

african phoenix
investments limited

CONDENSED AUDITED
CONSOLIDATED FINANCIAL RESULTS
for the year ended 30 September
2017



SALIENT FEATURES

TOTAL EQUITY
R1.83 billion

(2016: R1.64 billion)

TOTAL CASH AND
CASH EQUIVALENTS
R1.88 billion

(2016: R1.83 billion)

EARNINGS / (LOSS)
PER SHARE FROM
CONTINUING
OPERATIONS

13.7 cents

(2016: (6.5) cents)

HEADLINE
EARNINGS / (LOSS) PER
SHARE FROM CONTINUING
OPERATIONS

13.7 cents

(2016: (6.5) cents)

NET ASSET
VALUE PER ORDINARY
SHARE

48.8 cents

(2016: 35.7 cents)

EARNINGS
PER SHARE

13.0 cents

(2016: 33.0 cents)

HEADLINE EARNINGS
PER SHARE

13.0 cents

(2016: 34.0 cents)

COMMENTARY

INTRODUCTION

On 3 February 2017, the name of the company was changed from African Bank Investments Limited to African Phoenix Investments Limited ("name change"). Shareholders are referred to the SENS announcement pertaining to the name change, dated 24 January 2017.

References to "the company" or "the group" in these condensed audited consolidated financial results for the year ended 30 September 2017 relate to African Phoenix Investments Limited ("Phoenix").

The suspension on trading in the shares of the company was lifted on 1 February 2017.

BACKGROUND

The company owns 100% of The Standard General Insurance Company Limited ("Stangen") which is the company's only trading subsidiary.

Since the previous year end, there were no changes in the status of the company's investments in Residual Debt Services Limited (formerly African Bank Limited) ("RDS"), which is still under curatorship. There was also no change in the status of the company's investment in Ellerine Holdings Limited, which is in business rescue. Both of these investments were impaired in full in previous financial periods.

FINANCIAL PERFORMANCE SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

The group reported net profit after tax of R186 million for the year ended 30 September 2017 (2016: R491 million). The trading profits were mainly generated by Stangen, but also include recognition of the value of the Residual Debt Services Senior Stub Notes (R48 million) and recoveries from Ellerine Furnishers Proprietary Limited (in business rescue) ("EF") of R45 million in respect of fully impaired claims against EF.

Basic and headline earnings per share was 13.0 cents for the year ended 30 September 2017 (2016: 33.0 cents and 34.0 cents respectively). Earnings per share from continuing operations improved from a loss per share of 6.5 cents in 2016 to an earnings per share of 13.7 cents for the year ended 30 September 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total shareholder's equity at 30 September 2017 amounted to R1.83 billion (2016: R1.64 billion). The group remains both solvent and liquid and has cash reserves of R1.88 billion (2016: R1.83 billion).

The group statement of financial position as at 30 September 2016 included a R189 million special actuarial liability for Stangen. This special actuarial liability was raised to ensure sufficient provision was made for forecast maintenance expenses given the uncertainty at the time, of the amount of new business the company would be able to generate following the lifting of the section 12 restrictions imposed by the Financial Services Board ("FSB") on the company's licence when its erstwhile sister company, African Bank Limited, went under curatorship in August 2014.

Based on trading performance and sales volumes achieved by Stangen in the year under review, the special actuarial liability has been reduced to R127 million as at 30 September 2017.

INVESTMENT IN DIFFERENT LIFE PROPRIETARY LIMITED

During the year under review, Stangen invested in a 15% equity stake in Different Life Proprietary Limited for a cash consideration of R20 million. A further issuance of shares by Different Life Proprietary Limited, as anticipated at the time of investing, diluted the company's effective holding to 13%.

For accounting and disclosure purposes, the investment in Different Life is categorised as available for sale held at fair value through other comprehensive income (level 3 in terms of the fair value hierarchy) and except for this financial asset, there were no transfers to or from level 3 in the current or prior year.

The fair value of the investment has been determined by inputs that are not based on observable market data. The budgeted future expected cash flows from the underlying entity have been discounted at the company's expected rate of return over a three year period, taking inflationary growth into account. Other unobservable inputs noted in the calculation relate to lead costs, average premium, not taken-up (NTU) rates, strike factors and various cost assumptions.

DISCONTINUED OPERATIONS

Stangen concluded an agreement and financial settlement with African Bank Limited and RDS in respect of its run-down credit life portfolio, effective 1 April 2016. The agreement passed 100% of the risk and benefit in that credit life book to Guardrisk Life Limited ("Guardrisk") until such time as the run-down credit life book is transferred to Guardrisk.

The transfer of the run-down credit life portfolio to Guardrisk, arising from the settlement with the banking parties, was approved by the FSB on 8 June 2017, with an operative date of 30 June 2017. Stangen therefore has no credit life exposure and has resolved all the legacy matters following the termination of relationships with both RDS and African Bank Limited.

