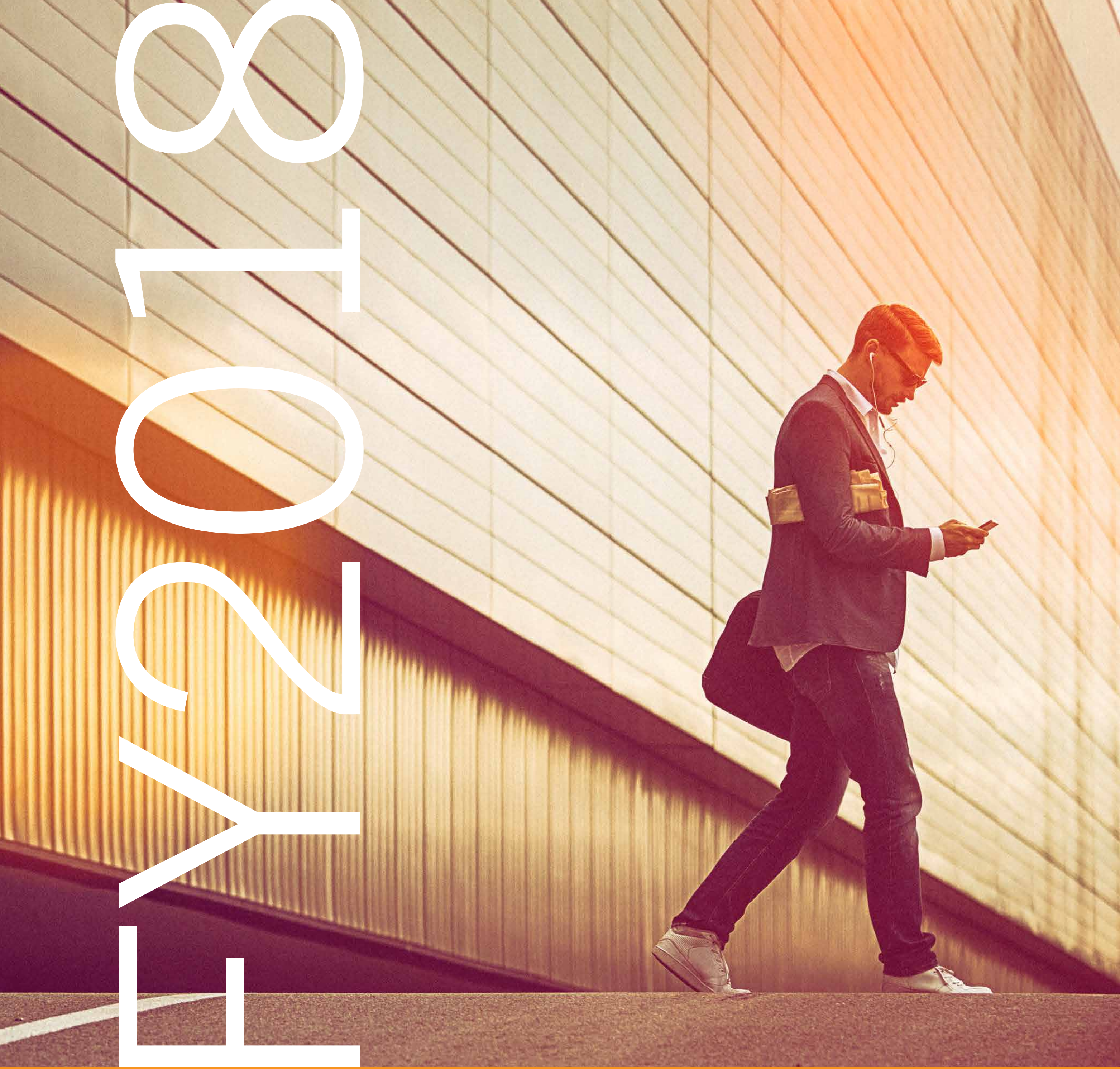


Alexander Forbes Group Holdings Limited

Results announcement for the year ended 31 March 2018 and final cash dividend declaration

ALEXANDERFORBES
Securing your financial well-being

Alexander Forbes Group Holdings Limited reports progress in turnaround strategy with profit from operations before non-trading and capital items up 5% in annual results for the financial year ended 31 March 2018

5% growth **in operating income net of direct expenses to R3 647 million** with strong top-line performance across key growth business segments:

- 14% growth in Group risk
- 12% growth in Investments
- 7% growth in Retail insurance
- 6% growth in Consulting and retirements

Tangible progress made in sustaining growth momentum, with profit from operations before non-trading and capital items up 5% to R986 million at the group level reflecting improvements in operational and expense efficiencies along with good top-line growth in key areas of the strategy. Of particular note was strong profit from operations[2] growth of 29% in Investments, 15% in Retail insurance, and 16% in Consulting and retirements.

Delivery of FY2020 expense savings targets two years ahead of plan, with cumulative savings from FY2016 of R308 million achieved in FY2018 exceeding the target set of between R200 million to R250 million. At 70.9%, on an adjusted basis, this represents a 260 bps improvement from FY2016 to the cost-to-income ratio[1] for the underlying operations.

Total shareholder return for the year of 21.9%

5% increase in **annual dividend of 42 cents per share** (18 cents interim and 24 cents final).

Headline earnings per share of 44.4 cents per share down 16.8%, largely attributable to the disposal of Lane Clark & Peacock in December 2016.

Sustained generation of cash flow from operations of R1 013 million, representing strong profit to cash conversion of 103% of profit from operations before non-trading and capital items.

3.5% increase **in average Assets under Administration (AuA) and Assets under Management (AuM) to R357 billion in the Investments business.**

1. Excluding modernisation costs expensed to the income statement and one-off employee retention costs.
2. Profit from operations before share scheme costs, property lease adjustments and non-trading and capital items.

On 11 June 2018, Alexander Forbes Group Holdings Limited (JSE share code: AFH) announced audited results for the financial year ended 31 March 2018. In line with JSE Listings Requirements, 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.

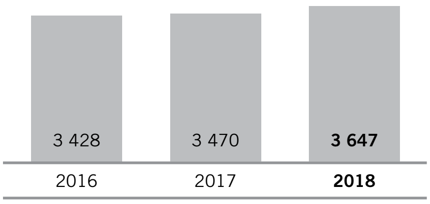
This results announcement for the financial year ended 31 March 2018 is composed of two documents: a media release and a summary of our consolidated financial statements. The information in the media release should be read in conjunction with the summary consolidated financial statements.

Operating income[1]

R'million

3 647

+5%

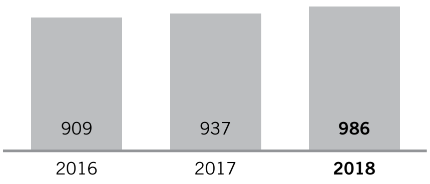


Profit from operations[2]

R'million

986

+5%

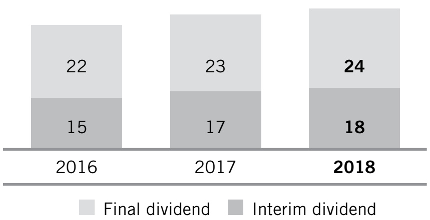


Dividends

Cents per share

42c

+5%



1. Operating income net of direct expenses.
2. Profit from operations before non-trading and capital items.

Andrew A Darfoor, Group Chief Executive, commented: *'The results that we are announcing today show that our group is starting to show signs of real tangible progress across key areas aligned to our Ambition 2022 strategy. This is reflected in improved operating performance across key group metrics, sustained delivery of operating leverage alongside improved shareholder returns as evidenced by a further dividend increase and a 21.9% shareholder return for the year.*

2018 was a defining year for Alexander Forbes – it was a year in which we unveiled a new strategic path under our five-year Ambition 2022 strategy; a year in which we redefined our customer value proposition; launched our financial well-being programme and rolled it out to corporates; created a group client solutions team that has led to the development of a number of new solutions including our flagship outcomes-based investment solution Alexander Forbes Clarity™. We have also been clear on our investment thesis of 'cash flow plus growth', which we remain committed to for the long-term.

Looking at key financial metrics, operating income[1] was up 5%, with strong top-line growth contributions from key business areas aligned with our strategy. Our focus on cost and operational efficiency was sound and we contained operating expense growth to 5%. Operating expenses included R45 million relating to our technology modernisation programme (2017: R24 million) and one-off costs of R32 million relating to specific employee retention strategies, excluding these costs operating expenses increased 3%. We delivered on our cost-efficiency targets two years ahead of plan with cumulative cost savings of R308 million versus our target set of between R200 million to R250 million by 2020. We also delivered improvement in our key customer metrics with an improvement in the overall retailisation rate to 8.7%, ahead of our target of 6%. Our member interactions also increased significantly in the year, up almost three-fold and as a result we saw improvements in client preservation rates to 55%, up from 45% in the prior year, or a 22% increase.

