The turnaround at Alexander Forbes is intensifying, we are back in the game but we still have much to do. We have focused the business on its core, clear investment thesis of ‘cash flow plus growth’, and are beginning to see the benefits of this reflected in our performance across key operating metrics.

Under our refreshed strategy titled ‘Ambition 2022’, the group continues to deliver strong cash flows from operations of R470 million in the period. Looking at key financial metrics, operating expenses were contained at 2%, group trading margins were further improved to 25.3%, up 40 basis points (bps) and positive operating leverage was once again delivered at 60 bps, up 50 bps from the prior period.

Overall, Alexander Forbes delivered operating profit of R455 million, up 5%.

To deliver our investment thesis of ‘cash flow plus growth’ we need to be financially robust. The group remained financially robust with a strong regulatory surplus position of R1.5 billion, along with strong cash generated from operations as 10% of operating profit. From this financially robust position the board has approved an 18 cents interim dividend, up 6%, entirely consistent with our focus on sustained shareholder value creation.

Alexander Forbes has an extraordinary depth of talented people who understand our core business drivers of advice, distribution, administration and asset management. Nevertheless, we needed to strengthen some aspects of our skill set, and since the start of the financial year our senior management pool has been deepened with key appointments in Finance, asset management, insurance, human resources, IT and transition period. We are introducing numerous internal promotions, together with numerous internal promotions.

Looking ahead, although we have made progress, turnarounds are rarely linear and the improving results should be tempered by the realisation that the business still has issues to address and is performing nowhere near its full potential.

The first part of our ‘cash flow plus growth’ investment thesis is to convert more of our profits from operations into cash remitted to the group. In this regard the profit to cash conversion was strong at 80% of operations and 10% of operating profit, at R470 million.

Higher cash remittances allow for optimal capital allocation and dividend flexibility, this remains an area of focus in better targeting capital allocation towards improved enhancement of shareholder value.

**OPERATING PROFIT AND GROWTH**

At the group level, top-line growth of 3% was achieved, with strong performances from a number of our key strategic priorities beginning to deliver results, particularly across retirements up 16% year on year, group risk up 11% year on year and short-term insurance up 12% year on year. We also launched a number of new solutions into the marketplace over the period.

Profit from operations before non-trading and capital items increased by 5% to R455 million when compared with the same period last year.

The stability of our profit stream underlines our ‘cash flow plus growth’ investment proposition. While satisfactory at a group level, there remain a number of opportunities to improve both our growth levels and operating profits. Plans are in place to address these issues and execute against performance improvement plans for underperforming businesses.

**EXPENSES**

Operating expense growth of 2% over the period reflects the significant effort being taken to address a group cost-to-income ratio of 24.9% in cumulative expense reductions and operational efficiencies have been delivered off the 2018 expense base.

We are well on track to deliver our R200 million to R250 million expense reduction target by the end of 2020.

That said, significant opportunities remain to reduce expenses and improve operational efficiency. In doing so, our plan is to reinvest some of these additional savings towards initiatives geared towards better equipping us to more efficiently serve our customers through deploying the latest digital and IT technology. A significant step forward towards realisation of this is made, which will produce attractive returns and a short payback period required for further improve efficiency.

Going forward, we will measure our expense efficiency using a ratio of operating expenses to operating income (‘expense ratio’ or ‘cost-to-income ratio’). The group expense ratio for the period was 24.9%, representing an improvement of 40 bps. Lower expense ratios are essential for us to offer competitive products and solutions to our customers, and to produce the necessary returns for our shareholders. It is my intention to show improvement in this ratio year after year.

To deliver this expense discipline allowed a 3% improvement in the overall group trading margin to 25.3% compared with 24.9% for the same period last year.

**PEOPLE**

One of the priorities this financial year was to strengthen the management team to bring new skills into the group and progress has been made in this area. We have appointed new leaders in asset management, human resources, technology and IT, customer solutions and strategy through a combination of senior internal promotions and external hires.

An essential part of our ongoing business transformation is embedding a higher performance culture across Alexander Forbes. We are introducing a new set of values which will guide the day-to-day actions of our people. These values provide the framework on which decisions are made. These values are results, learning and caring.

One of the strengths of Alexander Forbes is the dedication and commitment of our people. This has been exemplary and I would like to thank them for their tireless work on behalf of our customers and shareholders in this transition period as we continue to execute our turnaround under Ambition 2022.

**OUTLOOK**

The markets we operate in, predominantly South Africa and select emerging markets, continue to experience uncertainty in both political and macroeconomic environments and our business model, much like other multinational service organisations, remains sensitive to these factors.

That said, at the interim stage of the 2018 financial year, our performance continues to show progress towards delivering what we said we would do. Our turnaround is intensifying as we focus more on improving operational execution as well as improving the customer experience as this is an integrated proposition anchored around helping our customers secure a lifetime of financial well-being and security. We have delivered more... more customer-focused solutions... more consistency in delivering positive operating leverage, more trading margins, more operating profit which, alongside more efficient profit to cash conversion, has led to more dividends.

We plan on using big data to be more disruptive in the areas of predictive analytics, taking advantage of our brand strength to drive further efficiency through improved automation. Putting the customer at the centre of our value proposition remains key.

