

AFRICAN PHOENIX INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1946/021193/06)

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

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

("Phoenix" or "the group" or "the company")

REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018

SALIENT FEATURES

Total equity of R1.85 billion (1H17: R1.70 billion ; FY17: R1.83 billion)

Total cash and cash equivalents of R1.91 billion (1H17: R1.83 billion ; FY17: R1.88 billion)

Earnings per share from continuing operations: 1.4 cents (1H17: 4.8 cents ; FY17: 13.7 cents)

Headline earnings per share from continuing operations: 1.4 cents (1H17: 4.8 cents ; FY17: 13.7 cents)

Earnings per share: 1.4 cents (1H17: 4.1 cents ; FY17: 13.0 cents)

Headline earnings per share: 1.4 cents (1H17: 4.1 cents ; FY17: 13.0 cents)

Net asset value per ordinary share: 50.2 cents (1H17: 39.9 cents ; FY17: 48.8 cents)

INTRODUCTION

References to "the company" or "the group" in these reviewed condensed consolidated financial results for the period ended 31 March 2018 relate to African Phoenix Investments Limited ("Phoenix").

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 investment 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 ("EHL"), which is in business rescue. Both of these investments were impaired in full in previous financial periods.

Dormant subsidiaries are in the process of being deregistered.

FINANCIAL PERFORMANCE

The group reported net profit after tax of R21 million for the six-month period ended 31 March 2018 (1H17: R59 million ; FY17: R186 million). The 65% decrease in headline earnings was mainly due to the lower amount of actuarial reserves released during the period (R6.3 million release in 1H18 compared to a R39.0 million release in 1H17) as well as an increase in operating costs (predominantly as a result of new business acquisition costs and above-the-line marketing campaigns in Stangen and an increase in legal costs and directors' remuneration in Phoenix). Basic and headline earnings per share was 1.4 cents for the period ended 31 March 2018 (1H17: 4.1 cents ; FY17: 13.0 cents).

Total shareholders' equity as at 31 March 2018 amounted to R1.85 billion (31 March 2017: R1.70 billion ; 30 September 2017: R1.83 billion). The group remains both solvent and liquid with cash reserves of R1.91 billion (31 March 2017: R1.83 billion ; 30 September 2017: R1.88 billion).

INVESTMENT IN DIFFERENT LIFE PROPRIETARY LIMITED

During the prior financial year, Stangen acquired a 15% equity stake in Different Life Proprietary Limited ("Different Life") for a cash consideration of R20 million. A further issuance of shares by Different Life in lieu of a convertible loan, envisaged at the time of investing, would have had the effect of diluting Stangen's holding to 13%. The loan has not yet been converted to equity.

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 rates, non-taken-up (NTU) rates, collection success rates and various cost assumptions.

DISCONTINUED OPERATIONS (PRIOR PERIOD)

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 was 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 RDS and African Bank Limited.

UPDATE ON FY17 CONTINGENT LIABILITY

A number of Ellerine Furnishers Proprietary Limited ("EF") employees claimed amounts due to them from EF and EHL (both of which companies are in business rescue). The amounts claimed by the employees amounted to R42.6 million and they also sought to recover this amount from Phoenix. The parties, including Phoenix, had agreed to settlement via arbitration, which process concluded in December 2017 with the arbitrator ruling in favour of the company (i.e. Phoenix is not liable for any of the claims made).

GOING CONCERN

In performing the going concern assessment, the directors have considered available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to the directors.

The directors 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 (2017: Rnil).

DIRECTORATE

The following changes were made to the board of directors of Phoenix ("Board") during and after the period under review.

Dr Enos Banda resigned as a non-executive director of the Board with effect from 16 January 2018 to focus on other business responsibilities.

John Evans' appointment as financial director of Phoenix ended on 28 February 2018, from which date he is no longer a member of the Board. Shafiek Ahmed Rawoot was appointed financial director of Phoenix with effect from 1 July 2018.

Siyabonga Nhlumayo was appointed as a board member and chief executive officer of the company with effect from 1 March 2018.

Daniël Vlok resigned as a non-executive director of the Board on 18 June 2018.

SUBSEQUENT EVENTS

During May 2018, Stangen invested an additional R1.4 million in shares issued by Different Life in order to maintain its equity stake at 15%. Pursuant to the subscription, the investment in Different Life would amount to R21.4 million.

The following dormant subsidiaries were deregistered during May 2018:

- Theta Investments Proprietary Limited;
- Customer Protection Insurance Company Limited; and
- Creditsave Proprietary Limited.

The deregistration of these companies had no financial impact on the group.

STRATEGIC OUTLOOK

As a publicly listed investment holding company, Phoenix's primary aim is to create and sustain long-term value as measured by consistent growth in net asset value, before distributions to shareholders.

Accordingly, the Board has chosen to position Phoenix as an investment holding company, managed primarily by black South Africans who have a proven track record of deploying capital in a manner that generates long term economic value.

It is the Company's intention to reach its long-term goal by owning meaningful equity interests in a range of diverse businesses that have either a proven track record or a proven business concept. These businesses should demonstrably generate or be able to generate cash and should earn acceptable returns in relation to the initial capital invested.

