Alexander Forbes Group Holdings Limited

ANNUAL FINANCIAL STATEMENTS 2016

ALEXANDERFORBES
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Contents

DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The South African Companies Act requires directors to ensure that the company maintains adequate accounting records and to be responsible for the content and integrity of the group and company annual financial statements of Alexander Forbes Group Holdings Limited and related financial information included in this report. It is their responsibility to ensure that the financial statements, for each financial year, fairly present the state of affairs of the group and company at the end of the financial year and the results of their operations and cash flows in conformity with International Financial Reporting Standards (IFRS).

The accounting policies, supported by judgements, estimates and assumptions which comply with IFRS, have been applied on a consistent and going concern basis.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements. Their unmodified audit report appears on page 9.

The directors are ultimately responsible for the internal controls of the group. To enable the directors to meet these responsibilities, management designs and implements standards and systems of internal control to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements in accordance with IFRS and to adequately safeguard, verify and maintain accountability for group assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Based on the information and explanations given by management and the internal and external auditors, the directors are of the opinion that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the group and company annual financial statements in accordance with IFRS. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of the internal controls, resulting in a material loss to the group, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the group and company annual financial statements.

Directors' approval of annual financial statements

The group and company financial statements, prepared in accordance with IFRS, were approved by the board of directors on 10 June 2016 and are signed on their behalf by:

MS Moloko
Chairman

D Viljoen
Group chief executive (interim)

CERTIFICATE BY THE COMPANY SECRETARY

I hereby confirm, in my capacity as company secretary of Alexander Forbes Group Holdings Limited, that for the year ended 31 March 2016, the company has filed all required returns and notices in terms of the Companies Act, 2008, with the Companies and Intellectual Property Commission and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

JE Salvado
Company secretary

The board of directors is pleased to present the results of the Alexander Forbes Group for the year ended 31 March 2016.

Nature of business

Alexander Forbes Group Holdings Limited (AFGH) is the ultimate holding company of the Alexander Forbes group of companies (the group).

Review of operations

Consolidated operating income net of direct expenses

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 investments through multi-manager portfolios. In addition, operating income includes the net result from both long-term and short-term insurance operations.

The group produced operating income from continuing operations of R5.4 billion for the year ended 31 March 2016, up 11% on the prior financial year. The growth in revenue was significantly enhanced by the weakening rand exchange rate applied to international earnings; excluding the international operations, the operating income for Africa grew by 4% to R3.5 billion.

Africa income was significantly impacted by weaker markets where 34% of the group's revenue is linked to the assets under administration and management. More significantly, clients moved assets within the group's diversified investment product range to balanced portfolios and index/passive portfolios, both of which result in lower margins earned by the group. Investment Solutions is well positioned to offer this flexibility and it is an integral part of the group's value proposition to clients. In future, the group may benefit from any market reversion where specialist mandates become more sought after.

Growth in African operating income excluding asset-based fees was 7%, which is commendable in the current economic climate.

Consolidated profit from operations

Operating profit from continuing operations, before non-trading and capital items, increased by 6% to R1.2 billion when compared to the previous financial year. The divisional performance review is reflected below. Excluding the International operations, which were positively impacted by the weakening rand exchange rate, the growth for Africa was 1%, resulting in an operating profit of R924 million.

Operating expenses of R2.6 billion for the Africa region were 5% higher than the previous year. These expenses include accounting for the share-based long-term incentive scheme which was provided through a direct shareholding structure prior to listing. Operating expenses, including the International operations, attributed to continuing operations (excluding non-trading and capital items) amounted to R4.2 billion, an increase of 12% compared to the previous year (impacted by exchange rates).

The overall group operating margin on operating income is 22.5% compared to the 23.4% for the previous financial year.

The reduction in operating margin is largely impacted by the absolute value of assets under management and the margin impact experienced from institutional clients particularly in Investment Solutions.

Non-trading and capital items

Non-trading and capital items of R137 million (2015: R355 million) include the ongoing accounting amortisation of intangible assets amounting to R124 million (2015: R131 million) 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. Included in prior year non-trading and capital items are the transaction costs relating to the listing.

Investment income

Investment income of R294 million (2015: R226 million) includes R197 million (2015: R103 million) related to individual policyholder funds in Investment Solutions that are liable for fund level taxes and for which an equal tax expense is raised. This income should, theoretically, be excluded when assessing the group's own investment income which largely relates to return on assets backing regulatory capital adequacy requirements. Excluding the policyholder income, the group's investment income amounts to R97 million (2015: R123 million) for the year.

Finance costs

Finance costs for the period amount to R71 million compared to the R119 million for the previous year. The finance costs relate largely to the revolving credit facility provided to the group and have declined significantly due to the partial repayment of this facility over the period.

Accounting for Alexander Forbes shares held in policyholder investment portfolios

In terms of International Financial Reporting Standards (IFRS) as presently constituted, any Alexander Forbes Group Holdings Limited shares acquired by underlying asset managers and held by the group's multi-manager investment subsidiary for policyholders (the shares) are required to be accounted for in the group'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 11.

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 result of this mismatch is that an accounting profit or loss will be reported in the group's consolidated income statement, whereas no actual economic profit or loss will ever be realised by the group. The reported profit of R59 million arising from the accounting for policyholder investments as treasury shares for the reporting period is separately disclosed on the face of the income statement.

Profit before and after tax from continuing operations

After non-trading items, finance charges and the effect of the policyholder investments explained above, the group's profit before taxation from continuing operations of R1 359 million, shows a 57% increase from the R866 million of the previous financial year.

The effective tax rate compared to profit before tax appears high as a result of taxation expense relating to policyholders being included in the income tax expense line (refer to the investment income discussion above as well as note 8). The tax rate on normalised results is 25%; this is largely impacted by the lower UK tax rate and applied only to the group's share of the partnership earnings from LCP. Profit after tax was R891 million for the year ended 31 March 2016 compared to R505 million in the previous year.

Items to consider when analysing the group results

There are certain significant items which affect the reported results of the group. These items are correctly reported under IFRS; however may not necessarily reflect the economic substance of the results. Investors are requested to consider the following items when preparing an analysis of the results.

- **Accounting for property lease** – The accounting treatment for long-term leases, particularly at the Sandton head office, continues to have a small positive impact on profit from operations. The impact of the IFRS accounting for property leases is isolated in the segmental analysis.
- **Capitalisation of intangible assets and the related amortisation** – Non-trading and capital items include the ongoing accounting amortisation of intangible assets amounting to R124 million for the year ended 31 March 2016 and R131 million in the prior financial year. The accounting for amortisation has no impact on the cash flows of the group.
- **Accounting for Alexander Forbes shares held in policyholder investment portfolios** – The reported profit of R59 million arising from the accounting for policyholder investments as treasury shares for the year is separately disclosed on the face of the income statement. The profit is as a result of the mismatch between the asset and liability movement as explained above and does not reflect the economic substance of the transactions.
- **Investment income and taxation expense relating to policyholders** – Investment income and income tax expense include investment income and taxation expense on behalf of policyholders (refer to the investment income discussion as well as note 8).

Investors are directed to the results presentation which is available on the group's website (www.alexanderforbes.co.za) where the above items are further analysed.

Discontinued operations

The business results reflected as discontinued operations include LCP Belgium and Alexander Forbes Compensation Technologies (AFCT). The disposal of the LCP Belgium operation was completed by year-end and the effects of the disposal are included in the results for 31 March 2016. The completion of the disposal of AFCT is considered imminent. The results of discontinued operations are further detailed in note 22.

Divisional review of operations

		Operating income			Profit from operations		
		31 March 2016	Variable %	31 March 2015	**31 March 2016**	Variable %	31 March 2015
Institutional Cluster							
Financial Services		**1 287**	3	1 254	**183**	(2)	186
Investment Solutions		**641**	(8)	696	**279**	(15)	328
AF Insurance		**20**	67	12	**5**	150	2
		1 948	(1)	1 962	**467**	(9)	516
Retail Cluster							
Financial Services		**615**	8	569	**207**	12	185
Investment Solutions		**150**	7	140	**68**	10	62
AF Insurance		**431**	9	394	**108**	14	95
		1 196	8	1 103	**383**	12	342
AfriNet (Africa excluding SA)		**346**	19	291	**74**	23	60
Total Africa		**3 490**	4	3 356	**924**	1	918
Total International	(GBPm)	**90.6**	8	84.2	**13.7**	11	12.3
Total International	(Rm)	**1 886**	26	1 495	**286**	31	219
Total group	(Rm)	**5 376**	11	4 851	**1 210**	6	1 137

* For the purpose of the cluster commentary operating income refers to operating income net of direct expenses and profit from operations refers to profit from operations before non-trading and capital items.

During the year the group started the process of refining the organisational structure to align with the group's strategy. The divisional performance reflected in the table above is aligned with the new group clusters, and differs from the segmental report provided in the consolidated results. The changes to the new organisational structure include the movement of various product lines between AF Financial Services and Investment Solutions as well as between the retail cluster and institutional cluster. In addition, costs allocated to the divisions have been refined. From 1 April 2016 the group will report on the above clusters only.

The following is a brief summary of divisional trading results for the year ended 31 March 2016.

Institutional Cluster

The cluster comprises consulting and administration services to both standalone and umbrella retirement funds, actuarial and asset consulting, healthcare actuarial and consulting, insurance consulting, beneficiary trust consulting services and group risk insurance through Alexander Forbes Life.

In addition, investment management and consulting to institutional investors, through our multi-manager Investment Solutions, is included in this cluster.

(i) Financial Services

The institutional division of Financial Services delivered R1 287 million of operating income which is 3% higher than the prior year. The growth in operating income was muted due to a decrease in the group risk underwriting result year on year and the loss of a significant client in the health management solutions division.

Financial Services' core retirement fund consulting, actuarial, and operations and administration business units delivered credible results in a difficult economic climate. The number of active member records administered within the institutional businesses increased marginally despite negative employment growth and retrenchment activity in its client base, to just over one million members. Operating income earned from consulting, actuarial and administration services to retirement funds, in terms of both annuity and fee income, grew by 5% year on year, despite these constraints. With strong expense management and operational efficiency achieved, the profit from operations for these business units increased by 12% year on year.

Financial Services is continuing to develop and improve its flagship umbrella retirement fund, the Alexander Forbes Retirement Fund, providing relevant and cost-effective solutions to the South African market. Its other institutional umbrella funds, being Alexander Forbes Coreplan and AF Access, showed strong growth in the year, albeit off a smaller base. The total assets under management in the institutional umbrella funds increased by 9% year on year to R65.3 billion. The number of active member records administered by the institutional umbrella funds is now above 304 000 (up 9% year on year) with 1 320 umbrella fund clients (participating employers) up 16% year on year.

Gross annualised premium income of AF Life Group Risk totalled R397 million for the year ended 31 March 2016, an increase of 24% from the prior year. The business has been effective in achieving good new business success with R75 million of new annualised premium income for the year ended 31 March 2016. The claims experience in the Group Risk business was, however, negatively impacted by increased numbers of disability claims and lower-than-expected rehabilitation of disability claimants. This is largely a factor of the broader economic climate. The related underwriting result for this business declined by 24% from 2015. With high regulatory, compliance and technical costs, the profit from operations for AF Life Group Risk decreased year on year.

The healthcare consulting business had pleasing growth in operating income of 6% year on year due to a combination of good new business, improved client retention and an increase in the regulated cap for commission income for broking services. The fee income earned by the health management solutions division declined by 4% year on year as a result of the loss of a client in the public sector. Specific management actions have been put in place to minimise the impact of this loss in revenue in the forthcoming year.

The public sector division increased revenue for the year by 4% to R216 million. Although this was below the division's desired growth rate the division made good progress in building its brand within the sector and strengthening strategic networks and relationships.

The overall increase in expenses for the cluster was 4%, a pleasing outcome in the current environment and was as a direct result of strong management focus. As a result profit from operations decreased by 2% to R183 million for the year ended 31 March 2016.

(ii) Investment Solutions

The institutional Investment Solutions division experienced a decrease in operating income on the back of a tough operating environment in the South African market. This decrease is despite the continued successes in new business as it recorded new flows of R13 billion during the current reporting period.

The decline in operating income can be attributed to:

- higher-than-expected ongoing cash outflows which exceeded recurring cash inflows by R13.5 billion, mostly related to the decreasing employment rate in South Africa;
- an increasing switch by clients to low-cost investment options given the prevailing market environment; and
- the trend of lowering margin in the investment and savings value chain in the South African market.

Closing institutional assets under management (including assets under administration) increased by 3.4% to R282.4 billion as at 31 March 2016, of which R230.2 billion are institutional assets under investment management. Average assets under management increased by 5.4% compared to the previous financial year. Capital markets remained volatile during the period with low returns across major asset classes.

Despite good new business cash flows the business has experienced higher-than-expected net outflows of R4.5 billion. A summary of the institutional cash flows is reflected below:

Rbn	2016	%	2015
Inflows	**34.4**	(9)	37.9
New business	**13.0**	59	8.2
Ongoing contributions	**21.4**	(29)	29.7
Outflows	**38.9**	15	33.8
Outflows due to client losses	**4.0**	>100	1.0
Withdrawals for benefit payments	**34.9**	6	32.8
Net cash flows	**(4.5)**	>100	4.1

The financial performance was muted with operating income declining by 8% to R641 million and operating expenses were 2% lower for the year ended 31 March 2016 when compared with the prior year. Profit from operations declined by 15% to R279 million. The business remains focused on disciplined cost management as part of responding to a difficult trading environment, which is expected to prevail in the South African market into the foreseeable future.

Investment Solutions continues to provide a wide range of portfolios, customised to its clients' needs with risk-adjusted returns which are ahead of peers and benchmark. Over the past rolling 36 months ended 31 March 2016, 68% of funds were ahead of benchmark. The investment team continuously focuses on improving and deepening expertise across the business in order to serve its clients better and add value towards their retirement savings and wealth creation while managing the risk of unusual and challenging economic environments.

(iii) AF Insurance

The institutional division of the short-term insurance business has seen significant success this reporting period with gross written premiums increasing by 55% to R67 million, albeit off a small base. This division focuses on short-term insurance cover for the SME market. Operating income grew by 67% over the prior year and resulted in the profit from operations more than doubling to R5 million for the year ended 31 March 2016.

Retail Cluster (individual clients)

The retail cluster has made significant progress in creating an operating environment that is client-centric with the creation of an integrated distribution model that allows the business to deliver holistic solutions to the individual client. These solutions are developed based on specific client needs and address financial planning and wealth management, as well as short-term and long-term risk-based products. The establishment of a business and distribution enablement division allows the retail cluster to provide training and tools to its distribution channel, ensuring that its consultants are world-class, identifying customer needs, creating value propositions to address these needs and driving focused campaigns to the market.

The retail focus remains on accessing the institutional member base. However, the strategy in this area has evolved into a more streamlined, solution-driven and client-focused approach. As a result, the businesses within retail are being realigned to reflect the value proposition to the client. As such, the wealth management businesses of retail, incorporating the AF Individual Client Administration, AF Preservation Fund and Investment Solutions Retail, will be combined to form the Wealth and Investment division. AF Insurance and AF Life, the short-term and long-term insurance providers, will remain as separate lines of business.

Proposed regulation impacting the financial services industry, including product offerings and pricing, is being closely monitored. The retail business continues to proactively change various service offerings and products, and continues to adapt its business and advice offered to clients in line with legislation and prevailing market and economic conditions.

(i) Financial Services

The retail division of the SA Financial Services business incorporates Financial Planning Consultants, AF Individual Client Administration, AF Preservation Fund and the AF Life individual life insurance businesses.

The growth in operating income was 8% to R615 million when compared to the year ended 31 March 2015 of which 56% is asset-based income and a further 43% relates to consulting and advisory fees linked to asset values. This growth is commendable in light of market performance for the year under review and is a result of the growth in retail assets under advisement and the number of clients.

The businesses with income related to asset values, being all of the above businesses excluding AF Life, have experienced volatile markets, resulting in clients moving to more conservative portfolios. In addition the economic environment has seen increased withdrawals from retirement funds into cash, rather than preservation, and an increase in annuity payments to fund income requirements.

Assets under advisement grew by 9% over the 12 months to total R62.2 billion at 31 March 2016. Assets under administration grew by 8% to R52.2 billion.

Financial Planning Consultants delivered an increase in number of clients by 8% to 46 292 clients at 31 March 2016. Importantly, there was an increase in the proportion of assets, in respect of members exiting funds administered by the division, being advised by the Financial Planning Consultants division. Further, the percentage of Financial Planning Consultants business written to Alexander Forbes products has increased from 84.7% to 89.5%. The focus will continue to be on accessing the institutional client base while maintaining consistently high client satisfaction rates.

The AF Life individual life insurance business accounts for 1% of the Retail Financial Services' operating income and is a strategic growth area from its relatively small base. The company increased distribution channels and product innovation which has enabled an increase in the number of policyholder clients for life cover by 61%.

Profit from operations increased 12% to R207 million on the back of a 6% growth in operating expenses.

(ii) Investment Solutions

Retail assets under management by Investment Solutions increased by 7% to R49.2 billion off the back of good new business cash flows. This was off-set by the negative impact of volatile markets, an increase in withdrawals, as well as annuity payments. While the majority of the growth in assets under management is still through financial planning consultants, newer distribution channels have shown good growth with assets under management from these channels growing by 36% over the prior year.

Operating income increased by 7% to R150 million when compared to the prior year. Cost management initiatives have resulted in an increase in profit from operations of 10% to R68 million for the year ended 31 March 2016.

(iii) Alexander Forbes Insurance

Alexander Forbes Insurance continued the trend of strong growth with a number of months delivering record new business numbers. Gross written premium increased by 11% to R1.4 billion. The business continues to grow ahead of competitors based on an enhanced valuable product offering and superior service.

Alexander Forbes Insurance initiated a number of client-servicing and underwriting interventions aimed at improving the client churn. A number of these have yielded positive results, assisting with a reduction in the client churn rate to 18% (2015: 20%). A number of specific high-value weather-related claims had a detrimental effect on the claims for the year, resulting in a loss ratio of 76% for the motor household business which was higher than the prior year, although within the long-term target range.

Operating income net of direct expenses increased by 9% to R431 million. Expenses increased 8%, driven in part by an ongoing commitment to increase sales capacity and the impact of the weakening rand on claims procurement.

Profit from operations increased by 14% to R108 million.

iv) AfriNet (covering all operations in Africa outside of South Africa)

Operating income increased by 19% to R346 million for the year ended 31 March 2016 and profit from operations grew by 23% to R74 million. This performance is consistent with history and entirely organic. The 'capital light' approach, together with disciplined operating leverage (the difference between operating income growth and cost growth), is a cornerstone under which trading profits are delivered at AfriNet and this approach is proving to be an appropriate business formula for roll-out to new geographies.

An effective operating leverage of 2% assisted in achieving the profit from operations growth of 23% in an environment where operating income grew by 19% and costs by 16%. Since personnel costs and technology comprise more than 65% of the cost base, management has been disciplined in ensuring cost benefits from automation expenditure are realised. Automation of certain labour-intensive support processes, together with effective performance management processes, has resulted in positive yielding cost management benefits over the last year, culminating in a margin improvement (inclusive of corporate overheads) from 20.6% to 21.4%.

It is pleasing to note that East Africa and retail are now consistent and larger contributors to the overall AfriNet growth. From a geographical perspective, East Africa now contributes 23% of operating income and 14% of profit from operations, whilst southern Africa remains a dominant contributor with 74% of operating income and 86% of profit from operations. West Africa still remains a key focus area for expansion. The Nigerian business contributes 3% to overall AfriNet operating income and is presently experiencing a very difficult economic environment.

The retail business lines offered now include financial planning advice (wealth management), short-term insurance and life insurance, and contribute 19% to operating income. Further buildout of wealth management in Uganda is scheduled for the current financial year.

Despite the current market conditions, the pensions reform wave remains a valid underpin for growth prospects of the Alexander Forbes Group in the sub-Saharan region. In particular, there is renewed interest from governments in developing local pensions markets, as international funding for asset classes like infrastructure become more difficult to source.

International Financial Services

The continuing operations of the International Financial Services business comprise the consulting actuarial business of Lane Clark & Peacock (LCP) with operations in the United Kingdom, Ireland and the Netherlands.

Operating income increased by a very pleasing 8% to £90.6 million for the year ended 31 March 2016 and profit from operations increased by 11% to £13.7 million. Revenue growth across the operations continued to grow in real terms, albeit those clients continue to manage their expenditure reflecting pressure on charge out rates. This revenue growth, combined with strong cost management, resulted in the achievement of good operating leverage. The businesses continue gaining new clients and capitalising on the demand for employer and trustee employee benefit and actuarial consulting, investment consulting, including de-risking solutions, and general insurance actuarial consulting. Market dominance in de-risking solutions continues.

LCP continues to provide the group with a rand hedge. The 31% growth in rand profit from operations to R286 million for the year ended 31 March 2016 resulted from the 23% deterioration in the average rand/sterling exchange rate.

Financial position and dividends

Financial position and capital requirements

The financial position of the group remains strong and all regulated entities within the group comply with current solvency, liquidity and regulatory capital adequacy requirements.

The group is appropriately positioned for the pending introduction of consolidated supervision by the regulators. Based on representation made by the Financial Services Board the effective date of implementation of the formal framework for group-wide supervision is now expected to be 1 January 2017 however current reporting requirements to the regulator already incorporate the expected formal framework.

As at 31 March 2016 the theoretical consolidated regulatory capital position, using the measures and interpretations under the solvency assessment and management (SAM) standard, is a surplus of R416 million (before the proposed dividend distribution). The Investment Solutions internal model for risk-based capital adequacy assessment is established. The business will continue to refine the model and will seek regulatory approval once the legislative environment is established.

Dividend

A dividend declaration has been considered, taking into account the group's current and projected regulatory position as well as the highly cash-generative nature of the group. The investment into modernising technology will demand additional capital investment; however, this is expected to be provided for through ongoing earnings.

Notice is hereby given that the directors have declared a final gross cash dividend of 22 cents (18.70 cents net of dividend withholding tax) per ordinary share for the year ended 31 March 2016.

The dividend has been declared from income reserves. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt. The issued number of shares at the date of declaration is 1 341 426 963.

The salient dates for the dividend will be as follows:

- Last day of trade to receive a dividend
  Tuesday, 19 July 2016
- Shares commence trading 'ex' dividend
  Wednesday, 20 July 2016
- Record date
  Friday, 22 July 2016
- Payment date
  Monday, 25 July 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 July 2016 and Friday, 22 July 2016, both days inclusive.

Prospects

The year has been challenging for Alexander Forbes's executive management team, as the South African business environment and economic fundamentals have negatively affected key business drivers and worked against efforts to show traction on the group's strategic goals.

The group's key focus will continue to align with its higher purpose objectives set a number of years back: to create, grow and protect client wealth, and in doing so, help its clients achieve peace of mind through securing their financial well-being.

Leadership remains confident that the group's strategic intent is sound and its focus in the coming year will remain on driving top line growth while optimising operational expenses and ensuring organisational integrity.

As such, the group aims to:

- improve asset capture in the intuitional core business by providing tailored product options suited to clients' needs; deepening investment knowledge and enhancing investment performance; and by granting its clients easier access to investment choices including lower cost investment portfolios;
- continue to access the institutional member base to provide appropriate holistic financial advice and relevant value adding products to retail clients;
- use the expertise gained in South Africa to drive growth in the rest of the continent;
- drive modernisation in the group's technology environment including the digital interface with clients; and
- continue to challenge itself and find efficiencies in the operating environment.

Share capital

Authorised

The authorised share capital of the company comprises 2.5 billion ordinary shares and 45 million B preference shares.

Issued

The company issued an additional 39 million shares to the Alexander Forbes Employee Share Option Plan, as communicated to shareholders in a circular dated 13 May 2015. At year-end the group had issued shares of 1 341 426 963.

In the prior year the company issued an additional 44 million shares as part of the listing on the JSE Limited on 24 July 2014 and a further 7.7 million shares were issued as part of the exit transaction incentive detailed in the listing documents at that time. The group redeemed the B preferences shares at the time of the listing for R178 million as detailed in note 23.

Shareholders

A list of significant shareholders is included in Annexure A.

Borrowing powers

In terms of the memorandum of incorporation the borrowing powers of the company are unrestricted and the directors may exercise all the powers of the company to borrow money.

Subsidiaries, joint ventures and associates

Details of subsidiaries, joint ventures and associates, which are considered material to the group, and in respect of which the group has a continuing interest, are provided in note 48: Consolidated and unconsolidated entities to these financial statements.

Significant resolutions

Significant resolutions for the year included:

- Approval of 2.9% broad-based black economic empowerment equity ownership transaction – 1 June 2015
- Amendment of Alexander Forbes Long-Term Incentive Share Plan (Forfeitable and Restricted Share Scheme 2015) Rules – 12 June 2015

Directors

The directors at the date of approval of this report are:

Independent directors

MD Collier[1]
RM Kgosana (appointed 21 April 2015)
D Konar
BJ Memela (appointed 1 July 2015)
HP Meyer

Non-executive directors

MS Moloko (chairman)
DJ Anderson[2] (appointed 10 October 2014)
WS O' Regan[1] (appointed 31 July 2014)

[1] British
[2] Australian

Executive directors	**Position**
DM Viljoen	Group chief executive (interim) and group chief financial officer
E Chr Kieswetter	Resigned 8 February 2016

Directors' interests in shares and contracts

The directors' interests in the ordinary shares of the company and details of transactions with directors are disclosed in the related party note to these financial statements.

Directors' emoluments

Directors' emoluments are disclosed in the related party note to these financial statements.

Company secretary

The company secretary at the date of publication of this report is Mrs JE Salvado.

Registered office

Details of the registered office of the company are as follows:

Physical address:

Alexander Forbes
115 West Street
Sandown
2196
South Africa

Postal address:

PO Box 787240
Sandton
2146
South Africa

The company's registration number is 2006/025226/07.

Events subsequent to reporting date

No matter which is material to the financial affairs of the company has occurred between the balance sheet date and the date of approval of the financial statements.

Auditors

PricewaterhouseCoopers Inc.

INDEPENDENT AUDITOR'S REPORT

to the members of Alexander Forbes Group Holdings Limited

We have audited the group and separate annual financial statements of Alexander Forbes Group Holdings Limited set out on pages 10 to 102, which comprise the statements of financial position as at 31 March 2016, and the income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the group and separate annual financial statements present fairly, in all material respects, the group and separate financial position of Alexander Forbes Group Holdings Limited as at 31 March 2016, and its group and separate financial performance and its group and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited group and separate annual financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited group and separate annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA notice published in the Government Gazette Number 39475 dated 4 December 2015, we report that based on available statutory records, PricewaterhouseCoopers Inc. have been the auditors of Alexander Forbes Group Holdings Limited for 20 years. No reliable statutory records are available prior to this.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Johannes Grosskopf
Registered auditor

Johannesburg
10 June 2016

The principal accounting policies applied in the preparation of the group and company financial statements are set out below. These policies are consistent with those applied in the previous year, except for the changes required by Standards and Interpretations effective in 2016.

Basis of preparation

The annual financial statements are prepared in accordance with, and comply with, the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), interpretations issued by the IFRS Interpretations Committee (IFRS IC) of the IASB, the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act.

They have been prepared in accordance with the going concern principle under the historical cost basis, except for the following:

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the notes to these financial statements.

These consolidated financial statements are presented in rands, which is the company's functional currency and the group's presentation currency. All financial information presented in rands is rounded to the nearest million, except when otherwise indicated.

Standards, amendments and interpretations effective in 2016

The following standards, amendments and interpretations have been adopted by the group for the first time for the financial year ended 31 March 2016. As these amendments merely clarify the existing requirements, they do not affect the group's accounting policies or any of the disclosures.

