in structure and the reallocation of certain business lines the prior year's numbers have been represented to provide the appropriate comparative numbers.

For the six months ended 30 September 2016

1. Basis of preparation

The condensed consolidated interim results are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of IAS 34 *Interim Financial Reporting* and the requirements of the South African Companies Act.

The accounting policies applied in the preparation of the condensed consolidated interim results are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

These interim results have not been audited or independently reviewed by the group's external auditors. The group's 2016 annual financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

These condensed consolidated interim results were compiled under the supervision of Deon Viljoen, CA(SA), the group chief financial officer. The directors take full responsibility for the preparation of this report.

2. Exchange rates

The income statements and statement of financial position of foreign subsidiaries have been translated to rands as follows:

	Six months 30 Sept 2016	Six months 30 Sept 2015	12 months 31 March 2016
Weighted average R:GBP rate	**19.8**	19.5	20.8
Closing R:GBP rate	**17.9**	21.1	21.2

For the six months ended 30 September 2016

Rm	**Six months 30 Sept 2016**	Six months 30 Sept 2015	12 months 31 March 2016
3. Fee and commission income			
Brokerage fees and commission income	**26**	20	43
Fee income from consulting and administration services	**1 991**	1 899	4 042
Revenue from investment management activities	**897**	854	1 713
Other income	**19**	19	41
Fee and commission income	**2 933**	2 792	5 839
4. Net income from insurance operations			
Insurance premiums earned	**1 139**	1 021	2 123
Less: amounts ceded to reinsurers	**(682)**	(600)	(1 258)
Investment income from insurance operations	**20**	9	32
Less: insurance claims and withdrawals	**(785)**	(718)	(1 507)
Plus: insurance claims and benefits covered through reinsurance contracts	**591**	546	1 150
Net income from insurance operations	**283**	258	540
5. Non-trading and capital items			
Non-trading:			
Professional indemnity insurance cell-captive result	**6**	(8)	(9)
Amortisation of intangible assets arising from business combination	**(61)**	(63)	(124)
Costs relating to establishment of BEE share scheme	**–**	(4)	–
Other non-trading items	**(7)**	–	(4)
Total non-trading and capital items	**(62)**	(75)	(137)

For the six months ended 30 September 2016

Rm	**Six months 30 Sept 2016**	Six months 30 Sept 2015	12 months 31 March 2016
6. Investment income			
General operations			
Interest income	**61**	50	77
Investment and dividend income	**8**	2	23
Foreign exchange gains/(losses) on intergroup loans	**7**	(7)	(3)
	76	45	97
Multi-manager operations			
Investment income linked to policyholder tax expense	**20**	34	197
Total investment income	**96**	79	294
7. Finance costs			
Finance costs derived from financial liabilities classified and carried at amortised costs:			
Interest on borrowings	**(32)**	(33)	(57)
Other interest costs	**(7)**	(6)	(14)
Total finance costs	**(39)**	(39)	(71)

For the six months ended 30 September 2016

Rm	Six months 30 Sept 2016	Six months 30 Sept 2015	12 months 31 March 2016
8. Income tax expense			
South African income tax			
Current tax	**(129)**	(130)	(248)
Current period	**(134)**	(128)	(248)
Prior period	**5**	(2)	–
Deferred tax	**16**	26	39
Current period	**17**	25	32
Prior period	**(1)**	1	7
Foreign income tax			
Current tax	**(21)**	(21)	(52)
Current period	**(21)**	(21)	(54)
Prior period	**–**	–	2
Deferred tax	**–**	–	(4)
Current period	**–**	–	(4)
Foreign withholding tax	**(4)**	(3)	(6)
Tax attributable to policyholders	**(20)**	(34)	(197)
Current tax – current period	**(36)**	(69)	(176)
Deferred tax – current period	**16**	35	(21)
Total tax expense	**(158)**	(162)	(468)

For the six months ended 30 September 2016

9. Discontinued operations

The group committed to a plan to sell the Alexander Forbes Compensation Technologies (AFCT) business to BEE private investors and management early in 2015 following a strategic decision to place greater focus on the group's core businesses, being retirement benefits and multi-manager investments. In June 2016, the group finalised the sale of this business. The AFCT business was previously classified as a discontinued operation.

