

A blurred photograph of a crowd of people walking on a paved area during sunset. The sun is low on the horizon, creating a bright, golden glow and long shadows. The people are out of focus, emphasizing movement and a busy atmosphere.

THE POWER OF ONE |

2017

Alexander Forbes Group Holdings Limited |

Notice of annual general meeting and financial results
for the year ended 31 March 2017

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eleventh annual general meeting of shareholders of the company will be held in the Table Mountain Board Room, 7th Floor, Alexander Forbes, 115 West Street, Sandown, Johannesburg on Thursday, 7 September 2017 at 08:30, to consider and, if deemed fit, to pass the following ordinary and special resolutions with or without modification:

Record dates

The record date in terms of section 59 of the Companies Act, 71 of 2008 (Companies Act) for shareholders recorded on the securities register of the company be entitled to receive this notice of annual general meeting (the notice record date) is Friday, 23 June 2017.

The record date for shareholders to be recorded as such on the shareholders' register of the company in order to be able to attend, participate in and vote at the annual general meeting (the voting record date) is Friday, 1 September 2017. Therefore, the last day to trade in the company's shares on the JSE Limited (JSE) in order to be recorded in the company's share register on the voting record date is Tuesday, 29 August 2017.

To present the audited annual financial statements, directors' report, audit committee report, and social and ethics committee report

The audited annual financial statements of the company and its subsidiaries (the group) (AFS), the directors' report, the audit committee report, and the social and ethics committee report form part of the company's integrated annual report for the year ended 31 March 2017 (the integrated annual report) which can be viewed on the company's website at www.alexanderforbes.co.za. A shareholder who wishes to receive a printed copy of the integrated annual report should contact the company secretary. A copy of the complete integrated annual report will be available at the annual general meeting.

In terms of section 61(8)(a) and Regulation 43(5)(c) of the Companies Act, the company must present the audited financial statements, the audit committee report, the directors' report, and the social and ethics committee report at the annual general meeting. The directors' report and audit committee report are included in the AFS. The social and ethics committee report is included in the full governance report that can be found in the online version of the integrated annual report.

Copies of the annual financial statements for the preceding financial year are available on the company's website at www.alexanderforbes.co.za or on request from the company secretary.

Ordinary resolutions numbered 1.1 to 1.6 – Re-election of directors

To re-elect, by way of separate resolutions, the following directors of the company

Ordinary resolution 1.1 – Mr MD Collier (independent non-executive director)

'Resolved that Mr MD Collier be and is hereby elected a director of the company.'

Ordinary resolution 1.2 – Mr RM Kgosana (independent non-executive director)

'Resolved that Mr RM Kgosana be and is hereby elected a director of the company.'

Ordinary resolution 1.3 – Mr WS O'Regan (independent non-executive director)

'Resolved that Mr WS O'Regan be and is hereby elected a director of the company.'

Ordinary resolution 1.4 – Ms BJ Memela (independent non-executive director)

'Resolved that Ms BJ Memela be and is hereby elected a director of the company.'

Ordinary resolution 1.5 – Mr AA Darfoor (executive director)

'Resolved that Mr AA Darfoor be and is hereby elected a director of the company.'

Ordinary resolution 1.6 – Mr BP Bydawell (executive director)

'Resolved that Mr BP Bydawell be and is hereby elected a director of the company.'

Mr MD Collier, Mr RM Kgosana, Mr WS O'Regan and Ms BJ Memela retire by rotation at the annual general meeting in terms of clause 7.1.6 of the company's memorandum of incorporation. The retiring directors are eligible and offer themselves for re-election.

Mr AA Darfoor and Mr BP Bydawell were appointed by the board during the year and, in terms of clause 7.2.2.1 of the company's memorandum of incorporation, they are required to retire at the annual general meeting and being eligible, stand for re-election.

The biographies of Mr MD Collier, Mr RM Kgosana, Mr WS O'Regan, Ms BJ Memela, Mr AA Darfoor and Mr BP Bydawell appear at the end of this notice.

The nominations committee and board recommend the candidates for favourable consideration by members at the annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Resolution approval threshold

Each of ordinary resolutions 1.1 to 1.7 will be considered by way of a separate vote and, for these resolutions to be approved by shareholders, they must be supported by at least 50% of the voting rights plus one vote to be cast on each resolution.

Ordinary resolutions numbered 2.1 to 2.3 – Appointment of audit committee members

To elect, by way of separate resolutions, the following independent non-executive directors, as members of the audit committee of the company

Ordinary resolution 2.1 – Dr D Konar (chairman)

'Resolved that Dr D Konar be and is hereby elected as a member and chairman of the audit committee of the company.'

Ordinary resolution 2.2 – Mr RM Kgosana

'Resolved that Mr RM Kgosana be and is hereby elected as a member of the audit committee of the company, subject to his re-election as a director in resolution 1.2 above.'

Ordinary resolution 2.3 – Mr MD Collier

'Resolved that Mr MD Collier be and is hereby elected as a member of the audit committee of the company, subject to his re-election as a director in resolution 1.1 above.'

Biographies of Dr D Konar, Mr MD Collier and Mr RM Kgosana appear at the end of this notice.

Resolution approval threshold

Each of ordinary resolutions 2.1 to 2.3 will be considered by way of a separate vote and, for these resolutions to be approved by shareholders, they must be supported by at least 50% of the voting rights plus one vote to be cast on each resolution.

Ordinary resolution number 3 – Appointment of auditors

'Resolved that PricewaterhouseCoopers Inc. is hereby reappointed as the auditor of the company for the ensuing financial year until the date of the next annual general meeting.'

The audit committee of the company recommends that PricewaterhouseCoopers Inc. be reappointed as external auditors for the ensuing year.

Resolution approval threshold

For ordinary resolution number 3 above to be approved by shareholders, it must be supported by

at least 50% of the voting rights plus one vote to be cast on the resolution.

Ordinary resolution number 4 – Endorsement of remuneration policy

For shareholders to endorse, through a non-binding advisory vote, the company's remuneration policy, which is included in the remuneration report in the governance report

Non-binding advisory vote

'Resolved that the remuneration policy of the company, as set out in the remuneration report in the governance report, be and is hereby endorsed through a non-binding advisory vote as recommended in terms of the King Code on Governance for South Africa 2009.'

