Alexander Forbes Group Holdings Limited

Results announcement for the year ended 31 March 2017,
final and special cash dividends declaration

ALEXANDERFORBES
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 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 the consolidated financial statements from which the results have been derived 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 12 to 37 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 Bydawell, CA(SA), CFA, the acting group chief financial officer. The directors take full responsibility for the preparation of this report.

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In line with changes to the JSE Listings Requirements, the group no longer posts a physical copy of this announcement to its shareholders. Investors are referred to www.alexanderforbes.co.za/investors where a detailed analysis of the group's financial results, including an income statement and a statement of financial position can be found.

FINANCIAL HIGHLIGHTS

Rm		% change	**2017**	2016*	2015*
Operating income** (from continuing operations)	↑	1.2	**3 435**	3 395	3 276
Profit from operations (before non-trading items)	↑	3.1	**933**	905	892
Trading margin	↑	0.5	**27.2%**	26.7%	27.2%
Operating leverage	↑	1.5	**0.7%**	(0.8%)	(0.5%)
Cash generated (from continuing operations)	↑	3.3	**1 091**	1 056	773
Net profit for the year	↑	80.1	**1 574**	874	359
Headline earnings per share (cents)	↓	8.1	**53.4**	58.1	31.9
Final dividend (cents)	↑	4.5	**23**	22	12
Special dividend (cents)	↑	–	**23**	–	–
Average AuA and AuM (Rbn)	↑	1.8	**345**	339	322

* Restated for discontinued operations – refer to note 9.

** Operating income represents revenue net of direct expenses.

OVERVIEW OF FINANCIAL RESULTS

The group's profit from operations before non-trading and capital items has grown by 3% to R933 million. The profit for the year ended 31 March 2017 of R1 574 million includes an extraordinary profit on the sale of our partnership investment in Lane Clark & Peacock (LCP). Excluding this and other headline adjustments, the group recorded a reduction in headline earnings of 8% to R683 million for the year ended 31 March 2017. The decrease in headline earnings is as a result of the reduction in earnings from the discontinued operations where LCP was included for only eight months of the financial year. Our results include various IFRS accounting treatments which are anomalous and should be adjusted when analysing the group's results. Further analysis of the group's results is presented in the analyst presentation as well as the annexures which may be found on our website. The weighted average number of shares in issue decreased marginally as a result of an increase in policyholder shares treated as treasury shares. Headline earnings per share decreased by 8% to 53.4 cents per share for the year ended 31 March 2017.

Operating environment

The operating environment remained challenging for the financial services sector, with Brexit, the US election and President Trump's economic policies having a negative impact on the South African economy. More critically, South Africa remained in a state of transition with continued uncertainty around the country's macroeconomic outlook.

The financial services industry and the group's business model is acutely sensitive to these macroeconomic factors, and the political and economic turmoil contributed to a very tough operating and trading environment.

This difficult operating context has been reflected in our 2017 results, which were resilient given the context.

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

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 R3 435 million for the year ended 31 March 2017, up 1% when compared to the previous financial year.

Consolidated profit from operations

Operating profit from continuing operations, before non-trading and capital items, increased by 3% to R933 million when compared to the previous financial year. The divisional performance review is reflected on page 4.

Operating expenses of R2 502 million were 0.5% higher than the previous year. Given the inflationary environment and contractual

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

escalations inherent in certain costs, the cost containment is considered commendable.

The overall group trading margin on net revenue is 27.2% compared to 26.7% for the previous financial year. The increase in trading margin further emphasises the group's efforts to enhance operational efficiencies and reduce costs.

Divisional review of operations

A brief summary of divisional trading results for the year ended 31 March 2017 is provided below.

Institutional clients

The institutional clients division delivered R1 920 million of operating income, which is 1% higher than the prior year. Business units within this division include:

- consulting – which includes actuarial consulting, healthcare actuarial and consulting, and fund administration and consulting to standalone retirement funds;
- retirements – which includes fund administration and consulting to umbrella retirement funds and beneficiary funds;
- investments – investment services, including a range of investment portfolios, advice-led solutions and alternative investments; and
- group risk – group risk and disability insurance through Alexander Forbes Life.

Expenses were prudently managed at a 1% growth year on year, a very pleasing outcome in the current economic environment and a direct result of strong management focus on cost and operational efficiencies. As a result profit from operations increased by 1% to R465 million for the year ended 31 March 2017.