Effective date	Standard, amendment or interpretation
1 July 2014	Defined benefit plans: Employee contributions (Amendments to IAS 19)
	Annual improvements cycle 2010 – 2012
	Annual improvements cycle 2011 – 2013

Standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the group as at the reporting date of 31 March 2016.

The following new standards, amendments to standards and interpretations are material to the group.

Effective date	Standard, amendment or interpretation
1 January 2018	IFRS 9 *Financial instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains, but simplifies, the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through the statement of other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in the statement of other comprehensive income, not recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

Effective date	Standard, amendment or interpretation
1 January 2018	IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.
1 January 2018	IFRS 15 *Revenue from Contracts with Customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group does not expect significant impact on recognition and measurement of revenue as a result of the adopting this IFRS. However, the group is still assessing the impact of the new disclosure requirements on it's accounting systems.
1 January 2019	IFRS 16 *Leases* specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The group is yet to assess the full impact of IFRS 16.

There are no other standards, amendments to standards and interpretations that are not yet effective that would be expected to have a significant impact on the group.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, with the resulting gains or losses on remeasurement recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured,and its subsequent settlement is accounted for within equity.

All material intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

On the loss of control the group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and components of equity related to the subsidiary. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an, associate, joint venture or financial asset, depending on the level of influence retained.

The company's separate financial statements account for subsidiaries at cost less any accumulated impairment losses.

(b) Non-controlling interests

Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity therein. Non-controlling interests are initially measured either at fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets at the acquisition date. This is not an accounting policy election and the group will apply the choice of measurement basis on an acquisition-by-acquisition basis.

Subsequently the non-controlling interest consists of the amount attributed to such interest at initial recognition plus the non-controlling interest's share of change in equity since the date of the combination.

Non-controlling interests are treated as equity participants of the subsidiary companies. The group treats all acquisitions and disposals of its non-controlling interests in subsidiary companies, which do not result in a loss of control, as an equity transaction. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the group.

(c) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The group establishes structured entities for business purposes. The group may or may not have any direct or indirect shareholdings in these entities.

(d) Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and has determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

(e) Associates

Associates are entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 per cent of the voting power of another entity. Investments in associates are accounted for using the equity method of accounting and are recognised initially at cost.

The group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in that associate, including any other unsecured receivables, the group does not recognise any further losses, unless the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. Associates' accounting policies have been changed, where material and necessary, to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount adjacent to share of profit/loss of associates in the income statement.

The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

(f) Collective investment schemes

Collective investment schemes (or unit trusts) managed by the group are consolidated in the same way as subsidiary companies, provided the group can demonstrate the following:

- power to direct the relevant activities that impact the variable returns of the unit trust through its mandates and voting rights;
- exposure to the variable returns of the unit trust through its size of investment in the unit trust (for instance, investment by the group is greater than 20 per cent); and
- ability to use its power to impact the variable returns for its own benefit.

The consolidated financial assets of the collective investment schemes attributable to unitholders are shown within 'financial assets held under multi-manager investment contracts' in the group statement of financial position with a matching linked liability to the unitholders shown within 'financial liabilities held under multi-manager investment contracts'.

Fair value adjustments to the financial assets and liabilities of collective investment schemes are recognised in profit or loss.

When the size of the investment in the unit trust falls below the 20 per cent threshold it is accounted for as an investment and recorded at fair value through profit or loss.

Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates, in other words its functional currency.

These consolidated financial statements are presented in rands, which is the company's functional currency and the group's presentation currency.

(b) Foreign exchange gains and losses arising in entity accounts

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at that date. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities are recognised in profit or loss, except when deferred in other comprehensive income for qualifying cash flow hedges.

All foreign exchange gains and losses, including those that relate to borrowings and cash and cash equivalents, are presented in the income statement within 'investment income or finance costs' respectively.

Translation differences on monetary items, such as financial assets held at fair value through profit or loss, are reported as part of the fair value gain or loss on such instruments. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

(c) Foreign exchange gains and losses arising on consolidation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The results and financial positions of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of the group are translated into South African rand as follows:

- All assets and liabilities of items in the statement of financial position are translated at the reporting date at the exchange rate at that date.
- All income and expenses for each income statement item are translated at the average exchange rates for the relevant financial period (unless this average

is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the applicable exchange rates at the dates of the transactions).

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign currency gains or losses on such item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the reporting date at the exchange rate at that date.

Property and equipment

Items of property and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All day-to-day servicing of property and equipment is recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The expected useful lives applied are as follows:

Item of property and equipment	Period of depreciation
Leasehold property and improvements	Shorter of useful life or period of lease
Computer and network equipment	3 to 5 years
Motor vehicles	4 to 10 years
Furniture and fittings	4 to 10 years
Office equipment	4 to 7 years

Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if required.

Gains and losses on disposals of property and equipment are determined by comparing proceeds from the disposal with the carrying amount of the relevant asset and are recognised in profit or loss.

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred, *plus*
- the amount of any non-controlling interest in the acquiree measured at fair value or at the proportionate share of the acquiree's identifiable net assets, *plus*
- the fair value of the existing equity interest in the acquiree (if the business combination is achieved in stages), *less*
- the fair value of the net identifiable assets acquired, liabilities (including contingent liabilities) assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Goodwill is measured at cost less accumulated impairment losses and is tested annually for impairment. In respect of equity-accounted investees (associates and joint ventures), the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee. Gains and losses on the disposal of an entity are stated after deducting the carrying amount of goodwill relating to the entity sold.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

(a) Purchased and developed computer software

Purchased computer software and the direct costs associated with the customisation and installation thereof, are capitalised and amortised over the useful life of the asset.

Purchased computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over the useful life of the asset. Costs that are directly associated with the production of identifiable and unique software products, which will be controlled by the group and generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. The directly associated costs include employee costs and an appropriate portion of relevant overheads of the system development team. All other costs associated with developing or maintaining computer software programs are recognised in profit or loss as incurred.

Expenditure, which enhances and extends the benefits of computer software programs beyond their original specifications and lives, is recognised as a capital improvement and added to the original cost of the software. Previously expensed costs are not subsequently capitalised.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives of between three and five years.

(b) Contractual customer relationships acquired as part of a business combination

Contractual customer relationships acquired as part of a business combination are recognised as intangible assets. The initial recognition of the customer relationship is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. These customer relationships are amortised on a straight-line basis over the estimated life of the acquired contracts.

(c) Deferred acquisition costs (DAC)

Incremental costs directly attributable to securing rights to receive fees for multi-manager investment services sold with investment contracts are capitalised as intangible assets if they can be separately identified, measured reliably and it is probable that their value will be recovered. An incremental cost is one that would not have been incurred if the group had not secured the investment contract.

The DAC represents the group's contractual right to benefit from providing multi-manager investment services and is amortised on a straight-line basis over the period in which the group expects to recognise the related revenue, not exceeding five years. The costs of securing the right to provide these services do not include transaction costs relating to the origination of the investment contract.

The accounting policy in respect of DAC relating to insurance contracts is described in the relevant accounting policy on insurance contracts.

(d) Trademarks and licences

No value is attributed to internally developed trademarks, patents and similar rights. Costs incurred on these items are recognised in profit and loss as incurred. Expenditure on the development and marketing of the group's brands is also recognised in profit and loss as incurred.

Financial assets

The group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity financial assets; and
- available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired.

All financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs. The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation techniques of which variables include only data from observable markets. Where the transaction price is not necessarily the fair value of the financial asset, the day-one gain or loss is deferred and recognised over the term that the financial asset is expected to be held.

The purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the group has also transferred the risks and rewards of ownership.

Subsequent to initial recognition the fair values of financial assets are based on quoted market prices, excluding transaction costs. If the market for a financial asset is not active or an instrument is an unlisted instrument, the fair value is estimated using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

When a discounted cash flow analysis is used to determine the value of financial assets, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate, at the reporting date, for a financial asset with similar terms and conditions. Where option pricing models are used inputs are based on observable market indicators at the reporting date.

(a) Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking.

Derivatives are also classified as held for trading, unless they are designated as hedges at inception. All classes of financial assets classified on the statement of financial position as 'financial assets held under multi-manager investment contracts' are designated at fair value through profit or loss.

A financial asset is designated as fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Under these criteria the main classes of financial assets designated by the group are preference shares, unit trusts and debt securities. All classes of financial assets classified on the statement of financial position as 'assets of cell-captive insurance contracts' are designated at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include purchased loans. This category does not include those loans and receivables that the group intends to sell in the short term or that it has designated at fair value through profit or loss or available for sale. Origination transaction costs and origination fees are capitalised to the value of the loan. Loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses.

Receivables arising from insurance contracts are also classified into this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Short-term trade receivables are carried at original invoice amount less an estimate made for impairment based on a review of all outstanding amounts at the end of each reporting period. The difference between the fair value of short-term receivables and the invoice amount is immaterial. Long-term trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Impairment is recognised in profit or loss when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Objective evidence that receivables are impaired includes observable data that comes to the attention of the company regarding the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in payments; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables. Any sale or reclassification of a more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the group from classifying investment securities as held to maturity for the current and the following two financial years.

The only class of financial asset classified as held to maturity is preference shares held for securitisation operations. Held-to-maturity financial assets are carried at amortised cost using the effective interest method, less any impairment losses.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time and may be sold in response to liquidity needs or changes in interest rate, exchange rates or equity prices. Financial assets that are designated in this category or not classified in any of the other categories are classified as available-for-sale financial assets. The main classes of assets classified as available for sale are unlisted debt, equity and property securities.

Subsequent to initial recognition available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in other comprehensive income and presented in the non-distributable reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Interest income received on available-for-sale financial assets is recognised in profit or loss, using the effective interest rate method. Dividend income received on available-for-sale financial assets is recognised in profit or loss when the group's right to receive payments is established.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, or disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(a) Financial assets carried at amortised cost

The group assesses whether there is objective evidence that a financial asset is impaired at each reporting date. A financial asset is impaired, and impairment losses are recognised in profit or loss only if there is objective evidence of impairment, as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in profit or loss.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Impairment of non-financial assets

(a) Goodwill

Goodwill is assessed annually for impairment. For purposes of impairment testing goodwill is allocated to cash-generating units, being the lowest component of the business which is expected to generate cash flows that are largely independent of any other business component. Each of those cash-generating units represents a grouping of assets no larger than an operating segment before aggregation as used for segmental reporting purposes in the group financial statements. Impairment losses relating to goodwill are not reversed.

(b) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment at each reporting date. In addition, assets that have an indefinite useful life are reviewed for impairment whenever events or a change in circumstances during the year indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. Value in use is the present value of projected cash flows covering the remaining useful life of the asset. For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. Any attributable transaction costs are recognised in profit or loss as incurred. The fair value of publicly traded derivatives are based on quoted bid prices for assets held or liabilities to be issued and the current offer prices for assets to be acquired and liabilities held. The fair value of non-traded derivatives is based on discounted cash flow analyses and option pricing models as appropriate.

All derivative instruments of the group are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates derivatives as hedges of the interest payable (cash flow hedge) on the senior debt.

At the inception of the transaction the group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be, and have been, highly effective in off-setting changes in cash flows of hedged items. The fair values of derivative instruments used for hedging purposes are disclosed in the notes to the financial statements.

(a) Cash flow hedge

The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in profit or loss.

(b) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of all such derivative instruments are recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include the following:

- cash on hand;
- deposits held on call with banks;
- other short-term highly liquid investments with original maturities of three months or less;
- demand deposits; and
- bank overdrafts off-set against cash balances in terms of cash management arrangements.

Cash and cash equivalents backing financial liabilities held under multi-manager investment contracts and liabilities of cell-captive insurance contracts are included in the definition of cash and cash equivalents. However, given the restrictions involved in accessing this cash, it is separately identified on the statement of cash flows. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Contract work in progress

Other receivables include contract work in progress in respect of unbilled fee-based services, which are stated at net realisable value. Net realisable value is generally based on the unbilled time incurred to date at the expected charge rates and is the undiscounted value of the receivable.

Equity

(a) Share capital

Ordinary shares and qualifying preference shares are classified as equity. Incremental costs directly attributable to the issue of equity are recognised as a deduction from equity, net of any tax effects. Incremental costs directly attributable to the issue of ordinary shares and share options as consideration for the acquisition of a business are included in the cost of acquisition.

(b) Dividend distributions

Dividend distributions on ordinary shares are recognised as a reduction in equity in the period in which they are approved by the company's shareholders. Distributions declared after the reporting date are not recognised but are disclosed in the financial statements.

(c) Treasury shares

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

(d) Share-based payment reserve

Upon the vesting of any equity instruments granted by the group, the group transfers the related share-based payment reserve to accumulated profits or loss.

Classification of insurance and investment contracts

The group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the group defines a significant insurance risk as the possibility of having to pay benefits, on the occurrence of an insured event, that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable. Amounts received under investment contracts are recorded as deposits under investment contract liabilities. Amounts paid under investment contracts are recorded as deductions from investment contract liabilities.

Insurance contracts

Insurance contracts are classified into two main categories depending on the duration of risk and whether or not the terms and conditions are fixed.

(a) Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts. For all these contracts premiums are recognised as revenue (earned premiums) in profit or loss proportionally over the period of coverage. Premiums are shown gross of commission and reinsurance and exclude any taxes or duties levied on premiums. Claims and related claims adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

(b) Short-term insurance liabilities

The following are classified as short-term insurance liabilities:

Unearned premiums

Short-term insurance premiums are recognised in profit or loss proportionately over the period of cover for even risk business or in line with the exposure to risk. The portion of premium accrued on in-force contracts that relates to unexpired risks at the reporting date is reported as an unearned premium liability, which is included in insurance-related payables from underwriting activities.

Outstanding claims

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses of the claims incurred but not reported. Outstanding claims liabilities are recognised as liabilities and included in insurance-related payables from underwriting activities. The expense is recognised in profit or loss as a result of the liability being raised. The group does not discount its liabilities for unpaid claims.

(c) Long-term insurance contracts

These contracts insure events associated with human life over a long duration. Premiums are recognised as revenue in profit or loss when they become payable by the contract holder. Premiums are shown gross of commission and exclude any taxes or duties levied on premiums. Benefits payable to beneficiaries are recorded as an expense in profit or loss when they are paid.

(d) Long-term insurance liabilities

In terms of IFRS 4 *Insurance Contracts*, insurance liabilities are permitted to be measured under existing local practice. The insurance liabilities are to be valued in terms of the Financial Soundness Valuation (FSV) basis as described in Statement of Actuarial Practice 104 (SAP 104) issued by the Actuarial Society of South Africa. The result of the valuation methodology and assumptions is that profits are released appropriately over the term of the policy to avoid the premature recognition of profits that may give rise to losses in future years.

The liability is valued using a discounted cash flow approach. This approach takes the sum of future expected benefit payments and administration expenses that are directly related to the contract, deducts the expected premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used and then discounts these resultant cash flows at market-related rates of interest. The liability is based on assumptions of the best estimates of future experience as to mortality, persistency, maintenance expenses and investment income.

Compulsory margins for adverse deviations (first-tier margins) increase the liability as required in terms of SAP 104. Such margins are intended to provide a minimum level of prudence in the liabilities and to ensure that profits are not recognised prematurely. In addition, discretionary margins (second-tier margins) may be added to the liability to ensure that profit and margins for risk in the premiums are not capitalised prematurely and that profits are recognised in line with the risk profile inherent in the contracts and services provided.

Discretionary margins unwind as these risks are met over the term of each policy. Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The long-term insurance liabilities are recalculated annually by independent actuaries.

(e) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired the group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss. The group gathers evidence that an insurance receivable is impaired using the same process adopted for loans and receivables.

(f) Embedded derivatives

The group does not separately measure embedded derivatives in an insurance contract if the embedded derivative itself qualifies for recognition as an insurance contract. Such an embedded derivative is measured as an insurance contract. All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative.

(g) Deferred policy acquisition costs (DPAC)

Commissions and other acquisition costs arising from property and casualty short-term insurance contracts that vary with, and are related to, securing new contracts and renewing existing contracts are capitalised. All other costs are recognised in profit or loss when incurred. The DPAC is subsequently amortised and recognised in profit or loss over the life of the policies as premiums are earned.

For long-term insurance contracts commissions and other acquisition costs are recognised in profit or loss when incurred. The portion of the premium which recoups these costs is included in the valuation of long-term insurance contract liabilities. The commission and other acquisition costs are therefore implicitly deferred over the period of the contract in the calculation of the liabilities under long-term insurance contracts.

(h) Value of business acquired (VOBA)

On acquisition of a portfolio of contracts, either directly from another insurer or through the acquisition of a subsidiary company, the group recognises an intangible asset representing the VOBA.

The VOBA represents the present value of future profits embedded in acquired insurance contracts. The group amortises the VOBA over the effective life of the acquired contracts on the same basis as DPAC. The group assesses the value for impairment annually. This amortisation and any impairment are recognised in profit or loss.

(i) Liability adequacy test

At each reporting date, for contracts measured on a retrospective basis, liability adequacy tests for insurance contracts are performed to ensure the adequacy of the contract liabilities. In performing these tests current best estimates of future contractual cash flows and claims-handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. For contracts measured on the financial soundness valuation basis, the financial soundness basis is a discounted cash flow method, which meets the requirements of a liability adequacy test. Any deficiency is immediately charged to profit or loss.

(j) Reinsurance contracts held

Contracts entered into by the group with reinsurers, under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. The benefits to which the group is entitled under its reinsurance contracts are recognised as reinsurance assets and are included in insurance-related receivables from underwriting activities. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from, or due to, reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in profit or loss when due. The group assesses its reinsurance assets for impairment at each reporting date. If there is objective evidence that the reinsurance asset is impaired the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in profit or loss. The group gathers evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost.

(k) Salvage and subrogation reimbursements

Some insurance contracts permit the group to sell property acquired in settling a claim (in other words, salvage). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. Salvage property is recognised as an asset when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

The group may also have the right to pursue third parties for payment of some or all costs (in other words, subrogation). Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised as assets when the liability is settled. The allowance is based on an assessment of the amount that can be recovered from the action against the liable third party.

Investment contracts

The group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (capital guarantees). Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, derivatives or investment property (unit-linked) and are designated at inception as financial assets at fair value through profit or loss.

Valuation techniques are used to establish the fair value at inception and at each reporting date. The group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the reporting date. If the investment contract is subject to a put or surrender option the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

Financial liabilities

The group classifies its financial liabilities into the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of financial liabilities at initial recognition.

Financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value, net of transaction costs incurred in the case of financial liabilities not at fair value through profit or loss.

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets. Where the transaction price is not necessarily the fair value of the financial asset the day-one gain or loss is deferred and recognised over the term of the liability.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(a) Financial liabilities at fair value through profit or loss

This category has two subcategories:

- financial liabilities held for trading; and
- those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if the linked financial asset associated with this liability is acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking. Derivative liabilities are also classified as held for trading, unless they are designated as hedges at inception.

All classes of financial liabilities classified on the statement of financial position as 'financial liabilities held under multi-manager investment contracts' are designated at fair value through profit or loss.

A financial liability is designated as fair value through profit or loss where the group determines such a designation will eliminate an accounting mismatch because the related assets are carried at fair value through profit or loss.
All classes of financial liabilities classified on the statement of financial position as 'liabilities of cell-captive insurance contracts' are designated as fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, with subsequent changes in fair value recognised in profit or loss.

(b) Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments and fixed maturities.

Financial liabilities classified as financial liabilities at amortised cost comprise borrowings and trade and other payables. Subsequent to initial recognition these financial liabilities are measured at amortised cost and any difference between the proceeds, net of transaction costs and the redemption value, is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, and the company intends to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be settled simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to fair value remeasurements of available-for-sale assets and cash flow hedges, which are recognised in other comprehensive income, are accumulated in equity and are subsequently reclassified into profit or loss together with the deferred gain or loss.

Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through trustee administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. The pension plans are funded by payment from the relevant group companies and/or by employees.

A defined contribution plan is a post-employment benefit plan under which the group and/or employees pay fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to current or prior employee service. The group pays contributions to the plan on a mandatory, contractual or voluntary basis. The group has no further payment obligation once the contributions have been paid. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due.

A defined benefit plan is a post-employment benefit plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. In countries like South Africa where there is no deep market for corporate bonds the government bond rate is used. This rate is the yield at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the group's obligation.

The calculation is performed annually by qualified actuaries using the projected unit credit method.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

When the calculation results in a benefit for the group, in other words plan assets exceed the defined benefit obligation, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. The group measures the economic benefits available to it in the form of refunds or reductions in future contributions at the maximum amount that is consistent with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan in accordance with IFRIC 14.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

The group's current service costs of the defined benefit plans are recognised in profit or loss in the current year.

(b) Post-retirement medical obligations

In terms of certain employment contracts, the group provides post-retirement medical benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid contributions.

The entitlement to these benefits is based upon employment prior to a certain date and is conditional on employees remaining in service up to retirement age. New employees are not entitled to this benefit. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans.

The post-retirement medical obligation has been partly funded through an insurance arrangement with a subsidiary company of the group.

(c) Leave pay provision

Short-term employee benefit obligations are measured on an undiscounted basis and are recognised in profit or loss as the related service is provided. A liability is recognised for the amount that is expected to be paid in the form of annual leave entitlements if the group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share-based payments

The group operates a number of equity-settled, share-based compensation plans under which the entity receives services from employees as consideration for equity instruments (shares) of the group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting period the group revises its estimates of the number of shares that are expected to vest, based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the shares vest, in some circumstances, the company issues new shares to settle.

In other circumstances, when shares vest, the company settles using shares of the company previously acquired from the market.

The grant by the company to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the group recognises any impairment loss on the assets associated with that contract.

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow, with respect to any one item included in the same class of obligations, may be small.

Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates.

Leases

(a) Finance leases

Assets acquired under lease agreements that transfer substantially all the risks and rewards of ownership to the group are accounted for as finance leases. The asset is capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments upon initial recognition, with an equivalent amount being stated as a finance lease liability. The capitalised asset is depreciated over the shorter of the useful life of the asset or the lease term. Lease payments are apportioned between finance costs and capital repayments using the effective interest method.

Finance costs are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance costs are recognised in profit or loss over the lease period.

(b) Operating leases

Other leases are operating leases and the leased assets are not recognised on the group's statement of financial position. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

When an operating lease is terminated before the lease term has expired any payment required to be made to the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

Contingencies and commitments

Transactions are classified as contingencies when the group's obligations depend on uncertain future events not within it's control. Items are classified as commitments when the group commits itself to future transactions with external parties.

Income from operations

Income from operations, which excludes value added tax, comprises:

- commission (when the group acts in the capacity of an agent rather than as the principal in a transaction) and fees in respect of brokerage, administration, management and consultancy services;
- net underwriting profit from the risk-taking activities of insurance operations; and
- net interest income from financing operations.

Income recognition – general operations

(a) Financial services

- *Consulting fees* – comprise fees earned in respect of actuarial and other advisory services. Income is recognised based on the stage of completion as the related services are rendered. The stage of completion is determined with reference to the services performed to date as a percentage of total services to be performed.
- *Administration fees* – comprise fees earned for the administration of retirement funds. Income is recognised as services are provided.

- *Commission income* – comprises commissions earned in respect of insurance and investment products. Commission income is recognised on the effective commencement or renewal date of the insurance or investment policy. A portion of the income is deferred when further servicing is required to be rendered. The amount deferred is that which will cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. Deferred income is recognised in profit or loss evenly over the period of the policy. Where commission income is earned on an indemnity basis provision is made for the potential repayment of commissions.
- *Healthcare commission income* – comprises commissions earned in respect of healthcare products. Commission income is recognised on the effective commencement or renewal date of the healthcare product.
- *Fund annuity purchase fees* – comprise fees earned on fund annuity purchases. Income is recognised based on the stage of completion determined by reference to the value of the assets transferred.

(b) Multi-manager investment (Investment Solutions)

- *Multi-manager investment fees* – comprise fees earned for multi-manager investment and administration. Initial administration fees are brought to account upon inception of the investment contract and are recognised on a straight-line basis over the expected period of the contract. Ongoing multi-manager investment and administration fees are calculated on a daily basis as a percentage of assets under management. These fees are recognised as services are provided.
- *Structured product fees* – comprise fees earned on the structuring and administration of portfolios of financial instruments designed to hedge specific financial risks. These fees are recognised in profit or loss evenly over the expected period of the contract.
- *Transition management fees* – comprise fees earned for services provided in relation to the transfer of investment assets.

Income is recognised based on the stage of completion determined with reference to the value of the assets transferred.

Income recognition – financing operations

Interest and other finance income received in the form of an interest margin are recognised in profit or loss on a time proportionate basis using the effective interest method. Any directly related interest expense is recognised on the same basis.

Income recognition – insurance operations

- *Income from insurance activities* – refer to the accounting policies on insurance contracts.
- *Reinsurance commission income* – comprises commissions earned in respect of insurance referred to reinsurers. Income is recognised on the effective commencement or renewal date of the insurance policy. A portion of the income is deferred when further servicing is required to be rendered. The amount deferred is that which will cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. Deferred income is recognised in profit or loss evenly over the period of the policy.
- *Profit commission* – comprises negotiated profit shares with reinsurers. Income is recognised when earned.
- *Investment management fees on cell-captive insurance contracts* – income is calculated as a percentage of investment income. These fees are recognised as services are provided.
- *Management fees on cell-captive insurance contracts* – income is calculated as a percentage of premiums received. Income is recognised on the effective commencement or renewal dates of the related insurance programme. A portion of the management fees is deferred to cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. The deferred income is recognised over the servicing period on a consistent basis reflecting the pattern of servicing activities.

Profit from operations before non-trading and capital items

The profit from operations before non-trading and capital items is made up of trading activities of the group. The trading activities are those revenues and expenses generated by the business operations of the group which are regularly reported to the board of directors when making resource allocation decisions and assessing operational performance.

Items of an exceptional nature which are not considered to be fundamental to the resource allocation and performance of business operations are thus disclosed separately as non-trading and capital items. The separate disclosure of these items consequently achieves representative disclosure of activities normally regarded as operating in nature.

Non-trading and capital items

Non-trading activities relate to items such as the group professional indemnity insurance cell, adjustments arising due to business combinations, non-recurring items linked to corporate finance activities, items related to historical client settlement, impairment losses and recoveries, and capital gains or losses on sale of non-current assets. Items of a non-trading nature do not form part of management's consideration of the operational performance or allocation of resources of the group.

Investment income

Investment income comprises interest income on funds invested, dividend income and fair value gains on financial assets at fair value through profit or loss. Interest income is recognised on a time proportionate basis in profit or loss, using the effective interest method. Dividend income earned on preference share investments held as money market investments is also recognised on a time proportionate basis using the effective interest method. All other dividend income is recognised when the right to receive payment is established, which is the 'ex' dividend date for equity securities.

Finance costs

Finance costs comprise interest expense on borrowings and unwinding of discount on provisions and contingent consideration and fair value losses on financial assets at fair value through profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Income tax

Income tax expense comprises current and deferred taxes, capital gains tax, as well as secondary tax on companies applicable in South Africa. Due to the nature of indirect taxes, including non-recoverable value added tax, stamp duty, and skills development levies, these are included in operating expenses in profit or loss.

Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(a) Current tax

The current income tax and capital gains tax charges are the expected tax payable or receivable on the taxable income or loss for the year, using applicable tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(b) Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes as detailed in the relevant accounting policy note. Effective 1 April 2012, STC has been replaced by dividend withholding tax. The local rate for dividend tax is 15%.

Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components.

All operating segments' operating results are reviewed regularly by the group's key decision-makers (the group executive committee, ultimately overseen by the board of directors) to make decisions about resources to be allocated to the segments and assess its performance and for which discrete financial information is available.

Segment results that are reported to the key decision-makers include operating income net of direct expenses (net revenue) and profit from operations before non-trading and capital items (trading result) directly attributable to a segment.

