

African Phoenix Press release

4 June 2019

African Phoenix releases financial results for the six months ended 31 March 2019

Highlights

- Net asset value per ordinary share: 53 cents (1H18: 50.2 cents)
- Total shareholders equity: R1.885 billion (1H18: R1.846 billion)
- Cash and financial assets available for investment: R1.3 billion (1H18: R1.9 billion) (R1.3 billion excludes R654.9 million Stangen & GEMS cash previously consolidated and now included in Investments carried at fair value according to IFRS10*)

African Phoenix reported a 5.6% increase in net asset value (“NAV”) per share as at 31 March 2019 of 53 cents compared to 50.2 cents per share as at 31 March 2018. The Group remains both solvent and liquid with cash reserves and financial assets of R1.3 billion.

The slight increase in total shareholders’ equity to R1.9 billion was primarily due to interest income earned on cash investments net of operating expenses for the period. The Group reported net profit after tax of R13.8 million for the six months ended 31 March 2019 compared to R20.6 million for the comparative period. Operating expenses for the period increased by R44.6 million to R109 million primarily due to a rise in Stangen’s costs of R27.5 million as a result of the acquisition of the Joshua Trust call centre and the insurance and call centre operations of Different Life post the comparative period as detailed in the September 2018 annual report. The group also incurred one-off costs of R17.7 million including costs for the proposed transactions and for short-term incentives for the management team. No short-term incentives were paid to staff in the prior financial year.

No ordinary or preference dividends were declared for the period.

Update on proposed transactions

African Phoenix has made significant strides over the past six months to implement its strategy to create long-term value through the investment into investable assets. On 18 February 2019 the Group announced the proposed transactions which included the creation of a Black Fund Manager Structure to establish an investment platform and an intention to simplify the balance sheet through the repurchase of preference shares. The resolutions required to implement the proposed transactions were voted on and adopted by the requisite majority of shareholders at a general meeting held on 20 March 2019 (“General Meeting”).

Implementation of the Black Fund Manager Structure (BFM)

The matters approved by shareholders at the General Meeting included, amongst other things, all the resolutions required to implement the BFM Structure. These resolutions included the establishment of a private equity partnership, the API Capital Fund, the approval of the management arrangements in relation to the API Capital Fund and the adoption of an investment policy for African Phoenix. Consequently, a number of board changes took place. They included the appointment of Siya Nhlumayo, Shafiek Rawoot and Morris Mthombeni as directors of API Capital Proprietary Limited ("API Capital"), the general partner to the API Capital Fund, after their respective resignations from the board of African Phoenix.

As a consequence of the implementation of the BFM Structure, Oyama Mabandla was appointed as an executive director of African Phoenix and accordingly is no longer an independent non-executive director of the board. Alethea Conrad, who remains an independent non-executive director, was appointed as chairperson of the African Phoenix board.

On 4 April 2019, African Phoenix acquired a 99.99% stake in API Capital Fund with an initial capital commitment of R10 000. The remaining R500 million commitment was drawn down by API Capital and invested in the API Capital Fund on 7 May 2019.

Scheme Repurchase

Included in the proposed transactions announced on 18 February 2019 was a scheme of arrangement proposed by the African Phoenix board between the Company and the preference shareholders ("Scheme"). A shareholder who voted against the special resolution relating to the Scheme at the General Meeting requested that the company seek court approval to implement the scheme in accordance with section 115(3)(a) of the Companies Act. As a result, the Company has made application to court for approval of the special resolution relating to the Scheme and a court hearing date has been set for 5 June 2019 to hear the matter, the outcome of which will be announced to shareholders via SENS.

Given that the timing and outcome of the court approval process is uncertain, the fulfillment date of the Scheme repurchase and voluntary repurchase has been extended to 8 July 2019.

Voluntary repurchase

The proposed transactions announcement on 18 February 2019 also included the proposed voluntary repurchase of up to all of the preference shares in issue, which may only be implemented if the Scheme is not implemented for whatever reason. In this regard, the implementation of the voluntary repurchase is subject to the outcome of the hearing on 5 June 2019 in relation to the approval of the special resolution relating to the Scheme, in

addition to the conditions to the voluntary repurchase, as set out more fully in the circular that was issued to shareholders on 18 February 2019.

Appraisal rights

Prior to the General Meeting, the Company received objection notices in terms of section 164(3) of the Companies Act from three preference shareholders representing 1 252 598 preference shares. These shareholders have requested that the Company offer to repurchase their affected shares as envisaged in section 164 of the Companies Act. The Company is considering the demand and will deal with the matter in accordance with its obligations under section 164 of the Companies Act.

Outlook

With the establishment of the BFM Structure, the Investment Committee of the API Capital Fund has had the opportunity to review a number of investment opportunities with a view to investing capital within the next 12 months. The team is currently conducting due diligence processes on two investment opportunities. A further three investment opportunities are at non-binding offer stage after securing Investment Committee approval.

African Phoenix continues to explore a number of strategic options to advance Stangen's strategy of achieving operational scale as an insurance entity within its niche market proposition.

Executive Director, Oyama Mabandla noted: *"After receiving the mandate from shareholders at the General Meeting on 20 March 2019, the Board of African Phoenix and the Fund Manager, API Capital, are excited to make progress on the next chapter of the group, growing net asset value per share through investments made by the API Capital Fund."*

ENDS

* IFRS10 (International Financial Reporting Standards 10: Consolidated Financial Statements) acknowledges that investment entities have a unique objective to hold investments in other entities. An investment entity is therefore required to account for certain subsidiaries at fair value, which (amongst other requirements) results in all assets and liabilities of the subsidiary being recorded on a net basis in the Investments line on the Statement of Financial Position. African Phoenix investment policy was adopted on 20 March 2019, which, along with other requirements as per IFRS10, results in African Phoenix meeting the definition of an investment entity per IFRS10. For practical purposes African Phoenix has applied the requirements of IFRS10 regarding investment entities at and from 31 March 2019.



For the SENS and a full review of the financial statements, please refer to www.phoenixinvestments.co.za

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On behalf of Oyama Mabandla, Executive Director of African Phoenix