While Phoenix is a listed company, it is able to benefit from the advantages of operating as a private equity investor without the limitations of a typical private equity structure, which usually demands an exit from investee companies within a defined period. Investments are selected with a long-term

view in mind and the intention is that they will be maintained for as long as they continue to meet the Company's investment criteria. Conversely, investments will be disposed of should they fall short of these criteria.

The performance of deployed capital is actively assessed against the investment criteria on an ongoing basis to make sure that Phoenix meets its long-term objective of growing the Company's net asset value by more than the cost of capital at portfolio level. Phoenix will continue to use its strong balance sheet to take advantage of appropriate investment opportunities and to build shareholder value.

At subsidiary level, Stangen will continue to strengthen its distribution network and to actively seek out synergies that will enable it to secure its long-term sustainability.

On behalf of the Board

Morris Mthombeni
Chairman

Siyabonga Nhlumayo
Chief executive officer

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

R000	Consolidated results		
	Reviewed six months ended 31 Mar 18	Reviewed six months ended 31 Mar 17	Audited 12 months ended 30 Sep 17
Insurance income	32,906	31,927	63,838
Interest received	76,491	70,355	139,852
Other income	900	780	47,078
Income from operations	110,297	103,062	250,768
Net insurance claims	(4,163)	27,114	38,241
Claims paid to policyholders	(10,487)	(11,945)	(23,950)
Movement in insurance reserves	6,324	39,059	62,191
Operating costs	(64,187)	(32,764)	(92,933)
(Impairment) / reversal of impairment of financial instruments	(8,290)	-	46,115
Interest expense	(142)	-	(96)
Profit before taxation	33,515	97,412	242,095
Direct taxation: Normal	(12,930)	(29,855)	(47,410)
Profit for the period / year from continuing operations	20,585	67,557	194,685
Loss for the period / year from discontinuing operations	-	(8,563)	(8,563)
Profit for the period / year	20,585	58,994	186,122
Reconciliation between basic earnings and headline earnings			
Profit for the period / year from continuing operations	20,585	67,557	194,685
Loss for the period / year from discontinuing operations	-	(8,563)	(8,563)
Profit for the period / year	20,585	58,994	186,122
Basic earnings attributable to ordinary shareholders	20,585	58,994	186,122
Headline earnings	20,585	58,994	186,122
Earnings and headline earnings per share (cents)			
Basic earnings per ordinary share - continued operations	1.4	4.8	13.7
Basic earnings per ordinary share - discontinued operations	0.0	(0.6)	(0.6)
Basic earnings per ordinary share - total operations	1.4	4.1	13.0
Headline earnings per ordinary share - continued operations	1.4	4.8	13.7
Headline earnings per ordinary share - discontinued operations	0.0	(0.6)	(0.6)
Headline earnings per ordinary share - total operations	1.4	4.1	13.0
Weighted number of shares in issue (thousand)	1,427,005	1,427,005	1,427,005
Number of shares in issue (thousand)	1,427,005	1,427,005	1,427,005

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

R000	Consolidated results		
	Reviewed six months ended 31 Mar 18	Reviewed six months ended 31 Mar 17	Audited 12 months ended 30 Sep 17
Profit for the period / year	20,585	58,994	186,122
Other comprehensive income	-	-	-
Total comprehensive profit for the period / year	20,585	58,994	186,122

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R000	Consolidated results		
	Reviewed as at 31 Mar 18	Reviewed as at 31 Mar 17	Audited as at 30 Sep 17
Assets			
Cash and cash equivalents	1,907,683	1,833,114	1,881,333
Other assets	91,765	53,612	100,856
Financial assets	20,000	20,000	20,000
Equipment	997	1,355	1,147
Intangible assets	11,011	8,085	12,585
Taxation	468	-	1,230
Deferred tax asset	169	-	1,170
Disposal group	-	143,206	-
Total assets	2,032,093	2,059,372	2,018,321
Liabilities and equity			
Taxation	2,267	9,717	3,046
Deferred taxation	-	25	-
Policyholder liabilities under insurance contracts	121,858	151,314	128,182
Borrowings	23,377	23,377	23,377
Other liabilities	37,757	32,612	37,467
Disposal group	-	143,206	-
Total liabilities	185,259	360,251	192,072
Ordinary shareholders' equity	717,031	569,318	696,446
Preference shareholders' equity	1,129,803	1,129,803	1,129,803
Total equity (capital and reserves)	1,846,834	1,699,121	1,826,249
Total liabilities and equity	2,032,093	2,059,372	2,018,321
Tangible net asset value per ordinary share (cents)	49.5	39.3	47.9
Net asset value per ordinary share (cents)	50.2	39.9	48.8
Number of shares in issue (thousand)	1,427,005	1,427,005	1,427,005