We are also making good progress across our group-wide technology and digital transformation initiatives. We will continue to be selective in our investments with a clinical approach to the allocation of capital.

As a business, we remain focused on building on the progress made over the past year under my tenure as group chief executive. Alexander Forbes is a self-help story with a balanced and increasingly focused portfolio of businesses in South Africa and select emerging markets.
The tendency with self-help or turnaround businesses is to focus on the successes rather than the issues. I ask our colleagues to guard against this happening at Alexander Forbes. Have we made progress against what we said we would do? Yes, some. Is it a little faster than anticipated? Probably, in the view of some. Have we unlocked the full potential at Alexander Forbes? Not even close. There is certainly much more to come.

Andrew A Darfoor
Group chief executive

FINANCIAL HIGHLIGHTS
For the six months ended 30 September 2017

<table>
<thead>
<tr>
<th>% change</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Restated</td>
<td></td>
</tr>
<tr>
<td>Operating income (2) (from continuing operations)</td>
<td>up 3</td>
<td>1 799</td>
</tr>
<tr>
<td>Profit (3) from continuing operations (before non-trading and capital items)</td>
<td>up 5</td>
<td>415</td>
</tr>
<tr>
<td>Trading margin</td>
<td></td>
<td>25.3%</td>
</tr>
<tr>
<td>Operating leverage (3)</td>
<td></td>
<td>100.0%</td>
</tr>
<tr>
<td>Cash generated (from continuing operations)</td>
<td>down (4)</td>
<td>470</td>
</tr>
<tr>
<td>Normalised profit for the period (from continuing operations)</td>
<td>up 1</td>
<td>159</td>
</tr>
<tr>
<td>Headline earnings per share (cents)</td>
<td>down (30)</td>
<td>21.7</td>
</tr>
<tr>
<td>Interim dividend (Cents)</td>
<td>up 6</td>
<td>18</td>
</tr>
<tr>
<td>Average AuA and AuM (Rbn)</td>
<td>up 4</td>
<td>355</td>
</tr>
</tbody>
</table>

1. Restated for discontinued operations - refer to note 9.
2. Operating income represents revenue net of direct expenses.
3. Headline earnings represents the difference in growth of operating income and growth in operating expenses.

OVERVIEW OF FINANCIAL RESULTS
The group's profit from operations before non-trading and capital items has grown by 5% to R455 million for the six months to 30 September 2017.

The results for the six months ended 30 September 2016 included the operating profits from the UK-based Lane Clark & Peacock operation which was discontinued and sold in December 2016.

In addition, on 20 January 2017, the shareholders approved a transaction whereby African Rainbow Capital Limited purchased 10% of the group's Africa operations. The earnings of the group for 30 September 2017 reflect the increase in the non-controlling interest resulting from this transaction.

The accumulated profit for the period attributable to equity shareholders of R282 million reflects a decrease of 19% as a result of this discontinued operation and increase in non-controlling interest. The weighted average number of shares in issue of 1 279 million decreased as a result of the 21 million shares repurchased during the period. This share buy-back was offset by a decrease in policyholder shares treated as treasury shares. Headline earnings per share decreased by 20% to 21.7 cents per share for the six months ended 30 September 2017.

CONSOLIDATED OPERATING INCOME AND PROFIT FROM OPERATIONS
Operating income net of direct expenses (hereinafter referred to as operating income) represents gross revenue net of direct product costs. The group’s gross revenue is derived from fees charged for consulting, administration and the management of assets through multi-manager portfolios. In addition, operating income includes the net result from both the long-term and short-term insurance operations.

The group produced operating income from continuing operations of R1 799 million for the six months ended 30 September 2017, up 3% when compared with the same period last year.

Operating expenses of R1 344 million were 2% higher than the same period of the previous year. This reflects the significant effort undertaken to reduce costs through driving improved expense discipline and operational efficiencies throughout the group.

DIVISIONAL REVIEW OF OPERATIONS
The following is a brief summary of the divisional trading results for the six months ended 30 September 2017.

Institutional clients
The institutional clients division delivered R416 million of operating income, which is 5% higher than the prior period. Business units within this division include:
- consulting - administration, consulting and actuarial services to public sector entities, retirement funds and corporates, and healthcare actuarial and consulting;
- retirement - consulting and administration to our umbrella fund offerings, and beneficiary fund consulting and administration;
- investments - investment services, including a range of investment portfolios, advice-led investment consulting services, and group risk.

Group risk - group life insurance offered to retirement funds and employers through Alexander Forbes Ltd.

Expenses were prudently managed with a 3% growth year on year, highlighting a strong management focus on cost and operational efficiency. As a result of profit from operations increased by 4% to R239 million for the six months ended 30 September 2017.

(1) Consulting
New business opportunities were impacted across the business unit as a result of delayed decision-making at trustee and corporate levels. We firmly believe that our value proposition remains relevant and we see strong momentum in clients continuing to value our expertise as a trusted adviser in delivering favourable outcomes and experiences by securing their financial well-being.

Consultants remain key in delivering on our strategic intent. In line with ambition to grow our umbrella funds and asset accumulation, one step to ensuring asset accumulation was the launch of the Alexander Forbes Retirement Income Solution (AFRIS) in April 2017. AFRIS provides retirement fund members with a cost-effective solution to preserve their retirement fund savings when changing employment as well as derive an annuity income on retirement.