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered – primarily through sale rather than through continuing use – are classified as held for sale. The assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, or employee benefit assets, which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Gains are not recognised in excess of any cumulative impairment loss. Intangible assets and property and equipment once classified as held for sale are not amortised or depreciated.

Discontinued operations

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation the comparative income statement and statement of other comprehensive income and statement of cash flows are represented as if the operation had been discontinued from the start of the comparative year.

Critical assumptions and judgements

The following critical accounting assumptions and judgements have been applied when preparing these financial statements:

1. **Valuation of policyholder assets and liabilities in respect of long-term insurance contracts**

   The actuarial value of policyholder assets and liabilities arising from long-term insurance contracts is determined using the Financial Soundness Valuation method as described in SAP 104 of the Actuarial Society of South Africa.

   The method requires a number of assumptions as inputs to the valuation model. The process followed to determine the valuation assumptions is outlined in note 33.2: Insurance payables.

2. **Ultimate liability arising from claims under short-term contracts**

   The estimation of the ultimate liability arising from claims under short-term insurance contracts has several sources of uncertainty. The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. There is no absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential. Over time the group has developed a methodology that is aimed at establishing insurance provisions that have a reasonable likelihood of being adequate to settle all its insurance obligations. Refer to note 33.3: Insurance payables for more details.

3. **Errors and omissions in the ordinary course of business**

   Due to the nature of its activities the group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions or non-compliance with laws and regulations in the conduct of its ordinary course of business. As with any business with similar operations to the group, the risk exists that new claims relating to past events and significant adverse developments in past claims could result in material changes to provisions made in respect of prior years. Refer to note 29: Provisions for further information.

4. **Goodwill**

   The group created significant goodwill and intangible assets upon its reorganisation in 2007 in terms of IFRS 3. These asset balances are evaluated for impairment on an annual basis. This evaluation is based on the estimation of future cash flows and discount rates as further explained in note 15: Goodwill.

5. **Fair value**

   The group's policy for determining the fair value of financial instruments is described in the Accounting Policies. The group holds a number of financial assets and liabilities that are designated at fair value through profit or loss. Full disclosure of the valuation hierarchy and sensitivities is contained in the risk management section of this report. Refer to note 46: Financial risk.

6. **Retirement benefit obligations**

   The present value of the post-retirement medical benefit obligations and the defined benefit pension funds is determined on an actuarial basis based on various assumptions. The assumptions used in determining the net cost (income) for the post-retirement medical benefit obligation and the defined benefit pension fund include, *inter alia*, the discount rate which is used to determine the present value of estimated future cash outflows expected to settle the obligation. The group, in conjunction with a professional actuary, determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related post-retirement medical benefit obligation and the defined benefit pension funds.

   The expected salary and pension increase rates are based on inflation rates, adjusted for salary scales and country-specific conditions. The inflation rate used is a rate within the government's monetary policy target for inflation and is calculated as the difference between the yields on portfolios of fixed interest government bonds and a portfolio of index-linked bonds of a similar term.

   Other key assumptions for post-retirement medical benefit obligations are based in part on current market conditions. Additional information is disclosed in note 27: Employee benefits.

   Any changes in these assumptions will impact the carrying amount of post-retirement medical benefit obligations and defined benefit pension funds.

GROUP INCOME STATEMENT
for the year ended 31 March 2016

Rm	Notes	2016	2015
Continuing operations			
Fee and commission income	2	**5 839**	5 268
Direct expenses attributable to fee and commission income	2	**(1 003)**	(915)
Net income from insurance operations	3	**540**	498
Insurance premiums earned		**2 123**	1 909
Less: Amounts ceded to reinsurers		**(1 258)**	(1 114)
Plus: Investment income from insurance operations		**32**	11
Less: Insurance claims and withdrawals		**(1 507)**	(1 326)
Plus: Insurance claims and benefits covered by reinsurance contracts		**1 150**	1 018
Operating income net of direct expenses		**5 376**	4 851
Operating expenses	4	**(4 166)**	(3 714)
Profit from operations before non-trading and capital items		**1 210**	1 137
Non-trading and capital items	5	**(137)**	(355)
Operating profit		**1 073**	782
Investment income	6	**294**	226
Finance costs	7	**(71)**	(119)
Reported profit/(loss) arising from accounting for policyholder investments in treasury shares	11	**59**	(26)
Share of net profit of associates (net of income tax)	17	**4**	3
Profit before taxation		**1 359**	866
Income tax expense	8	**(468)**	(361)
Profit for the year from continuing operations		**891**	505
Discontinued operations			
Loss on discontinued operations (net of income tax)	22	**(17)**	(145)
Profit for the year		**874**	360
Profit attributable to:			
Equity holders		**729**	253
Non-controlling interest	9	**145**	107
		874	360
Basic earnings/(loss) per share			
– From continuing operations		**58.4**	32.9
– From discontinued operations		**(1.5)**	(12.4)
– From total operations	10	**56.9**	20.5
Diluted earnings per share from total operations	10	**56.4**	20.2

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

Rm	Note	2016	2015
Profit for the year		**874**	360
Foreign currency translation differences of foreign operations		**198**	26
Foreign currency translation reserve of disposed operations recycled to profit or loss	22.2	**2**	–
Release of available for sale reserve		**(5)**	–
Other comprehensive income for the year that will be reclassified to profit or loss		**195**	26
Remeasurement of post-employment benefit obligations		**–**	(4)
Other comprehensive loss that will not be reclassified to profit or loss		**–**	(4)
Total comprehensive income for the year		**1 069**	382
Total comprehensive income attributable to:			
Equity holders		**903**	272
Non-controlling interest		**166**	110
Total comprehensive income for the year		**1 069**	382

GROUP STATEMENT OF FINANCIAL POSITION

at 31 March 2016

Rm	Notes	2016	2015
ASSETS			
Financial assets held under multi-manager investment contracts	11	**276 258**	262 004
Financial assets of insurance and cell-captive contracts	12	**253**	358
Property and equipment	13	**355**	331
Purchased and developed computer software	14	**139**	84
Goodwill	15	**3 995**	3 899
Intangible assets	16	**681**	764
Investment in associates	17	**8**	9
Deferred tax assets	28	**157**	149
Financial assets	18	**489**	419
Insurance receivables	19	**981**	820
Trade and other receivables	20	**933**	782
Cash and cash equivalents	21	**4 877**	4 350
Assets of disposal group classified as held for sale	22	**131**	178
Total assets		**289 257**	274 147
EQUITY AND LIABILITIES			
Share capital		**6 192**	6 192
Treasury shares		**(181)**	(166)
Accumulated loss		**(267)**	(640)
Other reserves		**157**	(36)
Equity holders' funds	23	**5 901**	5 350
Non-controlling interest		**255**	190
Total equity		**6 156**	5 540
Financial liabilities held under multi-manager investment contracts	24	**276 382**	262 172
Liabilities of insurance and cell-captive contracts	25	**253**	358
Borrowings	26	**705**	1 000
Employee benefits	27	**166**	177
Deferred tax liabilities	28	**322**	323
Provisions	29	**352**	317
Finance lease liability	30	**80**	86
Operating lease liability	31	**266**	207
Deferred income	32	**34**	25
Insurance payables	33	**2 878**	2 536
Trade and other payables	34	**1 518**	1 215
Tax liability		**102**	119
Liabilities of disposal group classified as held for sale	22	**43**	72
Total liabilities		**283 101**	268 607
Total equity and liabilities		**289 257**	274 147

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

Rm	Notes	2016	2015
Cash flows from operating activities			
Cash generated from operations	37	**1 313**	1 043
Interest received	38	**84**	104
Interest paid	39	**(62)**	(119)
Net cash flows received from insurance and policyholder contracts	41	**568**	274
Net cash flows received from/(paid to) policyholder investment contracts	42	**5 561**	(2 901)
Taxation paid	43	**(500)**	(524)
Dividends paid to equity holders		**(352)**	–
Cash flows from operating activities – discontinued operations		**(9)**	3
Net cash inflow/(outflow) from operating activities		**6 603**	(2 120)
Cash flows from investing activities			
Dividends received from associates		**5**	–
Payments for financial assets		**(260)**	(406)
Proceeds received on disposal of financial assets		**206**	435
Payments for capital expenditure incurred on property, equipment and computer software		**(183)**	(110)
Proceeds from sale of property, equipment and computer software		**1**	1
Cash flows from investing activities – discontinued operations	22	**(2)**	(2)
Net cash outflow from investing activities		**(233)**	(82)
Cash flows from financing activities			
Proceeds from the issue of shares	23	**–**	316
Payments for the redemption of B preference shares		**–**	(178)
Payments for the purchase of treasury shares		**–**	(24)
Repayment of borrowings		**(383)**	(1 250)
Proceeds from borrowings raised		**84**	1 000
Payments made to non-controlling interests		**(101)**	(130)
Net cash outflow from financing activities		**(400)**	(266)
Increase/(decrease) in cash and cash equivalents		**5 970**	(2 468)
Cash and cash equivalents at the beginning of the year		**9 674**	12 129
Exchange gain on foreign cash and cash equivalents		**104**	13
Cash and cash equivalents at the end of the year		**15 748**	9 674
Analysed as follows:			
Cash and cash equivalents of disposal groups classified as held for sale		**13**	27
Cash and cash equivalents of continuing operations	21	**4 877**	4 350
Cash held under multi-manager investment contracts		**10 820**	5 297
Cash held under cell-captive insurance contracts		**38**	–
		15 748	9 674

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

Rm	Share capital	Treasury shares	Other reserves	Accumu-lated loss	Total equity holders' funds	Non-controlling interest	Total equity
At 31 March 2014	5 819	(405)	102	(889)	4 627	210	4 837
Total comprehensive income	–	–	23	249	272	110	382
Profit for the year	–	–	–	253	253	107	360
Other comprehensive income	–	–	23	(4)	19	3	22
Issue of shares	316	–	–	–	316	–	316
Redemption of B preference shares	–	–	(178)	–	(178)	–	(178)
Disposal of treasury shares	–	405	–	–	405	35	440
Purchase of treasury shares	–	(24)	–	–	(24)	–	(24)
Purchase of treasury shares in policyholder assets	–	(142)	–	–	(142)	–	(142)
Issue of shares to management	57	–	–	–	57	–	57
Movement in share-based payment reserve	–	–	17	–	17	–	17
Other movements in non-controlling interest*	–	–	–	–	–	(165)	(165)
At 31 March 2015	**6 192**	**(166)**	**(36)**	**(640)**	**5 350**	**190**	**5 540**
Total comprehensive income	**–**	**–**	**174**	**729**	**903**	**166**	**1 069**
Profit for the year	**–**	**–**	**–**	**729**	**729**	**145**	**874**
Other comprehensive income	**–**	**–**	**174**	**–**	**174**	**21**	**195**
Issue of shares**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Purchase of treasury shares in policyholder assets	**–**	**(15)**	**–**	**–**	**(15)**	**–**	**(15)**
Movement in share-based payment reserve	**–**	**–**	**19**	**–**	**19**	**–**	**19**
Dividends paid	**–**	**–**	**–**	**(352)**	**(352)**	**–**	**(352)**
Other movements in non-controlling interest*	**–**	**–**	**–**	**(4)**	**(4)**	**(101)**	**(105)**
At 31 March 2016	**6 192**	**(181)**	**157**	**(267)**	**5 901**	**255**	**6 156**

* This amount includes distributions made to non-controlling interests as well as changes due to acquisitions and disposals of equity held by non-controlling interests.
The movement in accumulated loss during the current year relates to the disposal of 20% of the direct shareholding in Alexander Forbes Financial Services (East Africa) Proprietary Limited.

** During the year the company issued 39 million shares to the Employee Share Option Plan for 1 cent per share (refer to note 23).

GROUP SEGMENTAL INCOME AND PROFIT ANALYSIS

for the year ended 31 March 2016

Rm	Operating income net of direct expenses 2016	%	2015	Profit from operations before non-trading and capital items 2016	%	2015
Africa continuing operations (Rm)						
SA Financial Services	**1 934**	4	1 852	**399**	3	386
Investment Solutions	**759**	(6)	806	**358**	(12)	407
AF Insurance	**451**	11	407	**123**	17	105
AfriNet (Africa excluding South Africa)	**346**	19	291	**74**	23	60
Accounting for the property lease	**–**	–	–	**(30)**	(25)	(40)
Total Africa continuing operations (Rm)	**3 490**	4	3 356	**924**	1	918
International continuing operations						
Total International (£m)	**90.6**	8	84.2	**13.7**	11	12.3
International Financial Services (Rm)	**1 886**	26	1 495	**286**	31	219
Total group continuing operations (Rm)	**5 376**	11	4 851	**1 210**	6	1 137

Rm	Depreciation and amortisation 2016	%	2015	Assets 2016	%	2015
Africa continuing operations (Rm)						
SA Financial Services	**16**		13	**75 768**		69 655
Investment Solutions	**9**		4	**276 357**		262 269
AF Insurance	**4**		4	**749**		618
AfriNet (Africa excluding South Africa)	**5**		3	**4 331**		3 962
Total Africa (Rm)	**34**	42	24	**357 205**	6	336 504
Total International (£m)	**1.0**		0.9	**77.6**		75.1
International Financial Services (Rm)	**20**	25	16	**1 646**	22	1 343
Unallocated						
Corporate Services	**56**		46	**924**		1 038
Discontinued operations	**11**		1	**145**		178
Goodwill	**–**		–	**3 995**		3 899
Consolidation elimination*	**–**		–	**(74 658)**		(68 815)
Total group (Rm)	**121**	39	87	**289 257**	6	274 147

* This amount relates mainly to assets invested by group companies with Investment Solutions.

The group measures segments based on operating income net of direct expenses and profit from operations before non-trading and capital items.

The above segmental view reflects the reporting segments as used by the group's key decision-makers and is consistent with the prior year.

The following summary describes each of the group's reportable segments:

- **SA Financial Services** – is the leading retirement funds consulting and administration provider and corporate health consulting business in South Africa. The divisions include Institutional, which provides retirement fund administration, consulting and actuarial services; Retail, which provides financial and wealth advice and solutions to individuals; Healthcare, which provides medical scheme and health-related advice and actuarial services.
- **Investment Solutions** – is a multi-manager investment manager. The company selects appropriate asset managers and portfolios and monitors and reports on manager performance. The operations are currently in South Africa and Namibia.
- **AF Insurance (AFI)** – provides short-term motor and household insurance cover to retail clients. In addition, assets insurance cover and various other business-related short-term insurance cover is provided to small businesses.
- **AfriNet (Africa excluding South Africa)** – offers financial services products in Africa (outside South Africa). It focuses on and meets the demands of each local market, as well as adapts business products to local legislation.
- **International Financial Services** – pan-European employee benefits consultants and actuaries, providing solutions across all aspects of employee benefits to employers and their employees, pensions, investments, healthcare and risk solutions and business analytics of insurance products.

Since April 2016, the group has formally moved to a new basis of allocating resources and managing performance which is aligned with the group's strategy. This has resulted in a change in the responsibilities with internal management reports being presented in line with four strategic clusters.

From 1 April 2016, the group will present these strategic segments which are managed through specific cluster executive committees and are reported to the key decision-makers. The cluster units provide strategic direction for the underlying business units, with particular focus on the common client base which are served by these units. The cluster executive committees meet monthly and specifically focus on project implementation and review internal management reports. The 'strategic' segments are:

- **Institutional Cluster** – with particular focus on our core institutional clients, the strategic focus of this cluster includes the continuous growth of the core businesses with fanatical discipline.
- **Retail Cluster** – with particular focus on our retail clients, the strategic focus of this cluster includes leveraging the core institutional businesses to provide financial well-being through a comprehensive holistic product offering.
- **Operations & Technology** – this cluster will focus on operational modernisation and strategic prioritisation. This cluster is not a profit centre and costs are allocated to the institutional and retail clusters.
- **Shared Services** – this cluster is responsible for all corporate administrative functions such as human resources, risk and compliance, marketing and finance. These service costs are allocated to profit centres.

Within the cluster units above, business units offer different products and services, and require different technology and marketing strategies.

The new 'strategic' analysis for the year ended 31 March 2016 has been included in the directors' report.

1. Foreign currency exchange rates

Certain transactions of the group occur in foreign currencies. The most material of these currencies is the Great British Pound. These transactions have been translated using the exchange rates below.

Other less material foreign subsidiaries have been translated to rand using the weighted average rates for income statement items and the closing rates for items in the statement of financial position.

Rm		2016	2015
Weighted average rate	(rand:sterling)	**20.8**	17.8
Closing rate	(rand:sterling)	**21.2**	17.9

2. Fee and commission income

Rm	2016	2015
Brokerage fees and commission income	**43**	26
Fee income from consulting and administrative services	**4 042**	3 525
Fee income from investment management activities	**1 713**	1 670
Other income	**41**	47
	5 839	5 268
Direct expenses related to fees and commission income comprise sub-agent expenses, commissions paid and asset management fees	**(1 003)**	(915)

Fee income from investment management activities is based on financial assets held at fair value through profit or loss.

3. Net income from insurance operations

	Long-term insurance		Short-term insurance		Total	
Rm	2016	2015	2016	2015	2016	2015
Gross earned premiums	**395**	371	**1 728**	1 538	**2 123**	1 909
Gross written premiums*	**395**	371	**1 755**	1 541	**2 150**	1 912
Less: movement in unearned premium provision	**–**	–	**(27)**	(3)	**(27)**	(3)
Reinsurers' share thereof	**(271)**	(232)	**(987)**	(882)	**(1 258)**	(1 114)
Net earned premiums	**124**	139	**741**	656	**865**	795
Net investment income from insurance operations	**12**	–	**20**	11	**32**	11
Net expenses of insurance contracts	**(5)**	(6)	**(22)**	(21)	**(27)**	(27)
Net premium and investment income	**131**	133	**739**	646	**870**	779
Gross claims and transfers to policyholders' funds	**(265)**	(282)	**(1 215)**	(1 017)	**(1 480)**	(1 299)
Reinsurers' share thereof	**229**	252	**921**	766	**1 150**	1 018
Net claims and transfers to policyholders' funds	**(36)**	(30)	**(294)**	(251)	**(330)**	(281)
Net income from insurance operations	**95**	103	**445**	395	**540**	498

* Gross written premiums for short-term insurance include reinsurance commission of R282 million (2015: R248 million) for the year ended 31 March 2016.

Rm	2016	2015
4. Operating expenses		
Operating expenses classified by nature are as follows:		
Amortisation	**(19)**	(11)
Purchased and developed computer software (refer to note 14)	**(19)**	(10)
Intangible assets (refer to note 16)	**–**	(1)
Computer and IT costs	**(173)**	(147)
Depreciation (refer to note 13)	**(90)**	(75)
Leasehold property and improvements	**(10)**	(9)
Computer equipment	**(68)**	(57)
Furniture fittings, office equipment and other assets	**(12)**	(9)
External auditors' remuneration	**(29)**	(27)
Audit service – fees for audit	**(25)**	(23)
Non-audit service	**(4)**	(4)
Insurance costs	**(96)**	(95)
Operating lease charges	**(254)**	(230)
Premises – actual charges	**(222)**	(188)
– accounting for contractual escalations	**(30)**	(40)
Equipment	**(2)**	(2)
Staff costs*	**(2 987)**	(2 627)
Salaries, wages and other benefits	**(2 915)**	(2 567)
Share-based payments	**(20)**	(17)
Termination benefits	**(7)**	(6)
Retirement benefit contributions – defined contribution plans	**(45)**	(37)
Other operating expenses	**(518)**	(502)
Total operating expenses	**(4 166)**	(3 714)

* Staff costs include executive directors' and non-executive directors' remuneration. Refer to note 44 for a detailed analysis.

Total operating expenses exclude non-trading and capital items which are disclosed in note 5.

5. Non-trading and capital items

Rm	2016	2015
Non-trading:		
Professional indemnity insurance cell-captive result	**(9)**	(23)
Amortisation of intangible assets arising from business combination	**(124)**	(131)
Corporate transaction and listing costs	**–**	(50)
Historic transaction incentive costs (refer to note 5.1)	**–**	(99)
Contractual payment to the Alexander Forbes Management Trust (refer to note 5.2)	**–**	(58)
Other non-trading items	**(4)**	6
	(137)	(355)
Amortisation of intangible assets arising from business combination		
Purchased and developed computer software (refer to note 14)	**(16)**	(17)
Intangible assets (refer to note 16)	**(108)**	(114)
	(124)	(131)

5. Non-trading and capital items (continued)

5.1 Historic transaction incentive costs

Prior year historic transaction incentive costs include the 2011 Executive Long Term Incentive Plan of R34 million (refer to note 5.1.1) and the 2014 Exit Transaction Incentive of R57 million (refer to note 5.1.2).

5.1.1 2011 Executive Long-Term Incentive Plan

The Alexander Forbes 2011 Executive Long-Term Incentive Plan was approved by the resolution of the remuneration committee on 4 August 2011 and was amended and revised on 3 June 2014. The plan was constructed and designed as a restricted bonus incentive scheme which is settled in cash. Forty-six senior managers and directors of the group have been designated as eligible employees under the plan. Awards made to eligible employees (including executive directors) in terms of the plan vest in two tranches: (i) 50% on the date the company listed and as such are included in the historic incentive costs shown above; and (ii) 50% 18 months from the listing date, which is conditional upon acceptable performance by participants over the period and upon participants being employed by the group at the date of payment. This portion of the award is accrued as employee benefits. Details of payments made to prescribed officers may be found in the related parties' note to these financial statements.

5.1.2 2014 Exit Transaction Incentive

The 2014 Exit Transaction Incentive (the 2014 ETI) was adopted by the board of the company to be implemented in the event that the selling shareholders' investment in the group is successfully realised either by way of a trade sale or listing in 2014.

Participants in the 2014 ETI included the executive directors of the company and certain other senior managers of the group. The 2014 ETI was constructed and designed as a restricted incentive plan which was equity-settled by the company. The shares awarded to eligible participants are subject to certain disposal restrictions as noted below and was settled on the date the company listed. The incentive was awarded in terms of the 2014 ETI based on performing duties and functions in relation to the relevant transaction satisfactorily.

The number of shares to be issued to prescribed officers in terms of this incentive are detailed below:

Thousand shares	2015
E Chr Kieswetter	2 980
DM Viljoen (interim group chief executive and group chief financial officer)	1 490
D Msibi* (managing director)	255
P Edwards* (managing director)	288
G Dombo* (managing director)	170
G Stobart* (managing director)	1 490

* Prescribed officers.

This was a once-off allocation and there will be no further allocations in the current or future financial years.

5.2 Contractual payment to the Alexander Forbes Management Trust resulting from capital restructure

Since the 2007 Private Equity acquisition and up until the capital restructure which took place on 31 March 2014 the Alexander Forbes Management Trust was a holder of shares in the company but did not hold any A preference shares in the company, which effectively provided inherent leverage to the Alexander Forbes Management Trust. Pursuant to the restructure, the company redeemed all issued A preference shares and, in consideration, issued new shares to the holders of the A preference shares, resulting in significant dilution of the Alexander Forbes Management Trust's ordinary shareholding in the company and the effective loss of the inherent gearing in the Alexander Forbes Management Trust's investment in the company. In order to compensate the Trust and, indirectly, the beneficiaries for this loss, the company entered into an agreement dated 20 March 2014 with the Alexander Forbes Management Trust in terms of which the company agreed to pay the Alexander Forbes Management Trust a compensation amount (the compensation amount) upon the happening of certain defined events (including but not limited to the listing of the company on the JSE Limited). The compensation amount was calculated with reference to the offer price achieved in the listing. The compensation amount was R58 million and was thereafter included in the value of the points held in the Management Trust.

6. Investment income

Rm	2016	2015
Interest income	**77**	57
Investment and dividend income	**217**	169
Corporate investment and dividend income	**20**	66
Policyholder investment income	**197**	103
Total investment income	**294**	226
Investment income is derived from the following categories of financial assets:		
Loans receivable	**77**	78
Financial assets designated at fair value	**217**	148
	294	226

7. Finance costs

Rm	2016	2015
Finance costs derived from financial liabilities classified and carried at amortised costs:		
Interest on borrowings	**(57)**	(102)
Other interest	**(14)**	(17)
	(71)	(119)

8. Income tax expense

Rm	2016	2015
South African income tax		
Current tax	**(248)**	(280)
Current year	**(248)**	(266)
Prior years	**–**	(14)
Deferred tax	**39**	77
Current year	**32**	71
Prior years	**7**	6
Foreign income tax		
Current tax	**(52)**	(48)
Current year	**(54)**	(45)
Prior years	**2**	(3)
Deferred tax	**(4)**	(2)
Current year	**(4)**	(1)
Prior years	**–**	(5)
Change in rate	**–**	4
Foreign withholding tax	**(6)**	(5)
Tax attributable to policyholders	**(197)**	(103)
Current tax – current year	**(176)**	(139)
Deferred – current year	**(21)**	36
	(468)	(361)

No material capital gains tax was incurred by the group in the current or previous years except in respect of discontinued operations which is included in the results of discontinued operations.

%	2016	2015
8. Income tax expense (continued)		
The standard South African income tax rate for companies is reconciled to the group's actual tax rate as follows:		
South African income tax rate for companies	**28.0**	28.0
Adjusted for the effects of:		
Foreign withholding tax	**0.5**	0.5
Policyholder tax	**14.7**	11.9
Unutilised tax losses (net of prior-year assessment loss utilised)*	**2.5**	1.0
Exempt income	**(10.4)**	(7.2)
Disallowed expenses		
Legal fees	**0.1**	–
Fines and penalties	**–**	0.1
Donations	**0.1**	0.2
Goodwill	**0.1**	0.1
Transaction costs	**–**	5.1
Fair value adjustment of treasury shares	**–**	0.8
Loss on disposal of investment in subsidiary	**–**	0.4
Sundry items	**0.2**	1.1
Foreign tax rates	**(0.7)**	(1.7)
Prior-year underprovision (net of prior-year overprovision)	**(0.6)**	1.9
Change in rate	**–**	(0.5)
Effective tax rate per income statement	**34.5**	41.7

* Unused tax losses for the group amounted to R2 million (2015: R6 million) available for set-off against future taxable income.

Rm	2016	2015
9. Profit attributable to non-controlling interest		
Profit attributable to non-controlling interest	**145**	107

The profits attributable to non-controlling interest results mainly from a non-controlling interest in Lane Clark & Peacock (in the United Kingdom) and non-controlling interests in certain operations within AfriNet. Details of non-wholly-owned subsidiaries are provided in note 48 to these financial statements.