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R000	Consolidated results				
	Ordinary shares		Ordinary shareholders' equity	Preference share capital and premium	Total
	Share capital and premium	Distributable reserves			
Balance at 30 September 2016	14,649,929	(14,139,605)	510,324	1,129,803	1,640,127
Total comprehensive income for the period	-	58,994	58,994	-	58,994
Balance at 31 March 2017	14,649,929	(14,080,611)	569,318	1,129,803	1,699,121
Total comprehensive income for the period	-	127,128	127,128	-	127,128
Balance at 30 September 2017	14,649,929	(13,953,483)	696,446	1,129,803	1,826,249
Total comprehensive income for the period	-	20,585	20,585	-	20,585
Balance at 31 March 2018	14,649,929	(13,932,898)	717,031	1,129,803	1,846,834

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R000	Consolidated results		
	Reviewed six months ended 31 Mar 18	Reviewed six months ended 31 Mar 17	Audited 12 months ended 30 Sep 17
Cash generated from operations	38,609	57,468	131,438
Cash receipts	110,297	109,488	250,768
Cash paid	(71,688)	(52,020)	(119,330)
Direct taxation paid	(11,945)	(17,129)	(43,532)
Cash inflow from continuing operations	26,664	40,339	87,906
Cash outflow from discontinuing operations	-	(11,893)	(11,893)
Net cash inflow from operations	26,664	28,446	76,013
Cash outflow from investing in continued operations	(314)	(28,257)	(27,605)
Acquisition of property and equipment	(115)	(185)	(240)
Acquisition of intangible assets	(199)	(8,072)	(13,791)
Investment	-	(20,000)	(20,000)
Decrease in other assets	-	-	6,426
Increase in cash and cash equivalents	26,350	189	48,408
Cash and cash equivalents at the beginning of the year	1,881,333	1,832,925	1,832,925
Cash and cash equivalents at the end of the period / year	1,907,683	1,833,114	1,881,333

NOTES TO THE FINANCIAL STATEMENTS

NET ASSET VALUE AND TANGIBLE NET ASSET VALUE PER SHARE

	Reviewed as at 31 Mar 18	Reviewed as at 31 Mar 17	Audited as at 30 Sep 17
Net asset value			
Total equity	1,846,834	1,699,121	1,826,249
Less: Preference shareholders' equity	(1,129,803)	(1,129,803)	(1,129,803)
Equity attributable to ordinary shareholders'	717,031	569,318	696,446
Total number of ordinary shares in issue (thousand)	1,427,005	1,427,005	1,427,005
NAV per ordinary share (cents)	50.2	39.9	48.8
Tangible net asset value per ordinary share			
Total equity	1,846,834	1,699,121	1,826,249
Less: Intangible assets	(11,011)	(8,085)	(12,585)
Less: Preference shareholders' equity	(1,129,803)	(1,129,803)	(1,129,803)
Tangible equity attributable to ordinary shareholders'	706,020	561,233	683,861
Total number of shares in issue (thousand)	1,427,005	1,427,005	1,427,005
Tangible NAV per ordinary share (cents)	49.5	39.3	47.9

CONSOLIDATED SEGMENTAL REVENUE AND RESULTS

31 March 2018 R000	Consolidated results		
	Insurance	Corporate	Total
Income (continuing operations)	88,925	21,372	110,297
EBITDA (continuing operations)	(16,128)	(24,810)	(40,938)
Interest received	55,119	21,372	76,491
Impairment of financial instruments	-	(8,290)	(8,290)
Profit before taxation from continuing operations	36,954	(3,439)	33,515
Total assets	1,567,506	464,587	2,032,093
Total liabilities	132,680	52,579	185,259
31 March 2017 R000	Insurance	Corporate	Total
Income (continuing operations)	92,393	10,669	103,062
EBITDA (continuing operations)	36,836	(9,214)	27,622
EBITDA (discontinuing operations)	(11,893)	-	(11,893)
Interest received (continuing operations)	59,686	10,669	70,355
Profit before taxation from discontinuing operations	(11,893)	-	(11,893)
Profit before taxation from continuing operations	95,956	1,456	97,412
Total assets (including discontinued operations)	1,678,639	380,733	2,059,372
Total liabilities (including discontinued operations)	309,766	50,485	360,251

AUDITORS' REPORT

These interim condensed consolidated financial statements for the period ended 31 March 2018 have been reviewed by the group's external auditors, Grant Thornton (Johannesburg Partnership), who expressed an unmodified review conclusion.

The auditors' review report does not necessarily conclude 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' review report together with the accompanying financial information from the issuer's registered office.

A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's review report.

BASIS OF PREPARATION

The preparation of this financial information was supervised by J Muller Strauss CA(SA).

The condensed 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 (IASB), 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 the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended, 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 2017 annual financial statements.

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

Johannesburg
27 June 2018

SPONSOR

Merchantec Capital

BOARD OF DIRECTORS

Independent non-executive: M Mthombeni (Chairman); ABA Conrad; CL Le Grange;
O Mabandla; N Siyotula

Non-executive: S Sithole

Executive: S Nhlumayo (CEO)

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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

Link Market Services South Africa Proprietary Limited

13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein

PO Box 4844, Johannesburg, 2000

Telephone: +27 11 713 0800

Telefax: +27 86 674 4381

WEBSITE

www.phoenixinvestments.co.za