The healthcare consulting business remained resilient, with operating income up 1% compared with the same period last year. Healthcare broking income grew strongly year on year as a result of an increased focus on client base and new business wins.

Expenses were managed with a 3% year-on-year increase.

(2) Retirements
Retirements' operating income increased by 16% year on year, driven by strong new business growth as well as growth in the existing client base. Expenses increased by 16% year on year, attributable to the spend on rolling out financial well-being and member education to umbrella fund clients.

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 Alexander Forbes Coreplan umbrella fund continued to be innovative and provides low-cost single umbrella solutions with a strong growth trajectory. AF Access, our umbrella fund offering to clients of intermediary financial advisers, continues to achieve good growth in membership and is expected to grow further.

The number of active member records for our umbrella retirement funds increased by 5% year on year. This is compared to an average market growth across portfolios of 5.8%.

Closing assets under management (AuM) for the umbrella funds increased by 10% year on year to R73.2 billion, supported by strong market growth and positive net cash flows. This is compared to an average market growth across portfolios of 5.8%.
Investments

Operating income increased by 2% for the six months ended 30 September 2017. This was supported by strong market returns from local and global equity markets, which contributed to a 2% increase in operating income. While in some of the key markets, operating income increased by 12%, reflecting improved underwriting and management of the loss ratio at 65% when compared with 72% at September 2016. The insurance business within institutional also contributed to an increased operating income of 6% over the prior period, led by strong asset accumulation. Assets under management of R1.9 trillion represents an increase of 8% year on year.

Operating income in Botswana has decreased by 23% over the same period in the prior year, which has affected emerging markets’ overall performance. The decline in operating income is a result of the loss experienced by the reinsurance business. The business is expected to leverage on the actuarial capabilities of the Zimbabwean acquisition to strengthen its capabilities and offering.

The emerging markets business remains a key pillar of the group’s strategy and is expected to contribute to the group’s growth by providing both organic and inorganic growth opportunities. The business offers a longer-term play with the pension reform agenda being pursued by many governments across the continent in view of general demographic development and continued urbanisation.

Administration only

Operating income in the ‘admin only’ segment comprises fees from pension fund administration.
For the six months ended 30 September 2017

as well as note 8). The normalised results exclude the policyholder tax expense and the related charges made on behalf of policyholders being included in this amount (refer to the investment income discussion under note 13).

The group's tax rate compared with profits before tax appears high as a result of taxation payable on the sale of one of its cell captive insurance facilities which are consolidated into the group's results. The accounting for amortisation has no impact on the cash flows of the group and is excluded from the normalised results (refer to the discussion on normalised results).

Investment income

Investment income of R143 million (2016: R93 million income) is generated from the corporate cash balances managed through the group's treasury department. The significant cash balances recorded at 30 September 2017 arise from the sale of our international consulting practice LCP and through the subscription of shares by African Rainbow Capital which occurred in the second half of the prior year.

Investment income related to policyholder investments includes R24 million (2016: R20 million) related to individual policyholder funds in AF Investments that are liable for fund level taxes and for which an (and related tax expense) should theoretically be excluded when assessing the group's own investment income.

Finance costs

Finance costs for the six months ended 30 September 2017 increased to R48 million (2016: R38 million). This includes the cost of the revolving credit facility provided to the group as well as the fair value adjustment associated with a foreign currency hedge linked to the group's software development project.

Accounting for Alexander Forbes shares held in policyholder investment portfolios

In terms of International Financial Reporting Standards (IFRS), any Alexander Forbes shares acquired by a cell-captive insurance arrangement. The structure of the cell captive is such that it falls within a cell-captive insurance arrangement. Alexander Forbes shares held by the group's multi-class investment subsidiary for policyholders (the shares) are required to be accounted for in Alexander Forbes's consolidated financial statements as treasury shares and results in the elimination of any fair value gains or losses made on the shares. Refer to note 13.

This accounting treatment has the effect that fair value movements in respect of linked investment policy assets and liabilities that would normally be offset (and economically should be offset) are not being matched in the income statement. The resultant mismatch between the asset and liability movement does not reflect the economic substance of the transactions. The impact of this mismatch has an accounting profit or loss that is reported in Alexander Forbes's consolidated income statement, whereas the actual economic profit or loss will be realised by the group. The impact of this mismatch on financial statements as a whole is not significant, given the small positive impact on the group's growth rate. The impact is isolated and removed from the normalised results to afford a better comparison and to reflect the true premises cost over the long term.

Condensed consolidated income statement

The group's normalised earnings are presented to reflect the basis upon which management manages the group and reflects the economic substance of the group's performance. The adjustments between the IFRS consolidated income statement and the normalised results are as follows:

(a) Accounting for property lease

The accounting treatment for long-term leases, particularly at the tandem head office, continues to have a small positive impact on the group's growth rate. The impact is isolated and removed from the normalised results to afford a better comparison and to reflect the true premises cost over the long term.

(b) Capitalisation of intangible assets and the related amortisation

The capitalisation of intangible assets and the related amortisation resulted in the required accounting treatment at the time of the private equity acquisition of the group under common control in 2007. As the holding company that was established at the time remains in existence (and is now the listed entity), the amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group.