Resolution approval threshold

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required in favour of this non-binding advisory vote is 50% of the voting rights plus one vote cast.

Ordinary resolution number 5 – Authorisation of directors

'Resolved that any director of the company or the company secretary be and is hereby authorised to sign all such documentation and to do all such things as may be necessary for or incidental to the implementation of ordinary resolutions 1 to 4 and special resolutions 1 and 3 as are adopted by the shareholders.'

Resolution approval threshold

For ordinary resolution number 5 above to be approved by shareholders it must be supported by at least 50% of the voting rights plus one vote cast on the resolution.

Special resolution number 1 – Non-executive directors' fees

'Resolved that the maximum annual fees payable to non-executive directors, in their capacity as directors, be as reflected alongside with immediate effect until the next annual general meeting of the company.'

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Independent and non-executive fees

	Main board	Subsidiary board	Audit committee group	Audit committee subsidiary	Remco and Nomco	Transformation and ethics committee
Chairman	1 826 654	282 333	494 077	282 333	211 743	105 881
Member	494 077	141 166	211 743	141 166	105 881	56 472

The chairman's fee is a fixed amount in respect of all his directorships, committee memberships and meeting attendances for all structures in the group.

Reason for and effect of special resolution number 1

The reason for, and effect of, special resolution number 1 referred to above is to approve the annual remuneration of the non-executive directors so as to pay them for their services as directors only. The fees reflected above amount to a 6% increase on the previous year.

Resolution approval threshold

The Companies Act requires that shareholders exercise 75% of their voting rights in favour of the resolution in order for special resolution number 1 to be adopted.

Special resolution number 2 – Section 45 intergroup loans**To resolve that the company be authorised to provide direct or indirect financial assistance as contemplated in section 45 of the Companies Act**

'Resolved that, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, the board of the company may from time to time authorise the company to provide any direct or indirect financial assistance, as defined in section 45(1) of the Companies Act, to any related or interrelated company or corporation as contemplated in section 45(2) of the Companies Act, for such amounts and on such terms and conditions as the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company.'

Reasons for and effect of special resolution number 2

The reasons for special resolution number 2 are that the company is a listed holding company

with a number of subsidiary companies which together comprise the Alexander Forbes group of companies. Alexander Forbes Group Holdings Limited's operations are conducted by subsidiaries in its group and not by the company itself. From time to time Alexander Forbes may be required to provide financial assistance to its subsidiary companies including related and interrelated companies in the form of operational loan funding, credit guarantees and general financial assistance as contemplated in section 45 of the Companies Act. In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to subsidiaries and the company therefore seeks approval that the board of the company be authorised to provide financial assistance to any related or interrelated company as contemplated in section 45(2) of the Companies Act. This means that the company may grant loans and/or guarantee debts of its subsidiaries in the normal course of business in accordance with its memorandum of incorporation and the provisions of the Companies Act. This authority would be granted until the next annual general meeting.

Compliance with section 45(3)(b) of the Companies Act

The directors undertake that, in accordance with section 45(3)(b) of the Companies Act, the board will not adopt a resolution to authorise such financial assistance, unless the board is satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 4(1) of the Companies Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Resolution approval threshold

The Companies Act requires that shareholders exercise 75% of their voting rights in favour of the resolution in order for special resolution number 2 to be adopted.

Special resolution number 3 – General authority to repurchase company shares

To resolve that the company be authorised to purchase its own ordinary shares

‘Resolved that the board of directors of the company be hereby authorised, by way of a renewable general authority, to approve the purchase of its own ordinary shares by the company, or to approve the purchase of ordinary shares in the company by any subsidiary of the company, upon such terms and conditions as the board of directors of the company may from time to time determine, provided that:

- (a) the general authority shall be valid until the company's next annual general meeting or for 15 (fifteen) months from the date of passing of special resolution number 3 to the notice of general meeting, whichever period is shorter;
 - (b) the shares shall be repurchased through the order book of the trading system of the JSE and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty (reported trades are prohibited);
 - (c) the general repurchase of shares, in the aggregate, in any one financial year shall not exceed 5% of the company's issued ordinary share capital, as at the beginning of the financial year;
 - (d) any general repurchase is subject to exchange control regulations and approval at that point in time;
 - (e) repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares, for the five business days immediately preceding the date on which the transaction is effected;
 - (f) an announcement complying with the Listings Requirements shall be published by the company (i) when the company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time when the general authority was given (the initial number); and (ii) for each 3% in the aggregate of the initial number of the ordinary shares acquired thereafter by the company and/or its subsidiaries.
- (g) the number of shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% in aggregate of the number of issued shares in the company at the relevant times;
 - (h) at any point in time the company may only appoint one agent to effect any repurchase on the company's behalf or on behalf of any subsidiary of the company;
 - (i) subject to the exceptions contained in the Listings Requirements, the company and the group will not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements), unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed, in writing, to the JSE prior to the commencement of the prohibited period; and
 - (j) prior to the repurchase a resolution has been passed by the board of directors of the company confirming that the board has authorised the repurchase, that the company satisfies the solvency and liquidity test contemplated in the Companies Act and that, since the test was done, there have been no material changes to the financial position of the group, and such repurchases will be subject to the applicable provisions of the Companies Act (including sections 114 and 115 if section 48(8) is applicable in relation to the particular repurchase), the company's memorandum of incorporation, the Listings Requirements and the Exchange Control Regulations, 1961, as amended.’

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

The board of directors undertakes that it will not implement any such repurchases while this general authority is valid, unless:

- the company and the group will be able, in the ordinary course of business, to pay their debts for a period of 12 months after the date of the general repurchase;
- the assets of the company and the group will exceed their liabilities for a period of 12 months after the date of the general repurchase. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the company's latest group audited annual financial statements;
- the company and the group will have adequate share capital and reserves for ordinary business purposes for a period of 12 months after the date of the general repurchase;
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase; and
- a resolution by the board of directors has been passed authorising the general repurchase and that the company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company or the group.

Resolution approval threshold

The Companies Act requires that shareholders exercise 75% of their voting rights in favour of the resolution in order for special resolution number 3 to be adopted.

Report of the social and ethics committee

The social and ethics committee report, which is included in the full governance report that can be found in the online version of the integrated annual report, will be tabled and reviewed pursuant to regulation 43(5)(c) of the Companies Regulations, 2011.