(i) Consulting

New business opportunities were impacted across this business unit 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 as the outlook improves. In line with this, we launched AFRIS (Alexander Forbes Retirement Income Solutions in April 2017), which is our institutional living annuity solution available to standalone retirement fund clients.

The operating income from the consulting and administration business to standalone retirement funds contracted by 3% when compared to the previous financial year. This was impacted by a 7% decrease in the number of active member records mainly as a result of the loss of a large standalone retirement fund client who has chosen to insource its administration. The cost base in administration was reduced accordingly for this lost client. The operating income from the healthcare consulting business increased by 1% when compared to the previous financial year. Healthcare broking income increased 10% year on year as a result of an increase in the regulated cap for commission income for broking services and new business wins. Health management solutions income reduced year on year on the back of the loss of a public sector client, with the cost base being reduced accordingly.

(ii) Retirements

The Alexander Forbes Retirement Fund (AFRF) continues to be a market leader in the umbrella fund industry, providing relevant and

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

cost-effective solutions to the South African market and the Alexander Forbes Coreplan umbrella fund continues to be innovative and provides low-cost simple solutions with a strong growth trajectory. In October 2016 we launched a number of new innovative offerings to our umbrella funds, including an in-fund preservation and in-fund living annuity solution. In February 2017 we launched a group retirement annuity solution, further demonstrating our commitment to providing members with cost-effective solutions to preserve their retirement fund savings.

The umbrella fund operating profit increased by 7% from the previous financial year. This is supported by the increase in the number of active member records for our umbrella retirement funds which increased by 4% from the previous year and the increase in the number of umbrella fund clients (participating employers) by 5% from the previous year. Closing assets under management (AuM) for the umbrella funds increased by 5% year on year to R68.4 billion at 31 March 2017. This was higher than the market growth in AuM of 3.6% in the year thanks to new business wins and portfolio performance.

Included in the retirements division is beneficiary fund consulting and administration, the latter being a service offering we launched in June 2016. The operating income for the combination of umbrella fund and beneficiary fund consulting and administration services increased by 12% from the previous financial year. Strict cost management and operational efficiencies resulted in a 27% increase in profit from operations when compared to the previous year.

(iii) Investments (previously Investment Solutions)

The operating income for the Investments segment was marginally down at 0.2% for the year ended 31 March 2017. The low return environment persisted with all major asset class returns being below inflation. Net negative ongoing cash flows were also experienced, which is prevalent in the retirement fund industry. Although the segment delivered strong new business flows of R9.9 billion for the year ended 31 March 2017, these flows were offset by net ongoing client cash outflows of R14.1 billion (the difference between ongoing contributions and benefit payments) and client losses of R3.1 billion for the same period.

Closing institutional assets under management (including assets under administration) slightly increased by 1.2% to R284.8 billion at 31 March 2017, of which R235.8 billion are institutional assets under investment management.

A summary of the institutional investments cash flows is reflected below:

Rbn	2017	%	2016
Inflows	**37.8**	10	34.4
New business	**9.9**		13.0
Ongoing contributions	**27.9**		21.4
Outflows	**(45.1)**	16	(38.9)
Outflows owing to client losses	**(3.1)**		(4.0)
Withdrawals for benefit payments	**(42.0)**		(34.9)
Net cash flows	**(7.3)**	62	(4.5)

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

Operating expenses were flat year on year, resulting in profit from operations increasing by 0.6% to R276 million for the year ended 31 March 2017.

Representing R700 billion in retirement assets, the Investment division continues to focus on providing a wide array of investment services ranging from investment portfolios to advice-led solutions and alternative opportunities. The investment philosophy revolves around outcome-based investing with a clear mission to help clients secure their financial well-being while managing the risk of uncertain and challenging economic environments.

(iv) Group risk

AF Life group risk grew annualised premium income by 11% to R439 million at 31 March 2017. Despite the pleasing increase in new business, claims experience was negatively impacted by the continued trend in disability claims with disabilities having a longer rehabilitation period owing to 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 increased reserving.

Retail clients

The retail clients division delivered R1 274 million of operating income, which is 5% higher than the previous year. Business units within this division include:

- wealth and investments – the wealth and investments segment of the retail clients business is focused on generating revenue through the offering of financial advice and the administration and management of investments. This segment incorporates financial planning consultants (FPCs), AF Individual Client Administration (AFICA), AF Preservation Fund and the retail assets under management in Investments; and
- insurance – the retail insurance businesses comprise AF Insurance, which provides short-term insurance solutions to individuals, and the AF Life individual insurance business.