(c) Professional indemnity insurance cell result

The company has a comprehensive insurance programme of which the first layer is self-insured through a cell-captive insurance arrangement. The structure of the cell captive is such that it falls within the requirements of IRPS 10 for controlled entities and is therefore consolidated in our results. The impact of the inclusion of this insurance cell on the group results is separately isolated in which an (and related tax expense) are once-off costs incurred in defining the group's strategy as well as the results of the cell-captive Insurance facility which are consolidated into the group's results. The accounting for amortisation has no impact on the cash flows of the group.

(d) Accounting for Alexander Forbes shares held in policyholder investment portfolios

Accounting for Alexander Forbes shares held by the group is such that it falls within a cell-captive insurance arrangement. Alexander Forbes shares held by the group's multi-class investment subsidiary for policyholders (the shares) are required to be accounted for in Alexander Forbes's consolidated financial statements as treasury shares and results in the elimination of any fair value gains or losses made on the shares. Refer to note 13.

This accounting treatment has the effect that fair value movements in respect of linked investment policy assets and liabilities that would normally be offset (and economically should be offset) are not being matched in the income statement. The resultant mismatch between the asset and liability movement does not reflect the economic substance of the transactions.
For the six months ended 30 September 2017

<table>
<thead>
<tr>
<th></th>
<th>Unaudited</th>
<th>Restated</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 September 2017</td>
<td>30 September 2016</td>
<td>31 March 2017</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(48)</td>
<td></td>
<td></td>
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<tr>
<td>Share of profit of associates (net of income tax)</td>
<td>2</td>
<td>2</td>
<td></td>
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<tr>
<td>Profit before taxation</td>
<td>520</td>
<td>5</td>
<td>495</td>
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<tr>
<td>Income tax expenses</td>
<td>(261)</td>
<td></td>
<td>(346)</td>
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<tr>
<td>Normalised profit for the period from continuing operations</td>
<td>359</td>
<td>1</td>
<td>355</td>
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<tr>
<td>Reconciliation of normalised profit from continuing operations</td>
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<tr>
<td>Normalised profit for the period from continuing operations</td>
<td>359</td>
<td>1</td>
<td>355</td>
</tr>
<tr>
<td>Accounting for property lease</td>
<td>(10)</td>
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<td>(10)</td>
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<tr>
<td>Amortisation of intangible assets arising from business combination</td>
<td>(46)</td>
<td></td>
<td>(46)</td>
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<td>Reported (loss)/profit arising from accounting for policyholder investments in treasury shares</td>
<td>(21)</td>
<td></td>
<td>(21)</td>
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<tr>
<td>Professional indemnity insurance cell-captive results</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Tax effects on above adjustments</td>
<td>16</td>
<td></td>
<td>16</td>
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<tr>
<td>Profit for the period from continuing operations</td>
<td>309</td>
<td>1</td>
<td>306</td>
</tr>
</tbody>
</table>

1. Restated for discontinued operations.

FINANCIAL POSITION AND DIVIDENDS

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 continues to have oversight of and has approved a capital allocation strategy with regard to this cash available, which includes the following:
- continued growth in our dividends to shareholders with a target of 1.5 times cover;
- targeting bolt-on value-enhancing businesses in South Africa and select emerging market countries;
- investment in modernisation to position the company for improved efficiency and client service; and
- share buy-backs.

The group is appropriately positioned for the pending introduction of consolidated supervision by the Regulators. The current reporting requirements to the regulator already incorporate the expected formal framework.

As at 30 September 2017 the theoretical consolidated regulatory capital position, using the measures and interpretations under the solvency assessment and management (SAM) standard, is a surplus of R2.3 billion (before the declared dividend distribution).

Interim dividend
A dividend declaration has been considered, taking into account the group's current and projected regulatory position, the available cash in the group as well as the high dividend-generative nature of the group and the investment into modernising technology which will demand additional capital investment.

Notice is hereby given that the directors have declared an interim gross cash dividend of 18 cents (14.4 cents net of dividend withholding tax) per share for the six months ended 30 September 2017.

The dividend above 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, including treasury shares, at the date of declaration is 1,341,426,985.

The salient dates for the dividend will be as follows:
- Last day of trade to receive a dividend: Tuesday, 9 January 2018
- Shares commence trading ex dividend: Wednesday, 10 January 2018
- Record date: Monday, 15 January 2018
- Payment date: Monday, 15 January 2018

Share certificates may not be dematerialised or re-materialised between Wednesday, 10 January 2018 and Friday, 12 January 2018, both dates inclusive.

PROSPECTS
Our refined strategy keeps our clients at the centre and focuses on securing their financial well-being. Our value proposition is about engaging with our customers at all stages of their lives to help them make the right financial decisions, we will do this by building stronger client relationships, by providing education and sound financial advice, and by delivering relevant, innovative financial product solutions. Everything we do is to help our customers achieve a lifetime of financial security. Our aim is to be a trusted partner with our customers throughout their life journey.