To deliver on our investment thesis of 'cash flow plus growth', the group needs to be financially robust and our balance sheet remained strong with a reported regulatory surplus of R1.2 billion as at end-March 2018. As a business we continue to demonstrate our strong ability to convert profits to cash at high velocity with cash flow from operations of R1 billion, representing a profit-to-cash conversion rate of 103%. From this financially robust position, the board has approved a final dividend of 24 cents per share, taking the full-year dividend to 42 cents per share, representing an increase of 5%. The increase in the dividend pay-out remains in line with our commitment to reward shareholders.

In summary, despite headwinds from macroeconomic and political uncertainty across our markets, we are starting to deliver better and more consistent results for our customers and investors. That said, we have further to travel than the distance we have come … and we recognise that the fix-it phase of our journey is certainly not complete by any means and we believe this will take broadly another two years. We are roughly halfway into this journey, so there will not be and cannot be any room for complacency ongoing.'

OVERVIEW OF FINANCIAL RESULTS

Financial highlights

In millions of South African rands (Rm)	2017/2018 % change	2018	2017*	2016*
		12 months ended 31 March		
Operating income[1] (from continuing operations)	5.1	**3 647**	3 470	3 428
Profit from operations before non-trading and capital items	5.2	**986**	937	909
Trading margin	–	**27.0%**	27.0%	26.5%
Operating leverage[2]	(70 bps)	**0.0%**	0.7%	(0.8%)
Profit from continuing operations	(50.6)	**306**	620	621
Headline earnings per share[3] (cents)	(16.8)	**44.4**	53.4	58.1
Normalised earnings per share (cents)	(13.7)	**51.2**	59.3	62.0
Final dividend (cents)	4.3	**24**	23	22
Special dividend (cents)	–	**–**	23	–
Cash generated (from continuing operations)	(7.1)	**1 013**	1 091	1 056
Closing AuA and AuM (in billions of South African rands)	3.5	**357**	345	339

* Restated for the effect of discontinued operations.
1. Operating income net of direct expenses.
2. Operating leverage is defined as the difference in growth of operating income[1] against growth of operating expenses.
3. The weighted average number of shares in issue decreased to 1 269 million (2017: 1 280 million) due to the share buy-back programme implemented during the year.

Financial review

The 5.1% year-on-year increase in operating income from continuing operations to R3 647 million reflects progress in performance from key business areas aligned to our strategy, with Group risk up 14%, Investments up 12%, Retail insurance up 7% and Consulting and retirements up 6%. This was partially offset by the increase in reserves in the Retail insurance business and weaker-than-expected performance from the Emerging markets business. Within the Emerging markets business this has necessitated the acceleration of our fix-it and turnaround plan and includes a review of the countries we want to have a presence in, while still maintaining our vision to be a pan-African financial services leader.

Growth in operating expenses was contained to 5.1% (3.0% excluding costs relating to our technology modernisation programme and one-off employee retention costs), attributable to savings delivered by operational and expense efficiency initiatives across the group. The improved focus on cost discipline resulted in cumulative cost savings delivered of R308 million, two years ahead of our 2020 target of R200 million to R250 million. The benefits from the cost-efficiency programme were, however, offset by corporate costs incurred during the year relating to the turnaround of our business, modernisation costs and one-off employee retention costs. The cost-to-income ratio for the full year remained flat at 73.0%; however, excluding technology modernisation expenses (R45 million) and one-off employee retention costs (R32 million), the cost-to-income ratio improves by 210 bps to 70.9%.

Profit from operations before non-trading and capital items improved to R986 million, representing a 5.2% increase over the prior year, reflecting improved top-line growth across key areas of the strategy as well as operating and expense efficiencies.

Non-trading and capital items increased substantially to R476 million (2017: R137 million), two-thirds of which account for an impairment of goodwill of R317 million associated with AF Life, the long-term insurance licensed entity. Goodwill allocated to the cash-generating unit Group risk, previously AF Life, was fully written off during the current year. The business remains below optimal scale with growth expected to occur over the medium to long term. Consequently the cost per policy is likely to remain high over this time, which has an adverse effect on the profitability of the business. In addition, a reduction in cash flows was experienced, driven by heightened claims experience in the industry. The goodwill impairment therefore is a result of lower growth expected, reserving requirements, increased claims experienced and an increase in the regulatory capital required. The write-off has no impact on cash and is adjusted for in headline earnings. The remainder of the non-trading and capital items relate to one-off strategy costs, recurring amortisation costs and the consolidation of the group's insurance cell-captive facility.

The R47 million year-on-year increase in investment income is mainly due to the surplus cash position of the group through the year. The surplus cash results from the sale of the Lane Clark & Peacock (LCP) business (a UK subsidiary) and the 10% investment from African Rainbow Capital (ARC) in our African business, both completed in the latter part of the prior year. It is important to note that investment income includes policyholder investment returns which are excluded from our normalised results which may be found in the group segmental income and profit analysis.

The 9% increase in finance costs to R97 million is largely due to costs associated with the group's hedge contracts. The group has contractual payment obligations to various software vendors linked to the modernisation projects currently being implemented. The group has an unsecured revolving credit facility linked to the JIBAR interest rate.

The group's profit before taxation from continuing operations of R614 million is 31% lower than the previous financial year. The effective tax rate excluding the policyholder tax is 50% largely due to the goodwill written off. The effective normalised tax rate is 32% (2017: 28%). The increase is largely due to foreign withholding tax and non-deductible expenses in various group entities.

The substantial decline in profit from continuing operations to R306 million (2017: R620 million) can be mostly attributed to the increase in non-trading and capital items and the higher effective tax rate. Excluding the above-mentioned impairment of goodwill and other headline adjustments, headline earnings attributed to owners of the company from continuing operations is R561 million (refer to note 9.8), a 7.0% decline on the prior year.

In the prior year, the results of discontinued operations included Alexander Forbes Compensation Technologies (AFCT) and Lane Clark & Peacock (LCP). These operations were disposed of in the same year, resulting in a profit of R796 million. The results of the Alexander Forbes Kenyan operations continue to be reflected as discontinued in line with the prior year. The group remains committed to the disposal of its East African operations.

The weighted average number of shares decreased to 1 269 million (2017: 1 280 million) due to the share buy-back programme which was approved by shareholders and implemented during the year. Consequently, headline earnings per share decreased by 16.8% to 44.4 cents.

Sustained predictable cash flows underpinning strong balance sheet with a cash surplus position of R1.2 billion

The group's cash flows continue to be predictably strong with cash generated from operations of R1 013 million. The cash conversion of profit from operations remains high at 103% when compared to the profit from operations before non-trading and capital items. The group continues to maintain a surplus cash balance of R1.2 billion after the ordinary dividend payment of R529 million and special dividend payment of R300 million distributed to shareholders during the year.

As at 31 March 2018 the group solvency capital requirement was R1.6 billion which increased 45% from the prior year (2017: R1.1 billion). The increase in capital largely relates to the long-term insurance licensed entity, AF Life. An additional R350 million capital injection for this entity was approved by the board to address counterparty concentration risk, imposed on the Umbrella Fund bank accounts, that are in the name of the life company. AF Life previously had a dispensation granted under current insurance regulations to exclude these accounts as assets of the company. By virtue of the Umbrella Funds forming part of AF Life, all non-policyholder assets on the AF Life balance sheet are considered when assessing the entity's solvency under the prevailing insurance regulations (SAM, effective 1 July 2018). Using the measures and interpretations under the Solvency Assessment and Management (SAM) standard, the group has a surplus of R1.2 billion (R0.9 billion after the board-approved dividend distribution).

The total assets of the group increased 5% to R309 billion during the year (2017: R294 billion). It is important to note that approximately 96% of these assets are linked to financial liabilities held under investment contracts that are economically matched. Cash and cash equivalents held on the group balance sheet include amounts payable under insurance-related policies and cash which is held in a fiduciary capacity. Excluding these balances as well as cash and cash equivalent balances required for liquidity and solvency capital, the group has R1.2 billion available in cash resources.

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

Focus on deploying capital effectively

The financial position of the group remains strong and all insurance entities within the group comply with current solvency, liquidity and regulatory capital adequacy requirements. The board and management continue to ensure the stated capital allocation objectives of the group are adhered to. These include the following:

- growth in dividends to shareholders (maintaining a dividend cover of at least 1.5 times);
- acquisition programme, targeting select bolt-on value-enhancing businesses in South Africa and select emerging market countries;
- investment in the modernisation technology programme to position the company for improved efficiencies and client experience; and
- continuing with our share buy-back programme to return some of the surplus cash to shareholders.