(i) Wealth and investments

Growth in operating income increased 5% to R797 million for the year ended 31 March 2017. The operating income split was 64% from asset-based income and 36% from consulting and advisory fees also linked to asset values.

Over the period assets being preserved on exit and retirement declined marginally from 46% to 45%. The FPC business saw improved traction with an improved capture rate of exit and retirement flows from 33% to 35%.

Assets under advisement grew by 4% to R64.7 billion at 31 March 2017. Assets under administration grew by 2.9% to R59.8 billion. Assets under management grew by 7% to R51.6 billion. The flows from FPC to AF products remained constant at 89%. The business's focus continues to be on servicing the institutional client base while expanding the business's footprint in discretionary assets and expanding the distribution channels to include independent financial advisers.

Profit from operations increased by 15% to R378 million on the back of a 2% reduction in operating expenses.

(ii) Retail insurance businesses

Gross written premium in the Alexander Forbes short-term insurance business increased

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

by 8% to R1.5 billion for the year ended 31 March 2017, with the business continuing to grow based on enhanced product offerings and good service levels. The loss ratio for the AF Insurance business ended on 71.5% for the year, ahead of the target of 72%. This represents a significant improvement on the 76.3% reported in the prior year.

To address adverse claims experience in the prior year and the first half of the current year, decisive management action was taken to reduce the loss ratio.

The AF Life individual insurance business accounts for 1% of the retail clients' business operating income. Over the period the business increased its focus on distribution channels and product innovation, which led to an increase in new life policy sales by 33%. The business launched an internal call centre and introduced a non-underwritten product, which is proving very successful and has contributed to the increase in the life policyholder book. The business remains subscale and as a result incurred an operating loss for the year, reducing the overall operating profit for the retail insurance business.

The combined retail insurance businesses produced operating income net of direct expenses of R477 million, an increase of 4% over the prior year. Expenses rose by 6% over the prior year, resulting in profit from operations decreasing by 4% to R88 million.

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

Alexander Forbes Emerging Markets (AFEM) currently operates in five countries across Africa – Namibia, Botswana, Zambia, Uganda and Nigeria. Economic growth in all these markets remains subdued and is well below the longer-term potential.

AFEM's total profit from ongoing operations declined by 51% to R32 million for the year ended 31 March 2017.

Operations in Kenya have been classified as discontinued.

With the Government of Botswana insourcing its Botswana Public Officers Pension Fund (BPOPF) in 2016, AFEM lost one of its largest clients and operating income consequently declined by 11% for the year. Downsizing and redundancy costs in Botswana mainly contributed to the overall cost growth of 2%. Members under administration naturally decreased as a result of client loss in Botswana. Excluding the BPOPF impact, operating income grew at 2%. Further measures to improve the operating leverage in Botswana included reducing overheads alongside a buildout of retail consumer lines to enhance the revenue. The impact of these initiatives should be felt in the next financial year.

In line with the stated target to grow the share of retail business lines in AFEM, Namibia increased retail revenue by 10% year on year. The development of assets under management remained resilient, increasing by 2%.

Conditions in Nigeria continued to be challenging, with a systemic shortage of foreign currency hampering business progress alongside a steady devaluation of the local currency against the rand depressing the consolidated result in our home currency. Our business operations in Nigeria remain small for the time being.

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

AFEM has defined a multi-hub continental growth strategy with operating structures in Namibia and Botswana. This operating structure will enable sound organic and inorganic growth in the coming financial years. The pension reform agenda pursued by many governments across the African continent in view of the general demographic development and the continued urbanisation underpin the increasing relevance of our existing and future markets to Alexander Forbes in our endeavour to become a globally distinctive pan-African financial services leader.

Operations and technology

On 7 April 2017 the group announced a significant contractual agreement with a leading technology provider, Sapiens. Under this agreement Sapiens will provide a wide range of offerings – including key components of the Sapiens Digital Suite – to power Alexander Forbes's client proposition and enhance its digital capability through a modern technology platform with an improved customer experience. The financial commitment relating to this contract amounts to $51 million over the next four financial years. The costs of development will be capitalised and depreciated over the expected useful life of the system. More significantly, the single host system will allow for rationalisation of our current disparate systems and is expected to deliver a net reduction in costs over the next five years.