Under Ambit 2022, our five-pillar strategy revolves around growing each of our businesses in a more integrated and collaborative manner, improving operational efficiency and embracing digital capabilities to improve the overall client experience, we also want to expand the penetration or retailisation of our member base with the concept of lifetime solutions and advice. In terms of key strategic focus areas, the strategy across the group is centred on five core priorities:
- getting 'back in the boardroom' and improving cross-sell to end-consumers;
- making umbrella the core institutional growth engine to drive access to end-consumers;
- driving small and medium size enterprises (SME) penetration;
- driving financial well-being to target the end-consumer, leveraging data analytics and portfolio pricing; and
- driving asset accumulation across the group.

Over the five-year period to 2022 our aim is to achieve revenue growth at or above market while delivering positive operating leverage. This should translate into improved operating profit growth and margin enhancement.

CHANGE IN DIRECTORATE

On 1 September 2017, Ms B Madhebe was appointed as non-executive director of Alexander Forbes group Holdings Limited and Mr N Ford-Hoon (Frk) was appointed as the group chief financial officer. On 1 November 2017, Mr S Moloko retired as the chairman of the Board. Mr Moloko will be replaced by Ms N Nyembezi whose appointment will take effect on 1 January 2018. In the interim Mr MD Collier will serve as the acting chairman. The board wishes to express its sincere appreciation to Mr Moloko for his strategic input, leadership and dedication to the group over the past 10 years.

CORPORATE GOVERNANCE

On 1 October 2017, Mrs CH Wessels was appointed as group company secretary.

The company is committed to applying 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 reporting cycle.

On behalf of the board of directors

AA Darfoor                                      MD Collier
Group chief executive                           Acting chairman
Johannesburg
30 November 2017

CONDENSED CONSOLIDATED INCOME STATEMENT
Cash flows from investing activities (continued)

Net cash flow from investing activities (31 March 2017) 315 196 1 049

Net cash flow from operating activities (31 March 2017) 355 196 1 049

Net cash flow for the period (31 March 2017) 315 196 1 049

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2017

Unaudited Restated Audited

Profit for the period 2017 324 416 1 574

Other comprehensive income

Items that may be reclassified to profit or loss
Foreign currency translation differences of foreign operations 28 (220) (329)
Foreign currency translation reserve of disposed foreign operations reclassified to profit or loss - - (209)
Fair value adjustment on cash flow hedges - 31 (220) (518)

Items that will not be reclassified to profit or loss
Reclassification of revaluation reserve - - - -

Total comprehensive income attributable to:
Owners of the company 313 160 968
Non-controlling interest 42 36 81
Total comprehensive income for the period 355 196 1 049

Condensed consolidated statement of financial position

At 30 September 2017

Assets

Non-current assets
Financial assets held under multi-manager investment contracts 13 294 859 278 817 281 498
Financial assets of insurance and cell-captive facilities 111 234 120
Property and equipment 188 313 202
Purchased and developed computer software 102 154 163
Goodwill 3 315 3 498 3 315
Intangible assets 42 610 462
Investment in associates 11 11 11
Deferred tax assets 151 156 148
Financial assets 526 490 317
Insurance receivables 1 204 1 087 1 177
Trade and other receivables 411 462 411
Cash and cash equivalents 5 970 4 466 6 263
Assets of disposal groups classified as held for sale 9 570 570
Total assets 313 781 291 178 294 435

Equity and Liabilities

Equity and Liabilities
Owners of the company 6 448 5 789 6 901
Non-controlling interest 251 169 218
Total equity 6 699 5 958 7 119

Liabilities
Financial liabilities held under multi-manager investment contracts 13 294 844 278 940 281 604
Liabilities of insurance and cell-captive facilities 313 234 120
Borrowings 721 207 213
Employee benefits 166 174 160
Deferred tax liabilities 178 287 399
Provisions 306 324 291
Finance lease liability 72 78 73
Operating lease liability 192 260 182
Deferred income 47 47 47
Insurance payables 3 464 2 753 2 960
Trade and other payables 706 1 316 784
Liabilities of disposal groups classified as held for sale 9 572 111
Total liabilities 305 082 285 220 287 316
Total equity and liabilities 313 781 291 178 294 435
Total equity per ordinary share (cents) 531 465 555

Condensed consolidated statement of cash flows

For the six months ended 30 September 2017

Cash flows from operating activities
Cash generated from operations 382 387 800
Net interest received 87 35 56
Operating cash flows from continuing operations (143) (95) 378
Dividends paid (48) (38) (89)
Net cash flows from continuing operations 195 147 289
Net cash flows received from/(paid to) insurance and policyholder contracts 390 (415) (272)
Net cash flows from operating activities - discontinued operations 162 2 482 (1 007)
Net cash inflow/(outflow) from operating activities 384 2 008 (769)
Cash flows from investing activities
Profit from discontinued operations (net of tax) 15 110 950
Net proceeds from sale of subsidiaries and businesses 52 883
Cash flows from investing activities 167 191 973
Cash flows from financing activities
Net proceeds from issue of treasury shares 965 965 965
Dividends paid (27 0) (27 0)
Net cash flows from financing activities (27 0) (27 0) (27 0)
Net cash flows for the period (net of proceeds on disposal) 1 199 1 279 1 180
Cash flows from investing activities - discontinued operations 9 (27 0)
Net cash flows for the period (net of proceeds on disposal) 1 199 1 279 1 180