Voting and proxies

Shareholders are advised that, in terms of section 63(1) of the Companies Act, 71 of 2008, before any person may attend or participate in a shareholders' meeting, that person must present reasonably satisfactory identification. Such forms of identification include valid identity documents, driver's licences and passports.

Shareholders registered as such on Friday, 1 September 2017 (voting record date) will be entitled to attend and vote at this annual general meeting. Accordingly, the last date to trade in order to be able to participate and vote at the annual general meeting is Tuesday, 29 August 2017. The record date for shareholders to be entitled to receive notice of this meeting is Friday, 23 June 2017. Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and, on a poll, to vote in the shareholder's stead.

On a show of hands every holder of ordinary shares, in the case of ordinary resolutions 1 to 5 and special resolutions 1 and 3, who is present in person or represented by proxy, or, in the case of a company, the representative appointed in terms of section 63 of the Companies Act, shall have one vote. On a poll the holders of ordinary shares present in person or by proxy will each be entitled to one vote for every share held.

The form of proxy for the annual general meeting, which sets out the relevant instructions for its completion, is attached hereto for the convenience of any certificated shareholder and 'own name' registered dematerialised shareholder who cannot attend the annual general meeting but who wishes to be represented thereat. Additional forms may be obtained on request from the transfer secretaries of the company or from the company's registered office.

Shareholders who have dematerialised their shares through a central securities depository participant (CSDP) or broker, other than 'own name' registered dematerialised shareholders, who wish to attend the annual general meeting, must request their CSDP or broker to issue them with a letter of

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

In order to be effective, duly completed forms of proxy must be received at the office of the transfer secretaries of the company, whose details appear below, by not later than 08:30 on Tuesday, 5 September 2017. Any forms of proxy not lodged by this time must be handed to the chairman of the annual general meeting immediately prior to the annual general meeting.

Please note that a proxy may delegate his/her authority to act on a shareholders' behalf to another person, subject to the restrictions set out in the attached form of proxy as stipulated in section 58(3)(b) of the Companies Act.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended).

CSDPs, brokers or their nominees, as the case may be, recorded in the company's subregister as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, may vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon, returning it to the company's transfer secretaries by not later 08:30 on Tuesday, 5 September 2017, provided that, should a CSDP, broker or their nominee return such form of proxy to the company's transfer secretaries less than 48 hours before the annual general meeting, they will also be required to furnish a copy of such form of proxy to the chairman of the annual general meeting or his nominee before the appointed proxy exercises any shareholder rights at the annual general meeting (or any postponement or adjournment of the annual general meeting).

Electronic participation

Shareholders wishing to participate electronically at the annual general meeting are required to deliver written notice to the company secretary, with a copy to the transfer secretaries, at the applicable addresses as set out in this notice, by no later than 08:30 on Tuesday, 5 September 2017, stating that they wish to participate via electronic communication at the annual general meeting (the electronic notice). Any reference to shareholder in this paragraph includes a reference to that shareholder's proxy.

Note that shareholders will merely be able to participate, but not vote, via electronic communication. In order for the electronic notice to be valid it must contain:

- (a) if the shareholder is an individual, a certified copy of his/her identity document and/or passport;
- (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution and the relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the annual general meeting via electronic communication;
- (c) In the case of (a) and (b) above the shareholder should indicate that their shareholding has been voted and the manner in which it has been cast, so as to provide the company with comfort that they have understood that their participation is not in order to vote; and
- (d) a valid e-mail address and telephone number of the participant.

By no later than 48 hours prior to the time of the annual general meeting, the company shall use its reasonable endeavours to communicate with each shareholder who has delivered a valid electronic notice, by notifying such shareholder at its contact address and/or number of the relevant details through which the shareholder can participate via electronic communication.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Where the company is required to provide for electronic participation at the annual general meeting, the costs of accessing any means of electronic participation provided by the company will be borne by the company so accessing the electronic participation.

By order of the board



SME Mkhwanazi

Acting company secretary

28 June 2017

Registered Office

Alexander Forbes
115 West Street
Sandown
Sandton

Transfer secretaries

Computershare Investor Services
Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

BIOGRAPHIES OF DIRECTORS AND AUDIT COMMITTEE MEMBERS REFERENCED IN ORDINARY RESOLUTIONS NUMBERED 1 AND 2

Mark Derrick Collier

Appointed: 1 August 2011

Qualifications: HND/BA Business Studies, Dip M, M Inst

Committee responsibilities: Lead independent director; chairman of the remuneration and nominations committees; member of the audit committee

Mr Collier is a business leader with an extensive international track record in developing and building financial services businesses with C-suite roles as a corporate executive, non-executive director and private equity senior adviser with leading global companies.

His career spans 30 years in the retail and institutional sectors of the securities, asset management, wealth management, retail banking, pensions and financial services industries, leading businesses as a CEO at both Fidelity Investments and Charles Schwab Inc. in North America and Europe. Today Mr Collier is a non-executive director with both publicly quoted and privately held companies in India, Nigeria, South Africa and Indonesia. He is also a senior adviser to a leading emerging markets private equity firm and a FinTech entrepreneur.

Rabojane Moses Kgosana

Appointed: 21 April 2015

Qualifications: BCompt, BCompt (Hons), CA(SA)

Committee responsibilities: Member of the audit, the group capital oversight and the social, ethics and transformation committees

Mr Kgosana manages his own investment property holding company, Peduco Properties Investments Proprietary Limited. He has over 34 years of experience in internal and external audit, financial management and administration, as well as business and management consultancy. His extensive industry credentials are based on experience in various industries, including financial institutions, industrial, telecommunications, mining, technology and consumer markets.

Prior to 2015 Mr Kgosana served as the chief executive and senior partner of KPMG South Africa,

chairman of KPMG Africa and member of the KPMG international board. He is an independent non-executive director at Famous Brands Limited, Imperial Holdings Limited, Massmart Holdings Limited, Transaction Capital Limited and AECI Limited. He also serves on the boards of Phembani Group and MOGS Proprietary Limited.

WS O'Regan

Appointed: 31 July 2014

Qualifications: BusSci (Hons), fellow of the Faculty of Actuaries (UK) and fellow of the Institute of Actuaries (Australia)

Committee responsibilities: Member of the remuneration and nominations committees

Mr O'Regan is the President – North America region for Mercer, covering the US and Canada. Prior to this role he led the EuroPac region for Mercer, covering Europe and Pacific (Australia/New Zealand).