10. Earnings per share

10.1 Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

10.2 Headline earnings/(loss) per ordinary share

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

10.3 Diluted earnings/(loss) per ordinary share

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

			2016	2015
10.4	**Number of shares**			
	Weighted average number of shares	(million)	**1 334**	1 286
	Weighted average shares held by policyholders classified as treasury shares	(million)	**(17)**	(15)
	Weighted average treasury shares	(million)	**(35)**	(34)
	Weighted average number of shares in issue	(million)	**1 282**	1 237
	Dilutive shares		**10**	14
	Diluted weighted average number of shares	(million)	**1 292**	1 251
	Actual number of shares	(million)	**1 341**	1 302
	Actual treasury shares	(million)	**(61)**	(20)
	Actual number of shares in issue	(million)	**1 280**	1 282
10.5	**Calculation of basic and headline earnings from total operations**			
	Profit attributable to equity holders	(Rm)	**729**	253
	Adjusting items:			
	– Loss/(profit) on disposal of subsidiary – discontinued operations	(Rm)	**(1)**	15
	– Loss on disposal of subsidiary – continuing operations	(Rm)	**3**	8
	– Impairment of goodwill and intangible assets	(Rm)	**–**	102
	– Impairment of net assets of disposal groups held for sale	(Rm)	**13**	16
	Headline earnings for the year	(Rm)	**744**	394
	Earnings per share from total operations			
	Basic earnings per share	(cents)	**56.9**	20.5
	Headline earnings per share	(cents)	**58.1**	31.9
	Diluted basic earnings per share	(cents)	**56.4**	20.2
	Diluted headline earnings per share	(cents)	**57.6**	31.5

10. Earnings per share (continued)

		2016	2015
10.6 Calculation of basic and headline earnings from continued operations			
Profit after tax from continuing operations	(Rm)	**891**	505
Less: Profit attributable to non-controlling interests	(Rm)	**(143)**	(98)
Profit attributable to equity holders	(Rm)	**748**	407
Adjusted for:			
– Loss on disposal of subsidiary	(Rm)	**3**	8
Headline profit from continuing operations	(Rm)	**751**	415
Basic earnings per share from continuing operations	(cents)	**58.4**	32.9
Headline earnings per share from continuing operations	(cents)	**58.6**	33.5
10.7 Calculation of basic and headline earnings from discontinued operations			
Loss after tax from discontinued operations	(Rm)	**(17)**	(145)
Less: Profit attributable to non-controlling interests	(Rm)	**(2)**	(9)
Profit from discontinued operations attributable to equity holders	(Rm)	**(19)**	(154)
Adjusted for:			
– (Profit)/loss on disposal of subsidiary	(Rm)	**(1)**	15
– Impairment of goodwill and intangible assets	(Rm)	**–**	102
– Impairment of assets held for sale	(Rm)	**13**	16
Headline loss from discontinued operations	(Rm)	**(7)**	(21)
Basic loss per share from discontinued operations	(cents)	**(1.5)**	(12.4)
Headline loss per share from discontinued operations	(cents)	**(0.5)**	(1.6)
Diluted basic loss per share from discontinued operations	(cents)	**(1.5)**	(12.4)
Diluted headline loss per share from discontinued operations	(cents)	**(0.5)**	(1.6)

11. Financial assets held under multi-manager investment contracts

The policyholder assets held by the group's multi-manager investment subsidiaries, Investment Solutions in South Africa and Namibia, are recognised on the balance sheet in terms of IFRS. These assets are directly matched by linked obligations to policyholders.

11.1 Movement in multi-manager and unit trust investment contract assets

Rm	2016	2015
A reconciliation between financial assets held under multi-manager and unit trust investment contracts:		
Opening balance	**262 004**	253 747
*Movement during the year:**		
Premium inflow	**39 520**	37 296
Withdrawals	**(43 709)**	(61 441)
Investment returns after tax	**20 942**	33 025
Policyholder fees charged/investment portfolio expenses	**(2 825)**	(2 357)
Consolidated funds**	**364**	1 865
Other	**(38)**	(131)
Closing balance	**276 258**	262 004

* This amount is off-set by a corresponding movement in financial liabilities held under multi-manager investment contracts (refer to note 24).
** These are funds that are consolidated when the group's interest in the funds increase above the 20% threshhold.

11.2 Analysis of multi-manager and unit trust investment contract assets

An analysis of the aggregate financial assets of multi-manager and unit trust investment contracts is set out below:

Rm	2016	2015
Financial assets designated as fair value through profit or loss		
Equity securities – listed	**113 103**	119 095
– unlisted	**12**	15
Preference shares – listed	**515**	268
Collective investment schemes***	**70 515**	59 874
Debt securities – listed	**21 584**	22 367
– government stock	**14 656**	11 254
Debentures – listed	**3 613**	5 064
– unlisted	**–**	104
Policy of insurance***	**23 896**	22 594
Derivative financial instruments	**1**	10
Money market	**17 543**	16 062
Cash and cash equivalents		
Cash	**10 820**	5 297
Total financial assets held under multi-manager investment contracts	**276 258**	262 004

*** The assets underlying these investments similarly consist of largely listed equity securities, debt securities and money market investments.

Financial assets disclosure on maturity and currency is not provided as these multi-manager and unit trust investment contract assets are directly matched to linked obligations.

11. Financial assets held under multi-manager investment contracts (continued)

11.3 Reconciliation of assets held under multi-manager investment contracts

As a result of the group being listed, the investments by underlying asset managers in the Alexander Forbes Group Holdings listed shares are recognised as treasury shares and all fair value adjustments recognised on these treasury shares are reversed, while the corresponding fair value of the limited liability continues to be recognised in the income statement. The resultant profit for the year of R59 million (2015: loss of R26 million) has been disclosed separately on the face of the statement of comprehensive income. This treatment also impacts the number of shares in issue, the impact of which is disclosed in note 10.

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

Rm	2016	2015
Total financial assets held under multi-manager investment contracts (per statement of financial position)	**276 258**	262 004
Reversal of adjustments made under IFRS:		
Alexander Forbes shares held as policyholder assets and reclassified in the group statement of financial position as treasury shares	**157**	142
Financial effects of accounting for policyholder investments as treasury shares – prior year	**26**	–
Financial effects of accounting for policyholder investments as treasury shares – current year	**(59)**	26
Total financial assets held for policyholders under multi-manager investment contracts	**276 382**	262 172

12. Financial assets of insurance and cell-captive contracts

All financial assets relating to insurance contracts held by Investment Solutions in South Africa and relating to cell-captive contracts in AfriNet Namibia are included in the consolidated statement of financial position of the group. An analysis of the financial assets attributable to policyholders and cell shareholders' interests in the cell-captive insurance companies is provided below. These financial assets are directly matched to linked obligations to the policyholders and cell shareholders of the cell-captive insurance companies. The promoter cells' share (or shareholders' interest) in the other financial assets of the cell-captive insurance companies are included in the relevant line items of the group statement of financial position.

	2016	2015
Financial assets designated as fair value through profit or loss		
Money market	**104**	115
Cash and cash equivalents		
Cash	**38**	–
Reinsurance assets		
Receivables	**26**	21
Equity securities – unlisted	**–**	176
Reinsurers' share of outstanding claims	**2**	–
Reinsurers' share of unearned premium provision	**80**	43
Reinsurers' share of IBNR provision	**3**	3
Total financial assets attributable to policyholders and cell shareholders' interests in cell-captive insurance companies	**253**	358

Financial assets' disclosure on maturity and currency is not provided as these cell-captive insurance facility assets are directly matched to linked obligations. Refer to note 25.

13. Property and equipment

Rm	Leasehold improvements	Computer equipment	Furniture and fittings, office equipment and other assets	Total
2016				
Carrying value				
Cost	**147**	**320**	**180**	**647**
Accumulated depreciation and accumulated impairment losses	**(47)**	**(158)**	**(87)**	**(292)**
Carrying value at 31 March 2016	**100**	**162**	**93**	**355**
Cost				
Balance at 1 April 2015	**119**	**251**	**154**	**524**
Additions to enhance existing operations	**2**	**76**	**15**	**93**
Disposals	**–**	**(15)**	**(4)**	**(19)**
Reclassification	**3**	**–**	**(3)**	**–**
Foreign subsidiaries' exchange differences	**23**	**8**	**18**	**49**
Balance at 31 March 2016	**147**	**320**	**180**	**647**
Accumulated depreciation and accumulated impairment losses				
Balance at 1 April 2015	**(28)**	**(97)**	**(68)**	**(193)**
Depreciation charge for the year	**(10)**	**(68)**	**(12)**	**(90)**
Continuing operations	**(10)**	**(68)**	**(12)**	**(90)**
Disposals	**–**	**15**	**4**	**19**
Foreign subsidiaries' exchange differences	**(9)**	**(8)**	**(11)**	**(28)**
Balance at 31 March 2016	**(47)**	**(158)**	**(87)**	**(292)**
2015				
Carrying value				
Cost	119	251	154	524
Accumulated depreciation and accumulated impairment losses	(28)	(97)	(68)	(193)
Carrying value at 31 March 2015	91	154	86	331
Cost				
Balance at 1 April 2014	113	232	152	497
Additions to enhance existing operations	10	59	10	79
Disposals	(2)	(35)	(7)	(44)
Transfer to disposal group held for sale	(4)	(6)	(4)	(14)
Foreign subsidiaries' exchange differences	2	1	3	6
Balance at 31 March 2015	119	251	154	524
Accumulated depreciation and accumulated impairment losses				
Balance at 1 April 2014	(20)	(77)	(65)	(162)
Depreciation charge for the year	(12)	(58)	(10)	(80)
Continuing operations	(9)	(57)	(9)	(75)
Operations discontinued during the year	(3)	(1)	(1)	(5)
Disposals	2	34	7	43
Transfer to disposal group held for sale	3	5	2	10
Foreign subsidiaries' exchange differences	(1)	(1)	(2)	(4)
Balance at 31 March 2015	(28)	(97)	(68)	(193)

Furniture and fittings, office equipment and other assets include freehold land and buildings owned by the group, which have a carrying value of R11 million (2015: R14 million). A register of freehold land and buildings is available for inspection by authorised representatives at the registered office of the company.

Rm	2016	2015

13. Property and equipment (continued)

Included in property and equipment are assets capitalised as part of a finance lease. The net book value of these assets are as follows:

Rm	2016	2015
Furniture and fittings	**27**	30
Cost	**38**	38
Accumulated depreciation	**(11)**	(8)
Computer equipment	**26**	32
Cost	**45**	45
Accumulated depreciation	**(19)**	(13)

Refer to note 30: Finance lease liabilities for more information on the lease arrangement.

14. Purchased and developed computer software

Rm	In use	In development	2016 Total	2015 Total
Carrying value				
Cost	**323**	**33**	**356**	268
Accumulated amortisation and accumulated impairment losses	**(217)**	**–**	**(217)**	(184)
Balance at 31 March	**106**	**33**	**139**	84
Cost				
Opening balance	**260**	**8**	**268**	238
Movement during the year:				
Additions to enhance existing operations	**40**	**50**	**90**	31
Disposals	**(5)**	**–**	**(5)**	(1)
Transfer to in use	**25**	**(25)**	**–**	–
Foreign subsidiaries' exchange differences	**3**	**–**	**3**	–
Closing balance	**323**	**33**	**356**	268
Accumulated amortisation and accumulated impairment losses				
Opening balance	**(184)**	**–**	**(184)**	(158)
Movement during the year:				
Amortisation for the year	**(19)**	**–**	**(19)**	(10)
Amortisation – continuing operations	**(19)**	**–**	**(19)**	(10)
Amortisation charge arising from business combination	**(16)**	**–**	**(16)**	(17)
Accumulated amortisation on disposals	**5**	**–**	**5**	1
Foreign subsidiaries' exchange differences	**(3)**	**–**	**(3)**	–
Closing balance	**(217)**	**–**	**(217)**	(184)

	Rm	2016	2015
15.	**Goodwill**		
15.1	**Carrying value**	**3 995**	3 899
15.2	**Reconciliation of movement in carrying value**		
	Opening balance	**3 899**	3 985
	Movement during the year:		
	Transfer to disposal groups held for sale	**–**	(95)
	Foreign currency exchange movement	**96**	9
	Closing balance	**3 995**	3 899
15.3	**Analysis of goodwill balances per cash-generating unit**		
	SA Risk and Insurance Services		
	AF Insurance – Personal Services	**445**	445
	SA Financial Services		
	Financial Services	**1 126**	1 126
	AF Life	**317**	317
	SA Investment Solutions	**1 392**	1 392
	AfriNet	**83**	83
	International Financial Services		
	Lane Clark & Peacock	**632**	536
		3 995	3 899

15.4 Impairment review of goodwill

Goodwill is allocated to cash-generating units (CGUs) in accordance with the group's accounting policies. This represents the lowest level at which goodwill is monitored for internal management purposes and in all cases is at or below the company's operating segment. The goodwill balances are subject to an annual impairment review as required by IAS 36.

With the exception of LCP, each CGU goodwill balance is tested for a recoverable amount as determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the board of directors for the forthcoming year and forecasts for up to three years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates which do not exceed the expected long-term economic growth rate for the geographic segment.

Key assumptions used include:

	South Africa		Africa		International	
	2016	2015	2016	2015	2016	2015
Discount rates (before specific segment risk)	**14.3**	11.9	**12.8**	11.9	*	5.6
Terminal growth rates	**5.2**	5.2	**6.1**	5.9	*	0.5

* Independent valuation based on market comparable transaction.

The specific segment risk factor applied ranges between 1% and 4% in both years.

Sensitivity analysis

A sensitivity analysis had been performed on each of the base case assumptions used for assessing the goodwill, with other variables held constant. Consideration of sensitivities to key assumptions can evolve from one financial year to the next.

The board has considered the surplus value in use or fair value and concluded that, in all cases, there are no reasonably possible changes in key assumptions that may give rise to the carrying amount of goodwill exceeding the value in use or fair value.

15. Goodwill (continued)

15.5 Allocation of goodwill balances to cash-generating units

Factors which are not considered separable from the business of the group, and which contributed to the cost of the acquisition of Alexander Forbes Limited by the company and resulted in the recognition of goodwill, include the following:

- assembled workforce, including specific technical expertise and training expertise;
- distribution channels;
- training and recruitment programmes;
- customer service capability and service support;
- effective marketing programmes and product cross-selling opportunities;
- leading market position; and
- finance-raising capabilities.

16. Intangible assets

Intangible assets comprise values attributed to contractual customer relationships and market-related intangible assets. All intangible assets are non-current in nature.

	Rm	2016	2015
16.1	**Carrying value**		
	Cost	**1 762**	1 716
	Accumulated amortisation and accumulated impairment losses	**(1 081)**	(952)
	Balance at 31 March	**681**	764
16.2	**Analysis of intangible assets**		
	Customer lists	**460**	532
	Trade names	**221**	232
		681	764
16.3	**Reconciliation of movement in carrying value**		
	Opening balance	**764**	886
	Movement during the year:		
	Amortisation charged for the year	**–**	(1)
	Amortisation charge arising from IFRS 3 *Business Combinations* (refer to note 5)*	**(108)**	(117)
	Continuing operations	**(108)**	(114)
	Operations discontinued during the year	**–**	(3)
	Transfer to disposal groups held for sale	**–**	(7)
	Foreign subsidiaries' exchange differences	**25**	3
	Closing balance	**681**	764

* The amortisation of intangible assets arising from IFRS 3 *Business Combinations* includes R3 million relating to operations classified as held for sale in the prior year.

This amortisation expense has been recognised in profit or loss from discontinued operations in the income statement.

	Rm	2016	2015
17.	**Investment in associates**		
17.1	**Equity-accounted carrying value**		
	Cost	**2**	2
	Share of cumulative post-acquisition reserves	**6**	7
		8	9
17.2	**Reconciliation of movement in equity-accounted carrying value**		
	Opening balance	**9**	6
	Movement during the year:		
	Dividends received from associates	**(5)**	–
	Share of profits of associates	**4**	3
	Closing balance	**8**	9

At 31 March 2016 the group had a financial interest in two associates, Alexander Forbes Insurance Brokers Kenya (Kenya Insurance Brokers) and Alexander Forbes Financial Services Zambia (AF Zambia). Kenya Insurance Brokers operates as a short-term insurance broker and AF Zambia operates as a pension fund administrator. Both exclusively operate in their country of incorporation, the details of which are provided in note 48 to these financial statements.

	Rm	2016	2015
18.	**Financial assets**		
18.1	**Total financial assets**		
	Non-current financial assets	**92**	85
	Current financial assets	**397**	334
		489	419
18.2	**Analysis of financial assets**		
	Financial assets classified as available for sale	**–**	206
	Money market instruments	**–**	190
	Unit trusts	**–**	16
	Financial assets designated as fair value through profit or loss	**394**	125
	Money market instruments	**203**	–
	Collective investment schemes	**153**	91
	Bonds	**38**	34
	Financial assets classified as loans and receivables	**95**	88
	Equity release housing loans	**34**	41
	Other loans	**61**	47
		489	419

Rm	2016	2015
19. Insurance receivables		
Insurance brokerage income receivable and other insurance balances	**261**	197
Reinsurance brokerage income receivables	**55**	34
Receivables from short-term insurance contracts	**277**	210
Premium debtors	**7**	5
Reinsurers' share of unearned premium provision	**25**	25
Reinsurers' share of outstanding claims provision	**204**	150
Reinsurers' share of IBNR provision	**41**	30
Receivable from long-term insurance contracts	**368**	359
Premium debtors	**51**	38
Reinsurers' share of policyholder liability (group life)	**317**	321
Other insurance-related receivables	**20**	20
	981	820

A reconciliation of the receivables from short-term and long-term insurance contracts with the payables from such contracts is provided in note 33 to these financial statements.

20. Trade and other receivables

Rm	2016	2015
Financial assets:		
Trade receivables	**459**	420
Other receivables	**91**	82
	550	502
Non-financial assets:		
Accrued and not billed balances	**300**	227
Prepayments	**79**	50
Prepaid taxation	**4**	3
	933	782

Included in trade and other receivables are impairments of trade receivables of R5.1 million (2015: R4.4 million).

21. Cash and cash equivalents

21.1 Total cash and cash equivalents

Rm	2016	2015
Cash and bank balances	**4 140**	3 711
Short-term deposits	**737**	639
	4 877	4 350

21.2 Analysis of cash resources

Rm	2016	2015
Total cash and cash equivalents	**4 877**	4 350
Less: Restricted cash relating to policyholder balances, capital and regulatory requirements and other restrictions	**(3 859)**	(3 186)
Available cash resources	**1 018**	1 164

21.3 Cash and cash equivalents included in policyholder and cell-owner assets are as follows:

Rm	2016	2015
Multi-manager and unit trust investment contracts	**10 820**	5 297
Cell-captive insurance contracts	**38**	–
	10 858	5 297

22. Assets and liabilities of disposal group classified as held for sale and discontinued operations

22.1 Net profit of business units discontinued up to effective date of disposal

The operations of Lane Clark & Peacock Belgium CVBA were disposed of with effect 31 March 2016. This business was classified as a discontinued operation during previous financial years. At 31 March 2016 there are no longer any assets and liabilities related to this operation included in the group statement of financial position. The operating results for the year are included as discontinued operations.

During 2015 the operations of Swaziland Employee Benefits and the associate, Tibiyo Insurance Brokers, both based in Swaziland, and the operations of Trustee Services in the UK were disposed of. At 31 March 2015 the group discontinued the operations of Alexander Forbes Compensation Technologies Proprietary Limited following the board decision to dispose of the business. The sale of this business is imminent, pending the successful resolution of certain conditions precedent to the sale.

The results of Alexander Forbes Compensation Technologies Proprietary Limited are reported as discontinued in the income statement. For a breakdown of the profit or loss on disposal of subsidiaries, refer to note 22.2: Disposal of subsidiaries, associates and operations.

Rm	2016	2015
Fee and commission income	**126**	130
Direct expenses attributable to fee and commission income	**(8)**	(27)
Operating income net of direct expenses	**118**	103
Operating expenses	**(113)**	(134)
Profit/(loss) from operations before non-trading and capital items	**5**	(31)
Non-trading and capital items*	**(20)**	(105)
Operating loss	**(15)**	(136)
Finance costs	**–**	(1)
Share of net loss of associates (net of income tax)	**–**	(2)
Loss before tax	**(15)**	(139)
Income tax expense	**(3)**	9
Loss for the year from discontinued operations	**(18)**	(130)
Loss on disposals	**1**	(15)
Total loss from discontinued operations	**(17)**	(145)

* Non-trading and capital items includes an impairment of R10 million relating to the present value of the proposed sale price of Alexander Forbes Compensation Technologies and an impairment of R9 million relating to the net assets of the LCP operations in Europe. The prior year includes an impairment of goodwill (R95 million) and intangible assets (R7 million), both relating to Alexander Forbes Compensation Technologies and an impairment of the net assets of certain LCP operations in Europe.

22. Assets and liabilities of disposal group classified as held for sale and discontinued operations (continued)

22.2 Disposal of subsidiaries, associates and businesses

As detailed in note 22.1 the disposals of subsidiaries and associates in the year includes deferred consideration received on the sale of Trustee Services in the UK and the disposal of Lane Clark & Peacock Belgium CVBA . Disposals in 2015 include Swaziland Employee Benefit Consultants, Tibiyo Insurance Brokers and Alexander Forbes Trustee Services.

Rm	2016	2015
Carrying value of net assets sold	**(4)**	(31)
Foreign currency translation reserve of disposed entities	**2**	–
	(2)	(31)
Net proceeds on disposal	**3**	16
Loss on disposal of subsidiaries	**1**	(15)
Net consideration received in cash	**3**	16
Cash and cash equivalents disposed of	**(5)**	(18)
Net cash outflow	**(2)**	(2)

22.3 Assets and liabilities of disposal group classified as held for sale

At 31 March 2016 the assets and liabilities of disposal groups includes Alexander Forbes Compensation Technologies. The value of the assets and liabilities are stated at the expected sale value which is derived based on the net present value of the cash flows expected. The disposal of this operation remains dependent on certain legal agreements and conditions precedent which are being finalised.

The comparative March 2015 disclosure consists of the assets and liabilities of the operations classified as held for sale at that date, being Alexander Forbes Compensation Technologies and certain LCP operations in Europe.

The table below provides an analysis of the components of assets and liabilities of disposal groups classified as held for sale.

Rm	2016	2015
Long-term assets	**3**	24
Deferred tax asset	**–**	6
Financial assets	**–**	1
Trade and other receivables	**8**	21
Other current assets	**107**	99
Cash and cash equivalents	**13**	27
Total assets	**131**	178
Deferred tax liability	**30**	29
Provisions – non-current	**6**	18
Trade and other payables	**7**	25
Total liabilities	**43**	72

23. Equity holders' funds

Rm	2016	2015
23.1 Total equity holders' funds		
Share capital at no par value (refer to note 23.2)	**6 192**	6 192
Treasury shares (refer to note 23.3)	**(181)**	(166)
Non-distributable reserves	**157**	(36)
Share-based payment reserve	**36**	17
Other reserves (refer to note 23.5)	**121**	(53)
Accumulated loss	**(267)**	(640)
	5 901	5 350

	2016		2015	
	Number of shares '000	Share capital at no par value Rm	Number of shares '000	Share capital at par value Rm
23.2 Analysis of share capital				
Authorised				
Ordinary shares each	**2 500 000**	–	2 500 000	–
Non-convertible redeemable B preference shares	**45 000**	–	45 000	–
Issued				
Ordinary shares	**1 341 427**	**6 192**	1 302 356	6 192
	1 341 427	**6 192**	1 302 356	6 192

Reconciliation of movement in ordinary shares

	2016		2015	
	Number of shares '000	Share capital Rm	Number of shares '000	Share capital Rm
Opening balance	**1 302 356**	**6 192**	1 250 698	5 819
Shares issued to public	–	–	44 000	316
Shares issued to management in relation to exit transaction incentive (refer to note 5.1.2)	–	–	7 658	57
Shares issued to the Employee Share Option Plan (refer to note 23.3.1)	**39 071**	–	–	–
Closing balance	**1 341 427**	**6 192**	1 302 356	6 192

Rm	2016	2015
23.3 Treasury shares		
Opening balance	**(166)**	(405)
Movement during the year:		
Increase in treasury shares as a result of the consolidation of the SPV funding entities	–	405
Purchase of treasury shares	–	(24)
Purchase of treasury shares in policyholder assets	**(15)**	(142)
Closing balance	**(181)**	(166)

23. Equity holders' funds (continued)

23.3 Treasury shares

23.3.1 BEE Employee Share Option Plan (ESOP)

The Isilulu Trust ("trust") was set up as the vehicle through which the ESOP will operate. 39 070 700 ordinary shares were issued to the trust at one cent per share and rank pari passu with other ordinary shares, with the exception of dividends rights for these shares. The trust is consolidated in the group's results.

All employees not included in the conditional share incentive scheme (refer to note 23.4.2) are beneficiaries of the trust.

There are two types of beneficiaries, Pool A beneficiaries and Pool B beneficiaries. Pool A beneficiaries are black women and are entitled to 70% of the trust income available for distribution. Pool B beneficiaries are all beneficiaries not in pool A and are entitled to 30% of the trust income available for distribution.

The shares are entitled to 30% of the dividends distributed to ordinary shareholders. The trust is restricted from disposing of or encumbering these shares during the term of the trust. Dividends distributed by the trust are treated as employee benefits. The dividend income earned by the trust and subsequently distributed to qualifying employees was R2.7 million during the current financial year.

The trust is restricted from disposing or encumbering the shares held. AFGH has a call option in terms of which the shares may be repurchased under specific criteria relating to change in control, change in BEE rating and various other provisions. The repurchase price will be calculated in terms of a repurchase formula specifically defined in the agreements.The group does not currently anticipate executing the repurchase for the next 10 years.

		2016	2015
23.4	**Share-based payment reserve**		
	Opening balance	**17**	–
	Expensed to income statement	**19**	17
	Closing balance	**36**	17

The group has two types of awards of shares to its employees being the forfeitable share plan and the conditional share incentive scheme. These schemes are discussed below under 23.4.1 and 23.4.2.

23.4.1 Forfeitable shares issued to staff at the listing

Under this scheme shares are awarded to employees which will vest at a future date if the employee remains employed. The employee participates in the benefits of the share during the vesting period. Shares are forfeited if the employee ceases to be an employee of the group. To hedge exposure to the shares issued under this scheme the group acquired 3 200 000 shares at R7.50 per share at the date of the listing. The group has no legal or constructive obligation to repurchase or settle the award in cash. The shares are held on behalf of the employees by a trust which was set up specifically for this purpose. The trust is consolidated and the shares are reflected as treasury shares. The employees are entitled to dividend distributions during the vesting period.

2014 tranche: The company issued 1 000 shares under this scheme to all employees who were employed at the date of listing. The shares vest three years from the date of issue. The number of employees who participated in this tranche was 3 050.

2015 tranche: 200 shares were issued to all staff who were employed on 1 August 2015. The shares vest three years from the date of issue. There were 3 194 employees included in this allocation.

Movement in the number of shares allocated is as follows:

'000	2016	2015
At 1 April	**2 766**	–
Granted	**639**	3 050
Forfeited	**(449)**	(284)
31 March	**2 956**	2 766

Shares granted and outstanding at the end of the year have the following vesting dates:

		Total shares granted	
Tranche '000	Vesting date	2016	2015
2014	24 July 2017	**2 384**	2 766
2015	31 July 2018	**572**	–
		2 956	2 766

The grant date fair value of the shares is determined based on the market price at the date of issue which was R7.50 per share for the 2014 tranche and R8.89 per share for the 2015 tranche.

23. Equity holders' funds (continued)

23.4 Share-based payment reserve

23.4.2 Conditional share incentive scheme

Under this scheme executives, senior managers and other key employees of the group (participants) are granted performance-related awards, i.e. conditional rights to receive shares. In addition, these awards are subject to a vesting period determined by the remuneration committee. The performance condition is aligned to the financial year of the group. Further, each participant will not have any shareholder or voting rights prior to the vesting date. Employees are not required to pay for the shares granted under this scheme.

The shares granted under this scheme are subject to the group achieving its target growth in headline earnings per share (HEPS) over the period. The cumulative HEPS over the performance period is equal to the sum of the base year HEPS grown by the Consumer Price Index (CPI) and real Gross Domestic Product (GDP) per annum over the performance period.

Movement in the number of shares outstanding is as follows:

'000	2016	2015
At 1 April	**15 031**	–
Granted	**17 204**	15 511
Forfeited	**(2 615)**	(480)
31 March	**29 620**	15 031

Shares granted and outstanding at the end of the year have the following vesting dates:

Tranche '000	Vesting date	Total shares granted 2016	2015
2014	24 July 2017	**13 576**	15 031
2015	31 July 2018	**16 044**	–
		29 620	15 031

The grant date fair value of the shares is determined based on the market price at the date of issue less the net present value of expected dividends over the vesting period. The grant date fair value of the shares allocated is R6.70 per share for the 2014 tranche and R8.12 per share for the 2015 tranche.