1. Restated for discontinued operations.
2. Investment income includes R4 million (2016: R20 million) recognised as a result of policyholder tax requirements. An amount of R22 million was recognised for the year ended 31 March 2017.
Net cash (outflow)/inflow from investing activities

Cash flows from financing activities

Shares purchased in terms of share buy-back programme 2

Borrowings raised

Repayment of borrowings

Proceeds from non-controlling interests

Payments to non-controlling interests

Cash flows from investing activities - discontinued operations

Net cash (outflow)/inflow from financing activities

Net (decrease)/increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the period

Exchange gains/(losses) on foreign currency

Cash and cash equivalents at the end of the period

Analysed as follows:

Cash and cash equivalents of continuing operations

Cash held under multi-manager investment contracts

Cash held under self-captive insurance facilities

Cash and cash equivalents of disposal groups held for sale

1. Restated for discontinued operations.

2. The group purchased Alexander Forbes Group Holdings Limited shares to the value of R200 million during the period in a general buy-back approved by shareholders on 27 March 2017.

CONDESSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Treasury shares</th>
<th>Other</th>
<th>lated</th>
<th>Total</th>
<th>Non-controlling</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 March 2016</td>
<td>6 192</td>
<td>(181)</td>
<td>157</td>
<td>(287)</td>
<td>5 901</td>
<td>255</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>349</td>
<td>349</td>
<td>67</td>
<td>416</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>19</td>
<td>(290)</td>
<td>(272)</td>
<td>(122)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>(1)</td>
<td>(1)</td>
<td>(318)</td>
<td>(122)</td>
<td>(394)</td>
</tr>
<tr>
<td>Movement in share-based payment reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other movements in non-controlling interest 1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>At 30 September 2016</td>
<td>6 192</td>
<td>(182)</td>
<td>156</td>
<td>(286)</td>
<td>5 789</td>
<td>169</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>(311)</td>
<td>13</td>
<td>15</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>(116)</td>
<td>1</td>
<td>117</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>(311)</td>
<td>13</td>
<td>15</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>-</td>
<td>22</td>
<td>(284)</td>
<td>304</td>
<td>4</td>
<td>308</td>
</tr>
<tr>
<td>Movement of treasury shares in policyholder assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Movement of share-based payment reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other movements in non-controlling interest 1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>At 31 March 2017</td>
<td>6 192</td>
<td>(160)</td>
<td>(136)</td>
<td>1 205</td>
<td>6 901</td>
<td>218</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>31</td>
<td>282</td>
<td>313</td>
<td>42</td>
<td>355</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>(31)</td>
<td>31</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>-</td>
<td>(2)</td>
<td>(284)</td>
<td>304</td>
<td>(9)</td>
<td>(303)</td>
</tr>
<tr>
<td>Movement of treasury shares in policyholder assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Introductions of share incentive schemes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Movement of share-based payment reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other movements in non-controlling interest 1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>At 30 September 2017</td>
<td>6 192</td>
<td>(289)</td>
<td>(342)</td>
<td>887</td>
<td>6 448</td>
<td>251</td>
</tr>
</tbody>
</table>

1. These amounts include distributions made to non-controlling interest holders as well as changes to acquisitions and disposal of equity held by non-controlling interest holders.

2. This amount relates to the disposal of equity interest in Rainbow Capital.

3. Purchase by AIM Investments of the remaining 49.99% stake in Cavco Fund Solutions proprietary limited from a non-controlling interest.

GROUP SEGMENTAL INCOME AND PROFIT ANALYSIS

For the six months ended 30 September 2017

<table>
<thead>
<tr>
<th>Operating income</th>
<th>Profit from operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>net of direct expenses</td>
<td>before non-trading and capital items</td>
</tr>
<tr>
<td>2017</td>
<td>%</td>
</tr>
<tr>
<td>Institutional clients</td>
<td>-</td>
</tr>
<tr>
<td>Consulting</td>
<td>415</td>
</tr>
<tr>
<td>Retirements</td>
<td>128</td>
</tr>
<tr>
<td>Investments</td>
<td>335</td>
</tr>
<tr>
<td>Group risk</td>
<td>38</td>
</tr>
<tr>
<td>Retail clients</td>
<td>-</td>
</tr>
<tr>
<td>Wealth and Investments</td>
<td>421</td>
</tr>
<tr>
<td>Retail insurance</td>
<td>269</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>690</td>
</tr>
<tr>
<td>Administration only</td>
<td>78</td>
</tr>
<tr>
<td>Total group before items below</td>
<td>1 799</td>
</tr>
</tbody>
</table>

SUMMARY NOTES

For the six months ended 30 September 2017

1. BASIS OF PREPARATION

The condensed consolidated interim results are prepared in accordance with the IFRS Limited (IAS) and interpretations as adopted by the South African Institute of Chartered Accountants (SAICA). Financial Reporting Standards Council, the presentation requirements of IAS 34 Interim Financial Reporting and the requirements of the South African Companies Act.

The accounting policies applied in the preparation of the condensed consolidated interim results are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.
These interim results have not been audited or independently reviewed by the group's external auditors. The group's 2017 annual financial information has been correctly extracted from the underlying audited consolidated annual financial statements, except where restated for discontinued operations.

These condensed consolidated interim results were compiled under the supervision of Wiltine Ford-Hoon, CA(SA), the group chief financial officer. The directors take full responsibility for the preparation of this report.