During the current year the group has:

- paid a special dividend to shareholders of 23 cents in addition to the ordinary dividend, with total cash returned to shareholders amounting to R829 million through the financial period;
- repurchased shares in the amount of R276 million at an average price of 689 cents per share. The general share buy-back of up to 5% of the issued share capital was approved by the shareholders on 27 March 2017 and remains in place until the next annual general meeting; and
- invested R272 million in modernising our technology providing the business with a single view of client as well as providing a digital front-end-enhancing customer experience.

Ordinary annual dividend up 5%

The directors have declared a final gross cash dividend of 24 cents (19.2 cents net of dividend withholding tax) per ordinary share for the year ended 31 March 2018.

The dividend has 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, 3 July 2018
- Shares commence trading 'ex' dividend: Wednesday, 4 July 2018
- Record date: Friday, 6 July 2018
- Payment date: Monday, 9 July 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 July 2018 and Friday, 6 July 2018, both days inclusive.

Divisional review of operations

To simplify our financial reporting in alignment with our strategy the group has decided to change our segmental reporting of results in 2018 to represent Institutional clients which includes Corporate & employee benefits and Investments, Retail clients which includes Wealth and investments and Retail insurance, Emerging markets and Administration only.

Furthermore, the group has decided to separately disclose corporate costs that were previously allocated to each of the segments. Corporate costs include costs associated with the corporate office of the group which is responsible for certain functions that include strategic direction, capital management, group finance and investor relations as well as general group initiatives linked to the transformation journey in line with the Ambition 2022 strategy. To allow for year-on-year segment report comparison the 2017 information was restated to reflect these changes retrospectively.

Institutional clients

	Operating income net of direct expenses			Profit from operations[1]		
Rm	2018	%	2017	2018	%	2017
Corporate & employee benefits	**1 176**	6	1 110	**218**	13	193
Consulting and retirements	**1 111**	6	1 053	**199**	16	172
Group risk	**65**	14	57	**19**	(10)	21
Investments	**712**	12	637	**398**	29	308
Institutional clients	**1 888**	8	1 747	**616**	23	501

1. Profit from operations before share scheme costs, property lease adjustments and non-trading and capital items.

Corporate & employee benefits

Corporate & employee benefits delivered a 6% growth in operating income[2] to R1 176 million, with profit from operations[1] up 13% as a result of strong growth performances from healthcare and retirements alongside disciplined cost management and operational efficiencies.

In line with our Ambition 2022 strategy the focus in the current year has been on ‘getting the basics right’ with greater emphasis placed on the group’s ‘Get back to the boardroom’ priority, redefining our value proposition, launching our financial well-being programme alongside management focus on disciplined cost and operational efficiency.

Client retention levels continue to remain high and during the year we launched several new products demonstrating our thought leadership and innovation. Through the worksite we offer a comprehensive and integrated employee benefits and outcomes-based investments platform to drive desired outcomes for corporates and pension funds. A key component of this is our new education platform Alexander Forbes Empower, launched during the year, alongside our ability to help end customers with money management, insurance, investments, retirement and health. Through our first-of-its-kind employer dashboard, called Comprehensive Lifegauge, we can meaningfully measure the impact of employee engagement and financial wellness at the worksite and then harness our broad range of employee benefit and financial well-being solutions to help both corporates and individuals achieve the right outcomes.

The operating income[2] from the consulting business to standalone retirement funds (which is reported under Consulting and retirements) contracted by 2% when compared to the previous financial year. This was impacted by a 4% decrease in the number of active members under administration due to the deliberate strategy being pursued of umbrella fund conversions, as well as client funds changing from active to closed and liquidated funds. The cost base within this business continues to be managed in line with the reduced operating income[2], resulting in an improvement in profit from operations[1] for the year. The consulting division was instrumental in driving improved asset accumulation flows, with R923 million of assets to our institutional investments business, including assets through the newly launched AFRIS solution.

Corporate & employee benefits continued to report strong performance in the healthcare business with operating income[2] up 10% over the prior year, benefiting from an increase in the regulated cap for commission income for broking services alongside a significant number of new business wins. In March 2018 the healthcare business announced a new partnership with Evo Financial Services, a 100% black-owned healthcare consultancy firm in South Africa. This partnership plays an important role in sustaining growth in public sector channels, while demonstrating our commitment to broader transformation in the South African financial services sector.

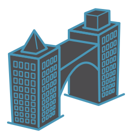
The Alexander Forbes Retirement Fund (AFRF) continues to be a market leader in the umbrella fund industry, providing relevant and cost-effective solutions to the South African market. The umbrella fund division, under Retirements, reported strong growth in profit from operations[1] up 20%, with closing assets under management (AuM) up 8.6% year-on-year to R74.3 billion at 31 March 2018, ahead of the reported 6% market growth. Performance was driven by strong new business wins, portfolio performance and the conversion of standalone clients to our umbrella fund offering. The number of active member records increased 12% to 352 000 members, with an 8% increase in the number of umbrella fund clients (participating employers).

In line with our strategy to grow our umbrella fund business and improve overall profitability of the group we converted 18 standalone clients to our umbrella fund offering, of which eight have translated into asset flows with the transfer of the remainder subject to regulatory approval. The management team remains focused on continuing to strengthen the value proposition, client servicing and administration processes in the business, as well as expand into the SMME sector.

2. Operating income net of direct expenses.

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

Within the Group risk business, annualised premium income rose by 34% to R590 million for the year, on the back of growth in the existing book and 91 new client wins with annualised premium income of R96 million. Claims experience on disability claims continued to increase in line with the trend in the industry, with disabilities having longer rehabilitation periods owing to the nature of the disabilities experienced, as well as resultant increases in mental health and cancer-related disabilities. Our claims experience on lump sum death claims increased in line with expectations and the growth in the book. In the current year the business has gone through a thorough process of cleaning up claims data and we have strengthened our reserving for claims, providing additional margin for claims incurred but not yet notified and for pending claims. This has impacted on the growth of operating income[1] which is 14% higher than the prior year. A key focus for the new management team in the Group risk business is strengthening the value proposition, client servicing and administrative process in the business to ensure sustainable growth.



Investments

Alexander Forbes Investments (Investments) reported total assets under administration (AuA) and assets under management (AuM) of R357 billion at 31 March 2018. The assets are segmented as follows:

	2018			2017		
Rbn	Institutional	Retail	Total	Institutional	Retail	Total
AuA	**48**	**6**	**54**	49	8	57
AuM	**247**	**56**	**303**	236	52	288
AuA and AuM	**295**	**62**	**357**	285	60	345

The AuA and AuM for the institutional business grew 3.5% while the AuM grew 4.7% when compared to the prior year.

2018 was a defining year for the Investments business, as the business transitioned from a traditional multi-manager to a new investment philosophy focused on achieving outcomes-based solutions (Living*Investing).

Over the course of the year Investments launched a number of new offerings in the alternative investments asset category, providing clients access to private markets (focused on housing development and infrastructure projects) and, introducing a new fund of hedge funds offering. The introduction of additional alternative offerings not only provide diversification, management of risk and enhanced returns for our clients, but also contributes to the improvement of the net margin on a blended basis for the business.

The highlight for the year was the launch of our flagship outcomes-based solution, Alexander Forbes Clarity™, the first of its kind in South Africa. Clarity is a managed defined contribution retirement solution that focuses on an income goal for clients, helping them achieve specific objectives at retirement. In addition, a new age capital protection portfolio, the AF Steady Growth, was launched which is suitable for clients wanting to have a single portfolio for all members with a smoothed return profile.

Over the year we further strengthened our relationship with our strategic partner, Mercer, and the business is already starting to see strong benefits from this collaboration. Access to Mercer's global platform and product offering has allowed the business to be able to offer more cost-effective solutions to clients, alongside improved net margin. The Tomorrow's Leaders programme was launched during the year, seconding three of the company's top talent to Mercer for them to grow and gain global experience.

The business reported an increase in operating income[1] of 12% over the prior year, alongside improved operational and expense efficiency, resulting in profit from operations[2] increasing by 29%. The turnaround of Investments under the new management team is taking shape, with net margin improving by 5.8% year-on-year alongside the sustained delivery of operating leverage. The business also made good headway in enhancing its operational platform and technological capability.