Rm	2016	2015
23.5 Other reserves		
Available-for-sale financial assets reserve	**–**	5
Foreign currency translation reserve	**571**	394
Redemption reserve*	**(449)**	(449)
Other reserves	**(1)**	(3)
	121	(53)

* In the prior year the group redeemed the B preference shares, previously carried at R211 610, at their fair value of R178 million. The B preference shares were classified as equity instruments of the group, therefore the difference between the redemption proceeds and the original carrying value of the B preference shares has been recorded within equity (redemption reserve).The balance of the reserve arose on redemption of preference shares relating to the private equity transaction.

Rm	2016	2015

24. Financial liabilities held under multi-manager investment contracts

24.1 Movement of liabilities under multi-manager and unit trust investment contracts

Rm	2016	2015
Opening balance	**262 172**	253 747
Movement during the year:*		
Premium inflows	**39 520**	37 296
Withdrawals	**(43 709)**	(61 441)
Investment return net of taxation	**20 883**	33 064
Policyholder fees charged/investment portfolio expenses	**(2 825)**	(2 357)
Consolidated funds**	**364**	1 865
Other	**(23)**	(2)
Closing balance	**276 382**	262 172

* This amount is off-set by a corresponding movement in 'financial assets held under multi-manager investment contracts' (refer to note 11).
** These are funds that are consolidated when the group's interest in the funds increase about the 20% threshhold.

24.2 Discounted maturity analysis of liabilities under multi-manager and unit trust investment contracts

Rm	2016	2015
Due within one year	**–**	–
Open ended	**276 382**	262 172
	276 382	262 172

These policyholder liabilities arise from multi-manager and unit trust investment contracts issued by the group's multi-manager investment subsidiaries in South Africa and Namibia. The policyholder liabilities are directly matched to the linked policyholder assets.

These are financial liabilities designated as fair value through profit or loss.

Rm	2016	2015
Financial liabilities linked to investment contracts	**276 382**	262 172
	276 382	262 172

25. Liabilities of insurance and cell-captive contracts

Under IFRS all insurance-related financial liabilities of Investment Solutions in South Africa and cell-captive-related financial liabilities in AfriNet Namibia are included in the consolidated statement of financial position of the group. An analysis of the policyholders' and cell owners' interests in the financial liabilities of these cell-captive insurance companies is provided below. The promoter cell (or shareholder's) interest in the other financial liabilities of the cell-captive insurance companies is included in the relevant line item in the group statement of financial position.

Rm	2016	2015
Short-term insurance technical liabilities	**219**	173
Gross unearned premium provision	**213**	169
Gross outstanding claims provision	**2**	–
Gross IBNR provision	**4**	4
Long-term insurance technical liabilities		
Policyholder liability	**–**	176
Insurance liabilities of cell-captive insurance contracts	**219**	349
Other liabilities attributable to policyholders and cell owners	**34**	9
Cell-owners' interest*	**29**	6
Payables*	**5**	4
Taxation (receivable)/payable	**–**	(1)
	253	358

* These are designated as financial liabilities at fair value through profit or loss.

These liabilities are directly matched to linked financial assets. Refer to note 12.

Rm	2016	2015

26. Borrowings

26.1 Analysis of borrowings

Rm	2016	2015
Revolving credit facility (refer to note 26.4)	**701**	1 000
Other	**4**	–
	705	1 000

26.2 Reconciliation of movement in borrowings:

Rm	Revolving credit facility	Other	2016 Total	2015 Total
Opening balance	**1 000**	–	**1 000**	1 652
Movements for the year:				
Interest accrued	**57**	–	**57**	102
Interest paid	**(53)**	–	**(53)**	(102)
Redemptions paid	–	–	–	(158)
Deconsolidation of MST SPV	–	–	–	(228)
Borrowings repaid	**(383)**	–	**(383)**	(1 250)
Borrowings raised	**80**	**4**	**84**	1 000
Reclassification to other payables	–	–	–	(16)
Closing balance	**701**	**4**	**705**	1 000

26.3 Discounted maturity analysis of borrowings

Rm	2016	2015
Due within one year	**705**	1 000

26.4 Revolving credit facility

The credit facility bears interest at JIBAR plus 1.25% per annum compounded quarterly. The interest is payable quarterly while the capital is repayable annually together with any unpaid interest on 31 March 2017. The facility is renewable annually for a 12-month period. Renewal is subject to an annual credit review by the lender and the financing needs of the group.

If Alexander Forbes Limited (AFL) fails to pay any principal amount or interest amount payable by it on its due date, interest shall accrue on the loan and any accrued and unpaid interest from the due date up to the date of actual payment at a rate which is equal to the interest rate (JIBAR plus 1.25%) which would otherwise be applicable plus 2%, for so long as such payment remains outstanding and has not been remedied after any applicable grace period (if any).

The credit facility agreement is for R1 billion and may be drawn or repaid at any time, in whole or in part, which would include the capital plus any accrued and unpaid interest to the repayment date.

The credit facility is subject to certain mandatory repayment events. For instance, the loan would be repaid if AFL or any other member of the group disposes of any of its assets or business (whether pursuant to a single transaction or a series of transactions) which, when aggregated with all other assets disposed of by members of the group since the signature date, directly or indirectly contribute more than 30% of the consolidated EBITDA or assets of the group for the 12-month period up to and as at the date of disposal.

In addition, all amounts outstanding on the credit facility, together with accrued and unpaid interest, shall become immediately due and payable in the event of a sale of all or substantially all of the assets or business of the group or if a change of control occurs. AFL must repay the credit facility if the lender becomes aware that it is unlawful in any applicable jurisdiction for such lender to perform its obligations under a term finance document.

26.5 Financial covenants

Due to the nature of the revolving credit facility there are no financial covenants included in the agreement.

27. Employee benefits

27.1 Total employee benefits

Rm	2016	2015
Defined benefit pension fund obligation – South Africa (refer to note 27.2)	**–**	–
Post-retirement medical benefit obligation – South Africa (refer to note 27.3)	**116**	117
Provision for leave pay (refer to note 27.4)	**50**	60
	166	177

Substantially all employees are covered by defined contribution retirement fund arrangements in the major territories in which the group operates. The group also has a defined benefit pension fund as disclosed below (which is closed to new entrants). Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependant pensions. The defined contribution and defined benefit pension funds in South Africa are both governed by the Pension Funds Act.

27.2 Defined benefit pension fund obligation – South Africa

The closed defined benefit pension fund provides a pension of 2% of final pensionable salary for each year of pensionable service plus 0.5% of final pensionable salary for each year of pensionable service in excess of 25 years. The fund was closed to new members on 31 December 1992.

The pension fund is funded with the assets of the fund being held independently of the group's assets in a separate trustee-administered fund.

The fund is valued by a statutory actuary on a tri-annual basis, with a full actuarial assessment being completed on 31 March 2016. The actuary is of the opinion that the fund is in a sound financial position. For accounting reporting, the projected unit credit method is used to value the liability.

The membership of the fund as at the last actuarial valuation at 31 March 2016 comprised 6 active members and 70 pensioners.

A portion of fund assets are managed by the subsidiary, Investment Solutions, and the total value is R200 million (2015: R195 million). Another portion of the fund assets is invested with a financial institution with a credit rating of Baa2 per Moody's rating agency. These assets are secured by South African Government bonds, as such Alexander Forbes Pension Fund will be entitled to the proceeds of the bonds should the financial institution default.

Rm	2016	2015
Present value of benefit obligation	**(155)**	(155)
Fair market value of the plan assets	**212**	210
	57	55
Impact of asset ceiling	**(57)**	(55)
Total	**–**	–

27. Employee benefits (continued)

27.2 Defined benefit pension fund obligation – South Africa

Reconciliation of movements

Rm	Present value of obligation	Fair value of plan assets	Total	Impact of asset ceiling	Total
At 31 March 2014	(147)	193	46	(46)	–
Current service costs	(2)	–	(2)	–	(2)
Interest expense	(13)	17	4	–	4
Remeasurements	(2)*	8	6	–	6
Contributions	–	1	1	–	1
Payment from plans					
Benefits paid	9	(9)	–	–	–
Adjustment to the asset ceiling	–	–	–	(9)	(9)
At 31 March 2015	**(155)**	**210**	**55**	**(55)**	**–**
Current service costs	**(1)**	**–**	**(1)**	**–**	**(1)**
Interest expense	**(12)**	**16**	**4**	**–**	**4**
Remeasurements	**2***	**(4)**	**(2)**	**–**	**(2)**
Contributions	**–**	**2**	**2**	**–**	**2**
Past service costs	**(1)**	**–**	**(1)**	**–**	**(1)**
Payment from plans					
Benefits paid	**12**	**(12)**	**–**	**–**	**–**
Adjustment to the asset ceiling	**–**	**–**	**–**	**(2)**	**(2)**
At 31 March 2016	**(155)**	**212**	**57**	**(57)**	**–**

* Remeasurement specifically due to change in economic assumptions.

%	2016	2015	2014
The principal actuarial assumptions applied are as follows:			
Discount rate	**9.4**	8.0	8.7
Inflation rate	**7.1**	5.8	6.4
Salary increase rate	**8.1**	6.8	7.4
Pension increase allowance	**7.1**	5.8	6.4

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions above are as follows:

%	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**1.0**	**(10.8)**	**9.7**
Inflation rate	**1.0**	**9.7**	**(11.0)**

The mortality rates are assumed as follows:
Pre-retirement: SA85-90 (Light) table
Post-retirement: PA(90) ultimate table rated down two years plus 1% improvement p.a. from 28 February 2004

27. Employee benefits (continued)

27.2 Defined benefit pension fund obligation – South Africa (continued)

The components of plan assets are as follows:

%	2016	2015
Cash	**8.30**	6.78
Equity		
Listed equities	**14.09**	22.01
Unlisted equities	**7.70**	0.24
Bonds	**49.99**	52.80
Property	**3.06**	3.06
International		
Equity	**12.08**	10.63
Bonds	**1.00**	0.36
Cash	**2.00**	2.31
Property	**0.18**	0.10
Other	**0.20**	0.21
Other	**1.40**	1.50
	100.00	100.00

27.3 Post-retirement medical benefit obligation – South Africa

In South Africa certain employees, who joined the group before 1 March 1997, are entitled to a post-retirement medical aid subsidy. At 31 March 2016 this applies to a total of 345 people (2015: 350) and comprises 89 active employees (2015: 94) and 256 pensioners (2015: 258). Employees who joined the group after 1 March 1997 are not eligible for post-retirement medical aid subsidies.

Certain employees employed before 1 March 2009 are eligible for a death-in-service subsidy. If a member eligible for a death-in-service subsidy dies in service, their dependants are eligible to receive a 50% subsidy of medical scheme contributions subject to the fixed rand amount as for the post-retirement subsidy.

The obligation is valued every year by actuaries using the projected unit credit method. The date of the last actuarial valuation was 31 March 2016. The post-retirement medical obligation is partly funded through a cell-captive insurance arrangement; the assets of the insurance cell totalled R62 million at 31 March 2016 (2015: R69 million).

The cell-captive insurance policy is consolidated in the group's results and the related asset which backs this post-employment liability is reflected in cash and cash equivalents.

The post-retirement medical aid subsidy paid to pensioners is subject to a maximum rand amount. This rand amount increases with inflation (CPI) each year. In order to compensate for the rand amount increase of the subsidy being different to medical aid inflation, the group established a hardship fund in 2004 to provide assistance to specifically identified pensioners in financial need.

During the prior year the subsidy for medical aid was enhanced by R5 million as a once-off benefit and funded from the hardship fund.

27. Employee benefits (continued)

27.3 Post-retirement medical benefit obligation – South Africa (continued)

Rm		2016	2015
The latest actuarial valuation reflected the following:			
Medical benefit obligation		**105**	107
Hardship fund liability		**11**	10
Recognised liability in the statement of financial position		**116**	117
A reconciliation of the movement in the post-retirement medical benefit obligation in South Africa is as follows:			
Opening balance		**107**	99
Current service costs		**1**	2
Interest expense		**8**	9
Remeasurements		**(3)**	4
Enhancement to subsidy		**–**	5
Other		**(3)**	(1)
Benefits paid		**(8)**	(7)
Closing balance		**105**	107
The principal actuarial assumptions applied are as follows:			
Discount rate	(%)	**10.3**	8.2
Inflation (CPIX) rate	(%)	**7.9**	5.9
Retirement age	(yrs)	**60/65**	60/65

Mortality rates are assumed as follows:
Pre-retirement: SA85-90 (Light) ultimate table
Post-retirement: PA (90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2006)

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions above are as follows:

%	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**1.0**	**12.4**	**(10.2)**
Inflation (CPIX) rate	**1.0**	**12.4**	**(10.3)**

Rm	2016	2015
27.4 Provision for leave pay		
Opening balance	**60**	54
Movement during the year:		
Increase in provision	**7**	23
Decrease in provision	**(18)**	(16)
Transferred to held for sale	**–**	(1)
Foreign subsidiaries exchange differences	**1**	–
Closing balance	**50**	60

The group's policy is that leave days are forfeited at the end of each annual leave cycle, unless a carry forward of leave days is specifically authorised or provided for in an employment agreement. The timing of the use of the leave pay provision depends on employees' leave plans and resignations from employment during the year.

28. Deferred taxation

Rm	2016	2015
28.1 Net deferred tax liability balance		
Deferred tax assets (refer to note 28.3)	**157**	149
Deferred tax liabilities (refer to note 28.4)	**(322)**	(323)
	(165)	(174)
28.2 Reconciliation of movement in the net deferred tax liability balance		
Opening balance	**(174)**	(315)
Movement during the year:		
Credit per income statement	**11**	114
Transfer to asset groups held for sale	**–**	23
Change in rate	**–**	4
Foreign subsidiaries' exchange differences	**(2)**	–
Closing balance	**(165)**	(174)
28.3 Analysis of deferred tax assets		
Retirement benefit obligations	**11**	11
Deferred income	**1**	5
Calculated tax losses	**1**	48
Provisions	**63**	56
Operating lease liability	**43**	31
Other items	**38**	(2)
Total deferred tax assets	**157**	149
28.4 Analysis of deferred tax liabilities		
Deferred tax on policyholder assets	**(133)**	(104)
Accelerated tax allowances, provisions and other items	**(4)**	(4)
Deferred tax recognised in terms of IFRS 3 *Business Combinations**	**(185)**	(215)
Total deferred tax liabilities	**(322)**	(323)

* This amount represents the deferred tax balance raised on intangible assets recognised at the time of the private equity transaction.

Rm	2016	2015
29. Provisions		
Proposed client settlements (refer to note 29.2)	**100**	98
Provisions for errors and omissions claims (refer to note 29.3)	**249**	208
Other	**3**	11
Total	**352**	317

29.1 Analysis and reconciliation of movement in provisions

Rm	Proposed client settlements	Provisions for errors and omission claims	Other	Total
Balance at 31 March 2014	99	159	26	284
Movement during the year:				
Net increase in provision	4	52	6	62
Payments made	(5)	(6)	(7)	(18)
Transfer to assets held for sale	–	–	(14)	(14)
Foreign subsidiaries' exchange differences	–	3	–	3
Balance at 31 March 2015	**98**	**208**	**11**	**317**
Movement during the year:				
Net increase in provision	**5**	**26**	**–**	**31**
Payments made	**(3)**	**(23)**	**(12)**	**(38)**
Foreign subsidiaries' exchange differences	**–**	**38**	**4**	**42**
Balance at 31 March 2016	**100**	**249**	**3**	**352**

The provision for proposed client settlements is current in nature while all other provisions are considered to be non-current.

Uncertainties affecting the timing and amount of the settlement of provisions are discussed in the relevant note below.

29.2 Provision for client settlements and other legal claims

The group voluntarily appointed independent legal advisers to conduct a full review of past and current business practices across all of the South African operations in 2006. The results of the review were fully disclosed and published on the group's website. Following this review the provision for proposed client settlements for historical business practices, including the practice referred to as 'bulking', was made. Interest accrues on this provision at the prime lending rate less 4% up to the date of settlement payments.

To date the group has made substantial progress in relation to the client settlement process, with the vast majority of all retirement funds that received offers having accepted the settlement offer.

29. Provisions (continued)

29.3 Provision for errors and omissions claims

The group's errors and omissions risk is insured in the London market (the market policy), with a limit of R2 billion (2015: R1.95 billion) for each and every claim or loss in the annual aggregate in excess of the aggregate deductible of R90 million. The market policy covers all subsidiary and associate companies, except for Lane Clark & Peacock. Lane Clark & Peacock effect their own cover.

Upon exhaustion of the aggregate deductible of R90 million a residual deductible of R1.2 million for each claim or loss shall apply, and the ZAR equivalent of £30 000 for each claim deductible in respect of investment and investment-related business activities regulated by the Financial Services Authority in the UK.

The aggregate deductible of R90 million is insured with a third-party cell-captive insurer, Mannequin Insurance PCC Limited (the Mannequin policy). The limit of the Mannequin policy is equal to the limit of the aggregate deductible of the market policy, i.e. R90 million. The Mannequin policy imposes a deductible of R1.5 million per claim for Africa operations or £100 000 for operations outside Africa.

From 1 April 2014 the Mannequin policy also covers associates and non-wholly-owned (NWOS) operations. Except Namibia operations (which have access to a R2 billion limit), associates and NWOS have a limit of R125 million per claim and in the aggregate. In the event of the exhaustion of the aggregate excess of R90 million, the market policy will drop down to cover associates and NWOS to the full limit of R125 million respectively less any amount paid for claims in respect of associates and NWOS. The Mannequin policy imposes a deductible of R375 000 per claim in respect of associates and NWOS. These deductibles are unchanged from the prior year.

The group has an equity investment in a cell in Mannequin Insurance PCC Limited, which entitles the group to the underwriting profits earned by this insurance cell. The group is required to maintain the insurance cell and ensure it is adequately capitalised. Additional capital is required to be paid in the event that underwriting losses are incurred by the insurance cell.

The assets, liabilities, income statement and cash flow effects attributable to the group's investment in the Mannequin insurance cell are included in the consolidated financial statements of the group. The effect is to eliminate the premium payments to the cell-captive insurer on consolidation and to recognise the assets, liabilities, cash flows and net operating results of the insurance cell in the consolidated financial statements of the group. The insurance premiums charged to the various group operations continue to be allocated to the relevant businesses in determining the trading results of operations reflected in the segmental profit analysis.

Critical assumptions and judgements

Twice a year a committee of senior group managers conducts a detailed review of all outstanding claims. The merit of each claim is assessed and each claim is scored based on the probability (on a scale of 1 (unlikely) to 10 (extremely likely)) of being realised and the estimated cost to the group. A provision is raised for the product of the probability and the estimated cost. Judgement is exercised when assessing probability and potential cost based on past experience and any industry developments. Legal advice is sought where necessary and all calculations are submitted to the group insurance underwriters for their comment and review. Where the probability of a claim is assessed at 5 or more an accrual is made for any excess payable.

There is a specific matter being reviewed by a foreign regulator in respect of a legacy subsidiary business that has been sold. Whilst this review is ongoing it is 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 the group.

29.4 Other provisions

Other provisions include the following:

- Provision for clawback of commissions received by the group. This provision is based on historical client lapse experience. However, it may not be representative of future client lapse experience which will affect the quantum of commission required to be repaid to insurers.
- Provision for contractual obligations in relation to premises leases entered into in the United Kingdom, which require the relevant buildings to be refurbished at the end of the lease term. The nature of the actual expenditure and quantum thereof will only be determined at the end of the lease term.
- Provision for onerous premises leases. This provision is based on management's best estimate but conditions may change regarding the likelihood, timing and commercial terms of sublease arrangements in respect of unoccupied office space.

Rm	Future minimum lease payments	Interest	Present value of minimum lease payments at 31 March 2016	Present value of minimum lease payments at 31 March 2015
30. Finance lease liability				
Not later than one year	**8**	**–**	**8**	8
Later than one year but not later than five years	**40**	**(4)**	**36**	34
Later than five years	**45**	**(9)**	**36**	44
	93	**(13)**	**80**	86

In 2010 the group entered into a lease agreement for a head office building which took effect on 1 October 2012. The lease is for a period of twelve years. This head office building comes fully furnished with items of furniture and fixtures, including IT equipment. The items of furniture, fixtures and equipment will be used for a majority of their economic lives and consequently have been classified as finance-leased assets. The minimum lease payments were therefore split between (i) land and building (operating lease component) and (ii) furniture and fixtures including IT equipment (finance lease component) based on their relative fair values.

Rm	2016	2015
31. Operating lease liability		
Premises lease deferral	**266**	207

The operating lease liability relates to the premises lease deferral which is the accelerated recognition of lease costs resulting from straight-lining of lease expenses (with no recognition of time value of money) in terms of IAS 17. The significant lease to which this deferral relates is 115 West Street, Sandton (starting from October 2012). The escalation is 7.5% per annum.

Rm	2016	2015
32. Deferred income		
Commission income on insurance and investment products	**34**	25

The deferred income is recorded in Financial Services and relates to income deferred to cover future servicing costs, together with a reasonable margin thereon.

Rm	2016	2015
33. Insurance payables		
33.1 Total insurance payables		
Payables from insurance contracts		
Insurance payables from broking activities	**27**	24
Claims float held for insurance operations	**38**	40
Policyholder liability under long-term insurance contracts (group life)	**331**	340
Payables from insurance-related activities		
Reinsurance creditors	**428**	323
Payables from short-term insurance contracts	**358**	284
Gross unearned premium provision	**42**	44
Gross outstanding claims provision	**259**	198
Gross IBNR provision	**57**	42
Payables from umbrella retirement fund activities*	**1 696**	1 525
	2 878	2 536

* A substantial portion of the payables from umbrella fund activities results from a timing difference between the receipt of funds from new clients at year-end and the investment of these funds with the group's multi-manager investment subsidiary subsequent to year-end.

33. Insurance payables (continued)

33.2 Policyholder liability under long-term insurance contracts

The policyholder liability arises from group life business written by a long-term insurance subsidiary of the group. The net liability position comprises:

Rm	2016	2015
Gross policyholder liability (refer to note 33.1)	**331**	340
Less: Reinsurance assets relating to the policyholder liability (refer to note 19)	**(317)**	(321)
Net liability to policyholders	**14**	19
A reconciliation of the movement in the net policyholder liability is as follows:		
Opening balance	**19**	54
Movement during the year:		
Net decrease in claims experience	**(5)**	(35)
Closing balance	**14**	19

Critical assumptions and judgements

The actuarial value of policyholder assets and liabilities arising from long-term insurance contracts is determined using the financial soundness valuation method as described in SAP 104 of the Actuarial Society of South Africa.

Assumptions need to be made in respect of inputs to the model. The following process is followed to determine the valuation assumptions:

- Management exercises judgement in deciding on best estimates for assumptions.
- Prescribed margins are then applied, as required by the Long-term Insurance Act in South Africa and Board Notice 72 issued in terms of the Act.
- Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

Best estimate assumptions as to mortality and morbidity, expenses, investment income and tax are used which may vary at each reporting date. Reliance is placed on historical information and statistical models. A margin for adverse deviations is included in the assumptions. Improvements in estimates have a positive impact on the value of the liabilities and related assets, while deteriorations in estimates have a negative impact.

The process for determining assumptions used are as follows:

- ***IBNR multiple***
  The multiples of monthly premium used to determine incurred but not yet reported (IBNR) liabilities are compared annually with actual reporting lags for claims in the respective product lines.
- ***Mortality and morbidity***
  For group life insurance contracts, the rate of recovery from disability is derived from industry experience studies adjusted, where appropriate, for the group's own experience. For individual life insurance contracts, demographic assumptions are set with reference to reinsurer rates and industry experience.
- ***Expenses***
  Expense assumptions are based on an expense analysis, using a functional cost approach. This analysis allocates expenses between policy and overhead expenses and within policy expenses, between new business, maintenance and claims.
- ***Investment income***
  Estimates are made as to future investment income and are tested against market conditions as at the valuation date, taking into account the terms of the liabilities. Inflation assumptions are tested against market conditions and, with regard to consistency, are tested against interest rate assumptions.
- ***Tax***
  Allowance is made for future taxation and taxation relief.

33. Insurance payables (continued)

33.2 Policyholder liability under long-term insurance contracts (continued)

Margins for adverse deviations are included in the assumptions as set out below:

(%)	Compulsory margin	Discretionary margin
Assumption		
Mortality	**7.5**	**7.5**
Morbidity	**10.0**	**10.0**
Withdrawal	**25.0**	**25.0**
Expenses	**10.0**	**10.0**
Investment return	**25 basis points**	

Also refer to note 45.5: Long-term insurance.

Rm	2016	2015
33.3 Net payables from short-term insurance contracts		
The net payables from short-term insurance contracts arise from short-term insurance business written by the short-term insurance subsidiaries of the group. The net payables position comprises:		
Payables from short-term insurance contracts (refer to note 33.1)	**358**	284
Less: Receivables from short-term insurance contracts (refer to note 19)	**(277)**	(210)
Net payables from short-term insurance contracts	**81**	74
A reconciliation of the movement in the net payables is as follows:		
Opening balance	**74**	73
Movement during the year:		
Net claims incurred	**7**	1
Closing balance	**81**	74

Critical assumptions and judgements

Outstanding claims provisions include notified claims as well as IBNR claims. Each notified claim is assessed on a case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. Case estimates are regularly reviewed and updated if necessary. The chain ladder technique has been used to calculate the provision for IBNR. This methodology is based on the analysis of statistics including the pattern of notification of claims in respect of different underwriting periods.

34. Trade and other payables

Rm	2016	2015
Financial liabilities		
Trade payables	**584**	362
Accrued expenses	**148**	143
Other payables	**257**	229
	989	734
Non-financial liabilities		
Employee-based accruals	**529**	481
	1 518	1 215

35. Commitments

35.1 Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

Rm	Premises	Furniture and fittings, office equipment and other assets	2016 Total	2015 Total
Due within one year	**234**	**1**	**235**	211
Due between one to five years	**1 166**	**1**	**1 167**	877
Due after five years	**1 063**	**–**	**1 063**	1 300
	2 463	**2**	**2 465**	2 388

Rm	2016	2015
35.2 Capital commitments		
Commitments in respect of capital expenditure approved by directors:		
Contracted for	**–**	–
Not contracted for	**10**	11
	10	11

These commitments relate largely to software purchases and software development costs. The funds to meet these commitments will be provided from internal cash resources generated by operations.

36. Contingencies

36.1 Overview

In the conduct of its ordinary course of business the group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims eventuating, that the group has adequate insurance programmes and provisions in place to meet such claims. However, like all businesses of this type, the risk exists that significant adverse developments in past claims, or a significant increase in the frequency or severity of future claims for errors and omissions, could have a material effect on the group's reported results.

The structure of the group's professional indemnity insurance programme is explained in note 29.3 to these financial statements.

36.2 Client settlements arising from historical business practices

'Bulking' is the term used to describe the practice of aggregating, on a notional basis, the total value of administered bank current accounts in order to negotiate better interest rates with the banks on behalf of clients. In response to identifying that there was inadequate disclosure to clients of fees historically received in respect of such bulking arrangements implemented by a subsidiary, it made settlement offers to such affected clients. In addition, as part of the commitment to meet the highest standards of governance and integrity Alexander Forbes appointed independent legal advisers and auditors to conduct a full review of the past and current business practices across all of the South African operations of the group during 2006. As a result of the bulking matter and the comprehensive business practice review the group made provision for amounts in respect of proposed client settlements relating to bulking and issues identified during the wider business practice review. Interest accrues on these settlement amounts up to the date of payment. As of the date of these financial statements most clients and past clients have accepted these settlement offers and the necessary payments have been made. The group continues to make progress with settlement payments to remaining clients which now mainly consist of closed and liquidated funds.