Rm	Six months 30 Sept 2016
Net assets disposed plus any related impairments	**(71)**
Proceeds on disposal	**75**
Profit on disposal	**4**
Consideration received in cash	**75**
Cash and cash equivalents disposed of	**(23)**
Net cash inflow	**52**

For the six months ended 30 September 2016

Rm	Six months 30 Sept 2016	Six months 30 Sept 2015	12 months 31 March 2016
9. Discontinued operations (continued)			
Condensed income statement from discontinued operations			
Income from operations	**9**	66	118
Operating expenses	**(13)**	(64)	(113)
Operating (loss)/profit before non-trading and capital items	**(4)**	2	5
Non-trading and capital items	**–**	–	(20)
(Loss)/profit before tax	**(4)**	2	(15)
Taxation	**-**	(2)	(3)
Net loss for the period	**(4)**	–	(18)
Profit on disposals	**4**	3	1
Profit/(loss) from discontinued operations	**–**	3	(17)

10. Earnings per share

10.1 Basic earnings per ordinary share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

10.2 Headline earnings per ordinary share

Headline earnings per share is calculated by excluding applicable non-trading and capital gains and losses from the profit attributable to ordinary shareholders and dividing the resultant headline earnings by the weighted average number of ordinary shares in issue during the period. Headline earnings is defined in Circular 2/2015 issued by the South African Institute of Chartered Accountants.

For the six months ended 30 September 2016

10. Earnings per share (continued)

10.3 Diluted earnings per ordinary share

Diluted earnings per ordinary share is calculated by adjusting the profit attributable to equity holders for any changes in income or expense that would result from the conversion of dilutive potential ordinary shares and dividing the result by the weighted average number of ordinary shares increased by the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

Millions	**Six months 30 Sept 2016**	Six months 30 Sept 2015	12 months 31 March 2016
10.4 Number of shares			
Weighted average number of shares	**1 341**	1 326	1 334
Weighted average shares held by policyholders classified as treasury shares	**(20)**	(17)	(17)
Weighted average treasury shares	**(42)**	(27)	(35)
Weighted average number of shares	**1 279**	1 282	1 282
Dilutive shares (conditional and forfeitable share plan)	**16**	30	10
	1 295	1 312	1 292
Actual number of shares before treasury shares	**1 341**	1 341	1 341
Actual treasury shares	**(61)**	(59)	(61)
Actual number of shares after treasury shares	**1 280**	1 282	1 280

For the six months ended 30 September 2016

Rm	Six months 30 Sept 2016	Six months 30 Sept 2015	12 months 31 March 2016

10. Earnings per share (continued)

10.5 Calculation of headline earnings and diluted headline earnings

Rm	Six months 30 Sept 2016	Six months 30 Sept 2015	12 months 31 March 2016
Profit attributable to equity holders (IAS 33 earnings)	**349**	337	729
Adjusting items			
(Profit)/loss on sale of subsidiary	**(4)**	(3)	2
Impairment losses and other capital items	**–**	–	13
Headline earnings for the year	**345**	334	744
Basic earnings per share (cents)	**27.3**	26.3	56.9
Headline earnings per share (cents)	**27.0**	26.0	58.1

10.6 Dilutive earnings per share

Rm	Six months 30 Sept 2016	Six months 30 Sept 2015	12 months 31 March 2016
Diluted basic earnings per share (cents)	**26.9**	25.7	56.4
Diluted headline earnings per share (cents)	**26.7**	25.5	57.6

The group has a long-term incentive share scheme that may result in dilution of both earnings per share and headline earnings per share at the future vesting dates. The dilutive effect is largely conditional on performance during the year for each award.

The above dilutive effect is calculated based on the performance of the company over the vesting period to the reporting date in relation to the performance criteria.

For the six months ended 30 September 2016

Rm	Six months 30 Sept 2016	Six months 30 Sept 2015	12 months 31 March 2016
11. Capital expenditure for the period	**63**	95	183

Capital expenditure and commitments will be funded from internal cash resources.

12. Operating lease commitments

Rm	Six months 30 Sept 2016	Six months 30 Sept 2015	12 months 31 March 2016
Due within one year	**170**	234	235
Thereafter	**1 948**	2 199	2 230
Total operating lease commitments	**2 118**	2 433	2 465

13. Financial assets and liabilities held under multi-manager investment contracts

The policyholder assets held by the group's multi-manager investment subsidiary, Investment Solutions, in South Africa and Namibia are recognised on-balance sheet in terms of IFRS. These assets are directly matched by linked obligations to policyholders.

As a result of the group listing in July 2014, the investments by underlying asset managers in the listed shares of the group are recognised as treasury shares and all fair value adjustments recognised on these treasury shares are reversed, while the corresponding fair value adjustments of the liability continue to be recognised in the income statement. The resultant profit for the period of R2 million has been disclosed separately on the face of the statement of comprehensive income. This treatment also impacts on the number of shares in issue, the impact of which is disclosed in note 10.