A summary of the cash flows for the year ended 31 March 2018 is reflected below:

	2018			2017		
Rbn	Institutional	Retail	Total	Institutional	Retail	Total
Controllable	**7**	**(1.4)**	**5.6**	6.8	1.4	8.2
New business	**9.7**	**1.1**	**10.8**	9.9	1.4	11.3
Outflows owing to client losses	**(2.7)**	**(2.5)**	**(5.2)**	(3.1)	–	(3.1)
Uncontrollable	**(12.5)**	**(1.7)**	**(14.2)**	(14.1)	(0.5)	(14.6)
Ongoing contributions	**29.7**	**5.9**	**35.6**	27.9	5.4	33.3
Withdrawals from platform	**(3.5)**	**–**	**(3.5)**	(5.0)	–	(5.0)
Withdrawals for benefit payments	**(38.7)**	**(7.6)**	**(46.3)**	(37.0)	(5.9)	(42.9)
Net cash flows	**(5.5)**	**(3.1)**	**(8.6)**	(7.3)	0.9	(6.4)

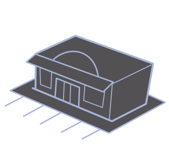
1. Operating income net of direct expenses.
2. Profit from operations before share scheme cost, property lease adjustments and non-trading and capital items.

Strong new institutional business flows of R9.7 billion were reported for the year with a further R4.6 billion awaiting transfer. Despite strong new business cash flows Investments saw negative net cash flows of R5.5 billion in the year, driven by uncontrollable cash withdrawals that are prevalent across the retirement industry, linked to the economic environment and consumer confidence levels. These cash flows were mainly from the platform operation which is at a lower margin.

Retail clients

	Operating income net of direct expenses			Profit from operations[1]		
Rm	2018	%	2017	2018	%	2017
Wealth and investments	**856**	2	836	**391**	(4)	406
Retail insurance	**510**	7	477	**116**	15	101
Retail clients	**1 366**	4	1 313	**507**	–	507

1. Profit from operations before share scheme costs, property lease adjustments and non-trading and capital items.



The retail clients cluster delivered a 4% increase in operating income[2] to R1 366 million, while profit from operations[1] remained flat for the year. Operating income[2] includes certain one-off adjustments in the AF Life Retail business which reduced operating income[2] by R43 million. These adjustments were as a result of reserve strengthening which enhanced the balance sheet of the business. Excluding the effects of these one-off reserving adjustments, retail operating income[2] increased by 7%.

The Retail strategy remains focused on accessing the institutional member base through the deployment of our ‘financial well-being for a lifetime’ programme. In FY2018 we increased our member interactions by almost three-fold, with a new focus area of accessing members earning lower than R500 000 during the year. The business reported an improved level of retailisation of 8.7%, exceeding the full-year target set of 6%.

Wealth and investments

The operating income[2] rose by 2% to R856 million for the year ended 31 March 2018.

Profit from operations[1] decreased by 4% to R391 million on the back of increased operating expenses resulting from a deliberate strategy to invest in the business across a number of areas, including improving financial well-being programmes, training and campaigns, and administration capabilities.

The increased number of member interactions resulted in a 22% improvement in the preservation rate on exit to 55% and an increase in capture rates (on exit and retirement flows) by 17% to 41%.

Financial planning consultants’ average assets under advisement grew by 6% to R67.3 billion at 31 March 2018.

Average assets under administration in wealth and offshore grew by 3% to R61.6 billion. AF Investments’ retail average assets under management grew by 7% to R56 billion.

Over the course of the year the business launched the Alexander Forbes Retirement Income Solutions (AFRIS) with the objective of providing individuals with a seamless savings journey during their careers and throughout their retirement years. As part of the core offering members are able to consolidate all preserved assets into this lower-cost solution.

Retail insurance businesses

Gross written premium in the short-term insurance business increased by 4% to R1.6 billion for the year, with the business continuing to grow based on good service levels. The loss ratio for the AF Insurance business ended on 68% for the year, ahead of the target of 71%. This represents a significant improvement on the 71.5% reported in the prior year (2016: 76.3%), reflecting the increased focus in writing more profitable business.

During the year the AF Life individual insurance business focused on improving sales volumes and quality while also improving reserving. An in-depth expense analysis was completed and various assumptions were updated, which resulted in an increase in reserves, recognised as a reduction in operating income[2] of R43 million. While new business has increased (73% improvement in new life policy sales), the business remains subscale and as a result incurred an operating loss for the year, reducing the overall profit from operations[1] for the retail insurance business.

The combined retail insurance businesses produced operating income[2] of R510 million, an increase of 7% over the prior year. Profit from operations[1] improved 15% to R116 million, attributed to good cost control with expense growth contained at 5% year-on-year.

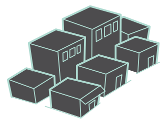
2. Operating income net of direct expenses.

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

Emerging markets (covering all operations in Africa outside South Africa)

Rm	Operating income net of direct expenses			Profit from operations[1]		
	2018	%	2017	**2018**	%	2017
Emerging markets						
Namibia	**164**	9	150	**54**	15	47
Botswana	**75**	(5)	79	**14**	(7)	15
Nigeria	**6**	(14)	7	**(6)**	–	(6)
Uganda	**5**	–	5	**(3)**	–	(3)
AFEM head office	**–**	–	–	**(28)**	56	(18)
Total	**250**	4	241	**31**	(11)	35

1. Profit from operations before share scheme costs, property lease adjustments and non-trading and capital items.



Alexander Forbes Emerging markets (Emerging markets) currently operates in five countries across sub-Saharan Africa – Namibia, Botswana, Nigeria, Uganda and Zambia (associate), with the operations in Kenya having been classified as discontinued. Emerging markets' performance is largely led by the core Southern African Development Community (SADC) region, Namibia and Botswana.

Emerging markets recorded modest growth of 4% in operating income[2], with the positive performance from Namibia offset by poor performances in other remaining markets. The 9% improvement in operating income[2] reported in Namibia was largely driven by growth in retirements as well as improved performance in the insurance and investments businesses. The Botswana business remained challenged with operating income[2] decreasing 5% year-on-year which largely reflects the loss of a key client in the prior year, the Government of Botswana, who insourced the Public Officers Pension Fund (BPOPF) which constituted a large portion of the operating income[2]. Botswana has made some progress to narrow the revenue shortfall, with the introduction of new strategic initiatives, including insourcing of beneficiary trust administration, and further initiatives planned for the new financial year.

The Emerging markets business reported an 11% decline in profit from operations[1] to R31 million, largely attributable to increased central head office costs incurred to support and drive growth ambitions.

Outside of SADC, performance continues to be challenged, particularly in Nigeria, Uganda and Zambia. To address this, management has accelerated its turnaround plan for the business with structural cost and operational efficiency initiatives being implemented. The growth of Emerging markets remains a key pillar of the group's ambition to build a pan-African financial services leader.

The results do not include the acquisition of African Actuarial Consultants in Zimbabwe, which post relevant approvals, was concluded after the close of the financial year.

2. Operating income net of direct expenses.

Administration only

	Operating income net of direct expenses			Profit from operations[1]		
Rm	2018	%	2017	2018	%	2017
Administration only	**143**	(15)	169	**–**	–	–

1. Profit from operations before share scheme costs, property lease adjustments and non-trading and capital items.

The Administration only segment is separately reported from the consulting division in Corporate & employee benefits and reflects the revenue earned from clients where we earn fees only based on administration services. The client relationship for these clients resides with the Operations and administration division. The decrease in operating income[2] for the year ended 31 March 2018 largely reflects the transfer of clients to Consulting and retirements as a result of winning multi-carrier appointments.

Costs are allocated from this division to all client-facing businesses. The cost allocation incorporates the fees earned from Administration only clients and as such the division does not reflect any profit from operations[1].

Prospects

Looking ahead, we anticipate the economic and political backdrop to remain challenging across our markets. That said, a ray of light in the past year in South Africa was the moderation of the inflation rate, the resultant reduction in the repo rate which should aid consumers, alongside significant political change with Cyril Ramaphosa appointed as President, with rising business and consumer sentiment.

We remain committed to the execution and delivery of our Ambition 2022 strategy and building a leading pan-African financial services leader, with strong franchises across retirements, health, investments, wealth management and insurance alongside a focus on innovative solutions to help our customers achieve better outcomes and a lifetime of financial well-being and security.

Our focus for the next financial year remains the same. Continued delivery of improvement in our cost-to-income ratio, improving our customer value proposition with the launch of new solutions, progressing with our technology and digital modernisation programme and addressing the issues to allow us to continue to improve returns to shareholders.

With our strong capital base, market-leading franchises and a business model intended to generate cash flows through the cycle, we see significant latent opportunity to continue to drive further organic and acquisitive growth. We believe Alexander Forbes remains well positioned to deliver improved profitability and shareholder value over time.

2. Operating income net of direct expenses.

Change in directorate

Ms N Ford-Hoon (Fok) was appointed as the group chief financial officer on 1 September 2017 and Ms N Nyembezi as the chair of the board on 1 January 2018. Other non-executive director appointments during the period: Ms NB Radebe (1 September 2017), Mr RM Head (1 January 2018), Ms M Ramplin (8 March 2018) and Mr NG Payne (1 May 2018).

A number of directors retired and resigned during the period for reasons previously communicated to stakeholders. Mr MS Moloko retired as the chair of the board on 31 October 2017. Other non-executive directors that resigned during the period: Dr D Konar (8 December 2017) and Mr H Meyer (31 December 2017).