The group has entered into a foreign currency hedge contract which substantially reduces the foreign currency risk associated with the US dollar-based commitments. The average rate achieved over the hedge period was R13.88 to the US dollar.

Items below profit from operations

Non-trading and capital items

Non-trading and capital items of R137 million (2016: R140 million) include the ongoing accounting amortisation of intangible assets amounting to R117 million (2016: R124 million), once-off costs incurred in defining the group's strategy 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.

Investment income

Investment income of R156 million (2016: R93 million income) is generated from the corporate cash balances managed through the group's treasury department. The significant cash balances recorded at 31 March 2017 arise from the sale of our international consulting practice, LCP, and through the subscription of shares by African Rainbow Capital.

Investment income related to policyholder investments includes R22 million (2016: R70 million) related to individual policyholder funds in Investments 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.

Finance costs

Finance costs for the year ended 31 March 2017 increased to R89 million (2016: R69 million). The increase is largely due

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

to a drawdown on the revolving credit facility and increases in the JIBAR interest rate during the year. In addition to the revolving credit facility, other finance costs include interest accrued on various liabilities.

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 results in an accounting profit or loss that is reported in Alexander Forbes's consolidated income statement, whereas no actual economic profit or loss will ever be realised by the group. The reported loss of R2 million (2016: R59 million profit) arising from the accounting for policyholder investments as treasury shares for the year 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 above, the group's profit before taxation from continuing operations of R887 million for the year ended 31 March 2017 is 4% lower than the previous financial year.

The tax rate excluding the policyholder tax is 28.2%, resulting in profit after tax of R621 million for the year ended 31 March 2017.

Discontinued operations

The business results reflected as discontinued operations comprise Lane Clark & Peacock LLP together with its subsidiaries in Ireland and the Netherlands (LCP), Alexander Forbes Kenyan operations and Alexander Forbes Insurance Consulting Practice. The disposal of LCP was concluded on 19 December 2016 and the effects of the disposal are included in the results for the year under review. The results of discontinued operations are further detailed in note 9.

Financial position and dividends

Financial position and capital requirements

In December 2016 the group disposed of its investment in LCP. The sale proceeds amounted to £75.4 million, of which £69 million was received and repatriated to South Africa during the year under review and the balance is to be received in the next financial year. In addition, the group entered into an agreement with African Rainbow Capital (ARC) in terms of which ARC subscribed for 10% of the equity in the African operations for R753 million.

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

These two transactions have resulted in the group having significant cash on hand as at the year-end.

The board has considered and approved a capital allocation strategy with regard to this cash available which includes the following:

- a special dividend to shareholders of 23 cents in addition to the final declared dividend. Further information on this dividend is reflected on this page;
- a general share buy-back as approved by the shareholders on 27 March 2017 which will be implemented as soon as possible and within the JSE's trading rules;
- an acquisition programme, targeting small bolt-on value-enhancing businesses in South Africa and Africa; and
- investment in modernising technology to position the company for improved efficiency and client service.

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. The current reporting requirements to the regulator already incorporate the expected formal framework.

As at 31 March 2017 the theoretical consolidated regulatory capital position, using the measures and interpretations under the Solvency Assessment and Management (SAM) standard, is a surplus of R2.3 billion (before the proposed dividend distribution). The surplus estimation above does not include any benefit that may be achieved from Investments or the group using an approved internal model for capital determination.

Final dividend

A dividend declaration has been considered, taking into account:

- the group's current and projected regulatory position;
- the available cash in the group and highly cash-generative nature of the group; and
- the investment into modernising technology.

Notice is hereby given that the directors have declared a final gross cash dividend of 23 cents (18.4 cents net of dividend withholding tax) per ordinary share for the year ended 31 March 2017. In addition, the directors have declared a special dividend of 23 cents (18.4 cents net of dividend withholding tax) per ordinary share for the year ended 31 March 2017.

Both dividends above have been declared from income reserves. A dividend withholding tax of 20% 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, 4 July 2017

Shares commence trading 'ex' dividend
Wednesday, 5 July 2017

Record date
Friday, 7 July 2017

Payment date
Monday, 10 July 2017

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

Share certificates may not be replaced with electronic ones or be converted to paper ones between Wednesday, 5 July 2017 and Friday, 7 July 2017, both days inclusive.