Mr O'Regan's global career has covered a wide range of financial services areas, including life and health insurance, pensions and investments. He was educated in South Africa, and spent eight years working for a number of life insurance companies in Ireland, Zimbabwe and the UK. Mr O'Regan then joined Mercer in London in 1988 and transferred to Melbourne, Australia in 1989. He was head of the Melbourne office from 1993 to 1996.

In 1996 he left Mercer to join Vanguard, helping to establish their funds management business in Australia. Mr O'Regan returned to Mercer in 1999, leading Mercer in Australia from 2000 to 2004, a period during which the Australian pensions market changed its character completely and Mercer was able to establish a market-leading position in bundled and packaged pension provision, including bundled investments.

From 2005 to 2009 Mr O'Regan was based in London, UK as CEO of Mercer UK and Mercer's Europe region head. He led Mercer's global retirement business from 2009 to 2012, and led the EuroPac region from 2012 to June 2015. In July 2015 Mr O'Regan was appointed to his current role.

BIOGRAPHIES OF DIRECTORS AND AUDIT COMMITTEE MEMBERS REFERENCED IN ORDINARY RESOLUTIONS NUMBERED 1 AND 2 (CONTINUED)

Busiwe Jacqueline Totsie Memela

Appointed: 1 July 2015

Qualifications: BA (Social Science), Masters in Public Administration

Committee responsibilities: Member of the social, ethics and transformation, the remuneration and the nominations committees

Ms Memela is a senior executive, leader, value creator and turnaround strategist who seeks to utilise her skills through enhancing shareholder value.

Until May 2017 she served as the chief executive officer of the Women's Development Business Trust (WDB), a leading organisation in pro-poor microfinance for women. She joins Academic Partnerships (AP South Africa, LLC) as head of strategy for Africa in mid-June 2017. She is an experienced CEO, banker and senior business strategist with 26 years' operations and management experience in the banking, financial services, non-profit and postal services sectors.

Ms Memela holds a Bachelor of Arts degree in Social Science from the University of Swaziland and a Masters degree in Public Administration from the University of Zimbabwe. She has completed a range of executive programmes at Wits Business School, the Rand Afrikaans University (now the University of Johannesburg), the Graduate School of Management and Urban Policy in New York, as well as Wits/Harvard Business School.

Ms Memela was a fellow with the International Women's Forum and she is currently a member of the South African chapter of the International Women's Forum (IWFSA). She was nominated for the Duke and Graduate School of Business Fellowship programme, focusing on ethical leadership for emerging leaders from both South Africa and the USA. She serves as President of Girl Guides South Africa.

Ms Memela has been extensively involved in community and professional organisations and forums including the International Partnerships for Microbiocides (IPM) – a research-orientated NGO on HIV/AIDS, the World University Services

(Zimbabwe) as vice chairperson, the Strauss Commission (a Presidential Commission of Inquiry into rural financial services) as a commissioner and as a committee member for the Standing Committee for the Revision of the Bank Act.

Ms Memela mentors young leaders both in her private capacity and in support of the IWFSA.

Andrew Atta Darfoor (group chief executive)

Appointed: 1 September 2016

Qualifications: MBA from Cranfield School of Management (Bedford, UK) and BSc Economics from Queen Mary College, (University of London, London, UK)

Andrew is an experienced financial services leader with over 20 years' experience in leading and managing business transformations across a number of diverse regions including North America, Europe, Middle East/Africa and Asia.

Prior to Sun Life Financial, Andrew held a number of senior leadership roles at Old Mutual plc (including president and chief executive officer of Old Mutual Bermuda and regional financial director of Old Mutual North America). Before joining Old Mutual, Andrew held roles at Credit Suisse AG (director, business development for emerging markets), UBS AG (associate) and Ernst & Young (business consulting).

Andrew has attended executive management programmes at Harvard and Insead business schools in the US and France respectively. Andrew also holds the following professional qualifications and affiliations: chartered accountant (UK): ACMA, CGMA, associate member of the Association of MBAs, associate of the Securities & Investment Institute (UK), Alumni Advisory Board at the Cranfield School of Management and chairman of the Young Presidents Organisation/Manhattan.

In 2016 Andrew was recognised for his achievements in business and awarded the Dean's Award for Excellence by his alma mater, Cranfield School of Management.

BIOGRAPHIES OF DIRECTORS AND AUDIT COMMITTEE MEMBERS REFERENCED IN ORDINARY RESOLUTIONS NUMBERED 1 AND 2 (CONTINUED)

Bruce Patrick Bydawell (acting group chief financial officer)

Appointed: 1 February 2014

Qualifications: BCom, CA(SA), CFA

Mr Bydawell is the acting chief financial officer of Alexander Forbes Group Holdings Limited and financial director of Alexander Forbes Group Services and has worked at Alexander Forbes for 16 years. He is currently responsible for the group finance strategy and policies, consolidated group financial reporting, financial planning and analysis, and tax management.

Mr Bydawell completed his articles with Deloitte in Johannesburg and he has also spent two-and-a-half years with Deloitte in the USA. He has also been in various financial management and reporting roles in Lifecare Clinics, President Medical Investments, CoidLink and Deutsche Bank. Mr Bydawell is currently registered with the South African Institute of Chartered Accountants (South Africa) and Chartered Financial Analysts, CFA Institute (London, UK).

Deenadayalen Konar

Appointed: 1 February 2008

Qualifications: BCom, PG Dip in Acc, CA(SA), MAS (Illinois, USA), Cert in Tax Law, DCom, CRMA

Committee responsibilities: Chairman of the audit committee

Dr Konar is a chartered accountant and was previously executive director of the Independent Development Trust where he was, amongst other activities, responsible for internal audit and the investments portfolios. Prior to that he was professor and head of the department of accountancy at the University of Durban-Westville. He also lectured to graduate students at various South African universities.

He is a member of the King Committee on Corporate Governance, the Corporate Governance Forum, the SA Institute of Directors and the USA National Association of Corporate Directors (NACD).

Dr Konar is also an independent non-executive director of Sappi, Lonmin plc, deputy chairman of Steinhoff International Holdings, and chairman of EXXARO Resources.