The board wishes to welcome the new directors and express their sincere appreciation to Messrs Moloko, Meyer and Dr Konar for their strategic input, leadership and dedication to the group during their tenure.

Despite the number of changes the board is confident that there is sufficient continuity and that the revised composition provides a balance of skills, experience and diversity.

Corporate governance

Ms CH Wessels was appointed group company secretary on 1 October 2017. The company is committed to the application of the principles contained in the King IV Report on Corporate Governance for South Africa (King IV) and is in the process of aligning policies and practices to the desired principles. We will be providing detailed information on the application of practices as part of the 2018 integrated annual report.

On behalf of the board of directors

N Nyembezi
Chair

AA Darfoor
Group Chief Executive

8 June 2018

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

Contact information

Investor relations

Zakira Amra
Telephone: +27 11 269 0799
E-mail: InvestorRelations@aforbes.com

Media

Lynn Stevens
Telephone: +27 11 269 0024
E-mail: stevensly@aforbes.com

About Alexander Forbes

Alexander Forbes is a diversified financial services group headquartered in South Africa providing a broad range of retirements, health, investments, insurance and wealth management solutions to both corporate clients and individuals through an integrated platform. Alexander Forbes is listed on the Johannesburg Stock Exchange (JSE), and its primary clients span both the private and public sector market segments, including employers, retirement, health, investment and other special-purpose funds on the institutional side, and individual members and beneficiaries of these funds, as well as the wider individual market, on the retail side. Alexander Forbes' principal geographic focus is in South Africa, where it has been operating since 1935, sub-Saharan Africa, the UK and other select emerging market jurisdictions. Operating income for the year ended 31 March 2018 were R3 647 million. The group employs 3 092 people in six countries.

The information in this press release should be read in conjunction with the financial statements and footnotes contained in the annexures which are posted on the 'Investors' section of our investor relations website, www.alexanderforbes.com

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)

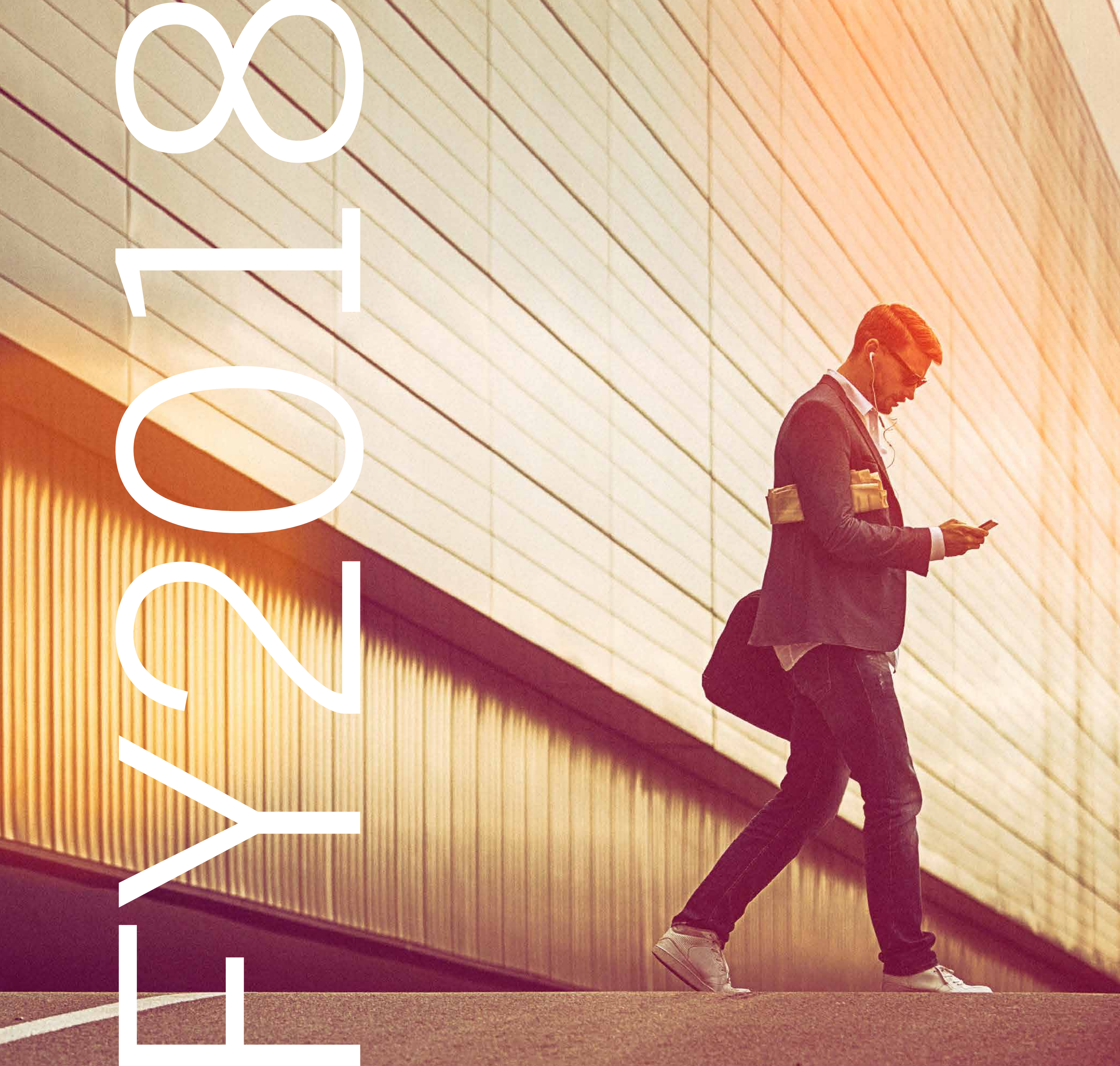
The Alexander Forbes Group Holdings Limited (the group) summary consolidated financial statements for the year ended 31 March 2018 (results), are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for provisional reports, the requirements of International Financial 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 Companies Act No. 71 of 2008 as amended applicable to summarised financial statements.

While this report is itself not audited, the group consolidated annual financial statements from which the summary consolidated annual financial statements on pages 12 to 25 have been 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. Any forecast financial information contained herein has not been reviewed or reported on by the company's external auditors.

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 auditors' report together with the accompanying audited group 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 2018 on the JSE's Stock Exchange News Service (SENS) which will also contain information on the company's annual general meeting and the 2018 integrated reporting suite.

These summary consolidated financial statements were compiled under the supervision of Naidene Ford-Hoon (Fok), CA(SA), the group chief financial officer. The board of directors of Alexander Forbes Group Holdings Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

This report was made publicly available on 11 June 2018.



Alexander Forbes Group Holdings Limited

Summary consolidated financial statements for the year ended 31 March 2018

ALEXANDERFORBES
Securing your financial well-being

SUMMARY CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

Rm	Notes	2018	2017*
Continuing operations			
Fee and commission income	2	**4 094**	3 969
Direct expenses attributable to fee and commission income		**(1 070)**	(1 063)
Net income from insurance operations	3	**623**	564
Operating income net of direct expenses		**3 647**	3 470
Operating expenses		**(2 661)**	(2 533)
Profit from operations before non-trading and capital items		**986**	937
Non-trading and capital items	4	**(476)**	(137)
Operating profit		**510**	800
Investment income	5	**225**	178
Finance costs	6	**(97)**	(89)
Reported loss arising from accounting for policyholder investments in treasury shares	12	**(24)**	(2)
Profit before taxation		**614**	887
Income tax expense	7	**(308)**	(267)
Income tax expense relating to group profits		**(319)**	(245)
Income tax credit/(expense) relating to policyholder investment returns		**11**	(22)
Profit for the year from continuing operations		**306**	620
Discontinued operations			
Profit from discontinued operations (net of tax)	8	**21**	954
Profit for the year		**327**	1 574
Profit attributable to:			
Owners of the company		**240**	1 465
Non-controlling interest		**87**	109
		327	1 574
Basic earnings per share (cents)	9	**18.9**	114.5
Diluted earnings per share (cents)	9	**18.8**	113.8
Weighted average number of shares in issue (net of treasury shares) (millions)	9	**1 269**	1 280

* Restated for the effects of discontinued operations.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

Rm	2018	2017
Profit for the year	**327**	1 574
Other comprehensive income:		
Foreign currency translation differences – foreign operations	**(9)**	(329)
Foreign currency translation reserve reclassified to profit or loss on loss of control	**–**	(209)
Cash flow hedge	**(37)**	–
Other comprehensive income for the year that may be reclassified to profit or loss[1]	**(46)**	(538)
Remeasurement of post-employment benefit obligation	**3**	13
Other comprehensive income that will not be reclassified to profit or loss[1]	**3**	13
Total comprehensive income for the year	**284**	1 049
Total comprehensive income attributable to:		
Owners of the company	**201**	968
Non-controlling interest	**83**	81
Total comprehensive income for the year	**284**	1 049