### 2. EXCHANGE RATES
The results of foreign subsidiaries have been translated to rand as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 Sept 2017</th>
<th>30 Sept 2016</th>
<th>31 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing R:GBP rate</td>
<td>18.1</td>
<td>17.9</td>
<td>16.8</td>
</tr>
</tbody>
</table>

The weighted average exchange rate above reflects the weighted exchange rate based on the actual results recorded from the international division during the period under review.

<table>
<thead>
<tr>
<th></th>
<th>30 Sept 2017</th>
<th>30 Sept 2016</th>
<th>31 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee and commission income</td>
<td>2 002</td>
<td>1 994</td>
<td>3 970</td>
</tr>
</tbody>
</table>

### 3. FEE AND COMMISSION INCOME

<table>
<thead>
<tr>
<th>Fee and Commission Income</th>
<th>30 Sept 2017</th>
<th>30 Sept 2016</th>
<th>31 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokerage fees and commission income</td>
<td>21</td>
<td>26</td>
<td>45</td>
</tr>
<tr>
<td>Fee Income from consulting and administrative services</td>
<td>1 043</td>
<td>1 041</td>
<td>2 096</td>
</tr>
<tr>
<td>Revenue from investment management activities</td>
<td>929</td>
<td>909</td>
<td>1 790</td>
</tr>
<tr>
<td>Other income</td>
<td>0</td>
<td>18</td>
<td>10</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>2 002</td>
<td>1 994</td>
<td>3 970</td>
</tr>
</tbody>
</table>

### 5. NON-TRADING AND CAPITAL ITEMS

#### Non-trading:
- Professional indemnity insurance cell-captive result: 108
- Depreciation of intangible assets arising from business combination: 46
- Costs relating to strategic consulting engagement: 22
- Other non-trading items 1: 6
- Total non-trading and capital items: 177

1. other non-trading items relate to an impairment of developed software.

### 6. INVESTMENT INCOME

<table>
<thead>
<tr>
<th></th>
<th>30 Sept 2017</th>
<th>30 Sept 2016</th>
<th>31 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>108</td>
<td>50</td>
<td>115</td>
</tr>
<tr>
<td>Investment and dividend income</td>
<td>21</td>
<td>13</td>
<td>31</td>
</tr>
<tr>
<td>Foreign exchange gains/(losses) on intergroup loans</td>
<td>129</td>
<td>73</td>
<td>156</td>
</tr>
<tr>
<td>Multi-manager operations</td>
<td>14</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td>Total investment income</td>
<td>143</td>
<td>93</td>
<td>178</td>
</tr>
</tbody>
</table>

### 7. FINANCE COSTS

Finance costs derived from financial liabilities classified and carried at amortised costs:

<table>
<thead>
<tr>
<th></th>
<th>30 Sept 2017</th>
<th>30 Sept 2016</th>
<th>31 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on revolving credit facility</td>
<td>(30)</td>
<td>(32)</td>
<td>(66)</td>
</tr>
<tr>
<td>Other interest costs</td>
<td>(9)</td>
<td>(6)</td>
<td>(23)</td>
</tr>
<tr>
<td>Total finance costs</td>
<td>(48)</td>
<td>(38)</td>
<td>(89)</td>
</tr>
</tbody>
</table>

1. during the period under review the group entered into a foreign exchange contract to hedge foreign denominated cash flows relating to the IT modernisation project. The group designated only the change 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 fair value of the forward points are immediately recognised in profit or loss and presented under Finance costs.

### 8. INCOME TAX EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>30 Sept 2017</th>
<th>30 Sept 2016</th>
<th>31 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>South African income tax</td>
<td>152</td>
<td>140</td>
<td>269</td>
</tr>
<tr>
<td>Current tax</td>
<td>(120)</td>
<td>(134)</td>
<td>(275)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>3</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Current period</td>
<td>15</td>
<td>15</td>
<td>31</td>
</tr>
<tr>
<td>Prior period</td>
<td>16</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>Foreign income tax</td>
<td>-</td>
<td>(1)</td>
<td>7</td>
</tr>
<tr>
<td>Current tax</td>
<td>(2)</td>
<td>(2)</td>
<td>(4)</td>
</tr>
<tr>
<td>Prior period</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign income tax</td>
<td>(1)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Corporate income tax expense</td>
<td>(121)</td>
<td>(245)</td>
<td>(245)</td>
</tr>
<tr>
<td>Tax attributable to policyholders</td>
<td>(14)</td>
<td>(20)</td>
<td>(22)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(22)</td>
<td>(24)</td>
<td>(26)</td>
</tr>
<tr>
<td>Total income tax expense</td>
<td>(259)</td>
<td>(141)</td>
<td>(267)</td>
</tr>
</tbody>
</table>

### 9. DISCONTINUED OPERATIONS

Businesses that have been disposed of or are considered discontinued are disclosed separately with comparative information for the condensed consolidated income statement being restated.