He is the past chair of the Ministerial Panel for the Review of Accountants and Auditors in South Africa, leading to the publication of the Auditing Profession Act, 2005, part co-chair of the Independent Oversight Panel of the World Bank (2009 – 2010) and the past chairman and member of the external audit committee of the International Monetary Fund in Washington (2004 – 2007), as well as a member of the 2010 Safeguards Panel of the IMF, and a past ad hoc panel member of the Ethics Panel of the United Nations Ethics Committee.

Alexander Forbes Group Holdings Limited
(the company)
(Incorporated in the Republic of South Africa)
Registration No. 2006/025226/06

For use by the ordinary shareholders in respect of the annual general meeting of shareholders of the company, to be held in the Table Mountain Board Room, 7th Floor, Alexander Forbes, 115 West Street, Sandown, Johannesburg on Thursday, 7 September 2017 at 08:30.

Each shareholder is entitled to appoint one or more proxies (none of whom needs to be a shareholder of the company) to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting.

I/We _____

of (address) _____

being the holder/holders of _____ ordinary shares in the share capital of the company, do hereby appoint (see note 1):

1. _____ or failing him/her,
2. _____ or failing him/her,
3. the chairman of the annual general meeting,

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting which will be held at 08:30 on Thursday, 7 September 2017 for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, at each adjournment thereof and to vote on the resolutions in respect of the ordinary shares registered in my/our name/s in accordance with the following instructions (see note 2):

	Number of votes (one vote per share)		
	In favour	Against	Abstain
Ordinary resolutions numbered 1.1 to 1.6 – Re-election of directors			
1.1 Mr MD Collier			
1.2 Mr RM Kgosana			
1.3 Mr WS O'Regan			
1.4 Ms BJ Memela			
1.5 Mr AA Darfoor			
1.6 Mr BP Bydawell			
Ordinary resolutions numbered 2.1 to 2.3 – Appointment of audit committee members			
2.1 Dr D Konar			
2.2 Mr RM Kgosana			
2.3 Mr MD Collier			
Ordinary resolution number 3 – Reappointment of auditors			
Ordinary resolution number 4 – Endorsement of remuneration policy			
Special resolution number 1 – Non-executive directors' fees			
Special resolution number 2 – Section 45 intergroup loans			
Special resolution number 3 – General authority to repurchase company shares			
Ordinary resolution number 5 – Authorisation of directors			

Signed at _____ on _____ 2017.

Signature _____

Assisted by me (where applicable) _____

Please read the notes on the reverse side.

NOTES

Instructions on signing and lodging the annual general meeting proxy form

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting 'the chairman of the annual general meeting', but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an X in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of ordinary shares than you own in the company, insert the number of ordinary shares in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be received at the office of the company secretary or the transfer secretaries by not later than 08:30 on Tuesday, 5 September 2017.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or waived by the chairman of the annual general meeting.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.
8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes if he is satisfied as to the manner in which the shareholder wishes to vote.

A blurred photograph of a crowd of people walking on a paved area during sunset. The sun is low on the horizon, creating a bright, golden glow and long shadows. The people are out of focus, appearing as soft shapes in motion.

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2017

Alexander Forbes Group Holdings Limited |

Abridged annual financial statements
for the year ended 31 March 2017

SUMMARY CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

Rm	Notes	2017	2016*
Continuing operations			
Fee and commission income	3	3 933	3 875
Direct expenses attributable to fee and commission income		(1 062)	(1 020)
Net income from insurance operations	4	564	540
Operating income net of direct expenses		3 435	3 395
Operating expenses		(2 502)	(2 490)
Profit from operations before non-trading and capital items		933	905
Non-trading and capital items	5	(137)	(140)
Operating profit		796	765
Investment income**	6	178	163
Finance costs	7	(89)	(69)
Reported (loss)/profit arising from accounting for policyholder investments in treasury shares	13	(2)	59
Share of profit of associates (net of income tax)		4	4
Profit before taxation		887	922
Income tax expense	8	(266)	(301)
Income tax expense relating to corporate profits		(244)	(231)
Income tax expense on policyholder investment returns		(22)	(70)
Profit for the year from continuing operations		621	621
Discontinued operations			
Profit on discontinued operations (net of income tax)	9	953	253
Profit for the year		1 574	874
<i>Attributable to:</i>			
Equity holders		1 465	729
Non-controlling interest		109	145
		1 574	874
Basic earnings per share (cents)	10	114.5	56.9
Diluted earnings per share (cents)	10	113.8	56.4
Weighted average number of shares in issue (millions)	10	1 280	1 282

* Restated.

** Investment income includes investment income recognised as a result of policyholder tax requirements of R22 million (2016: R70 million).

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

Rm	2017	2016
Profit for the year	1 574	874
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation differences of foreign operations	(329)	198
Foreign currency translation reserve of disposed foreign operations reclassified to profit or loss	(209)	2
Release of available-for-sale reserves	–	(5)
	(538)	195
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of post-employment benefit obligations	13	–
Total comprehensive income for the year	1 049	1 069
<i>Total comprehensive income attributable to:</i>		
Equity holders	968	903
Non-controlling interest holders	81	166
Total comprehensive income for the year	1 049	1 069

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

Rm	Notes	2017	2016*
ASSETS			
Financial assets held under multi-manager investment contracts	13	281 498	276 385
Financial assets of insurance and cell-captive facilities		320	253
Property and equipment		202	355
Purchased and developed computer software		163	139
Goodwill		3 355	3 995
Intangible assets		462	681
Investment in associates		13	8
Deferred tax assets		148	157
Financial assets		357	362
Insurance receivables		1 137	981
Trade and other receivables		451	933
Cash and cash equivalents		6 263	4 877
Assets of disposal groups classified as held for sale	9	66	131
Total assets		294 435	289 257
EQUITY AND LIABILITIES			
Equity holders' funds		6 901	5 901
Non-controlling interest		218	255
Total equity		7 119	6 156
Financial liabilities held under multi-manager investment contracts	13	281 604	276 509
Liabilities of insurance and cell-captive facilities		320	253
Borrowings		725	705
Employee benefits		160	166
Deferred tax liabilities		199	262
Provisions		291	352
Finance lease liabilities		75	80
Operating lease liabilities		182	266
Deferred income		5	34
Insurance payables		2 960	2 878
Trade and other payables		784	1 553
Liabilities of disposal groups classified as held for sale	9	11	43
Total liabilities		287 316	283 101
Total equity and liabilities		294 435	289 257
Total equity per above		7 119	6 156
Weighted average number of ordinary shares in issue (millions)		1 280	1 282
Net asset value per ordinary share (cents)		556	480

