ALEXANDER FORBES GROUP HOLDINGS LIMITED

RESULTS ANNOUNCEMENT

for the year ended 31 March 2019,
final and special cash dividend declaration

ALEXANDERFORBES
Securing your financial well-being

CONTENTS

Alexander Forbes is a market-leading provider of integrated retirement and investment solutions as well as holistic wealth and asset management. We are the largest administrator of retirement funds, multi-manager and healthcare consultancy in South Africa.

For 84 years the Alexander Forbes brand has been synonymous with financial expertise and innovative yet reliable solutions. We have built our premium brand through an in-depth understanding of the employee benefit industry and have provided innovative solutions to our clients, making us a trusted adviser and partner of choice.

Our commitment to provide best advice solutions and services for our clients continues to earn us numerous awards and accolades.

OVERVIEW OF FINANCIAL RESULTS

Alexander Forbes Group Holdings Limited (JSE share code: AFH) today announced full-year results for the 12 months ended 31 March 2019.

- Strategy update announced in March 2019 reaffirmed Alexander Forbes' strength as a trusted adviser with a renewed focus on the core businesses of consulting, administration and investments
  - The revised strategy resulted in the decision to exit the insurance businesses and sub-scale African operations – which have been classified as discontinued
- Operating income for the total group increased 6% to R3 863 million
  - Operating income from continuing operations up 4% to R3 136 million with sustained growth from investments (up 7%), consulting and retirements (up 6%) and wealth and investments (up 4%)
- Termination of the IT contract relating to the group's modernisation programme during the first half of the reporting period resulted in:
  - R287 million write-off of capitalised software in development; and
  - R50 million termination cost in operating expenses
- Profit from operations for the total group (before non-trading and capital items) down 7% to R915 million
  - Profit from continuing operations (before non-trading and capital items) was down 19% to R678 million
- Headline earnings per share, for the total group, declined 1% to 44.0 cents
- Cash generated from continuing operations remained strong at R821 million
- Final dividend of 12 cents per share, bringing the total dividend for the year to 30 cents, reverting to a cover ratio of 1.5 times
- A special dividend of 30 cents per share declared
- Assets under administration (AuA) and Assets under management (AuM) of R342 billion, down 4% year on year

Chief executive officer, Dawie de Villiers: 'Alexander Forbes delivered reasonable growth demonstrating its resilience, despite tough circumstances over the past year. We have revised our strategy to capitalise on our core strength as we continue to improve the financial well-being of our clients and members. Together we have a single-minded focus to provide the best advice for clients through our "one company" approach.'

Financial highlights

In millions of South African rands (Rm)		2019/2018 % change	12 months ended 31 March 2019	2018	2017
Total group					
Operating income[1]		6	**3 863**	3 647	3 470
Profit from operations (before non-trading items)		(7)	**915**	986	937
Cost-to-income ratio[2]	(%)	330 bps	**76.3**	73.0	73.0
Headline earnings per share	(cents)	(1)	**44. 0**	44.4	53.4
Normalised headline earnings per share[3]	(cents)	(14)	**45.0**	52.4	59.7
Continuing operations[3]					
Operating income		4	**3 136**	3 010	2 879
Profit from operations (before non-trading items)		(19)	**678**	833	812
Cost-to-income ratio	(%)	610 bps	**78.4**	72.3	71.8
Headline earnings per share	(cents)	(6)	**32.5**	34.5	39.6
Cash generated (from continuing operations)		(5)	**821**	861	923
Final dividend	(cents)	(50)	**12**	24	23
Annual dividend	(cents)	(29)	**30**	42	40
Special dividend	(cents)	–	**30**	–	23
Closing AuA and AuM	(in billions of South African rands)	(4)	**342**	357	345
Discontinued operations[3]					
Operating income		14	**727**	637	591
Profit from operations (before non-trading items)		55	**237**	153	125
Cost-to-income ratio	(%)	(860 bps)	**67.4**	76.0	78.8

1. Operating income represents revenue net of direct expenses.
2. Cost-to-income ratio is a percentage of the operating expenses (before non-trading items) over the operating income.
3. Prior-year numbers restated for the effects of discontinued operations. See note 9.

Introduction

The year under review marks a watershed for Alexander Forbes, having aligned our resources to capitalise on our core strengths and setting a course to deliver value from our market-leading positions. We demonstrated our resilience amid weak trading conditions while addressing our internal challenges.

Savings and retirement markets are under pressure and we did not perform to expectation, resulting in lost business in some segments. We are addressing this shortfall and note the impact of lost revenue on operating income.