Rm	2016	2015
37. Cash generated from operations		
Profit before taxation from continuing operations	**1 359**	866
Items disclosed separately:		
Net interest expense	**(223)**	(107)
Non-cash items:		
Depreciation of property and equipment	**90**	75
Amortisation of intangible assets and software	**143**	142
Included in operating expenses	**19**	11
Included in non-trading and capital items	**124**	131
Movement in operating lease liability	**42**	88
Relating to South African operations	**30**	40
Relating to UK operations	**12**	48
Net movement in provisions	**(12)**	44
Non-cash movement in provisions	**26**	62
Payments made out of provisions	**(38)**	(18)
Movement in working capital (refer to note 40)	**(31)**	(171)
Reported loss arising from accounting for policyholder investments in treasury shares	**(59)**	26
Foreign exchange movements on intercompany loans	**9**	–
Exit transaction incentive	**–**	57
Share-based payments	**19**	17
Movement in other non-cash items	**(24)**	6
	1 313	1 043
38. Interest received		
Investment income per statement of comprehensive income	**294**	226
Less non-cash investment income from financial assets	**(13)**	(19)
Exclude policyholder-related interest	**(197)**	(103)
Interest received	**84**	104
39. Interest paid		
Finance costs per income statement	**(71)**	(119)
Non-cash finance costs	**9**	–
Finance costs paid	**(62)**	(119)
40. Movement in working capital		
Movement in working capital balances		
Trade and other receivables	**(65)**	(32)
Trade and other payables	**34**	(139)
	(31)	(171)

Rm	2016	2015
41. Operating cash flows relating to insurance and policyholder balances		
Insurance receivables	**(161)**	(6)
Insurance payables	**340**	266
Movement in policyholder working capital balances	**192**	(89)
Interest received relating to policyholder	**197**	103
	568	274
42. Cash flows from policyholder investment contracts		
Premium inflows	**39 673**	37 296
Investments made net of disinvestments	**9 559**	21 245
Movement in cell-captive insurance contracts	**38**	(1)
Investment withdrawals	**(43 709)**	(61 441)
	5 561	(2 901)
43. Taxation paid		
Taxation payable at the beginning of the year	**(119)**	(167)
Prepaid tax at the beginning of the year	**3**	3
Charge in income statement	**(306)**	(333)
Policyholder tax charge in income statement	**(176)**	(139)
Charge to income statement for operations discontinued and disposed of in the year included in discontinued operations	**(3)**	3
Adjusted for:		
Reclassification of disposal groups held for sale	**–**	(3)
Other non-cash movements	**3**	(4)
Prepaid taxation at the end of the year	**(4)**	(3)
Taxation payable at the end of the year	**102**	119
Tax paid	**(500)**	(524)

44. Related party disclosure

List of related party relationships

44.1 Major shareholders

The equity holders of the company are detailed in Annexure A.

Mercer Africa Limited, a subsidiary of the US-listed Marsh & McLennan Companies Inc., holds a 33% interest in the company.

44.2 Subsidiaries, joint ventures and associates

Details of subsidiaries, joint ventures and associates, which are considered material to the group and in respect of which the group has a continuing interest, are provided in Annexure A to these financial statements.

44.3 Post-employment benefit plans

Details of retirement benefit plans are provided in note 28: Employee benefits.

44.4 Directors

Details of the directors of the company are provided in the directors' report.

44.5 Prescribed officers

The group has defined the group chief executive, the group chief financial officer and the managing directors of the major operating segments as prescribed officers of the group as defined by the new Companies Act 2008.

44.6 Key management personnel

Key management personnel are defined as the prescribed officers as are the board of directors of Alexander Forbes Group Holdings Proprietary Limited, including members of the group executive committee.

Summary of related party transactions

44.7 Transactions with shareholders

A portion of the fees paid to non-executive directors in the prior year of R0.4 million was paid to the shareholder company that the non-executive directors represent. The shareholder, to whom these fees were paid, sold their shares as part of the listing transaction on 24 July 2014. With effect from this date, these fees are no longer paid to shareholders.

During the prior year Mercer Africa Limited, a subsidiary of Marsh & McLennan Companies (MMC), acquired 34% of the ordinary equity in Alexander Forbes Group Holdings Limited. In 2012 the group disposed of a significant portion of its Risk Services business to MMC. Certain transactions are still maintained between the group and Risk Services (now a subsidiary of MMC). The transactions during the current year included rental costs due to shared office space in certain offices in South Africa and the group's insurance broking. These transactions are at arm's length and there are no significant balances outstanding at year-end relating to these transactions.

44.8 Transactions with subsidiaries and joint ventures

Details of dividends and fees received from subsidiary companies, where applicable, are provided in the company financial statements. The company has loans to and from its subsidiary companies, details of which are provided in the company financial statements. All transactions and balances with subsidiaries are eliminated on consolidation in line with the group's accounting policies.

44.9 Transactions with associates

There were no material transactions with associates and dividends of R5 million were received from Alexander Forbes Insurance Brokers Kenya Limited during the year.

44.10 Transactions with post-employment benefit plans

Contributions to retirement benefit plans amounted to R2 million (2015: R1 million) to the defined benefit fund and R8 million (2015: R7 million) to the post-retirement medical obligation plan, as detailed in note 27: Employee benefits. There are no amounts outstanding at year-end. Assets of the retirement benefit plans are invested through Investment Solutions Limited; these assets amount to R200 million (2015: R195 million).

The retirement benefit plans of the group are compulsory funds and as such key management are participants in the fund. At 31 March 2016 the investments held through the retirement benefit plans by key management are R34 million (2015: R29 million).

44. Related party disclosure (continued)

44.11 Transactions with directors

The remuneration of executive directors is determined and approved by the remuneration committee. The remuneration of non-executive directors, in the form of fees, is proposed by the remuneration committee and approved by shareholders at each annual general meeting.

The remuneration committee consists of non-executive directors. As a committee of the board, the committee determines, agrees and develops the general policy on executive directors' and senior management's remuneration. The objective is to ensure that such remuneration is fair, responsible and appropriate and that the conditions of employment and remuneration scales are market-related and at levels sufficient to attract, retain and motivate individuals of quality, taking account of the fact that the group is an international business. The remuneration committee is also mandated to determine the criteria necessary to measure the performance of the executive directors in discharging their responsibilities.

During the prior financial year the private equity controlling shareholders exited their seven-year period of investment which culminated in the listing of the group on the JSE Limited on 24 July 2014. The process brought to conclusion a number of investment-related and incentive-related transactions involving key management personnel of the group, including the realisation of investments held by key individuals through the Alexander Forbes Management Trust and long-term incentives that came to a conclusion at the end of the seven-year private equity ownership.

There are no management, consulting, technical or other fees, nor any commission, paid to directors other than what is disclosed below.

Executive directors' and chairman's remuneration paid to current office holders during the current and prior years are detailed below. The bonus for the 2016 year reflects the amount accrued and approved by the remuneration committee for the year ended 31 March 2016 and paid in June 2016.

R'000	Salary	Bonus	Benefit and allowances	Retirement fund contributions	Total
Executive directors and prescribed officers					
2016					
E Chr Kieswetter*** (retiring group chief executive)	**5 153**	**–**	**166**	**540**	**5 859**
DM Viljoen** (interim group chief executive and group chief financial officer)	**3 608**	**5 200**	**121**	**583**	**9 512**
D Msibi* (managing director)	**2 503**	**2 000**	**69**	**403**	**4 975**
P Edwards* (managing director)	**2 581**	**2 700**	**99**	**462**	**5 842**
S Reddy* (managing director) (8 Months)	**1 781**	**2 100**	**19**	**219**	**4 119**
Total for the year	**15 626**	**12 000**	**474**	**2 207**	**30 307**
2015					
MS Moloko (chairman)	567	–	130	80	777
E Chr Kieswetter (group chief executive)	4 900	7 000	254	513	12 667
DM Viljoen (group chief financial officer)	3 318	5 276	174	535	9 303
D Msibi* (managing director)	2 380	3 086	69	383	5 918
P Edwards* (managing director)	2 460	3 199	109	440	6 208
G Dombo* (managing director)	2 014	2 375	53	212	4 654
Total for the year	15 639	20 936	789	2 163	39 527

* Prescribed officers.
** With effect from 8 February (i.e. two months of the financial year), Mr Viljoen took on a dual role as interim CEO.
*** Mr Kieswetter stepped down from the board of directors on 8 February 2016 and will formally retire 31 March 2017.

44. Related party disclosure (continued)

44.11 Transactions with directors (continued)

		Salary	Bonus	Benefits and allowances	Retirement fund contributions	Total
Executive directors and prescribed officers						
2016						
G Stobart* (managing director)	(£'000)	**255**	**210**	**8**	**49**	**522**
Total for the year	(R'000)	**5 304**	**4 452**	**159**	**1 015**	**10 930**
2015						
G Stobart* (managing director)	(£'000)	258	232	8	40	538
Total for the year	(R'000)	4 570	4 828	143	715	10 256

* Prescribed officer.

Current long-term incentive share plan (LTIP)

The long-term incentive share plan is administered by the remuneration committee and is available to executive directors, senior management and key employees of the group. The aim of the LTIP is to provide direct alignment between the participants and the shareholders. The share awards under the plan are subject to achieving performance and vesting conditions stipulated by the remuneration committee.

In line with the requirements of the King III Report the company will make regular annual rewards of shares based on group performance and affordability. These awards are set by reference to individual salaries, grade and performance as well as the company's retention requirements and market benchmarks.

The rules of the LTIP allow for settlement through the purchase of shares on the open market, the use of treasury shares or the issue of new shares. The maximum number of new shares permitted to be allocated under the plan at any time is 64 000 000 shares (i.e. A total potential dilution of shares in issue over the entire lifespan of the scheme of 5%) and the maximum number of shares that can be allocated to any individual is 13 000 000.

Conditional shares have been allocated to key management for each of the past two years. The conditional share awards vest after a predetermined period based on performance conditions set for each allocation. The following conditions apply to each tranche:

2014 tranche
These shares vest on 24 July 2017. Thirty per cent of the shares will vest if the group achieves a three-year compound growth rate in normalised headline earnings per share (HEPS) of nominal GDP (i.e. GDP plus inflation) and 100% of the shares will vest if the growth rate is nominal GDP plus 10% (ten percentage points). A pro rata proportion of shares will vest based on any growth rate between these two points. At a compound growth rate in HEPS below nominal GDP all conditional shares will be forfeited.

2015 tranche
These shares vest on 3 September 2018. Thirty per cent of the shares vest if the group achieves a three-year compound growth rate in normalised headline earnings per share (HEPS) of nominal GDP (i.e. GDP plus inflation) and 100% of the shares will vest if the growth rate is nominal GDP plus 8% (eight percentage points). A pro rata proportion of shares will vest based on any growth rate between these two points. At a compound growth rate in HEPS below nominal GDP all conditional shares are forfeited.

44. Related party disclosure (continued)

44.11 Transactions with directors (continued)

The following conditional shares have been allocated to directors and prescribed officers:

’000	2015 tranche	2014 tranche
Number of ordinary shares:		
E Chr Kieswetter	844	1 315
DM Viljoen (interim group chief executive and group chief financial officer)	562	881
D Msibi* (managing director)	450	400
P Edwards* (managing director)	450	550
G Stobart* (managing director)	472	500
S Reddy* (managing director)	472	–
	3 250	3 646

* Prescribed officers.

Historic long-term incentive plan

A long-term incentive plan (LTIP) was established by the remuneration committee aimed at improving retention of key staff and management and first awards were made in January 2012. The benefits were linked to compound growth rate hurdles achieved in the value of shareholders’ equity at the time of exit by the private equity investors from 1 April 2011. This incentive is payable in two tranches, being 50% at the time of exit and 50% 18 months later if the participant remains in employment. This scheme has now terminated and no further payments will be made.

R’000		2016	2015
E Chr Kieswetter (retiring group chief executive)		**4 398**	4 398
DM Viljoen (interim group chief executive and group chief financial officer)		**3 101**	3 101
MS Moloko (chairman)		**2 200**	2 200
D Msibi* (managing director)		**1 123**	1 123
P Edwards* (managing director)		**1 333**	1 333
G Stobart* (managing director)	(£’000)	**124**	159

Exit transaction incentive

The private equity shareholders specifically defined an exit transaction incentive (ETI) in order to align management with the private equity exit process. The incentive was implemented in the event that the selling shareholder investment in the group was successfully realised either by way of trade sale or listing in 2014.

Amounts paid in terms of these historical incentives are disclosed in more detail in note 5: Non-trading and capital items of these financial statements and in the pre-listing statement issued on 7 July 2014. This scheme has now terminated and no further awards will be made under scheme.

Total shares held by key management ’000	2016	2015
Number of ordinary shares:		
E Chr Kieswetter (retiring group chief executive)	**3 050**	2 980
DM Viljoen (interim group chief executive and group chief financial officer)	**2 272**	2 272
D Msibi* (managing director)	**255**	255
P Edwards* (managing director)	**288**	288
G Stobart* (managing director)	**1 524**	1 490
	7 389	7 285

* Prescribed officers.

44. Related party disclosure (continued)

44.11 Transactions with directors (continued)

Investments in the high-yield term loan

In 2009 certain key management was afforded the opportunity to invest in the high-yield term loan and related instruments in line with their shareholding through the Management Trust. Key management has invested R2.1 million directly into the loan and the relevant assets associated on the same terms and conditions as the rights offer applicable to all shareholders at the time. In addition, those members who did not follow their rights are beneficiaries of the HY Investment Trust. The HY Investment Trust was incorporated for management for the purposes of this transaction and the right to invest in the high-yield term loan and related assets were sold to RMB.

The high-yield term loan was settled as part of the debt restructure on 31 March 2014 and, as a result, those members of management who had invested directly in the high-yield term loan were settled in full. The settlement amounted to R4.1 million. RMB also received settlement of the high-yield term loan and, as a result of the final return on investment achieved, made a payment to the HY Investment Trust. In addition, the HY Investment Trust sold their Pikco preference shares to the MST Funding SPV. The proceeds by the HY Investment Trust received from RMB and the Pikco preference share sale were distributed to the beneficiaries of the HY Investment Trust. As a result of this distribution key management, in their capacity as beneficiaries of the trust, received R13 million.

Other transactions with key management

Members of key management have personal investments in Investment Solutions amounting to R27 million (2015: R49 million). Certain members also insure their personal assets through Alexander Forbes Insurance. These transactions are all concluded at market rates on an arm's length basis.

Non-executive directors' fees and remuneration

Non-executive directors are paid by other companies in the Alexander Forbes Group and independent non-executive directors are paid fees by the company and other companies within the Alexander Forbes Group.

R'000	2016	2015
Independent non-executive directors		
MD Collier	**1 463**	1 257
D Konar	**2 138**	1 412
RM Kgosana	**718**	–
H Meyer	**776**	625
BJ Memela	**380**	–
MS Moloko* (chairman)	**1 893**	–
B Petersen (resigned)	**385**	894
Total for the year	**7 605**	4 188

* Mr Moloko became non-executive chairman from 24 July 2014. Effective 8 February 2016, Mr Moloko was temporarily reinstated as executive chairman.

Directors' fees consist of a combination of standard fees plus additional fees for committee or subcommittee membership over and above the standard working programme.

Non-executive directors (shareholder company represented)

In the prior year, before the company listing, shareholder representatives, appointed as non-executive board members, were paid directors' fees amounting to R368 000 for the period.

45. Insurance risk

45.1 Overview

The group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those that transfer significant insurance risk, being the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Such insurance contracts are issued by the group's insurance subsidiary companies, namely Alexander Forbes Insurance and Alexander Forbes Life, as detailed below. These insurance companies are authorised and regulated by the Financial Services Board (FSB) in South Africa and Namibia, the Financial Services Authority (FSA) in Gibraltar and the FSA in the United Kingdom.

The group also issues contracts which are classified as investment contracts. These contracts transfer financial risk with no significant insurance risk. Financial risk is defined as the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of process or rates or credit index or other variable. The group's multi-manager investment subsidiaries operate under long-term insurance licences and they too are authorised and regulated by the FSB in South Africa and Namibia and the FSA in the United Kingdom. These licences are issued in order for the multi-manager to issue only linked investment policies and thus these businesses do not assume any insurance risk. For accounting purposes the contracts issued to policyholders are classified as investment contracts. The assets arising from these investment contracts are directly matched by linked obligations to the policyholders and the assets and linked obligations are separately reflected in the group statement of financial position as 'financial assets held under multi-manager investment contracts' and 'financial liabilities held under multi-manager investment contracts' respectively.

The remaining two insurance subsidiaries, namely Alexander Forbes Insurance and Alexander Forbes Life, transact conventional short-term and long-term insurance business under limited risk-taking mandates.

The names of the insurance subsidiaries and the nature of their respective insurance operations are detailed below.

Name of subsidiary company (and country of incorporation)	Nature of insurance operations
Alexander Forbes Insurance Company Namibia Limited (Namibia)	Personal lines short-term insurance, cell-captive and contingency short-term insurance as well as small commercial insurance.
Alexander Forbes Insurance Company Limited (South Africa) and Alexander Forbes Life Limited (South Africa)	Personal lines short-term and long-term insurance, and small commercial insurance.

	Rm	2016	2015
45.2	**Insurance contract liabilities of insurance subsidiaries included in the statement of financial position (by nature of liability)**		
	Net unearned premium provision from short-term insurance contracts	**17**	19
	Gross unearned premium provision	**42**	44
	Less: Reinsurers' share of unearned premium provision	**(25)**	(25)
	Net outstanding claims provision from short-term insurance contracts	**56**	48
	Gross outstanding claims provision	**259**	198
	Less: Reinsurers' share of outstanding claims provision	**(203)**	(150)
	Net IBNR provision from short-term insurance contracts	**16**	12
	Gross IBNR provision	**57**	42
	Less: Reinsurers' share of IBNR provision	**(41)**	(30)
	Policyholder liability under long-term insurance contracts (group life)	**14**	52
	Gross policyholder liability	**331**	373
	Less: Reinsurers' share of policyholder liability	**(317)**	(321)
	Policyholder asset under long-term insurance contracts (individual life)	**–**	(33)
	Net liabilities under insurance contracts	**103**	98

45. Insurance risk (continued)

45.3 General management of insurance risk

In addition to the management of insurance risk by each subsidiary (as detailed in the sections below), the group has the following insurance risk management controls:

Risk committees

The risk committee comprises four members, a non-executive chairman, with risk management expertise, and three executive directors. The committee is constituted to assist and support the board with regard to its risk management responsibilities, together with the other board subcommittees including the audit, investment and remuneration committees. The committee deals with specialised risks related to insurance business being conducted by the company. Individuals with specialised industry and product knowledge are invited to the committee and are also co-opted on an ongoing basis. Furthermore, the committee is specifically responsible for the following: governance, enterprise-wide risk, compliance, information technology, reinsurance market security, protection of personal information and treating customers fairly.

Audit committees

There are audit committees for each business division within the group. These audit committees report to the group audit committee and to the operational boards of directors. The relevant business audit committee deals with the insurance subsidiary that reports into that business operation. These committees serve to satisfy the group and operational boards of directors that adequate internal and financial controls are in place and that material risks are managed appropriately. More specifically, these committees are responsible for reviewing the financial statements and accounting policies, the effectiveness of the management information and systems of internal control, compliance with statutory and regulatory requirements, interim and final reports, the effectiveness of the internal audit function, and external audit plans and findings on their respective reports. These committees report directly to the relevant board of directors and comprise three non-executive directors, including a chairman. The committee meetings are attended by the external and internal auditors and are held at least quarterly.

Statutory actuaries

The statutory actuaries of the long-term insurance subsidiaries report annually on the capital adequacy and the financial soundness at the year-end date and for the foreseeable future. All new premium rates or premium rates where changes are required are reviewed by the statutory actuaries and dividends are approved prior to payment to ensure that the insurance subsidiaries remain financially sound thereafter.

Capital adequacy requirements

A minimum level of solvency is required to be held within each insurance subsidiary to meet the regulatory capital adequacy requirements (CAR). For the long-term insurance subsidiaries the CAR is calculated to determine whether the excess of assets over liabilities is sufficient to provide for the possibility of actual future experience departing from the assumptions made in calculating the policyholder liabilities and against fluctuations in the value of assets. CAR statutory returns are submitted to the Registrar of Long-Term Insurance on a quarterly basis and valuations are performed by the statutory actuary on an annual basis.

Rm	2016	2015
Long-term insurance		
Alexander Forbes Life Limited		
Capital adequacy requirement	**218**	201
Times cover	**1.67**	1.62

Capital adequacy risk is the risk that there are insufficient capital reserves to provide for variations in actual future experience that is worse than assumed in the financial soundness valuation. The insurance subsidiary must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions that could affect the subsidiary's business adversely.

A solvency capital requirement has been established in accordance with the Act and the requirements of Board Notice 169 of 2011.

45. Insurance risk (continued)

45.3 General management of insurance risk (continued)

Rm	2016	2015
Short-term insurance		
Alexander Forbes Insurance		
Solvency capital requirement	**113**	103
Net assets	**186**	153

Concentration risk

The group is not exposed to any significant concentration risk as the insurance contracts issued by the group's insurance subsidiaries are adequately spread across the major classes of insurance risks. In addition, each insurance subsidiary company is cognisant of concentration risk for their individual entity and each insurance product and takes steps to mitigate this risk, including purchasing reinsurance protection.

Reinsurance

Reinsurance is used to manage the level of underwriting risk accepted by the group. Reinsurance vetting procedures are in place and reinsurance programmes are assessed on a regular basis to ensure appropriateness of the cover obtained, including the individual cessions and accumulations per reinsurer. The financial condition of reinsurers (identified by their credit rating) is considered when placing reinsurance cover and evaluated on an ongoing basis. The individual insurance subsidiaries limit the level of reinsurance credit risk accepted by placing limits on their exposures to a single counterparty. The individual insurance subsidiaries hold catastrophe reinsurance to mitigate the risk of a single event causing multiple accumulation of claims. The group has a risk committee which evaluates, approves and monitors both insurance and reinsurance markets that the group operates in and reports back to the relevant operational boards with recommendations.

Enterprise-wide risk management

The group has implemented an enterprise-wide risk management programme whereby the objective is to entrench risk management into the day-to-day business activities whereby the insurance subsidiary understands the risk events that may prevent it from achieving its objective; has identified the risk mitigating controls in place and has assessed their efficiency; and has formulated a plan wherever additional action is required.

Terms and conditions of insurance contracts

Personal lines insurance is provided to the general public in their individual capacities. The duration of this insurance is typically monthly, but in some cases annually. The classes of risk underwritten by AF Insurance include property, casualty, personal accident and motor.

Risks that arise from insurance contracts

This business activity is to accept the risk of loss from insured events and charge a premium commensurate to this risk. As such the subsidiary is exposed to uncertainty surrounding the timing, severity and frequency of claims under insurance contracts. As insurance events are random, actual experience may vary from what was predicted using established statistical techniques.

The majority of the subsidiary's insurance contracts are 'short-tail', meaning that any claim is settled within one year after the loss date. The subsidiary's 'long-tail' exposures are limited to personal accident, third party motor and public liability. Claims in respect of long-tail business comprised less than 10% of the incurred claims over the past financial year and are not considered to be a major risk to the group.

Except as stated below there is no significant concentration of risk as the subsidiary's risks are adequately spread geographically, as well as across the major classes of insurance risk.

Exposure to catastrophe risk is estimated by analysing the motor and property book to identify areas of concentration. The subsidiary's concentration exposure for its personal lines book is considered to be in the Johannesburg area and the event has been identified as a possible earthquake or a severe hailstorm. This assessment is done annually at renewal of the catastrophe programme and reinsurance protection is purchased on a non-proportional basis accordingly, thereby limiting the exposure to the subsidiary. The current gross exposure is R4 million (2015: R4 million). Current net exposure is R1 million (2015: R1 million).

45. Insurance risk (continued)

45.3 General management of insurance risk (continued)

Mitigation of insurance risks

Insurance risk is managed by centralised control of pricing, underwriting limits and rules, reinsurance and continual monitoring of experience in order to mitigate emerging risks. Acceptance criteria are formulated by underwriting but implementation thereof is monitored by technical underwriters within the sales teams.

Exposures to individual policyholders and groups of policyholders are monitored as part of the credit control process. The subsidiary is also protected by guarantees provided by the intermediary guarantee facility for the non-payment of premiums collected by intermediaries as provided for in the Short-Term Insurance Act in South Africa. In addition, most intermediaries are fellow subsidiaries and are not considered to be a credit risk.

45.4 Personal lines short-term insurance

The personal accident line of business is protected by an excess of loss reinsurance treaty where the gross exposure is capped at R2 million up to a limit of R16 million.

The personal accident insurance book is a high-volume low-risk portfolio and is protected on a stop loss basis whereby reinsurance protection is purchased to protect the subsidiary in the event of adverse claims experience. The business is written on a monthly basis.

45.5 Long-term insurance

Terms and conditions of insurance contracts

The insurance contracts consist of annually renewable group life and individual life mortality and morbidity contracts. Group business consists of insurance for retirement funds and other group schemes and covers the contingencies of death and disability. Individual life business covers death and disability. There are no surrender values or investment components inherent in any of these policies.

Risks that arise from insurance contracts

These contracts insure events associated with human life (for example, death or disability) which is repriced on an annual basis. The group insurance business is subject to mortality and morbidity risk. The risk is that future claims will exceed expectations, which could result from epidemics such as AIDS and Avian Flu, as well as unexpected changes in lifestyles and living patterns. Since the term of a group policy is typically one year and upfront costs are limited, the risk of non-recoupment of expenses due to withdrawals is limited.

An individual insurance product was launched during the 2006 financial year. A level premium version of the individual life product was introduced during the 2015 financial year. As at 31 March 2016 it remains a relatively immaterial part of the overall life insurance exposure. The product is subject to mortality, morbidity, withdrawal and expense risk.

There is exposure to concentration risk on the group insurance business as there is not yet a wide spread of group schemes and a single event could result in multiple claims. Catastrophe reinsurance is in place to mitigate this risk. There is no significant concentration risk on the individual insurance business due to the current low level of business transacted.

As of 31 March 2016 the group had exposure with the supporting actuarial reserves of approximately R46 million (2015: R52 million) in group insurance business. The individual life business has no exposure and reflects a negative actuarial reserves asset of R32 million (2015: R33 million).

45. Insurance risk (continued)

Mitigation of insurance risk

In respect of group insurance business free cover limits are set on a per-scheme basis and are formula-driven, taking into account the number of lives and average sums assured. Sums assured in excess of the free cover limit are medically tested. Policy terms and conditions allow for an annual review of premium rates, so allowing the management of premiums in line with emerging claims experience. The annual premium reviews take all pertinent information from one year to the next into account.

In respect of individual insurance business the major risks are mortality, morbidity, withdrawal and expense. Premiums on this business line are differentiated by age, gender and smoker status. Stringent socio-economic qualification criteria apply. Future premium rates are also not guaranteed and may be adjusted if mortality and morbidity experience worsens. Market pressures and delays in implementing changes could, however, counter this mitigating effect. Withdrawal risk is mitigated to some extent by commission clawback clauses in contracts with intermediaries. Expense risk is mitigated through detailed analysis of costs in determining the expense assumptions in the valuation, as well as ongoing expense management.

The insurance risks are also managed through reinsurance arrangements. The appropriate reinsurance structures are assessed by conducting scenario analyses which project outcomes under different reinsurance structures. The retention limits are then set in accordance with risk appetite. The group insurance business has proportional reinsurance for 85% of the book. There is also non-proportional reinsurance providing protection on a per-risk and catastrophe basis, capping the net exposure in the event of a single large loss or loss occurrence constituting a catastrophe.

Sensitivity analysis

The most critical assumption underlying the liabilities relating to group insurance is the rate of recovery from illness or disability associated with claims in payment. The sensitivity to a recovery rate 20% lower than assumed is less than R43 million (2015: R44 million). The sensitivity to assumptions on negative liabilities comprising mortality, withdrawal and renewal risks arising from the individual insurance contracts is currently insignificant.