* Restated.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

Rm	2017	2016*
Cash flows from operating activities		
Cash generated from operations	1 091	1 056
Net interest received	56	17
Taxation paid	(378)	(467)
Dividends paid	(509)	(352)
Operating cash flows from continuing operations	260	254
Net cash flows (paid to)/received from insurance and policyholder contracts	(272)	441
Net cash flows (paid to)/received from policyholder investment contracts	(1 007)	5 688
Cash flows from operating activities – discontinued operations	250	220
Net cash (outflow)/inflow from operating activities	(769)	6 603
Cash flows from investing activities		
Net proceeds from sale of subsidiaries and businesses	883	(2)
Dividends from associates	–	5
Net cash inflow/(outflow) on financial assets	27	(54)
Capital expenditure for the year (net of proceeds on disposal)	(125)	(166)
Cash flows from investing activities – discontinued operations	(9)	(16)
Net cash inflow/(outflow) from investing activities	776	(233)
Cash flows from financing activities		
Borrowings raised	100	84
Proceeds from non-controlling interests	744	–
Repayment of borrowings	(83)	(383)
Payments to non-controlling interests	(113)	(11)
Cash flows from investing activities – discontinued operations	(117)	(90)
Net cash inflow/(outflow) from financing activities	531	(400)
Net increase in cash and cash equivalents	538	5 970
Cash and cash equivalents at the beginning of the year	15 748	9 674
Exchange (loss)/gain on foreign cash and cash equivalents	(199)	104
Cash and cash equivalents at the end of the year	16 087	15 748
<i>Analysed as follows:</i>		
Cash and cash equivalents of continuing operations	6 263	4 877
Cash held under multi-manager investment and insurance contracts	9 813	10 820
Cash held under cell-captive insurance facilities	–	38
Cash and cash equivalents of disposal groups held for sale	11	13
	16 087	15 748

* Restated.

SUMMARY GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

Rm	Share capital	Treasury shares	Other reserves	Accumulated 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 for the year	–	–	174	729	903	166	1 069
Profit for the year	–	–	–	729	729	145	874
Other comprehensive income	–	–	174	–	174	21	195
Total transactions with owners of the company	–	(15)	19	(356)	(352)	(101)	(453)
Purchase of treasury shares in policyholder assets	–	(15)	–	–	(15)	–	(15)
Issue of shares*	–	–	–	–	–	–	–
Dividends paid	–	–	–	(352)	(352)	(127)	(479)
Movement in share-based payment reserve	–	–	19	–	19	–	19
Other movements in non-controlling interest	–	–	–	(4)	(4)	26	22
At 31 March 2016	6 192	(181)	157	(267)	5 901	255	6 156
Total comprehensive income for the year	–	–	(510)	1 478	968	81	1 049
Profit for the year	–	–	–	1 465	1 465	109	1 574
Other comprehensive income	–	–	(510)	13	(497)	(28)	(525)
Total transactions with owners of the company	–	21	17	(6)	32	(118)	(86)
Sale of treasury shares in policyholder assets	–	21	–	–	21	–	21
Introduction of empowerment partner**	–	–	5	521	526	222	748
Loss on shareholder transaction***	–	–	–	(18)	(18)	(4)	(22)
Dividends paid	–	–	–	(509)	(509)	(197)	(706)
Movement in share-based payment reserve	–	–	12	–	12	–	12
Other movements in non-controlling interest****	–	–	–	–	–	(139)	(139)
At 31 March 2017	6 192	(160)	(336)	1 205	6 901	218	7 119

* During the prior year the company issued 39 million shares to the employee share option plan for one cent per share.

** This amount relates to a disposal of equity interest in Alexander Forbes Limited to ARC.

*** During the year Investment Solutions Holdings Limited purchased from non-controlling interest the remaining 49.99% stake in Caveo Fund Solutions Proprietary Limited.

**** Included in these amounts are changes owing to acquisitions and disposals of equity held by non-controlling interest.

GROUP SEGMENTAL INCOME AND PROFIT ANALYSIS

For the year ended 31 March 2017

Rm	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
	2017	%	2016	2017	%	2016
Institutional clients						
Consulting	802	(2)	818	74	(9)	81
Retirements	421	12	375	100	27	79
Investments	640	–	641	276	–	277
Group risk	57	(24)	75	15	(40)	25
	1 920	1	1 909	465	1	462
Retail clients						
Wealth and investments	797	5	758	378	15	329
Retail insurance	477	4	458	88	(4)	92
	1 274	5	1 216	466	11	421
Emerging markets	241	(11)	270	32	(51)	65
Total group before items below	3 435	1	3 395	963	2	948
Accounting for property leases				(26)		(30)
Accounting for share scheme costs				(4)		(13)
Total group	3 435	1	3 395	933	3	905

The segmental analysis provided above reflects the operating structure under which management currently reports. The above table reflects a change in presentation from the segmental report presented in the prior year's results. 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.

SUMMARY NOTES

For the year ended 31 March 2017

1. Basis of preparation

The summary consolidated financial statements for the year ended 31 March 2017 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for provisional reports, 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 and 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 applicable to summarised financial statements.

The accounting policies applied in the preparation of these consolidated financial statements from which the results have been derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous consolidated annual financial statements.

While this report is itself not audited, the consolidated annual financial statements from which the summary consolidated annual financial statements on pages 14 to 32 have been correctly derived were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audit report does not necessarily report on all of the information contained in this report. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement and, more specifically, the nature of the information that has been audited, they should obtain a copy of the auditor's report together with the accompanying audited consolidated annual financial statements, both of which are available for inspection at the company's registered office. Copies can be requested from our registered office or downloaded from the company's website following an announcement in June 2017 on the JSE's Securities Exchange News Service (SENS).

These summary consolidated financial statements were compiled under the supervision of Bruce Bydowell, CA(SA), CFA, the acting group chief financial officer. The directors take full responsibility for the preparation of this report.