1. Net of related taxes.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

Rm	Notes	2018	2017
ASSETS			
Financial assets held under multi-manager investment contracts	12	**296 758**	281 498
Financial assets of insurance cell-captive facilities		**352**	320
Property and equipment		**174**	202
Purchased and developed computer software		**400**	163
Goodwill		**3 038**	3 355
Intangible assets		**390**	462
Investment in associates		**–**	13
Deferred tax assets		**175**	148
Financial assets		**445**	357
Insurance receivables		**1 339**	1 137
Trade and other receivables		**299**	451
Cash and cash equivalents		**5 794**	6 263
Assets of disposal group classified as held for sale	8	**82**	66
Total assets		**309 246**	294 435
EQUITY AND LIABILITIES			
Owners of the company		**6 010**	6 901
Non-controlling interest		**287**	218
Total equity		**6 297**	7 119
Financial liabilities held under multi-manager investment contracts	12	**296 825**	281 604
Financial liabilities of insurance cell-captive facilities		**352**	320
Borrowings		**719**	725
Employee benefits		**162**	160
Deferred tax liabilities		**119**	199
Provisions		**304**	291
Finance lease liabilities		**51**	75
Operating lease liabilities		**197**	182
Insurance payables		**3 572**	2 960
Trade and other payables		**634**	789
Liabilities of disposal group classified as held for sale	8	**14**	11
Total liabilities		**302 949**	287 316
Total equity and liabilities		**309 246**	294 435
Total equity per above		**6 297**	7 119
Number of ordinary shares in issue (net of treasury shares) (millions)		**1 246**	1 282
Net asset value per ordinary share (cents)		**505**	555

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

Rm	2018	2017
Cash flows from operating activities		
Cash generated from operations	**1 013**	1 091
Net interest received	**151**	56
Net cash flows received from/(paid to) insurance and policyholder contracts	**348**	(272)
Net cash flows paid to policyholder investment contracts	**(1 920)**	(1 007)
Taxation paid	**(333)**	(378)
Dividends paid	**(829)**	(509)
Cash flows from operating activities – discontinued operations	**16**	250
Net cash outflow from operating activities	**(1 554)**	(769)
Cash flows from investing activities		
Proceeds from sale of subsidiaries and businesses	**–**	883
Payments for intangible assets	**(3)**	–
Net cash (outflow)/inflow for financial assets	**(145)**	27
Payments for capital expenditure incurred on property, equipment and computer software	**(321)**	(125)
Cash flows from investing activities – discontinued operations	**–**	(9)
Net cash (outflow)/inflow from investing activities	**(469)**	776
Cash flows from financing activities		
Repayment of borrowings	**–**	(83)
Proceeds from borrowings raised	**–**	100
Payments of lease liabilities	**(9)**	–
Purchase of shares in terms of share buy-back transaction[1]	**(276)**	–
Purchase of shares in terms of share incentive schemes	**(57)**	–
Proceeds from non-controlling interests	**–**	744
Payments to non-controlling interests	**(14)**	(113)
Cash flows from financing activities – discontinued operations	**–**	(117)
Net cash (outflow)/inflow from financing activities	**(356)**	531
(Decrease)/increase in cash and cash equivalents	**(2 379)**	538
Cash and cash equivalents at the beginning of the year	**16 087**	15 748
Effects of exchange rate changes on cash and cash equivalents	**(6)**	(199)
Cash and cash equivalents at the end of the year	**13 702**	16 087
Analysed as follows:		
Cash and cash equivalents of disposal group classified as held for sale	**15**	11
Cash and cash equivalents of continuing operations	**5 794**	6 263
Cash held under multi-manager investment contracts	**7 887**	9 813
Cash held under cell-captive insurance contracts	**6**	–
	13 702	16 087

1. The group purchased Alexander Forbes Group Holdings Limited shares to the value of R276 million during the year in a general buy-back approved by shareholders on 27 March 2017.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

Rm	Share capital	Treasury shares	Other reserves	Accumulated profit/ (loss)	Total	Non-controlling interest	Total equity
At 1 April 2016	6 192	(181)	157	(267)	5 901	255	6 156
Total comprehensive income	–	–	(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	–	21	17	(6)	32	(118)	(86)
Introduction of empowerment partner[1]	–	–	5	521	526	222	748
Movement of treasury shares in policyholder assets	–	21	–	–	21	–	21
Movement in share-based payment reserve	–	–	12	–	12	–	12
Dividends paid	–	–	–	(509)	(509)	(197)	(706)
Loss on shareholder transactions[2]	–	–	–	(18)	(18)	(4)	(22)
Other movements in non-controlling interest[3]	–	–	–	–	–	(139)	(139)
At 31 March 2017	**6 192**	**(160)**	**(336)**	**1 205**	**6 901**	**218**	**7 119**
Total comprehensive income	**–**	**–**	**(41)**	**242**	**201**	**83**	**284**
Profit for the year	**–**	**–**	**–**	**240**	**240**	**87**	**327**
Other comprehensive income	**–**	**–**	**(41)**	**2**	**(39)**	**(4)**	**(43)**
Total transactions with owners	**–**	**(232)**	**418**	**(1 278)**	**(1 092)**	**(14)**	**(1 106)**
Shares purchased in terms of share buy-back programme[4]	**–**	**(276)**	**–**	**–**	**(276)**	**–**	**(276)**
Shares purchased in terms of share incentive schemes	**–**	**(57)**	**–**	**–**	**(57)**	**–**	**(57)**
Settlement of share incentive schemes[5]	**–**	**39**	**(39)**	**–**	**–**	**–**	**–**
Movement of treasury shares in policyholder assets	**–**	**62**	**–**	**–**	**62**	**–**	**62**
Dividends paid	**–**	**–**	**–**	**(829)**	**(829)**	**(14)**	**(843)**
Movement in share-based payment reserve	**–**	**–**	**8**	**–**	**8**	**–**	**8**
Transfer to retained earnings[6]	**–**	**–**	**449**	**(449)**	**–**	**–**	**–**
At 31 March 2018	**6 192**	**(392)**	**41**	**169**	**6 010**	**287**	**6 297**

1. This amount relates to a disposal of equity interest in Alexander Forbes Limited to ARC.
2. Purchase by Alexander Forbes Investments Holdings Limited of the remaining 49.99% stake in Caveo Fund Solutions Proprietary Limited from a non-controlling interest.
3. These amounts include distributions made to non-controlling interest holders, as well as changes to acquisition and disposal of equity held by non-controlling interests.
4. The group purchased Alexander Forbes Group Holdings Limited shares to the value of R276 million during the year, at an average price of R6.89 per share, in a general buy-back approved by shareholders on 27 March 2017.
5. During the year R26 million of the conditional share incentive scheme and R13 million of the forfeitable share scheme were settled. Both amounts relate to the 2014 tranche.
6. During the year the group transferred a redemption reserve amounting to R449 million into accumulated profits. This reserve arose in prior years on the redemption of preference shares. The transfer has a nil impact on total equity, however, results in a reduction in accumulated profits.

SUMMARY CONSOLIDATED GROUP SEGMENTAL INCOME AND PROFIT ANALYSIS

For the year ended 31 March 2018

	Operating income net of direct expenses			Profit from operations[1]		
Rm	2018	%	2017	2018	%	2017
Corporate & employee benefits	**1 176**	6	1 110	**218**	13	193
Consulting and retirements	**1 111**	6	1 053	**199**	16	172
Group risk	**65**	14	57	**19**	(10)	21
Investments	**712**	12	637	**398**	29	308
Institutional clients	**1 888**	8	1 747	**616**	23	501
Wealth and investments	**856**	2	836	**391**	(4)	406
Retail insurance	**510**	7	477	**116**	15	101
Retail clients	**1 366**	4	1 313	**507**	–	507
Emerging markets	**250**	4	241	**31**	(11)	35
Administration only	**143**	(15)	169	**–**	–	–
Corporate	**–**	–	–	**(153)**	104	(75)
Total group before items below	**3 647**	5	3 470	**1 001**	3	968
Accounting for share scheme costs				**–**	(100)	(5)
Normalised earnings before non-trading items	**3 647**	5	3 470	**1 001**	4	963
Accounting for property leases				**(15)**	(42)	(26)
Total group	**3 647**	5	3 470	**986**	5	937

Rm	2018	%	2017
Normalised earnings before non-trading items	**1 001**	4	963
Non-trading and capital items (excluding goodwill impairment and amortisation of PPA intangible assets)	**(54)**		(50)
Investment income (excluding policyholder investment income)	**236**		156
Finance costs	**(97)**		(89)
Normalised profit before tax	**1 086**	11	980
Normalised income tax expense	**(352)**		(277)
Normalised profit after tax	**734**	4	703
Profit from discontinued operations[2]	**–**		172
Normalised profit for the period	**734**	(16)	875
Attributable to non-controlling interest	**(77)**		(105)
Normalised profit attributable to shareholders	**657**	(15)	770
Normalised earnings per share	**51.2**	(14)	59.3
Normalised weighted average number of shares in issue (millions)	**1 283**		1 299

1. Profit from operations before share scheme costs, property lease adjustments and non-trading and capital items.
2. Discontinued operations are excluded from normalised earnings. In the prior year the operating profits of LCP have been included in the normalised results for the eight months to the date of sale. This exception is included due to the materiality of the earnings and to provide an appropriate comparison to the current year based on the retained proceeds on disposal.