46. Financial risk

Introduction

The group's activities expose it to various financial risks arising from its financial assets and liabilities. Financial risks comprise credit risk, liquidity risk and market risk. These risks are defined below:

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation, thereby causing the group to incur a financial loss.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet commitments associated with a financial instrument.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, principally as a result of changes in market conditions. These market conditions include interest rates, foreign currency exchange rates and other price conditions.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate in rand due to changes in foreign exchange rates.

46. Financial risk (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk and currency risk).

The financial risks relating to the group's activities are best analysed according to the various operations of the group. These are:

(i) multi-manager investment operations through the Investment Solutions subsidiary companies;

(ii) cell-captive insurance contracts through the subsidiary companies, Investment Solutions, in South Africa and AfriNet, Namibia; and

(iii) general operations including the insurance broking and consulting operations; employee benefit consulting, administration and management operations; and insurance operations conducted by the group's short-term personal lines insurer, Alexander Forbes Insurance, and the group's long-term group life insurer, Alexander Forbes Life.

The nature of financial assets and liabilities of each operation is described below.

Nature of financial assets and liabilities

(i) Multi-manager investment operations

The financial assets held under multi-manager investment operations are policyholders' assets directly matched by linked obligations to policyholders. Both the assets and the liabilities are classified at fair value through profit or loss and are carried at fair value. No assets held under multi-manager investment operations have been pledged as collateral.

(ii) Cell-captive insurance contracts

The financial assets of cell-captive insurance contracts are assets attributable to cell owners in the group's cell-captive insurance companies and are directly matched by linked obligations to cell owners. Both the assets and the liabilities are classified at fair value through profit or loss, designated as such upon initial recognition and are carried at fair value. No assets of cell-captive insurance contracts have been pledged as collateral. Subsequent to disposing of the Guardrisk group of companies the group's cell-captive insurance contracts have reduced significantly and the group considers the exposure to credit, liquidity and market risks arising from these operations are now minimal.

(iii) General operations

The financial assets and liabilities arising from general operations result from the insurance broking and consulting operations; employee benefit consulting, administration and management operations; and insurance operations conducted by the group's short-term personal lines insurer, Alexander Forbes Insurance, and the group's long-term group life insurer, Alexander Forbes Life.

46. Financial risk (continued)

Nature of financial assets and liabilities (continued)

The following table reflects the financial assets and financial liabilities of the group including their respective IAS 39 classifications:

Financial assets and liabilities of the group

Rm	2016	2015
Assets		
Financial assets held under multi-manager investment contracts		
Fair value through profit or loss – designated	**265 438**	256 707
Cash and cash equivalents	**10 820**	5 297
Financial assets of insurance and cell-captive contracts		
Fair value through profit or loss – designated	**104**	115
Balances relating to insurance contracts – carried at fair value	**111**	243
Cash and cash equivalents	**38**	–
General operations		
Financial assets		
Available for sale	**–**	206
Fair value through profit or loss – designated	**394**	125
Loans and receivables	**95**	88
Insurance receivables		
Balances relating to insurance contracts – carried as loans and receivables	**981**	820
Trade and other receivables		
Loans and receivables	**550**	502
Cash and cash equivalents	**4 877**	4 350
Total financial assets	**283 408**	268 453
Liabilities		
Financial liabilities held under multi-manager investment contracts		
Fair value through profit or loss – designated	**276 382**	262 172
Liabilities of insurance and cell-captive contracts		
Balances relating to insurance contracts – carried at fair value	**253**	358
General operations		
Borrowings		
Financial liabilities held at amortised cost	**705**	1 000
Insurance payables		
Financial liabilities held at amortised cost	**2 878**	2 536
Trade and other payables		
Financial liabilities held at amortised cost	**989**	734
Total financial liabilities	**281 207**	266 800

46. Financial risk (continued)

46.1 Credit risk

46.1.1 Objectives, policies and processes to manage credit risk

(i) Multi-manager investment operations

All asset managers are governed by strict investment mandates, specifically set out by the group to meet the investment objectives of the respective policyholder portfolios and, where appropriate, specific minimum investment grading ratings. In addition, investment mandates are subject to restrictions imposed by Regulation 28 to the Pension Funds Act, 24 of 1956.

(ii) General operations

Financial assets

The financial assets designated as fair value through profit or loss are actively managed by multiple investment managers and placed with high credit-rated financial institutions. The group has established an investment strategy committee which reviews all investments on the basis of total asset security and minimised credit risk to the group. Industry specialists as well as the group's panel of investment managers are invited to the quarterly meetings.

Trade and other receivables

Trade and other receivables are managed through ongoing review and impaired if objective evidence is established that the group will not collect all amounts due according to the original terms of the receivable. The group has policies in place to ensure that services are provided to customers with an appropriate credit history.

Cash and cash equivalents

The group has policies that limit the amount of credit exposure to any one financial institution including the requirements by the Short-term and Long-term Insurance Act for minimum levels of asset spreading that are applicable to the insurance subsidiary companies. The financial institutions used in the current and prior financial year had ratings, as determined by external credit rating agencies Fitch and Standard & Poor's, of between AA and BBB.

There have been no significant changes in the way in which credit risk is managed since the prior year.

46.1.2 Exposure to credit risk

(i) Multi-manager investment operations

There is no direct significant credit risk to the group on these assets as they are directly matched to policyholders' liabilities, therefore any credit risk in respect of policyholder assets is carried by the policyholder and not the group.

Analysis of financial assets held under multi-manager investment contracts:

	Financial assets	
Institution where held	Rm	%
2016		
Between Aaa and A3*	**540**	**0.21**
Between Baa1 and B3*	**52 274**	**20.12**
Remainder includes equity securities and other assets which do not expose the group to credit risk		**79.67**
		100.00
2015		
Between AAA and A-**	7 180	2.91
Between BBB and B-**	33 720	13.64
Remainder includes equity securities and other assets which do not expose the group to credit risk		83.45
		100.00

* Ratings per Moody's credit rating agency.
** Ratings per Fitch credit rating agency.

(ii) General operations

Financial assets

These assets are carried at fair value with the carrying amount at each reporting date representing the group's maximum exposure to credit risk in relation to these assets. No financial assets designated as fair value through profit or loss have been pledged as collateral. These financial assets are held with reputable institutions with high credit quality.

Financial assets mainly comprise preference shares, premium finance receivables, discounted debtors, loan notes and equity housing loans.

46. Financial risk (continued)

46.1 Credit risk (continued)

46.1.2 Exposure to credit risk (continued)

Analysis of financial assets

Rm	2016	2015
Financial assets classified as available for sale		
Unit trusts	–	16
Money market instruments	–	190
Financial assets designated at fair value through profit or loss		
Money market instruments	**203**	–
Collective investment schemes	**153**	91
Bonds/debt securities	**38**	34
Financial assets classified as loans and receivables		
Equity housing loans	**34**	41
Other loans	**61**	47
	489	419

Trade and other receivables
The carrying amounts of these receivables reflected on the statement of financial position approximate their fair value at reporting date and represent the group's maximum exposure to credit risk in relation to these assets. At reporting date the group did not consider there to be a significant concentration of credit risk to trade and other receivables which had not been adequately provided for.

Top 20 clients
The group's top 20 clients' overall revenue represent approximately 2% (2015: 7%) of operating income net of direct expenses and the total of this amount is aged within three months. No single client contributes more than 0.4% (2015: 1.7%) of the group's operating income net of direct expenses.

Maximum exposure and age analysis of financial assets (including past due but not impaired) at 31 March:

Rm	Current 0 – 30 days	Past due 30 – 60 days	Past due 60 – 90 days	Past due 90+ days	Total
2016					
Insurance receivables	**594**	**16**	**15**	**356**	**981**
Trade receivables	**309**	**88**	**22**	**40**	**459**
Other receivables	**63**	**4**	**4**	**20**	**91**
	966	**108**	**41**	**416**	**1 531**
2015					
Insurance receivables	408	11	6	395	820
Trade receivables	289	88	12	31	420
Other receivables	46	9	5	22	82
	743	108	23	448	1 322

Trade receivables are reflected net of an impairment of R5.1 million (2015: R4.4 million). The majority of the trade receivables fall within 90 days.

Cash and cash equivalents
Cash and cash equivalent balances and transactions are limited to high credit quality institutions. At reporting date the group did not consider there to be a significant concentration of credit risk to cash and cash equivalent balances other than cash balances which are placed with one of the four large South African banking institutions as approved by the operational board of directors.

The financial institution used in the current year had a rating as determined by external credit rating agency Moody's of between Aaa and Baa1. The prior financial year had ratings, as determined by external credit rating agencies Fitch and Standard & Poor's, of between AA and BBB.

During the current year there have been no changes to the fair values of the financial assets of general operations presented above due to changes in the credit risk associated with these assets. There have been no significant changes in credit risk exposures since the prior year.

46. Financial risk (continued)

46.2 Liquidity risk

46.2.1 Objectives, policies and processes to manage liquidity risk

(i) Multi-manager investment operations

The multi-manager investment operations are conducted through long-term insurance subsidiary companies that issue insurance contracts to policyholders. These long-term insurance companies are registered financial institutions and are required to hold minimum solvency capital to, inter alia, reduce policyholder exposure to the group's liquidity risk. The regulator of insurance companies, the FSB in South Africa regularly reviews compliance with these minimum capital requirements. Management monitors compliance with these minimum capital requirements.

In addition, liquidity risk arising from unexpected lapses and withdrawals is limited through policy terms and conditions that restrict claims to the value and timing at which the assets are realised. The maturity analysis of these policyholders' liabilities is detailed in the note to these financial statements called 'financial liabilities held under multi-manager investment contracts' and these liabilities are mostly open-ended as per note 24.2.

(ii) General operations

Liquidity risk management implies maintaining sufficient cash and ensuring the availability of funding through an adequate amount of cash resources and credit facilities. Monitoring of budgeted and projected cash flows supports the fact that the group will generate sufficient cash flows from operations to limit the impact of liquidity risk. The group has prescribed authority mandates and borrowing limits.

The group sets limits on the minimum proportion of maturing funds available to meet claims arising from long-term insurance contracts and unexpected levels of demands. Similarly the majority of the assets held to match short-term insurance contracts are in money market instruments which are highly liquid. Net cash flows are monitored closely to ensure claim payments under long-term and short-term insurance contracts can be made when requested. Long-term and short-term insurance subsidiaries are registered financial institutions and are required to hold minimum capital and reduce policyholder exposure to the group's liquidity risk. The regulatory authority in South Africa regularly reviews compliance with these minimum capital requirements. Management monitors compliance with these minimum capital requirements. Assets linked to investments are realisable at short notice.

The group is highly cash generative a significant portion of revenue is collected within seven days of the month in which the revenue is recognised. This collection is inherent in the insurance premiums and pension fund administrative revenue process. As a result the group is well positioned to engage in shorter-term funding matched to the cash flows in order to ensure maximum efficiency in its funding rates.

46.2.2 Exposure to liquidity risk

(i) Multi-manager investment operations

Liquidity risk arises from unexpected lapses and withdrawals by policyholders. The group is able in such cases to transfer ownership of the underlying assets within the policy to the policyholder in order to extinguish its liability.

(ii) General operations

A revolving credit facility of R1 billion is in place and is renewable annually with a notice period of three months. The interest rate is JIBAR plus 1.25% payable quarterly. The group's ability to generate cash, and the positive credit ratings of the company, positions the group well to negotiate annually for the best available terms.

46. Financial risk (continued)

46.2 Liquidity risk (continued)

46.2.2 Exposure to liquidity risk (continued)

Liquidity analysis of assets and liabilities

Rm	Contractual cash flows (undiscounted) 0 – 1 year	1 – 3 years	3 – 5 years	>5 years	Undated/ Linked	Total
2016						
Assets						
Financial assets held under multi-manager investment contracts	–	–	–	–	276 258	276 258
Financial assets of insurance and cell-captive contracts	–	–	–	–	253	253
Financial assets	267	–	–	5	217	489
Insurance receivables	664	–	–	–	317	981
Trade and other receivables	540	10	–	–	–	550
Cash and cash equivalents	4 877	–	–	–	–	4 877
Total financial assets	6 348	10	–	5	277 045	283 408
Liabilities						
Financial liabilities held under multi-manager investment contracts*	–	–	–	–	276 382	276 382
Financial liabilities of insurance and cell-captive contracts*	–	–	–	–	253	253
Borrowings	705	–	–	–	–	705
Insurance payables	852	–	–	–	2 026	2 878
Trade and other payables	940	–	–	–	49	989
Total financial liabilities	2 497	–	–	–	278 710	281 207
2015						
Assets						
Financial assets held under multi-manager investment contracts	–	–	–	–	262 004	262 004
Financial assets of insurance and cell-captive contracts	–	–	–	–	358	358
Financial assets	200	1	–	31	151	383
Insurance receivables	258	–	–	–	561	819
Trade and other receivables	492	10	–	–	–	502
Cash and cash equivalents	4 350	–	–	–	–	4 350
Total financial assets	5 300	11	–	31	263 074	268 416
Liabilities						
Financial liabilities held under multi-manager investment contracts*	–	–	–	–	262 172	262 172
Financial liabilities of insurance and cell-captive contracts*	–	–	–	–	358	358
Borrowings	1 074	–	–	–	–	1 074
Insurance payables	421	–	–	–	2 116	2 537
Trade and other payables	679	9	–	–	46	734
Total financial liabilities	2 174	9	–	–	264 692	266 875

* Although these financial liabilities are payable on demand they can be settled in cash or by delivery of the underlying assets.

46. Financial risk (continued)

46.3 Market risk

46.3.1 Objectives, policies and processes to manage market risk

(i) Multi-manager investment operations

The group has established an investment committee which, in conjunction with the board of directors of the multi-manager investment subsidiary companies, is responsible for setting investment strategies for the various investment portfolios and monitoring compliance therewith.

Investment Solutions employs a multi-manager investment approach, focusing on reducing risk through optimal and multiple layer diversifications. The structure of investment portfolios is based on the contracts entered into and the risk profile selected by the client. Within these parameters, investments are managed with the aim of delivering superior returns, while limiting risk to acceptable levels, within the framework of statutory requirements. Although Investment Solutions does not make use of derivatives directly, the underlying managers may do so within strict mandate controls to achieve a particular portfolio's investment objective in the most effective manner or to smooth or protect portfolio returns.

(ii) General operations

Interest rate risk

The group does not hedge against the interest rate exposure of fee income derived by the group and the board has accepted that changes in interest rates can result in volatility in the group's earnings. An increase or decrease in interest rates impacts the value of debt securities included in assets from multi-manager investment contracts.

A revolving credit facility of R1 billion is in place and is subject to interest at JIBAR plus 1.25% payable quarterly.

Currency risk

The group does not hedge against this currency exposure to earnings and the board has accepted that changes in exchange rates can result in volatility in the group's earnings when reported in rand.

The group does not hedge against the currency exposure to US dollar policy-linked commission and fee income earned by insurance broking activities and the board has accepted that changes in exchange rates can result in volatility in the group's earnings when reported in rand. Changes in currency will impact profit before tax as a result of commission and fee earnings linked to US dollar policies.

Other price risk

The group monitors the risk associated with the fee income attributable to the equity assets under management in the multi-manager investment operations. The exposure to equity markets is monitored and specific advice is taken on the economic outlook with regard to this fee income. The group does consider various derivative instruments to protect this income stream.

There have been no significant changes in the way in which market risk is managed since the prior year.

46.3.2 Exposure to market risk

(i) Multi-manager investment operations

Policyholders' liabilities are linked to investments in equity securities, preference shares, debt securities, collective investment schemes, mutual funds, cash and other assets. These are valued at ruling market values and are therefore susceptible to daily market fluctuations.

There is no direct significant market risk, either by interest rate, currency or other price risk, to the group on financial assets held in respect of multi-manager investment contracts as the effect of any changes in these market risks is directly attributable to policyholder assets and policyholder assets are directly matched by policyholder liabilities. There are assets held within the policyholder assets which are exposed to currency risk arising from various currency exposures primarily with respect to sterling, euro and the US dollar, but these are matched by policyholder liabilities.

Fee income earned by the group on assets from multi-manager investment operations is based on assets which are exposed to fluctuations in interest rates, foreign currencies and equity prices. The group does not hedge against the interest rate and currency exposures and the board has accepted that changes in interest and exchange rates can result in volatility in the group's earnings.

46. Financial risk (continued)

46.3 Market risk (continued)

46.3.2 Exposure to market risk (continued)

(ii) General operations

Interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates, except for interest costs on provisions for client settlements which are sensitive to short-term interest rates. This impact is off-set by the effect of short-term interest rate movements on interest earned on cash balances. The interest rate on borrowings is substantially fixed and as such the group is not materially exposed to cash flow interest rate risk on these funds.

As detailed above, fee income derived by the group on assets from multi-manager investment contracts will be impacted by any changes in value of such assets arising from fluctuations in interest rates.

In addition, a portion of fee income earned in the retail business in the Financial Services operations in South Africa is impacted by changes in interest rates as this income is linked to assets managed by this business.

A revolving credit facility is in place with interest at JIBAR plus 1.25%.

Currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. As reflected in segmental profit analysis contained in these financial statements, the group derives a portion of its operating profit before non-trading and capital items in foreign currencies. Approximately 24% (2015: 18%) of the group's trading results from operations is derived from its international operations, primarily in the United Kingdom, and 6% (2015: 6%) from operations in Africa outside of South Africa.

Fee income derived by the group on assets from multi-manager investment operations will also be impacted by any changes in value of such assets arising from fluctuations in foreign currency exchange rates.

In addition, a portion of fee income earned in the retail business in the Financial Services operations in South Africa is impacted by changes in foreign currencies as this income is linked to assets managed by this business.

Fee income derived by the group on assets from multi-manager investment operations will also be impacted by any changes in value of such assets arising from fluctuations in foreign currency exchange rates.

In addition, a portion of fee income earned in the retail business in the Financial Services operations in South Africa is impacted by changes in foreign currencies as this income is linked to assets managed by this business.

Concentration risk

The group is not exposed to any significant concentration risk.

Other price risk

As detailed above, fee income derived by the group on assets from multi-manager investment operations will be impacted by any changes in the value of such assets arising from fluctuations in equity markets.

In addition, a portion of fee income earned in the retail business in the Financial Services operations in South Africa is impacted by changes in equity markets as this income is linked to assets managed by this business.

There have been no significant changes in market risk exposures since the prior year.

46. Financial risk (continued)

46.4 Fair value hierarchy

A number of the group's accounting policies and disclosures for financial assets and liabilities require the determination of fair value. Fair value measurement is influenced by current market conditions and is subject to the financial risks noted above.

Summary of financial assets and liabilities measured at fair value (by financial instrument)

Rm	Fair value	Book value*	2016	2015
Assets				
Financial assets held under multi-manager investment contracts	276 258	–	276 258	262 004
Financial assets of insurance and cell-captive contracts				
– designated at fair value	104	–	104	115
– balances relating to insurance contracts	111	–	111	243
– cash and cash equivalents	38	–	38	–
General operations				
Financial assets	394	95	489	233
Trade and other receivables	–	550	550	502
Insurance receivables	–	981	981	820
Cash and cash equivalents	–	4 877	4 877	4 350
Total financial assets	276 905	6 503	283 408	268 267
Liabilities				
Financial liabilities held under multi-manager investment contracts	276 382	–	276 382	262 172
Financial liabilities of insurance and cell-captive contracts	253	–	253	358
General operations				
Borrowings	–	705	705	1 000
Insurance payables	–	2 878	2 878	2 536
Trade and other payables	–	989	989	734
Total financial liabilities	276 635	4 572	281 207	266 800

* For financial assets and financial liabilities not measured at fair value the book values have been disclosed which approximates the fair value.

46.4.1 Valuation methods and assumptions for valuation techniques

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for valuation that are not based on observable market data (that is, inputs are unobservable).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement and considering factors specific to the asset or liability.

The determination of what constitutes 'observable' also requires significant judgement. The group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Level 1
Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturities, equity securities and derivative contracts.

46. Financial risk (continued)

46.4 Fair value hierarchy (continued)

46.4.1 Valuation methods and assumptions for valuation techniques (continued)

Level 2

Level 2 financial assets primarily include government and agency securities and certain corporate debt securities, such as private fixed maturities. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security's duration, also taking into consideration issuer-specific credit quality and liquidity. These valuation methodologies have been studied and evaluated by the group and the resulting prices determined to be representative of exit values.

Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. Additional observable inputs are used when available, and as may be appropriate.

Derivatives

As disclosed in note 11.2 the net fair value of derivative positions is approximately R1 million at 31 March 2016 (2015: R10 million). All of these derivative contracts are traded in the over-the-counter (OTC) derivative market and are classified in Levels 1 and 2. The fair values of derivative assets and liabilities traded in the OTC market are determined using quantitative models that require use of the contractual terms of the derivative instruments and multiple market inputs, including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors, which are then applied to value the positions. The predominance of market inputs is actively quoted and can be validated through external sources or reliably interpolated if less observable.

The credit risk of the counterparty and of the group is considered in determining the fair values of all OTC derivative asset and liability positions, respectively, after taking into account the effects of master netting agreements and collateral arrangements. In each reporting period the group values its derivative positions using the standard swap curve and evaluates whether to adjust the embedded credit spread to reflect change in counterparty or its own credit standing.

Level 3

Level 3 investments primarily include listed and unlisted equity securities and collective investment schemes whose traded prices are not considered liquid enough to justify Level 2 observation. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement. The group applies various due-diligence procedures, as considered appropriate, to validate these non-binding broker quotes for reasonableness, based on its understanding of the markets, including use of internally developed assumptions about inputs a market participant would use to price the security.

The group issues a significant number of investment contracts that are designated at fair value through profit or loss. These investment contracts are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. A variety of factors are considered in the group's valuation techniques, including time value, credit risk (both own and counterparty), embedded derivatives (such as unit-linking features), volatility factors (including contract holder behaviour), servicing costs and activity in similar instruments. Since significant inputs are based on unobservable inputs, these investment contract liabilities are classified as Level 2 instruments in the fair value hierarchy.

At 31 March 2016, investments classified at Level 3 primarily included suspended listed equities, community property company assets and infrastructure and development assets, which comprise approximately 99% (2015: 99%) of Level 3 assets.

The following table presents significant inputs to show the sensitivity of Level 3 measurements and assumptions used to determine the fair value of the financial assets:

Instrument	Valuation technique	Significant inputs
Suspended listed equities	Exchange trade price	Last exchange traded price
Community property company assets	Discounted cash flow model	Capitalisation rates and discounts rates
Infrastructure and development assets	Equity Distribution discount model, cost, mark to market, price earnings multiple and liquidation value	Equity Interest rates and exchange traded prices
	Debt Discounted cash flow model	Debt Interest rates – fixed and floating

The group's overall profit or loss is not sensitive to the inputs of the models applied to derive fair value.

46. Financial risk (continued)

46.4 Fair value hierarchy (continued)

46.4.2 Financial assets and liabilities at fair value

Group financial assets measured at fair value according to the fair value hierarchy

Rm	Fair value levels Level 1	Level 2	Level 3	Total fair value
2016				
Financial assets held under multi-manager investment contracts				
Equity securities – listed	111 009	2 094	–	113 103
– unlisted	–	–	12	12
Preference shares – listed	515	–	–	515
Collective investment schemes	69 035	1 478	2	70 515
Debt securities – listed	297	21 287	–	21 584
– government stock	–	14 656	–	14 656
Debentures – listed	3 613	–	–	3 613
Policy of insurance	–	22 339	1 557	23 896
Derivative financial instruments	1	–	–	1
Money market instruments – listed	13	17 508	22	17 543
Cash and cash equivalents	10 820	–	–	10 820
	195 303	79 362	1 593	276 258
Financial assets of cell-captive insurance contracts				
Money market instruments – listed	104	–	–	104
Balances relating to insurance contracts	–	111	–	111
Cash and cash equivalents	38	–	–	38
	142	111	–	253
General operations				
Financial assets:				
Bonds	–	38	–	38
Money market instruments	–	203	–	203
Collective investment schemes	–	153	–	153
	–	394	–	394
Total financial assets measured at fair value	195 445	79 867	1 593	276 905
Expressed as a percentage (%)	70	29	1	100

46. Financial risk (continued)

46.4 Fair value hierarchy (continued)

46.4.2 Financial assets and liabilities at fair value (continued)

Group financial assets measured at fair value according to the fair value hierarchy (continued)

Rm		Fair value levels Level 1	Level 2	Level 3	Total fair value
2015					
Financial assets held under multi-manager investment contracts					
Equity securities – listed		116 710	2 369	16	119 095
– unlisted		–	–	15	15
Preference shares – listed		268	–	–	268
Collective investment schemes		58 799	1 075	–	59 874
Debt securities – listed		431	21 936	–	22 367
– government stock		–	11 254	–	11 254
Debentures – listed		5 064	–	–	5 064
– unlisted		–	104	–	104
Policy of insurance		–	21 109	1 485	22 594
Derivative financial instruments		–	10	–	10
Money market instruments – listed		17	16 045	–	16 062
Cash and cash equivalents		5 297	–	–	5 297
		186 586	73 902	1 516	262 004
Financial assets of cell-captive insurance contracts					
Money market instruments – listed		115	–	–	115
Balances relating to insurance contract		–	67	176	243
		115	67	176	358
General operations					
Financial assets:					
Bonds		–	34	–	34
Collective investment schemes		–	91	–	91
		–	125	–	125
Total financial assets measured at fair value		186 701	74 094	1 692	262 487
Expressed as a percentage	(%)	71	28	1	100

46. Financial risk (continued)

46.4 Fair value hierarchy (continued)

46.4.2 Financial assets and liabilities at fair value (continued)

Group financial assets measured at fair value according to the fair value hierarchy (continued)

Rm	Fair value levels Level 1	Level 2	Level 3	Total fair value
2016				
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	**–**	**276 382**	**–**	**276 382**
Financial liabilities of insurance and cell-captive contracts	**–**	**253**	**–**	**253**
Total financial liabilities measured at fair value	**–**	**276 635**	**–**	**276 635**
2015				
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	262 172	–	262 172
Financial liabilities of insurance and cell-captive contracts	–	182	176	358
Total financial liabilities measured at fair value	–	262 354	176	262 530

46.4.3 Changes in Level 3 instruments

Summary of changes in group level 3 instruments

Rm	Financial assets under multi-manager assets	Financial assets of cell insurance contracts	Total
Financial assets			
Opening balance at 1 April 2015	**1 516**	**176**	**1 692**
Total gains and losses recognised in profit or loss	**152**	**–**	**152**
Transfer from loans and receivables	**(16)**	**–**	**(16)**
Purchases	**28**	**–**	**28**
Sales	**(87)**	**(176)**	**(263)**
Closing balance at 31 March 2016	**1 593**	**–**	**1 593**
Opening balance at 1 April 2014	1 689	153	1 842
Total gains and losses recognised in profit or loss	(129)	46	(83)
Transfer from loans and receivables	20	–	20
Sales	(64)	(23)	(87)
Closing balance at 31 March 2015	1 516	176	1 692
Financial liabilities			
Opening balance at 1 April 2015	**–**	**176**	**176**
Disposals	**–**	**(176)**	**(176)**
Closing balance at 31 March 2016	**–**	**–**	**–**
Opening balance at 1 April 2014	–	–	–
Total gains and losses recognised in profit or loss	–	48	48
Investments	–	128	128
Closing balance at 31 March 2015	–	176	176

The financial assets and liabilities of multi-manager investment contracts are linked and all movements in these assets will be met with a converse movement in the liabilities associated. Similarly the cell owner insurance assets and liabilities are also linked.