	2017	2016
2. Exchange rates		
The income statements and statement of financial position of foreign subsidiaries have been translated to rands as follows:		
Weighted average R:GBP rate	19.0	20.8
Closing R:GBP rate	16.8	21.2
The weighted average exchange rate above reflects the weighted exchange rate based on the actual results recorded from the international division during the year under review.		
3. Fee and commission income*		
Brokerage fees and commission income	20	22
Fee income from consulting and administration services	2 084	2 082
Revenue from investment management activities	1 790	1 736
Other income	39	35
Fee and commission income	3 933	3 875

* Restated.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

Rm	2017	2016*
4. Net income from insurance operations		
Insurance premiums earned	2 318	2 123
<i>Less:</i> Amounts ceded to reinsurers	(1 399)	(1 258)
Investment income from insurance operations	37	32
<i>Less:</i> Insurance claims and withdrawals	(1 686)	(1 507)
<i>Plus:</i> Insurance claims and benefits covered through reinsurance contracts	1 294	1 150
Net income from insurance operations	564	540
5. Non-trading and capital items		
<i>Non-trading:</i>		
Professional indemnity insurance cell-captive result	30	(9)
Amortisation of intangible assets arising from business combination	(117)	(124)
Costs relating to strategic consulting engagement	(39)	–
Other non-trading items**	(11)	(7)
Total non-trading and capital items	(137)	(140)
6. Investment income		
<i>General operations</i>		
Interest income	115	77
Investment and dividend income	33	21
Foreign exchange gains/(losses) on intergroup loans	8	(5)
	156	93
Investment income linked to policyholder tax expense	22	70
Total investment income	178	163
7. Finance costs		
<i>Finance costs derived from financial liabilities classified and carried at amortised costs:</i>		
Interest on revolving credit facility	(66)	(57)
Other interest costs	(23)	(12)
Total finance costs	(89)	(69)

* Restated.

** Other non-trading items include mainly R5 million impairment relating to developed software written off and the share-based payment expense associated with the empowerment transaction in a subsidiary company amounting to R5 million.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

Rm	2017	2016*
8. Income tax expense		
South African income tax		
Current tax	(268)	(248)
Current year	(274)	(210)
Prior year	6	(38)
Deferred tax	33	39
Current year	26	32
Prior year	7	7
Foreign income tax		
Current tax	(4)	(16)
Current year	(4)	(16)
Prior year	–	–
Foreign withholding tax	(5)	(6)
Income tax expense relating to corporate profits	(244)	(231)
Income tax expense on policyholder investment returns	(22)	(70)
Current tax – current year	(24)	(108)
Deferred tax – current year	2	38
Total income tax expense	(266)	(301)

* Restated.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

9. Discontinued operations

Businesses that have been disposed of or are considered discontinued are disclosed separately, with comparative information for the consolidated income statement being restated. Assets and liabilities held at the end of the year in respect of discontinued operations, where the disposal process is ongoing, have been reclassified as assets and liabilities of disposal groups held for sale.

As announced on 20 December 2016 on the JSE, the group disposed of its 60% stake in Lane Clark & Peacock, including the LCP subsidiaries in Ireland and the Netherlands for a total consideration of £75.4 million. The group also finalised the sale of Alexander Forbes Compensation Technologies Proprietary Limited (AFCT) in April 2016, the results of which are also reflected in the table below.

At 31 March 2017 the Kenyan operations under emerging markets have been classified as discontinued. The assets and liabilities of these operations are classified as assets and liabilities of disposal groups classified as held for sale. Related goodwill of R8 million was impaired in the current year.

Rm	2017	2016*
Assets and liabilities of disposal group classified as held for sale		
Long-term assets	5	3
Deferred tax assets	1	–
Trade and other receivables	47	8
Other current assets	2	107
Cash and cash equivalents	11	13
Total assets	66	131
Deferred tax liabilities	–	30
Provisions	–	6
Trade and other payables	11	7
Total liabilities	11	43
Summary income statement from discontinued operations		
Operating income net of direct expenses	1 339	2 099
Operating expenses	(1 155)	(1 789)
Operating profit before non-trading and capital items	184	310
Net (finance costs)/investment income	(1)	3
Non-trading and capital items	(8)	(18)
Profit before taxation	175	295
Income tax expense	(18)	(43)
Profit for the year	157	252
Profit on disposals	796	1
Profit from discontinued operations	953	253

* Restated.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

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.

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.

Million	2017	2016
10.4 Number of shares		
Weighted average number of shares	1 341	1 334
Weighted average shares held by policyholders classified as treasury shares	(19)	(17)
Weighted average treasury shares	(42)	(35)
Weighted average number of shares	1 280	1 282
Dilutive shares (conditional and forfeitable share plan)	7	10
	1 287	1 292
Actual number of shares	1 341	1 341
Actual treasury shares	(59)	(61)
Actual number of shares in issue	1 282	1 280

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

Rm	2017	2016
10. Earnings per share (continued)		
10.5 Calculation of headline earnings and diluted headline earnings		
Profit attributable to equity holders (IAS 33 earnings)	1 465	729
Adjusting items		
(Profit)/loss on sale of subsidiary	(796)	2
Impairment losses and other capital items	14	13
Headline earnings for the year	683	744
Basic earnings per share (cents)	114.5	56.9
Headline earnings per share (cents)	53.4	58.1
10.6 Diluted earnings per share		
Diluted basic earnings per share (cents)	113.8	56.4
Diluted headline earnings per share (cents)	53.1	57.6

The group implemented certain share schemes during the listing process that may result in dilution on both earnings per share and headline earnings per share at the future date of vesting. The dilutive effect is largely conditional on performance during the period for each award. The above dilutive effect is calculated based on the performance of the company for the current year in relation to the performance criteria.

Rm	2017	2016
11. Capital expenditure for the year	132	184
12. Operating lease commitments		
Due within one year	187	235
Due between one and five years	766	1 167
Due after five years	558	1 063
Total operating lease commitments	1 511	2 465

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

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

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 the 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 of the liability continues to be recognised in the income statement. The resultant loss for the year of R2 million (2016: R59 million profit) has been disclosed separately on the face of the statement of comprehensive income. This treatment also affects the number of shares in issue, the impact of which is disclosed in note 10.