CONTINGENT LIABILITIES

A number of EF employees have claimed amounts due to them from EF and Ellerines Holdings Limited (in business rescue). The amounts claimed by the employees amount to R42.6 million. The employees are also seeking to recover this amount from Phoenix. The legal opinion obtained by the group states that the group is not liable for payment of the amounts claimed. Accordingly, the group has not provided for this contingent liability. The parties, including Phoenix, have agreed to settlement via arbitration, which process has commenced and is ongoing.

GOING CONCERN

The Board concluded that the preparation of the financial information on a going concern basis is appropriate.

DIVIDENDS

No ordinary or preference dividends were declared in the current period (2016: Rnil).

DIRECTORATE

The following directors were appointed to the board of directors of Phoenix ("Board") during the year under review.

John Evans	(date appointed: 1 October 2016)
Carmen Le Grange	(date appointed: 28 March 2017)
Peter Mountford	(date appointed: 28 March 2017, resigned 19 July 2017)
Isaac Shongwe	(date resigned: 31 July 2017)
Samuel Sithole	(date appointed: 22 September 2017)
Nonzukiso Siyotula	(date appointed: 22 September 2017)
Oyama Mabandla	(date appointed: 22 September 2017)

Isaac Shongwe resigned as a director and chairman of Phoenix on 31 July 2017 and was replaced as chairman by Morris Mthombeni, initially in an acting capacity and subsequently on a permanent basis on 25 August 2017.

Subsequent to the end of the reporting period, Enos Banda's term as group Chief Executive Officer ended on 30 November 2017. However, Enos will remain on the Board as a non-executive director of Phoenix.

LOOKING AHEAD

Our goal is to create long term value by actively investing in a diversified group of businesses. In pursuit of our goal, we aim to appoint a management team with demonstrable skills in deploying capital, generating shareholder value and an ability to utilise our unique structuring opportunity.

On behalf of the Board

Morris Mthombeni
Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 September 2017

R million	Audited for the year ended 30 Sep 2017	Audited for the year ended 30 Sep 2016
Insurance income	64	86
Interest received	140	114
Other income	47	–
Total income	251	200
Insurance claims	38	(203)
Operating costs	(93)	(91)
Reversal of impairment / (impairment) of financial instruments	46	(9)
Profit / (loss) before taxation	242	(103)
Direct taxation: Normal	(47)	7
Profit / (loss) for the year from continuing operations	195	(96)
(Loss) / profit for the year from discontinuing operations	(9)	587
Profit for the year	186	491
Reconciliation between basic earnings and headline earnings		
Profit / (loss) for the year from continuing operations	195	(96)
(Loss) / profit for the year from discontinuing operations	(9)	587
Profit for the year	186	491
Basic earnings attributable to ordinary shareholders	186	491
Adjusted for:		
Loss on transfer of business	–	14
Headline earnings	186	505
BASIC EARNINGS AND HEADLINE EARNINGS		
Earnings and headline earnings per share		
Basic earnings / (loss) per ordinary share – continued operations	13.7	(6.5)
Basic (loss) / earnings per ordinary share – discontinued operations	(0.6)	39.5
Basic earnings per ordinary share – total	13.0	33.0
Headline earnings / (loss) per ordinary share – continued operations	13.7	(6.5)
Headline (loss) / earnings per ordinary share – discontinued operations	(0.6)	40.5
Headline earnings per ordinary share – total	13.0	34.0
Weighted number of shares in issue (million)	1 427.0	1 485.7
Diluted earnings and headline earnings per share		
Diluted earnings / (loss) per ordinary share – continued operations	13.7	(6.5)
Diluted earnings per ordinary share – total	13.0	33.0
Diluted headline earnings / (loss) per ordinary share – continued operations	13.7	(6.5)
Diluted headline earnings per ordinary share – total	13.0	34.0
Weighted number of shares in issue (million)	1 427.0	1 485.7

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2017

R million	Audited for the year ended 30 Sep 2017	Audited for the year ended 30 Sep 2016
Profit for the year	186	491
Other comprehensive income	–	–
Total comprehensive profit for the year	186	491

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2017

R million	Audited as at 30 Sep 2017	Audited as at 30 Sep 2016
Assets		
Intangible assets	13	–
Equipment	1	1
Financial assets	20	–
Other assets	101	60
Taxation	1	1
Deferred tax asset	1	–
Cash and cash equivalents	1 881	1 833
Disposal group	–	267
Total assets	2 018	2 162
Equity and liabilities		
Ordinary shareholders' equity	696	510
Preference shareholders' equity	1 130	1 130
Total equity (capital and reserves)	1 826	1 640
Taxation	3	1
Policyholders' liabilities under insurance contracts	128	191
Borrowings	23	23
Other liabilities	38	40
Disposal group	–	267
Total liabilities	192	522
Total equity and liabilities	2 018	2 162