13. Financial assets and liabilities held under multi-manager investment contracts (continued)

Below is a reconciliation of the assets held under multi-manager investment contracts with the linked liabilities under such contracts:

Rm	**Six months 30 Sept 2016**	Six months 30 Sept 2015	12 months 31 March 2016
Total assets held under multi-manager investment contracts (per statement of financial position)	**278 817**	258 231	276 258
Reversal of adjustments made under IFRS:			
Alexander Forbes shares held as policyholder assets and reclassified in the group statement of financial position as treasury shares	**158**	142	157
Financial effects of accounting for policyholder investments as treasury shares – prior periods	**(33)**	26	26
Financial effects of accounting for policyholder investments as treasury shares – current period	**(2)**	(44)	(59)
Total financial liabilities held for policyholders under multi-manager investment contracts	**278 940**	258 355	276 382

14. Financial risk management and financial instruments

14.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and this disclosure should be read in conjunction with the group's annual financial statements as at 31 March 2016.

There have been no material changes in the risk management or in any risk management policies since the year-end.

14.2 Liquidity risk

Compared to the 31 March 2016 year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

14. Financial risk management and financial instruments (continued)

14.3 Fair value hierarchy

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for valuation that are not based on observable market data (that is, inputs are unobservable).

The table below analyses financial instruments carried at fair value, by valuation method.

Rm	Level 1	Level 2	Level 3	Total
31 March 2016				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	195 150	79 515	1 593	276 258
Financial assets of insurance and cell-captive facilities	142	111	–	253
General operations	–	394	–	394
Total financial assets measured at fair value	195 292	80 020	1 593	276 905
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	276 382	–	276 382
Financial liabilities of insurance and cell-captive facilities	–	253	–	253
Total financial liabilities measured at fair value	–	276 635	–	276 635

14. Financial risk management and financial instruments (continued)

14.3 Fair value hierarchy (continued)

Rm	Level 1	Level 2	Level 3	Total
30 September 2016				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	196 023	80 558	2 236	278 817
Financial assets of insurance and cell-captive facilities	149	85	–	234
General operations	–	392	–	392
Total financial assets measured at fair value	196 172	81 035	2 236	279 443
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	278 940	–	278 940
Financial liabilities of insurance and cell-captive facilities	–	234	–	234
Total financial liabilities measured at fair value	–	279 174	–	279 174

Transfers between Levels 1 and 2

Movements in financial assets associated with multi-manager investment contracts and cell-captive insurance facilities are directed by clients. These movements are a result of investments and withdrawals made. There were no transfers between Levels 1 and 2 during the period which were as a result of a change in valuation methodology.

Level 3 reconciliation

Level 3 financial assets and liabilities comprise mainly policyholder and cell-owner assets and liabilities. Financial assets and financial liabilities in this level are insignificant in relation to total financial assets and financial liabilities respectively. In addition, the movements in Level 3 financial assets are directly linked to the movements in the linked investment liability. Any fair value gains and losses resulting from policyholder or cell-owner financial assets and financial liabilities have no impact on profit or loss. There was no change in the valuation methodology of Level 3 assets during the period.

14. Financial risk management and financial instruments (continued)

14.3 Fair value hierarchy (continued)

Sensitivity analysis for Level 3 financial assets

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 discount rates
Infrastructure and development assets	Equity Distribution discount model, cost, mark to market, price earnings multiple and liquidation value	Equity Interest rates and exchange traded prices
	Debt Discounted cash flow model	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.

14.4 Valuation methods and assumptions for valuation techniques

There have been no changes in the valuation methods and assumptions for valuation techniques since 31 March 2016. A detailed description of the valuation methods and assumptions for valuation techniques is available in our annual financial statements for the year ended 31 March 2016.

14.5 Fair value of financial assets and financial liabilities measured at amortised cost

The fair value of the following financial assets and liabilities measured at amortised cost approximate their carrying amount:

- Trade and other receivables
- Insurance receivables
- Cash and cash equivalents
- Trade and other payables
- Insurance payables
- Borrowings

15. Critical assumptions and judgements

During the year ended 31 March 2016, we reported a specific matter which was and is still being reviewed by a foreign regulator in respect of a legacy subsidiary business that was sold in prior years. We further reported that whilst this review was ongoing it was too early to determine (i) if there was any liability that may arise and (ii) in the event a liability does arise, if it would impact on the group.

At the date of issuing this interim report, there had been no changes to the circumstances reported in the annual financial statements for the year ended 31 March 2016.

CORPORATE INFORMATION

Alexander Forbes Group Holdings Limited

Registration number: 2006/025226/06
Tax reference number: 9404/921/15/8
JSE share code: AFH
ISIN: ZAE000191516
(Incorporated in the Republic of South Africa)

Independent directors
MD Collier, D Konar, RM Kgosana, HP Meyer, BJ Memela

Non-executive directors
MS Moloko (chairman), DJ Anderson, WS O'Regan

Executive directors
AA Darfoor (group chief executive officer)
DM Viljoen (group chief financial officer)

Company secretary
JE Salvado

Investor relations
BP Bydawell

Registered office
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Transfer secretaries
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Date of issue: 28 November 2016

Alexander Forbes Group Holdings Limited

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Certain subsidiaries of the company are licensed financial services providers