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

Rm	2017	2016
Total assets held under multi-manager investment contracts (per statement of financial position)	281 498	276 385
<i>Reversal of adjustments made under IFRS:</i>		
Alexander Forbes shares held as policyholder assets and reclassified in the group statement of financial position as treasury shares	137	157
Financial effects of accounting for policyholder investments as treasury shares – prior years	(33)	26
Financial effects of accounting for policyholder investments as treasury shares – current year	2	(59)
Total financial liabilities held for policyholders under multi-manager investment contracts	281 604	276 509

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 summary consolidated 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 2017.

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.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

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
2017				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	185 603	83 311	2 771	271 685
Financial assets of insurance and cell-captive facilities	172	148	–	320
General operations	–	260	–	260
Total financial assets measured at fair value	185 775	83 719	2 771	272 265
Cash held under multi-manager investment contracts	–	9 813	–	9 813
	–	9 813	–	9 813
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	281 604	–	281 604
Financial assets of insurance and cell-captive facilities	–	320	–	320
Total financial liabilities measured at fair value	–	281 924	–	281 924

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

14. Financial risk management and financial instruments (continued)

14.3 Fair value hierarchy (continued)

Rm	Level 1	Level 2	Level 3	Total
2016				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	184 483	79 489	1 593	265 565
Financial assets of insurance and cell-captive facilities	104	111	–	215
General operations	–	267	–	267
Total financial assets measured at fair value	184 587	79 867	1 593	266 047
Cash held under multi-manager investment contracts	–	10 820	–	10 820
Cash held under cell-captive insurance contracts	–	38	–	38
	–	10 858	–	10 858
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	276 509	–	276 509
Financial assets of insurance and cell-captive facilities	–	253	–	253
Total financial liabilities measured at fair value	–	276 762	–	276 762

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 year 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 year under review.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

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 discounts 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 were 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 2017.

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

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

15. Critical assumptions and judgements

In the prior year we referred to a specific matter which was and is still being reviewed by a foreign regulator in respect of a legacy subsidiary business that has been sold. Whilst this review is ongoing, the skilled person appointed by the regulator has issued a draft report indicating further investigation and work is justified and is currently being undertaken. The claim, should any arise, will be as a result of warranties provided on the original sale of the business. Management has assessed and concluded that it is still too early to determine (i) the likelihood and magnitude of any liability that may arise and (ii) in the event a liability does arise, if it will impact the group. The group is adequately insured for possible claims as a result of such errors and omissions. In addition, management has obtained confirmation from the insurance underwriters indicating that, should a liability arise the event will be covered subject to the terms and conditions of the policy.

16. Restatement of comparatives

During the year under review management enhanced its process with regard to the accounting provision for tax payable by Investment Solutions on behalf of policyholders. This enhancement highlighted an error in the calculation of the income tax provision recorded in the 2016 financial year. The policyholder taxes were overstated in our financial accounts by R127 million. As the principal payer of this tax liability, policyholder taxes are included in the tax expense on the income statement of Investment Solutions. The right to recover the taxes from the policyholder is recorded as a financial asset and deducted from the policyholder assets. The policyholder liabilities are then reduced to match the policyholder assets, resulting in a gain recorded under investment income.

It is important to note that there is no impact on operating profit, profit after tax, total assets, total liabilities and accumulated profits in equity. In addition, there is no impact on previously disclosed earnings per share figures and return on assets or equity figures. The financial impact of this restatement is shown on pages 31 and 32:

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

16. Restatement of comparatives (continued)

Rm	Restated 2016	Adjustment	As reported 2016
ASSETS			
Financial assets held under multi-manager investment contracts	276 385	127	276 258
Financial assets of insurance and cell-captive facilities	253	–	253
Other assets	12 126	–	12 126
Financial assets	362	(127)	489
Assets of disposal groups classified as held for sale	131	–	131
Total assets	289 257	–	289 257
EQUITY AND LIABILITIES			
Total equity	6 156	–	6 156
Financial liabilities held under multi-manager investment contracts	276 509	127	276 382
Financial liabilities of insurance and cell-captive facilities	253	–	253
Other liabilities	5 999	–	5 999
Deferred tax liabilities	262	(60)	322
Tax liabilities	35	(67)	102
Liabilities of disposal group classified as held for sale	43	–	43
Total liabilities	283 101	–	283 101
Total equity and liabilities	289 257	–	289 257

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2017

16. Restatement of comparatives (continued)

Rm	Restated 2016	Adjustment	Discontinued operations	As reported 2016
Continuing operations				
Operating profit	765	–	(308)	1 073
Investment income	163	(127)	(4)	294
Finance costs	(69)	–	2	(71)
Reported profit arising from policyholder investments in treasury shares	59	–	–	59
Share of net profit of associates (net of income tax)	4	–	–	4
Profit before taxation	922	(127)	(310)	1 359
Income tax expense	(231)	–	40	(271)
Policyholder taxes	(70)	127	–	(197)
Profit for the year from continuing operations	621	–	(270)	891
Discontinued operations				
Profit/(loss) on discontinued operations (net of income tax)	253	–	270	(17)
Profit for the year	874	–	–	874
<i>Profit attributable to:</i>				
Equity holders	729	–	–	729
Non-controlling interest	145	–	–	145
	874	–	–	874
Earnings per share (cents)				
Basic earnings per share	56.9	–	–	56.9
Headline earnings per share	58.1	–	–	58.1
Diluted earnings per share	56.4	–	–	56.4
Weighted average number of shares	1 282	–	–	1 282

17. Events after reporting period

On 7 April 2017 the group announced a significant contractual agreement relating to system and process development. The financial commitment relating to this contract amounts to \$51 million over the next four financial years, of which \$11 million will be paid within 12 months, and the costs of development will be capitalised and depreciated over the expected useful life of the system. The group has entered into a foreign currency hedge contract in order to reduce the currency risk associated with this contract. The hedge is designed to cover 75% of the commitment at an effective exchange rate of R13.88 to the US dollar.

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), DM Viljoen (former group chief financial officer – resigned 30 April 2017), BP Bydowell (acting group chief financial officer – appointed 30 April 2017)

Acting company secretary

SME Mkhwanazi

Investor relations

Z Amra

Registered office

Alexander Forbes, 115 West Street, Sandown, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196

Website

www.alexanderforbes.co.za

Alexander Forbes Group Holdings Limited

(the company)

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Certain subsidiaries of the company are
licensed financial services providers