Prospects

The group's strategy, Ambition 2022, is focused on helping customers achieve a lifetime of financial well-being and security. This is delivered through a five-pillar strategy supporting the group's ambition of becoming a globally distinctive pan-African financial services leader.

Under Ambition 2022 the group has focused on accelerating its strategy to be a trusted partner for financial solutions for every stage, successfully shifting towards operating as a leaner, more focused group, that is no longer 'siloed' into different businesses, with a clear value proposition.

In summary, Ambition 2022 will focus on the following:

- leveraging the group's market-leading institutional business to drive retail and emerging market growth;
- driving the delivery of positive operating leverage with a focus on maintaining cost per member per month by at least 2% below inflation; and
- building a strong ecosystem to drive growth, a strong leadership team and effective strategic partnerships with Mercer and African Rainbow Capital.

The group also completed two significant transactions: selling its 60% interest in the UK-based consulting business, Lane Clark & Peacock, for R1.3 billion and African Rainbow Capital acquiring a 10% shareholding in Alexander Forbes Limited (a wholly-owned subsidiary of the group) as a strategic empowerment partner. Together these transactions provide capital for investments and acquisitions.

The group is emerging as a leaner, customer-focused business that is well positioned to create substantial value for shareholders in its next growth phase as a leading financial services group in South Africa and other select emerging markets with a diversified portfolio and profitable business serving end consumers.

Change in directorate

Mr AA Darfoor was appointed on 1 September 2016 as group chief executive. Mr DM Viljoen, who fulfilled the role of interim group chief executive prior to Mr Darfoor and group chief financial officer, resigned and stepped down from the board on 30 April 2017. Mr BP Bydawell has been appointed as acting group chief financial officer. The board extends its heartfelt thanks to Mr Viljoen for his dedication and service to the group over the past 14 years.

On behalf of the board of directors

MS Moloko
Chairman

AA Darfoor
Group chief executive

Johannesburg
9 June 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
Attributable to:			
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		
Items that may be reclassified to profit or loss		
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
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligations	**13**	–
Total comprehensive income for the year	**1 049**	1 069
Total comprehensive income attributable to:		
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

* Restated.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 MARCH 2017

Rm	Notes	2017	2016*
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)

* Restated.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Rm	2017	2016*
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
Analysed as follows:		
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 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

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 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

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

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Rm	Share capital	Treasury shares	Other reserves	Accumu-lated profit	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 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

** 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

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
Rm	**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 12 to 37 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 Bydawell, 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.

SUMMARY NOTES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

	Rm	2017	2016*
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
4.	**Net income from insurance operations**		
	Insurance premiums earned	**2 318**	2 123
	Less: Amounts ceded to reinsurers	**(1 399)**	(1 258)
	Investment income from insurance operations	**37**	32
	Less: Insurance claims and withdrawals	**(1 686)**	(1 507)
	Plus: 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**		
	Non-trading:		
	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)

* 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*
6.	**Investment income**		
	General operations		
	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**		
	Finance costs derived from financial liabilities classified and carried at amortised costs:		
	Interest on revolving credit facility	**(66)**	(57)
	Other interest costs	**(23)**	(12)
	Total finance costs	**(89)**	(69)

* Restated.

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

* Restated.

SUMMARY NOTES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Rm	2017	2016*
9. Discontinued operations (continued)		
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.

SUMMARY NOTES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

	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.

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.

SUMMARY NOTES (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

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	2017	2016
Total assets held under multi-manager investment contracts (per statement of financial position)	**281 498**	276 385
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	**137**	157
Financial effects of accounting for policyholder investments as treasury shares – prior years	**(33)**	26
– 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 warrantees 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 35 and 36:

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
Profit attributable to:				
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

SUMMARY NOTES (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

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 (group chief financial officer – resigned 30 April 2017), BP Bydawell (acting group chief financial officer – appointed 30 April 2017)

Company secretary
JE Salvado

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 of Fredman Drive and Rivonia Road, Sandton, 2196

Website
www.alexanderforbes.co.za

Date of issue: 12 June 2017

Alexander Forbes Group Holdings Limited

(the company)

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115 West Street, Sandown
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www.alexanderforbes.co.za

Certain subsidiaries of the company are licensed financial services providers