A full reconciliation of the normalised earnings to the statutory income statement may be found in the audited group consolidated annual financial statements.

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 restated to provide the appropriate comparative numbers.

SUMMARY NOTES

For the year ended 31 March 2018

1. Basis of preparation

The Alexander Forbes Group Holdings Limited (the group) summary consolidated financial statements for the year ended 31 March 2018 (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 consistent with the accounting policies applied in the preparation of Alexander Forbes Group Holdings Limited's previous consolidated annual financial statements. In addition, new standards, amendments and interpretations which became effective in 2018 have been applied.

While this report is itself not audited, the consolidated annual financial statements from which the summary consolidated annual financial statements on pages 12 to 25 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 2018 on the JSE's Securities Exchange News Service (SENS) which will also contain information on the company's annual general meeting and the 2018 integrated reporting suite.

These summary consolidated financial statements were compiled under the supervision of Naidene Ford-Hoon (Fok), CA(SA) the group chief financial officer. The board of directors of Alexander Forbes Group Holdings Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

Rm	2018	2017
2. Fee and commission income*		
Brokerage fees and commission income	**41**	45
Fee income from consulting and administration services	**2 143**	2 096
Fee income from investment management activities	**1 892**	1 790
Other income	**18**	38
	4 094	3 969
3. Net income from insurance operations		
Gross earned premiums	**2 505**	2 318
Less: Reinsurers' share thereof	**(1 473)**	(1 399)
Investment income from insurance operations	**43**	37
Insurance claims, commissions and withdrawals	**(1 774)**	(1 686)
Plus: Reinsurers' share thereof	**1 322**	1 294
	623	564
4. Non-trading and capital items		
Costs relating to strategic consulting engagement	**(34)**	(39)
Impairment/write-off of software	**(17)**	(6)
Other	**(3)**	(5)
Normalised non-trading and capital items	**(54)**	(50)
Amortisation of intangible assets arising from business combination	**(80)**	(117)
Goodwill written off[1]	**(317)**	–
Professional indemnity insurance cell-captive result	**(25)**	30
Total non-trading and capital items	**(476)**	(137)

* Restated for the effects of discontinued operations.

1. The goodwill balance for each cash-generating unit (CGU) is tested for impairment annually based on value-in-use calculations. During the current year goodwill allocated to the Group risk (previously AF Life) CGU was fully written off.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2018

Rm	2018	2017
5. Investment income		
Interest income	**210**	115
Investment and dividend income	**31**	33
Foreign exchange (losses)/gains on intergroup loans	**(5)**	8
Investment income from general operations	**236**	156
Investment returns linked to policyholder tax expense[1]	**(11)**	22
Total investment income	**225**	178

1. Investment income includes an investment loss recognised as a result of policyholder tax requirements of R11 million (2017: profit of R22 million).

6. Finance costs

Rm	2018	2017
Interest on revolving credit facility	**(60)**	(66)
Cost of hedging[2]	**(17)**	–
Other interest costs	**(20)**	(23)
	(97)	(89)

2. During the year the group entered into a forward exchange contract to hedge foreign denominated cash flows relating to the IT modernisation project. The group designated the changes in the fair value of the spot element as the hedging instrument. Consequently, changes in the spot rate are accounted for in a cash flow hedge reserve via other comprehensive income whereas the changes in the fair value as a result of the forward points are immediately recognised in profit or loss and presented under finance costs.

7. Income tax expense

Rm	2018	2017
South African income tax		
Current tax	**(335)**	(268)
Current year	**(322)**	(274)
Prior year	**(13)**	6
Deferred tax	**39**	33
Current year	**34**	26
Prior year	**5**	7
Foreign income tax		
Current tax	**(16)**	(5)
Foreign withholding tax	**(7)**	(5)
Income tax expense relating to group profits	**(319)**	(245)
Income tax (credit)/expense on policyholder investment returns	**11**[3]	(22)
Current tax – current year	**(44)**	(24)
Deferred tax – current year	**55**	2
Total income tax expense	**(308)**	(267)

3. Credit due to net release of unrealised gains.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2018

8. Discontinued operations

As part of the group's strategic refocusing of its operations certain entities have been discontinued and disposed of. The assets and liabilities of these entities are presented as assets and liabilities of disposal group classified as held for sale at the date of discontinuance. The results of operations of the discontinued entity are reported separately in the income statement with the prior year also being restated to take this into effect.

The operations of Alexander Forbes East Africa (East Africa) were classified as a discontinued operation during the year ended 31 March 2017. The assets and liabilities of this operation were classified as assets and liabilities of disposal group classified as held for sale. Certain delays caused by circumstances beyond the control of the group have resulted in East Africa still being presented as a discontinued operation. The group, however, remains committed to its plan to sell East Africa.

In the prior year the results of discontinued operations included Alexander Forbes Compensation Technologies (AFCT) and Lane Clark & Peacock (LCP). These operations were disposed of in the same year, resulting in a profit of R796 million.

Rm	2018	2017*
Assets and liabilities of disposal group classified as held for sale		
Long-term assets	**25**	5
Deferred tax assets	**1**	1
Trade and other receivables	**33**	47
Other current assets	**8**	2
Cash and cash equivalents	**15**	11
Total assets	**82**	66
Deferred tax liabilities	**2**	–
Provisions	**1**	–
Trade and other payables	**11**	11
Total liabilities	**14**	11
Net profit of business units discontinued up to effective date of disposal		
Fee and commission income	**81**	1 303
Operating income net of direct expenses	**81**	1 303
Operating expenses	**(66)**	(1 124)
Profit from operations before non-trading and capital items	**15**	179
Non-trading and capital items[1]	**8**	(7)
Operating profit	**23**	172
Share of net profit of associate	**2**	4
Profit before taxation	**25**	176
Income tax expense	**(4)**	(18)
Profit for the year from discontinued operations	**21**	158
Profit on disposals	**–**	796
Total profit from discontinued operations	**21**	954

* Restated.

1. Non-trading and capital items relate mainly to deferred proceeds on the sale of Alexander Forbes Compensation Technologies.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2018

9. Earnings per share

9.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the company by the weighted average number of shares in issue during the year.

9.2 Headline earnings per share

Headline earnings per share is calculated by excluding applicable non-trading and capital gains and losses from the profit attributable to shareholders and dividing the resultant headline earnings by the weighted average number of shares in issue during the period. Headline earnings is defined in Circular 4/2018 issued by the South African Institute of Chartered Accountants.

9.3 Diluted earnings per share

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

9.4 Normalised earnings per share

Normalised earnings per share is calculated by dividing the normalised profit for the year attributable to owners of the company per the group segmental income and profit analysis by the weighted average number of shares in issue, adjusted for shares held by policyholders classified as treasury shares.