The 6% increase in operating income to R3 863 million for the total group (4% increase to R3 136 million from continuing operations) reflects these impacts but, importantly, demonstrates our business' resilience in a difficult year.

Alexander Forbes faced internal challenges during the year under review. The departure of the former chief executive officer and members of the executive team brought closure but also signalled the need for a strategic review of the group. The incoming chief executive officer was mandated by the board to conduct a review of the group's operating model and growth strategy, which aligns resources internally to achieve sustainable profitable growth by capitalising on the group's core strengths.

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

Our revised strategy

In March 2019 we announced a revised strategy that refocuses the business on providing advice-led integrated retirement solutions and holistic wealth management.

Our strategy is based on providing best advice for clients through an integrated approach. This requires a transition to a new operating model that will enable the 'one company, client-centric' approach through the integration of our different business lines. The new target operating model will include:

- one client-facing team, with divisional experts who are incentivised to deliver value to our clients and grow our top line;
- a hub for advice-led product development and enablement to ensure our relevance and to provide world-class advice for the South African context; and
- a joint platform for client support services, including fund and investments administration as well as shared services to drive efficiency, automation and innovation in the way that we service our clients.

We believe that this new way of operating will provide our clients with holistic best-in-class advice across a broader spectrum and in doing so will significantly enhance our value proposition. It will provide the opportunity to re-establish ourselves as the industry leaders, leverage our scale and simplify our processes.

South Africa as our primary market will remain our core focus, and we will continue to service clients across Africa through the advice-led solution platform 'ARRIVE' in close collaboration with Mercer. There are no further plans for in-country investments in the rest of Africa and we are exiting sub-scale markets such as Uganda and Zambia.

In line with the revised strategy, we also announced our intention to exit both the short-term and life insurance (group risk) businesses. We have built solid and profitable operations in both of these businesses which are highly valued in the insurance market. The process to dispose of these separate businesses is under way and includes several regulatory approvals. Management aims to conclude these transactions by the end of FY2020.

We continue to look for organic as well as inorganic growth opportunities in our core businesses. Our decision to adopt a capital-light model is key regarding the capital allocation and return hurdles that need to be met for us to pursue potential growth opportunities. With respect to potential acquisitions, we continue to explore and assess potential opportunities to acquire a similarly focused employee benefit business in support of our revised strategy.

Measuring success

By making these changes we are focusing on our competitive strengths and the segments where we can reinforce our commanding position in the industry. We are reorganising ourselves in a way that can deliver an integrated consulting and advice-led proposition, enabled by innovative solutions and digital engagement platforms. This will ensure that our members receive the best information and access to advice from Alexander Forbes throughout their life journey.

The increased focus on an advice-led, client-centric model is designed to achieve better outcomes for our clients. Our research indicates that an integrated servicing model not only improves efficiencies, which reduces cost, but the outcomes achieved for individual members also improve.

While the environment is currently not conducive to growth in income, we remain confident that we will achieve our target of achieving between 8% to 10% compound annual growth rate in operating income over the next five years.

The target operating model is designed to deliver more process efficiency through rationalisation and structural change within a simplified structure. This is in final design phase with the implementation expected to commence in the second quarter of financial year 2020, with a nine-month phased roll-out.

Given the nature of the structural change that needs to take place, we anticipate realising the intended impact over a three to five-year period. A measure of success of this initiative is the expected reduction in our cost-to-income ratio to below 70% over this period. The executive team is focused on accelerating the delivery of initiatives to address these structural inefficiencies, where possible.

The revised strategy reaffirms our intent to remain capital light. Our ongoing measurement under the Prudential Standards as an insurance entity has increased our regulatory capital by 100% over the past five years. The decision to exit our insurance businesses and the legal entity restructuring, which is in process, will reduce the regulatory capital requirement across the group.

- We have agreed with the board to reduce this surplus capital position within prudent capital parameters.
- We do not intend to hold excess cash on our balance sheet, as evidenced in the special dividend of 30 cents per share which has been declared in this period.

Our measure of success over the medium term will be to deliver an improvement in our return on equity to above 14%.

Financial review

The strategic review of our portfolio of businesses resulted in the decision to exit the insurance businesses as well as sub-scale businesses in the rest of Africa. The operations that we intend to dispose of are shown as discontinued. The 2018 financial year results have been restated to reflect this change.