47. Operational, legal and capital risk

47.1 Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The group mitigates these risks through a risk management framework, systems of internal controls, internal audit and compliance functions and other measures such as backup procedures, contingency planning and insurance.

47.2 Legal and regulatory risk

The group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations, in the conduct of its ordinary course of business. The directors are satisfied, based on present information and the assessed probability of claims eventually, that the group has adequate insurance programmes and provisions in place to meet such claims. However, like all businesses of our type, the risk exists that significant adverse developments in past claims, or a significant increase in the frequency of severity of future claims for errors and omissions, could have a material effect on the group's reported results. Details of the structure of the group's errors and omissions insurance programme are provided in the relevant note to these financial statements.

47.3 Capital

The group's objectives when managing capital are:

- to comply with capital requirements required for insurers as determined by legislation; and
- to safeguard the group's ability to continue as a going concern so that it can provide returns for its shareholders and benefits for other stakeholders.

Regulated insurance and investment subsidiary companies

The capital adequacy requirement (CAR) is calculated to determine whether the excess of assets over liabilities is sufficient to provide for the possibility of severely adverse future experience. The calculation is as required by the Long-term Insurance Act, 52 of 1998, in South Africa and calculated in terms of the guidance notes issued by the Actuarial Society of South Africa (ASSA). The CAR is determined with reference to the guidance issued by ASSA but is subject to a minimum of R10 million or 13 weeks, operating expenses in terms of directive 140.A.i(LT) of the Financial Services Board or 0.3% of gross policyholder liabilities. The subsidiary companies are required to hold sufficient equity and reserves to meet its CAR and can only distribute accumulated profits in excess of CAR.

For Investment Solutions all liabilities are directly related to asset values and no mortality or similar risks are assumed; the only risk to be considered is operational risk. The CAR held at reporting date was R544 million (2015: R497 million), representing an excess of assets over liabilities of 1.6 times (2015: 1.95 times).

The CAR held by Alexander Forbes Life at reporting date was R218 million (2015: R201 million), representing an excess of assets over liabilities of 1.67 times (2015: 1.62 times).

For statutory purposes, the share capital of cell-captive insurance subsidiary companies consists of ordinary shares and 'A' and 'L' shares.

The cell-captive insurance subsidiary companies submit quarterly and annual returns to the South African Financial Services Board in terms of the Short-term Insurance Act, 53 of 1998 of South Africa (the act). The companies are required at all times to maintain a statutory surplus asset ratio as defined in the Act. The returns submitted to the Regulator showed that the companies have met the minimum capital requirements throughout the year.

All short-term insurance companies in South Africa are required in terms of the provisions of the Act to maintain a contingency reserve for adverse claims developments. This reserve is calculated at a minimum of 10% of net written premium as defined in the legislation. This reserve is maintained by the applicable subsidiary companies in the group and no distribution can be made from these reserves without the prior approval of the Registrar of Short-term Insurance. Details on the value of this reserve held within the group at year-end are shown in the applicable note to these financial statements.

The implementation by the Financial Services Board of consolidated supervision, although postponed from the original implementation date, is expected to become effective in January 2017. The current capital structure of the group has been significantly restructured to ensure that it best meets the long-term regulatory and operational requirements of the group.

General operations

When maintaining capital, the group's objectives are to maintain a sufficient level of capital without compromising the ability to operate effectively. This is achieved by using available cash balances to fund working capital requirements and returning capital to shareholders and lenders as and when excess cash is generated. When required, the group makes use of intergroup loans from its direct or indirect holding company as a source of funds.

48. Consolidated and unconsolidated entities

48.1 Consolidated entities

Material subsidiaries and associates in which the group has a financial interest:

	Entity	Nature of business	Year-end date	Economic interest 2016 %	Economic interest 2015 %
1.	**Holding company subsidiaries above the operational Alexander Forbes Limited Group**				
	Alexander Forbes Acquisition Proprietary Limited	Holding company	31 March	**100**	100
2.	**Holding company subsidiaries within the Alexander Forbes Limited Group**				
	Alexander Forbes Limited	Holding company	31 March	**100**	100
	Alexander Forbes AfriNet Investments Proprietary Limited	Holding company for African operations	31 March	**100**	100
3.	**Operational subsidiaries within the Alexander Forbes Limited Group**				
	Alexander Forbes Administration Services Proprietary Limited	Administration functions and risk-related services	31 March	**100**	100
	Alexander Forbes Direct Proprietary Limited	Direct marketing	31 March	**100**	100
	Alexander Forbes Financial Planning Consultants Proprietary Limited	Financial planning	31 March	**100**	100
	Alexander Forbes Financial Services Proprietary Limited	Provision of financial services	31 March	**100**	100
	Alexander Forbes Group & Technology Services Proprietary Limited	Technology services	31 March	**100**	100
	Alexander Forbes Group Services Proprietary Limited	Administration and support services	31 March	**100**	100
	Alexander Forbes Health Proprietary Limited	Healthcare, wellness and related consulting, broking and actuarial services	31 March	**100**	100
	Alexander Forbes Individual Client Administration Services Proprietary Limited	Financial services administration	31 March	**100**	100
	Alexander Forbes Insurance Company Limited	Short-term personal lines insurer	31 March	**100**	100
	Alexander Forbes Life Limited	Long-term insurer	31 March	**100**	100
	Caveo Fund Solutions Proprietary Limited	Hedge fund management company	31 March	**50.01**	50.01
	Faranani Risks Solutions Proprietary Limited	Insurance broking and related services	31 March	**100**	100
	Homeplan Financial Solutions Proprietary Limited	Pension-backed lending	31 March	**100**	100
	Investment Solutions Limited	Multi-manager investment	31 March	**100**	100
	Investment Solutions Administrative Services Proprietary Limited	Investment administrative services provider	31 March	**100**	100
	Investment Solutions Unit Trust Limited	Unit trust management	31 March	**100**	100
	Premium Payment Plan Proprietary Limited	Premium financing	31 March	**100**	100
	Seniors Finance Proprietary Limited	Equity housing finance	31 March	**83**	83
	Superflex Limited	Multi-manager investment	31 March	**100**	100
	Alexander Forbes Compensation Technologies Proprietary Limited*	Facilitation of injury on duty and road accident claims	31 March	**100**	100

48. Consolidated and unconsolidated entities (continued)

48.1 Consolidated entities (continued)

Entity	Nature of business	Year-end date	Economic interest 2016 %	2015 %
Rest of Africa				
Alexander Forbes Financial Services (Botswana) Limited	Financial services (Botswana)	31 March	**67**	67
Alexander Forbes Assets Consultants Proprietary Limited	Financial services (Botswana)	31 March	**74**	74
Alexander Forbes Financial Services Uganda Limited	Financial services (Uganda)	31 March	**55**	55
Alexander Forbes Financial Services (East Africa) Proprietary Limited	Financial services (Kenya)	31 March	**40**	60
Guardrisk Namibia Insurance Company Limited	Cell-captive insurance (Namibia)	31 March	**75**	75
Guardrisk Life Namibia Limited**	Cell-captive life assurance (Namibia)	31 March	**75**	75
Alexander Forbes Financial Services Namibia Proprietary Limited	Financial services and risk services (Namibia)	31 March	**70**	70
Investment Solutions Namibia Limited	Multi-manager investment (Namibia)	31 March	**70**	70
Alexander Forbes Consulting Actuaries Nigeria Limited	Financial services (Nigeria)	31 March	**78**	78
Alexander Forbes Zimbabwe Holdings Proprietary Limited	Risk services (Zimbabwe)	31 March	**60**	60
United Kingdom/Europe				
Alexander Forbes International Limited	Ultimate holding company for international group	31 March	**100**	100
Alexander Forbes Channel Islands Limited	Financial services	31 March	**100**	100
Alexander Forbes Group Jersey Limited	Holding company in Jersey	31 March	**100**	100
Alexander Forbes Services Limited	Group service company	31 March	**100**	100
Alexander Forbes Financial Services Holdings Limited	Holding company in the United Kingdom	31 March	**100**	100
Investment Solutions (Jersey) Limited	Multi-manager investment	31 March	**100**	100
Lane Clark & Peacock LLP	Financial services	31 March	**60**	60
Lane Clark & Peacock Netherlands BV	Financial services	31 March	**42**	42
Lane Clark & Peacock Ireland Limited	Financial services	31 March	**48**	48
Lane Clark & Peacock Belgium CVBA	Financial services (Belgium)	31 March	**–**	72
Associates				
Alexander Forbes Insurance Brokers Kenya Limited	Risk services (Kenya)	31 March	**40**	40
Alexander Forbes Financial Services Zambia	Financial Services (Zambia)	31 December	**49**	49

* Entity held for sale.
** Dormant.

48. Consolidated and unconsolidated entities (continued)

48.2 Unconsolidated structured entities

While the group consolidates certain structured entities, other structured entities are not consolidated due to the group not having an exposure to variability in returns and the power to govern the activities that affect this exposure.

The unconsolidated structured entities in which the group has an interest are:

- Alexander Forbes Staff Share Trust.
- Certain Collective Investment Schemes of which the group is the fund manager and has an investment.
- The Alexander Forbes Community Trust.

Unconsolidated collective investment schemes

The group manages six collective investment schemes as fund manager which are not consolidated. It also invests certain policyholder assets with these schemes. The value of these investments at 31 March 2016 is R92 million (2015: R506 million) (1.37% of the total assets in the schemes (2015: 6.91%)), included in financial assets of multi-manager investment contracts on the statement of financial position. The group provides no financial assistance to the schemes nor is there any contractual obligation to provide assistance to the schemes.

49. Subsidiaries with material non-controlling interest

The group consolidates certain entities with material subsidiaries. The summarised financial information of these entities is disclosed below.

The information represents 100% of the entity's results and has not been adjusted for the non-controlling interest share. Intercompany transactions and balances have not been eliminated.

	Alexander Forbes Insurance Company Namibia Limited		Alexander Forbes Financial Services Botswana		Alexander Forbes Financial Services (East Africa)		LCP LLP	
Rm	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Balance sheet information								
Total assets	**563**	438	**37**	34	**60**	49	**1 009**	779
Total liabilities	**(539)**	(415)	**(8)**	(8)	**(17)**	(8)	**(583)**	(456)
Total net assets	**24**	23	**29**	26	**43**	41	**426**	323
Summarised income statement								
Revenue	**51**	43	**108**	92	**76**	60	**1 833**	1 457
Profit before tax	**19**	15	**46**	39	**18**	15	**305**	244
Tax expense	**(6)**	(5)	**(10)**	(9)	**(7)**	(5)	**–**	–
Profit after tax	**13**	10	**36**	30	**11**	10	**305**	244
Other comprehensive income	**–**	–	**–**	–	**–**	–	**–**	–
Total comprehensive income	**13**	10	**36**	30	**11**	10	**305**	244
Dividends paid to non-controlling interest	**–**	–	**11**	9	**5**	–	**111**	123
Summarised cash flows								
Cash from operating activities	**12**	23	**43**	28	**10**	4	**888**	711
Cash from investing activities	**(1)**	–	**–**	–	**(2)**	(3)	**(10)**	(9)
Cash from financing activities	**–**	–	**(37)**	(28)	**(12)**	–	**(828)**	(768)
Net increase/(decrease) in cash and cash equivalents	**11**	23	**6**	–	**(4)**	1	**50**	(66)
Cash and cash equivalents at the beginning of the year	**161**	138	**20**	20	**8**	7	**172**	197
Exchange gains on cash and cash equivalents	**–**	–	**–**	–	**–**	–	**39**	41
Cash and cash equivalents at year-end	**172**	161	**26**	20	**4**	8	**261**	172

Significant restrictions

LCP LLP distributions are regulated by a partnership agreement.

50. Events subsequent to reporting date

No matter which is material to the financial affairs of the company has occurred between the balance sheet date and the date of approval of the financial statements.

COMPANY INCOME STATEMENT
for the year ended 31 March 2016

Rm	Notes	2016	2015
Operating expenses		**(11)**	(3)
Operating loss		**(11)**	(3)
Investment income	1	**533**	4
Non-trading and capital items	2	**(3)**	(120)
Profit/(loss) before taxation		**519**	(119)
Income tax expense		**–**	–
Profit/(loss) for the year		**519**	(119)

COMPANY STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2016

Rm	2016	2015
Profit/(loss) for the year	**519**	(119)
Other comprehensive profit for the year (net of income tax)	**–**	–
Total comprehensive profit/(loss) for the year (net of income tax)	**519**	(119)

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2016

Rm	Share capital	Non-distributable reserves	Accumulated loss	Total equity
At 1 April 2014	5 819	–	(46)	5 773
Issue of shares	316	–	–	316
Issue of shares as exit transaction incentive	57	–	–	57
Share-based payment	–	17	–	17
Redemption of B preference shares	–	(178)	–	(178)
Loss for the year	–	–	(119)	(119)
At 31 March 2015	**6 192**	**(161)**	**(165)**	**5 866**
Issue of shares*	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**(355)**	**(355)**
Share-based payment	**–**	**18**	**–**	**18**
Profit for the year	**–**	**–**	**519**	**519**
At 31 March 2016	**6 192**	**(143)**	**(1)**	**6 048**

* During the year the company issued 39 million shares to the Employee Share Option Plan for 1 cent per share.

COMPANY STATEMENT OF FINANCIAL POSITION
at 31 March 2016

Rm	Notes	2016	2015
Assets			
Investment in subsidiary	3	**5 748**	5 748
Cash and cash equivalents		**4**	1
Receivables from group companies		**302**	124
Total assets		**6 054**	5 873
Equity and liabilities			
Share capital	4	**6 192**	6 192
Non-distributable reserves		**(143)**	(161)
Retained earnings		**(1)**	(165)
Total equity		**6 048**	5 866
Other payables		**6**	7
Total liabilities		**6**	7
Total equity and liabilities		**6 054**	5 873

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

Rm	Notes	2016	2015
Cash flows from operating activities			
Cash generated by/(utilised in) operations	5	**(5)**	(33)
Interest received		**1**	4
Dividends received	6	**362**	–
Taxation paid	7	**–**	1
Dividends paid		**(355)**	–
Net cash inflow/(outflow) from operating activities		**3**	(28)
Cash flows from investing activities			
Cash outflows to group companies		**–**	(109)
Net cash outflow from investing activities		**–**	(109)
Cash flows from financing activities			
Issue of shares		**–**	316
Redemption of B preference shares		**–**	(178)
Net cash inflow from financing activities		**–**	138
Increase in cash and cash equivalents		**3**	1
Cash and cash equivalents at the beginning of the period		**1**	–
Cash and cash equivalents at the end of the period		**4**	1

Rm	2016	2015

1. Investment income

Interest income	**1**	4
Dividend income from subsidiary	**532**	–
	533	4

2. Non-trading and capital items

Make good payment resulting from capital restructure	**–**	(58)
Corporate transaction and listing costs	**(3)**	(35)
Waiver of loan to Management Trust	**–**	(26)
Waiver of group loan receivable	**–**	(1)
	(3)	(120)

Details of the make good payment in the prior year resulting from capital restructure can be found in the group financial statements of Alexander Forbes Group Holdings (refer to note 5).

The loan to the Management Trust was waived in 2015, prior to the company listing on the JSE Limited, as approved by the remuneration committee on 13 June 2014. The loan to Alexander Forbes Holdco Proprietary Limited was waived in the prior year as part of the process to clean up the corporate company structure.

3. Investment in subsidiary

Opening carrying value	**5 748**	5 748
Carrying value	**5 748**	5 748

The investment in subsidiary is carried at cost less provision for impairment and amounts written off.

Details of the group's financial interests in its subsidiaries are set out in note 48 to the group financial statements attached hereto.

4. Share capital

Share capital at no par value	**6 192**	6 192

		2016		2015	
		Number of shares '000	**Share capital at no par value Rm**	Number of shares '000	Share capital at no par value Rm
4.1	**Share capital**				
	Authorised				
	Ordinary shares at no par value	**2 500 000**		2 500 000	
	Non-convertible redeemable B preference shares	**45 000**		45 000	
	Issued				
	Ordinary shares no par value	**1 341 427**	**6 192**	1 302 356	6 192
		1 341 427	**6 192**	1 302 356	6 192

	2016 Number of shares '000	2016 Share capital at no par value Rm	2015 Number of shares '000	2015 Share capital at no par value Rm
4. Share capital (continued)				
4.2 Movement in share capital				
Opening balance	**1 302 356**	**6 192**	1 250 698	5 819
Shares issued to public	**–**	**–**	44 000	316
Shares issued in terms of exit transaction incentive	**–**	**–**	7 658	57
Shares issued to the Employee Share Option Plan*	**39 071**	**–**	–	–
Closing balance	**1 341 427**	**6 192**	1 302 356	6 192

* Refer to note 23.3.1 of the group financial statements.

Rm	2016	2015
5. Cash utilised in operations		
Profit/(loss) before taxation	**519**	(119)
Cash items:		
Investment income	**(363)**	(4)
Non-cash items:		
Make good payment paid by subsidiary on behalf of company	**–**	58
Waiver of group loan receivable	**–**	27
Movement in working capital balances		
Other receivables	**(160)**	13
Payables	**(1)**	(8)
	(5)	(33)
6. Dividends received		
Dividend income (refer to note 1)	**532**	–
Less: Non-cash dividend income	**(170)**	–
	362	–
7. Taxation paid		
Taxation prepaid at the beginning of the year	**–**	1
Taxation prepaid at the end of the year	**–**	–
	–	1

8. Related party disclosure

List of related party relationships

Major shareholders

The equity holders of the company are detailed in Annexure A.

Mercer Africa Limited, a subsidiary of the US-listed Marsh & McLennan Companies Inc., holds a 33% interest in the company.

Subsidiaries, joint ventures and associates

Details of subsidiaries, joint ventures and associates, which are considered material to the group and in respect of which the group has a continuing interest, are provided in note 48 to the group financial statements attached hereto.

Key management personnel

Details of key management personnel are included in the group financial statements.

8.1 Summary of related party transactions

Transactions between related parties comprise non-interest-bearing loans.

	Rm	2016	2015
8.2	**Transactions with subsidiaries**		
	Loan balances classified as intercompany loans		
	Opening balance	**124**	–
	Cash transferred to group companies	**(374)**	109
	Dividends received	**362**	–
	Dividend in specie	**170**	–
	Share-based payments	**18**	–
	Charges to subsidiaries	**2**	74
	Make good payment made by subsidiary on behalf of company	**–**	(58)
	Waiver of loan	**–**	(1)
	Closing balance	**302**	124

ANNEXURE A – SHAREHOLDING INFORMATION

Below is an analysis of the shareholding at 31 March 2016:

	2016	
	Analysis of shareholders	Number of shares as a % of total
Beneficial shareholders holding 5% or more of the company's listed ordinary share capital		
Mercer Africa Limited	442 801 129	33.0
Government Employee Pension Fund (PLC)	114 456 908	8.5
Liberty Life Association of Africa Limited	82 320 426	6.1
	639 578 463	47.6
Investment management interests above 3% of the company's listed ordinary share capital		
STANLIB Asset Management Limited	114 093 483	8.5
Allan Gray Proprietary Limited	107 588 399	8.0
Public Investment Corporation Limited	100 618 328	7.5
Abax Investments Proprietary Limited	70 346 360	5.2
Neuberger Berman, LLC	57 736 793	4.3
GIC Private Limited	55 085 081	4.1
Kagiso Asset Management Proprietary Limited	40 465 359	3.0
	545 933 803	40.6

Shareholding spread at 31 March 2016

Size of holding	Number of shareholders	% of total	Number of shares	% of total
1 – 1 000	1 381	39.6	446 654	0.0
1 001 – 10 000	1 147	32.9	4 470 727	0.3
10 001 – 100 000	548	15.8	18 324 140	1.4
100 001 – 1 000 000	297	8.5	95 573 546	7.1
1 000 001 +	111	3.2	1 222 611 896	91.2
	3 484	100.0	1 341 426 963	100.0

Shareholder type at 31 March 2016

	Shareholders and percentage of issued share capital		
	Number of shareholders	Number of shares	% of total
Public	3 474	844 361 720	63.0
Non-public	10	497 065 243	37.0
Mercer Africa Limited	1	442 801 129	33.0
Own holding	1	152 734	0.0
Executive directors and prescribed officers	5	7 389 565	0.5
Trustees of employee share trusts	3	46 721 815	3.5
Total	3 484	1 341 426 963	100.0

Below is an analysis of the shareholding at 31 March 2015:

	2015	
	Analysis of shareholders	Number of shares as a % of total
Beneficial shareholders holding 5% or more of the company's listed ordinary share capital		
Mercer Africa Limited	442 801 129	34.0
Government Employee Pension Fund (PIC)	113 308 792	8.7
Liberty Life Association of Africa Limited	78 287 396	6.0
	634 397 317	48.7
Investment management interests above 3% of the company's listed ordinary share capital		
STANLIB Asset Management	118 267 162	9.1
PIC	94 826 600	7.3
Allan Gray Investment Council	81 436 326	6.2
Abax Investments	69 754 671	5.4
Kagiso Asset Management Proprietary Limited	45 323 718	3.5
Neuberger Berman Management LLC	44 051 865	3.4
	453 660 342	34.9

Shareholding spread at 31 March 2015

Size of holding	Number of shareholders	% of total	Number of shares	% of total
1 – 1 000	1 158	28.53	449 422	0.04
1 001 – 10 000	1 691	41.66	6 899 128	0.53
10 001 – 100 000	827	20.37	26 183 371	2.01
100 001 – 1 000 000	274	6.75	90 666 885	6.96
1 000 001 +	109	2.69	1 178 157 457	90.46
	4 059	100.00	1 302 356 263	100.00

Shareholder type at 31 March 2015

	Shareholders and percentage of issued share capital		
	Number of shareholders	Number of shares	% of total
Public	4 048	851 701 372	65.40
Non-public	11	450 654 891	34.60
Mercer Africa Limited	1	442 801 129	34.00
Own holding	1	152 734	0.01
Executive Directors and Officers	7	7 531 324	0.58
Trustees of employee share trusts	2	169 704	0.01
Total	4 059	1 302 356 263	100.00

The audit committee is pleased to present its report for the financial year ended 31 March 2016. The audit committee is an independent statutory committee appointed by the shareholders. In compliance with the King III Report and section 61 of the Companies Act, 2008 the shareholders of the company appointed independent directors as its audit committee in the previous financial year. The board of directors delegates duties to the audit committee. This report includes those duties and responsibilities.

Terms of reference

The audit committee has adopted formal terms of reference, which are reviewed and updated as necessary on an annual basis (or more frequently if required) by both the audit committee and the board. The committee has conducted its affairs in accordance with its terms of reference and has discharged its responsibilities contained therein. A copy of the audit committee's current terms of reference is available on the company's website, www.alexanderforbes.co.za.

Composition and function

The audit committee comprises three independent members. In accordance with King III, the audit committee members are appointed annually by the shareholders. The chairman of the board, certain non-executive board members, the group chief executive, the group chief financial officer, the group chief risk officer, the group IT executive, external auditors, internal auditors and other assurance providers attend meetings by invitation. The audit committee undergoes an annual self-assessment.

Roles and responsibilities

The audit committee is satisfied that it complied with its legal, regulatory and other responsibilities during the financial year ended 31 March 2016. The audit committee's primary objective is to assist the board with its responsibilities for the management of risk, safeguarding of assets, oversight over financial control and reporting internal controls, shareholder reporting and corporate governance, particularly relating to legislative and regulatory compliance. The audit committee's roles and responsibilities include statutory and regulatory duties as per the Companies Act, 2008 and according to King III on Governance for South Africa 2009. In addition, the board has assigned certain other duties to the audit committee, embodied in its terms of reference. The board reviews these duties and terms of reference every year.

Meetings attended

During the year, four meetings were held, attendance at which was as follows:

	Meeting dates			
Committee member	Jun 2015	Sep 2015	Nov 2015	Mar 2016
D Konar (chairman)	✓	✓	✓	✓
MD Collier	✓	✓	✓	✓
B Petersen	✓	✓	n/a	n/a
RM Kgosana	n/a	n/a	✓	✓

✓ Indicates in attendance.
X Indicates apologies.
n/a Indicates not yet a member or resigned during the year.

The integrated annual report

The audit committee is responsible for overseeing the group's integrated annual report and the reporting process. The fifth integrated annual report has been reviewed by the audit committee. It focuses not only on the group's financial performance, but also economic, social and environmental performance. It also sets out how the business has engaged with stakeholders, addressed its material issues and governed its business.

Financial statements and accounting practices

The audit committee reviewed the audited consolidated and separate annual financial statements of the group for the year ended 31 March 2016, particularly to ensure that disclosure was adequate and that fair presentation had been achieved; the committee recommended the approval of the consolidated and separate annual financial statements to the board of directors. The committee believes that they present a balanced view of the group's performance for the period under review and that they comply with International Financial Reporting Standards.

External auditor appointment and independence

The audit committee has satisfied itself that the external auditor is independent of the group, as set out in section 94(8) of the Companies Act, 2008, which includes consideration of previous appointments of the auditor, the extent of other work the auditor has undertaken for the group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its independence. The committee ensured that the appointment of the auditor complied with the Companies Act, 2008 and any other legislation relating to the appointment of auditors. The committee, in consultation with management, agreed to the engagement letter, terms, audit plan as well as scope of work performed and budgeted audit fees for the 2015/16 year. A formal procedure has been adopted to govern the process whereby the external auditor may be considered for performing non-audit services.

The committee has nominated, for election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm and Mr R Hariparsad as the designated auditor responsible for performing the functions of auditor for the 2016/17 year.

The audit committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisers.

Internal controls

Based on the review of the design, implementation and effectiveness of the group's system of internal financial controls conducted by the internal audit function during the year under review, and reports made by the independent external auditors on the results of their audit and management reports, the committee is satisfied that the company's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. No findings have come to the attention of the committee to indicate that any material breakdown in internal controls has occurred during the past financial year.

Whistle-blowing

During the year the audit committee reviewed the whistle-blowing programme and reports resulting from the programme. We have ensured that, where appropriate, management made independent investigations and took appropriate follow-up action. The audit committee receives reports of any complaints, whether from within or outside the group, relating to the accounting practices and internal audit of the group, the content or auditing of the group's financial statements, the internal financial controls of the group and related matters.

Combined assurance

The audit committee is satisfied that the group has optimised the assurance coverage obtained from management, internal and external assurance providers in accordance with an appropriate combined assurance model.

Going concern

The audit committee has reviewed a documented assessment, including key assumptions prepared by management, of the going concern status of the group and has made a recommendation to the board in accordance therewith. The board's statement on the going concern status of the group, as supported by the audit committee, appears in the directors' responsibility for financial reporting section of the integrated annual report.

Governance of risk

The audit committee fulfils a dual function, being both an audit committee and a risk committee. Internal audit performs a full assessment of the risk management in a function and framework on an ongoing basis.

Internal audit

The audit committee is responsible for ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority within the group to enable it to perform its duties. Furthermore, the audit committee oversees co-operation between the internal and external auditors, and serves as a link between the board of directors and these functions. The audit committee approved the internal audit charter and the internal audit function's annual audit plan during the year under review.

The internal audit function reports to the relevant divisional audit committees with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the group's operations. The head of group internal audit is responsible for regularly reporting the findings of the internal audit work against the agreed internal audit plan to the audit committee. The head of group internal audit has direct access to the group audit committee, primarily through its chairman. During the year the committee met with the external auditors and with the head of group internal audit without management being present.

Evaluation of the expertise and experience of the group chief financial officer (GCFO) and the finance function

The audit committee has satisfied itself that the GCFO has appropriate expertise and experience to execute his designated functions. The audit committee has considered and has satisfied itself of the appropriateness of the expertise, experience and adequacy of resources of the finance function.

Subsequent events

There have been no material changes in the affairs or financial position of the company and its subsidiaries since 31 March 2016.

DKonar

Dr D Konar
Chairman of the audit committee

Sandton
10 June 2016

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