			2018	2017
9.5	**Number of shares (million)**			
	Weighted average number of shares		**1 341**	1 341
	Weighted average shares held by policyholders classified as treasury shares		**(14)**	(19)
	Weighted average treasury shares		**(58)**	(42)
	Weighted average number of shares in issue (net of treasury shares)		**1 269**	1 280
	Dilutive shares		**6**	7
	Diluted weighted average number of shares		**1 275**	1 287
	Actual number of shares in issue		**1 341**	1 341
	Actual treasury shares		**(95)**	(59)
	Shares in issue net of treasury shares		**1 246**	1 282
	Normalised number of shares			
	Weighted average number of shares in issue		**1 269**	1 280
	Shares held by policyholders classified as treasury shares		**14**	19
	Normalised number of shares in issue		**1 283**	1 299
9.6	**Calculation of basic and headline earnings from total operations (Rm)**			
	Profit attributable to owners of the company		**240**	1 465
	Adjusting items:			
	– Profit on disposal of subsidiary – discontinued operations		**–**	(796)
	– Impairment of goodwill and intangible assets		**332**	14
	– Other capital items		**(9)**	–
	Headline earnings for the year		**563**	683
	Earnings per share from total operations[1]			
	Basic earnings per share	(cents)	**18.9**	114.5
	Headline earnings per share	(cents)	**44.4**	53.4
	Diluted basic earnings per share	(cents)	**18.8**	113.8
	Diluted headline earnings per share	(cents)	**44.2**	53.1

1. Amounts computed using unrounded numbers.

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2018

			2018	2017
9.	**Earnings per share** (continued)			
9.7	**Calculation of normalised earnings from total operations (Rm)**			
	Normalised profit for the year from continuing operations per group segmental income and profit analysis		**734**	703
	Adjusted for:			
	– Profit from discontinued operations		**–**	172
	– Attributable to non-controlling interests		**(77)**	(105)
	Normalised profit attributable to owners of the company		**657**	770
	Normalised basic earnings per share[1]	(cents)	**51.2**	59.3
9.8	**Calculation of basic and headline earnings from continued operations (Rm)**			
	Profit after tax from continuing operations		**306**	620
	Less: Profit attributable to non-controlling interests		**(77)**	(23)
	Profit attributable to owners of the company		**229**	597
	Adjusted for:			
	– Write-off relating to intangible assets		**332**	6
	Headline earnings from continuing operations		**561**	603
	Earnings per share from continuing operations[1]			
	Basic earnings per share from continuing operations	(cents)	**18.0**	46.7
	Headline earnings per share from continuing operations	(cents)	**44.2**	47.1
	Diluted basic earnings per share from continued operations	(cents)	**17.9**	46.4
	Diluted headline earnings per share from continued operations	(cents)	**44.0**	46.9
9.9	**Calculation of basic and headline earnings from discontinued operations (Rm)**			
	Profit after tax from discontinued operations		**21**	954
	Less: Profit attributable to non-controlling interests		**(10)**	(86)
	Profit from discontinued operations attributable to owners of the company		**11**	868
	Adjusted for:			
	– Profit on disposal of subsidiary		**–**	(796)
	– Other capital items		**(9)**	8
	Headline earnings from discontinued operations		**2**	80
	Earnings per share from discontinued operations[1]			
	Basic earnings per share from discontinued operations	(cents)	**0.9**	67.8
	Headline earnings per share from discontinued operations	(cents)	**0.2**	6.3
	Diluted basic earnings per share from discontinued operations	(cents)	**0.9**	67.4
	Diluted headline earnings per share from discontinued operations	(cents)	**0.2**	6.2

1. Amounts computed using unrounded numbers.

	Rm	2018	2017
10.	**Capital expenditure for the year**	**345[1]**	132

1. Mainly additions relating to the IT modernisation project amounting to R272 million (inclusive of R7 million reclassification of hedging reserve).

SUMMARY NOTES (CONTINUED)

For the year ended 31 March 2018

11. Operating lease commitments

Rm	2018	2017
Due within one year	**184**	187
Due between one and five years	**755**	766
Due after five years	**354**	558
Total operating lease commitments	**1 293**	1 511

The group has capital commitments amounting to R308 million. Capital expenditure and commitments will be funded from internal cash resources.

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

The policyholder assets held by the group's multi-manager investment subsidiary, AF Investments, in South Africa and Namibia are recognised on the statement of financial position in terms of IFRS. These assets are directly matched by linked obligations to policyholders.

As a result of the group being listed, the investments by underlying asset managers in the listed shares of the group are recognised as treasury shares and all fair value adjustments recognised on these treasury shares are reversed, while the corresponding fair value adjustments of the liability continues to be recognised in the income statement. The resultant loss for the year of R24 million (2017: R2 million) has been disclosed separately on the face of the income statement. This treatment also affects the number of shares in issue, the impact of which is disclosed in note 9.

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

Rm	2018	2017
Total financial assets held under multi-manager investment contracts (per statement of financial position)	**296 758**	281 498
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	**73**	137
Financial effects of accounting for policyholder investments as treasury shares – prior years	**(30)**	(33)
– current year	**24**	2
Total financial liabilities held for policyholders under multi-manager investment contracts	**296 825**	281 604

13. Financial risk management and financial instruments

13.1 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 2018.

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

13.2 Liquidity risk

Compared to the 31 March 2017 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 2018

13. Financial risk management and financial instruments (continued)

13.3 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
2018				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	**176 993**	**107 014**	**4 864**	**288 871**
Financial assets of insurance cell-captive facilities	**178**	**168**	**–**	**346**
General operations	**–**	**346**	**14**	**360**
Total financial assets measured at fair value	**177 171**	**107 528**	**4 878**	**289 577**
Cash held under multi-manager investment contracts	**–**	**7 887**	**–**	**7 887**
Cash held under insurance cell-captive contracts	**–**	**6**	**–**	**6**
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	**–**	**291 937**	**4 888**	**296 825**
Financial liabilities of insurance cell-captive facilities	**–**	**352**	**–**	**352**
Total financial liabilities measured at fair value	**–**	**292 289**	**4 888**	**297 177**
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 cell-captive facilities	172	148	–	320
General operations	–	260	13	273
Total financial assets measured at fair value	185 775	83 719	2 784	272 278
Cash held under multi-manager investment contracts	–	9 813	–	9 813
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	278 833	2 771	281 604
Financial liabilities of insurance cell-captive facilities	–	320	–	320
Total financial liabilities measured at fair value	–	279 153	2 771	281 924

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 2018

13. Financial risk management and financial instruments (continued)

13.3 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	Equity
	Distribution discount model, cost, mark to market, price earnings multiple and liquidation value	Interest rates and exchange traded prices
	Debt	Debt
	Discounted cash flow model	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 as the assets are economically matched to the liabilities in the multi-manager.

13.4 Valuation methods and assumptions for valuation techniques

There were no changes in the valuation methods and assumptions for valuation techniques since 31 March 2017. 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 2018.

13.5 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

14. 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.

15. Events after reporting period

Settlement of finance lease liability

During March 2018 the group successfully negotiated a settlement of the future minimum lease payments. This payment was made during April 2018.

16. Corporate governance

The company prescribes to the principles and practices contained in the King IV™ Report on Corporate Governance for South Africa in 2016. Detailed disclosure of our application and explanations will be available on our website in July 2018, following an announcement on SENS. Please contact our group general council and company secretary, Carina Wessels, for any additional information in this regard.

GLOSSARY

Operating income net of direct expenses (operating income)	This 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.
Consulting	Includes actuarial consulting, healthcare actuarial and consulting, as well as fund administration and consulting to standalone retirement funds.
Cost-to-income ratio	The cost-to-income ratio is measured as the operating expense (which may be calculated as the difference between operating income and operating profit before non-trading items) divided by the operating income net of direct expenses.
Dividend cover	The dividend cover reflects the number of times that the earnings of the group will cover the final declared dividend for the period. The cover ratio may be calculated by dividing the normalised headline earnings per share by the interim and final dividend declared for the period.
EBITDA	The group calculates EBITDA by taking operating profit, adding back the depreciation and amortisation of tangible and intangible assets (including the impairment of goodwill and software intangible assets).
JIBAR	Johannesburg Interbank Average Rate
Retirements	Includes fund administration and consulting to umbrella retirement funds and beneficiary funds.
Group risk	Group risk and disability insurance through Alexander Forbes Life provided to corporates and retirement funds.
Wealth and investments	The Wealth and investments segment of the retail 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.
Retail insurance	The Retail insurance businesses comprise AF Insurance, which provides short-term insurance solutions to individuals, and the AF Life individual insurance business.
Total shareholder return	The principle of total shareholder return is to measure the return that would be achieved by a shareholder who invests in the group on the first day of the financial year and disinvests on the last date of the year. The return includes any cash flows received by the shareholder during this period.
Profit from operations	Profit from operations before share scheme costs, property lease adjustments and non-trading and capital items.
Normalised segmental results	The group's segmental results are reflected to include the normalised results which is the basis upon which management manages the group and reflects the economic substance of the group's performance. The adjustments between the IFRS summary consolidated income statement and the normalised results are as follows: ▪ accounting for property lease; ▪ amortisation of intangible assets arising from business combination; ▪ reported loss arising from accounting for policyholder investment in treasury shares; ▪ professional indemnity insurance cell-captive results; and ▪ investment income and taxation payable on behalf of policyholders.

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

N Nyembezi (Chair), MD Collier, RM Head, BJ Memela-Khambula, M Ramplin, N Payne

Non-executive directors

DJ Anderson, WS O'Regan, B Radebe

Executive directors

AA Darfoor (Group Chief Executive)
N Ford-Hoon (Fok) (Group Chief Financial Officer)

Group general council and company secretary

CH Wessels

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: 11 June 2018

Alexander Forbes Group Holdings Limited

(the company)

Tel: +27 (0)11 269 0000
115 West Street, Sandown
PO Box 787240, Sandton 2146, South Africa
www.alexanderforbes.co.za