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2017

R million	Ordinary shares		Ordinary shareholders' equity	Preference share capital and premium	Total
	Share capital and premium	Distributable reserves			
Balance at 30 September 2015	14 650	(14 631)	19	1 130	1 149
Total comprehensive income for the year	–	491	491	–	491
Balance at 30 September 2016	14 650	(14 140)	510	1 130	1 640
Total comprehensive income for the year	–	186	186	–	186
Balance at 30 September 2017	14 650	(13 954)	696	1 130	1 826

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2017

R million	Audited for the year ended 30 Sep 2017	Audited for the year ended 30 Sep 2016
Cash generated from / (utilised by) operations	131	(119)
Cash receipts	251	650
Cash paid	(120)	(769)
Direct taxation paid	(43)	(263)
Cash inflow / (outflow) from continuing operations	88	(382)
Cash (outflow) / inflow from discontinuing operations	(12)	492
Net cash inflow from operations	76	110
Cash outflow from investing in continued operations	(28)	(2)
Acquisition of property and equipment	–	(2)
Acquisition of intangible assets	(14)	–
Investment	(20)	–
Decrease in other assets	6	–
Cash outflow from investing in discontinued operations	–	(191)
Payment on reinsurance transaction	–	(191)
Cash outflow from financing activities	–	(451)
Cash outflow from funding activities	–	(451)
Increase / (decrease) in cash and cash equivalents	48	(534)
Cash and cash equivalents at the beginning of the year	1 833	2 367
Cash and cash equivalents at the end of the year	1 881	1 833

NET ASSET VALUE PER SHARE

as at 30 September 2017

R million	Audited as at 30 Sep 2017	Audited as at 30 Sep 2016
Total equity	1 826	1 640
Less: Preference shareholders' equity	(1 130)	(1 130)
Equity attributable to ordinary shareholders	696	510
Total number of ordinary shares in issue (million)	1 427.0	1 427.0
NAV per ordinary share (cents)	48.8	35.7

CONSOLIDATED SEGMENTAL REVENUE AND RESULTS

for the year ended 30 September 2017

30 September 2017 R million	Insurance	Corporate	Total
Income (continuing operations)	182	69	251
EBITDA (continuing operations)	37	67	104
Interest received	116	24	140
Reversal of impairment of financial instruments	–	46	46
Loss before taxation from discontinuing operations	(12)	–	(12)
Profit before taxation from continuing operations	151	91	242
Total assets	1 548	470	2 018
Total liabilities	140	52	192

30 September 2016 R million	Insurance	Corporate	Total
Income (continuing operations)	174	26	200
EBITDA (continuing operations)	(142)	(58)	(200)
EBITDA (discontinuing operations)	787	–	787
Interest received (continuing operations)	88	26	114
Interest received (discontinuing operations)	30	–	30
Impairment of financial instruments	–	(9)	(9)
Profit before taxation from discontinuing operations	815	–	815
Loss before taxation from continuing operations	(52)	(51)	(103)
Total assets (including discontinued operations)	1 786	376	2 162
Total liabilities (including discontinued operations)	468	54	522

AUDITORS' REPORT

The accompanying financial information is extracted from the audited financial statements but is in itself not audited. The auditors have expressed an unqualified opinion on the financial statements of the group. The financial statements have been audited by Grant Thornton, Johannesburg Partnership.

The full audit reports are available for inspection at the company's registered office. The auditors' report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of the auditors' report together with the accompanying financial information from the issuer's registered office.

BASIS OF PREPARATION

The preparation of this financial information was supervised by John Evans CA(SA), CA(Aus).

The financial information contained herein has been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board, Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act of South Africa (Act 71 of 2008) as well as the Listings Requirements of the JSE Limited.

All accounting policies and their application are consistent with those used for the group's 2016 annual financial statements.

The directors take full responsibility for the preparation of these financial results and information.

Johannesburg
8 December 2017

ADMINISTRATION

SPONSOR

Merchantec Capital

BOARD OF DIRECTORS

Independent non-executive: M Mthombeni (Chairman);

ABA Conrad; CL Le Grange; O Mabandla;

N Siyotula; DJJ Vlok

Non-executive: E Banda; S Sithole

Executive: JF Evans (FD)

AFRICAN PHOENIX INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1946 / 021193 / 06)

(Ordinary share code: AXL) (ISIN: ZAE000221370)

(Hybrid instrument code: AXLP) (ISIN: ZAE000221388)

REGISTERED OFFICE

52 Corlett Drive, Wanderers Office Park, Illovo, South Africa, 2196

Private Bag X31, Northlands, South Africa, 2116

COMPANY SECRETARY

Acorim Proprietary Limited

SHARE TRANSFER SECRETARIES

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