### 10. ASSETS AND LIABILITIES OF DISCONTINUED GROUPS

<table>
<thead>
<tr>
<th></th>
<th>30 Sept 2017</th>
<th>30 Sept 2016</th>
<th>31 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets and liabilities of disposal group classified</td>
<td>2017</td>
<td>2016</td>
<td>2017</td>
</tr>
</tbody>
</table>

As announced on 20 December 2016 on the JSE, the group disposed of its 60% stake in Lane Clark & Peacock, including the LCP subsidiaries in Ireland and the Netherlands, for a total consideration of £75.4 million. The Alexander Forbes (East Africa) operations continued to be reflected as assets and liabilities of the disposal group as at 31 March 2017. Management has, however, decided to continue with these operations.
10. EARNINGS PER SHARE

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

10.2 Headline earnings per ordinary share
Headline earnings per share is calculated by excluding applicable non-trading and capital gains or losses from the profit attributable to ordinary shareholders and dividing the resultant headline earnings by the weighted average number of ordinary shares in issue during the period. Headline earnings is defined in Circular 2/2015 issued by the South African Institute of Chartered Accountants.

10.3 Diluted earnings per ordinary share
Diluted earnings per ordinary share is calculated by adjusting the profit attributable to ordinary shareholders for the conversion of dilutive potential ordinary shares; and dividing the profit by the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted headline earnings per share (cents)</td>
<td>21.6</td>
<td>23.5</td>
<td>47.4</td>
</tr>
<tr>
<td>Basic earnings per share (cents)</td>
<td>21.1</td>
<td>23.5</td>
<td>47.4</td>
</tr>
<tr>
<td>Diluted basic earnings per share (cents)</td>
<td>21.0</td>
<td>23.1</td>
<td>46.7</td>
</tr>
<tr>
<td>Diluted headline earnings per share (cents)</td>
<td>21.6</td>
<td>26.7</td>
<td>51.1</td>
</tr>
</tbody>
</table>

11. CAPITAL EXPENDITURE FOR THE PERIOD

12. OPERATING LEASE COMMITMENTS
Due within one year: 178
Due between one and five years: 756
Due after five years: 447
The following table presents significant inputs to show the sensitivity of Level 3 financial assets and liabilities with respect to changes in the unobservable inputs. The significant inputs are unobservable and reflect management’s best estimate of the assumptions market participants would use in pricing the asset or liability. The unobservable inputs are inputs that market participants would use in pricing the asset or liability, and that are observable inputs that market participants would use in pricing the derivative.

**Sensitivity analysis for Level 3 financial assets**

The table below presents significant inputs to show the sensitivity of Level 3 financial assets and liabilities with respect to changes in the unobservable inputs. The significant inputs are unobservable and reflect management’s best estimate of the assumptions market participants would use in pricing the asset or liability. The unobservable inputs are inputs that market participants would use in pricing the asset or liability, and that are observable inputs that market participants would use in pricing the derivative.

**13. FINANCIAL ASSETS AND LIABILITIES HELD UNDER MULTI-MANAGER INVESTMENT CONTRACTS**

The policyholder assets held by the group’s multi-manager investment subsidiary, Alexander Forbes & Co., Ltd., are held by Alexander Forbes & Co., Ltd. in South Africa and Maldives and are accounted for on the statement of financial position in terms of deferred income. These assets are directly linked to policyholders.

The investments by underlying asset managers in the listed shares of the group are recognised at fair value and are reported on the balance sheet. The fair value of these investments is dependent on the performance of the underlying asset managers and their ability to generate returns for policyholders.

**14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

**14.1 Financial risk factors**

The group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and this disclosure should be read in conjunction with the group’s annual financial statements as at 31 March 2017.

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

**14.2 Liquidity risk**

Compared with the 31 March 2017 year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

**14.3 Fair value hierarchy**

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the unobservable inputs used in making the measurement of the fair value hierarchy.

The table below analyses financial instruments carried at fair value by valuation method.

**15. CAPITAL EXPENDITURE AND COMMITMENTS**

Capital expenditure and commitments will be funded from internal cash resources.
The group’s overall profit or loss is not sensitive to the inputs of the models applied to derive fair value.

14.4 Valuation methods and assumptions for valuation techniques

There were no changes in the valuation methods and assumptions for valuation techniques since 31 March 2017. A detailed description of the valuation methods and assumptions for valuation techniques is available in our annual financial statements.

14.5 Fair value of financial assets and financial liabilities measured at amortised cost

The fair value of the following financial assets and liabilities measured at amortised cost approximate their carrying amount:
- Trade and other receivables
- Insurance receivables
- Cash and cash equivalents
- Trade and other payables
- Insurance payables
- Borrowings at a floating interest rate

15. CRITICAL ASSUMPTIONS AND JUDGEMENTS

During the year ended 31 March 2017 we reported a specific matter which was and is still being reviewed by a foreign regulator in respect of a legacy subsidiary business that was sold in prior years. The claim, should any arise, will be as a result of warranties provided on the original sale of the business. Management have assessed and concluded that it is still too early to determine (i) if there is any liability that may arise and (ii) in the event a liability does arise, if it will impact on the group. The group is adequately insured for possible claims as a result of such errors and omissions. In addition, management have obtained confirmation from the underwriters indicating that, should a liability arise, the event will be covered subject to the terms and conditions of the policy.

16. EVENTS AFTER THE REPORTING PERIOD

No matter which is material to the financial affairs of the company has occurred between the reporting date and the date of approval of the interim results.