We have, however, provided our segmental information in a manner that reflects how the business was managed during the year. The segmental presentation incorporates all operations and provides a reconciliation to the continuing operations reflected in the income statement. The impact of this change is summarised as follows:

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
Rm	2019	%	2018	2019	%	2018
Continuing operations	**3 136**	4	3 010	**678**	(19)	833
Discontinued operations	**727**	14	637	**237**	55	153
Total group	**3 863**	6	3 647	**915**	(7)	986

Operating income

The growth in operating income from continuing operations of 4% to R3 136 million reflects the resilience of the company, with pleasing performance from the following business lines:

- investments, up 7% in operating income owing to extended product offerings, including an offshore product and the introduction of alternate asset classes;
- consulting and retirements, up 6% driven by strong performance from the healthcare consulting business; and
- retail wealth and investments, up 4% owing to new business through improved retention rates.

Operating expenses

Operating expenses from continuing operations increased 13% to R2 458 million. The increase in operating expenses is, in part, due to a number of non-recurring items such as the termination penalty on the IT contract and various consulting expenses related to the implementation of the previous strategy. These expenses are not expected to reoccur. In addition, the group incurred increased technology and regulatory costs as well as a higher number of claims costs for the year under review. The cost-to-income ratio for the period of 78.4% has deteriorated from 72.3% in the prior year. The increase in costs is an area of concern for the executive team and the new strategy incorporates plans to address the inefficiencies structurally.

Non-trading and capital items

Non-trading and capital items from continuing operations increased to R231 million (2018: R159 million), owing predominantly to the capitalised software development assets write-off amounting to R150 million. The non-trading and capital items also include the ongoing accounting for amortisation of intangible assets amounting to R67 million (2018: R80 million) as well as the results of the insurance cell-captive facility. The accounting for amortisation has no impact on the cash flows of the group.

Investment income

Investment income earned from the regulatory capital and surplus cash position of the company through the year declined by 12% to R192 million due to lower cash balances resulting from the share buy-back and dividends paid during the year. In addition, investment income of R21 million (2018: loss of R11 million for the year) related to individual policyholder investments is recorded in the consolidated income statement due to the fund level taxes and for which an equal tax liability is raised. This policyholder income (and related tax cost) is excluded from our normalised earnings when assessing the group's own investment income.

Effective tax rate

The effective tax rate, excluding the policyholder tax, is 43% largely due to the non-deductible write-off of capitalised software development assets, unutilised tax losses and disallowed expenses.

Discontinued operations

Operating profit from discontinued operations before non-trading items increased 55% to R237 million. Non-trading items of R149 million, largely related to the write-off of capitalised software development assets, reduced the operating profit to R81 million. After finance charges and taxes, the profit for the year from discontinued operations was

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

R16 million. The group disposed of its Kenyan operations during the second half of the year, realising a profit of R56 million. The full results of these businesses are reflected in note 9 of the results.

Headline earnings

Excluding the software development assets write-off and other headline adjustments, headline earnings were R545 million, a 3% decline on the prior year. The weighted average number of shares declined slightly to 1 237 million (2018: 1 269 million) as a result of the share buy-back programme, which was approved by shareholders and has been implemented since the prior reported period. Headline earnings per share decreased by 1% to 44.0 cents per share (2018: 44.4 cents per share).

Capital and cash management

The group's cash flows continue to remain strong with cash generated from continuing operations of R821 million. The financial position of the group remains robust and all regulated entities within the group comply with current solvency, liquidity and regulatory capital adequacy requirements (CAR). As at 31 March 2019 the consolidated regulatory capital requirement of the group was R1 839 million, which increased 12% from the prior year (2018: R1 643 million). Using the measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards implemented during 2018, the group has a surplus capital of R1 128 million (before the proposed dividend distribution declared at year-end).

Our capital journey over the next 24 months aims to release inefficient capital and reduce the surplus capital held. This will include the following:

- the payment of the proposed special dividend;
- the sale of the insurance businesses; and
- restructuring various operations and entities in the group.

The available surplus cash released will be used to reduce short-term borrowings, invest into core businesses and any surplus will be returned to shareholders.

Final and special dividend declaration

A final dividend declaration has been considered by the board, taking into account the group's current and projected regulatory position, the available cash in the group as well as the highly cash-generative nature of the group.

The board has declared a final gross cash dividend of 12 cents (9.6 cents net of dividend withholding tax) per ordinary share for the year ended 31 March 2019, bringing the total dividend declared for the year to 30 cents per share. This maintains the dividend cover at our stated policy of 1.5 times. The board intends to manage the dividend within its stated target range of 1.5 to 2.0 times cover.

In addition, the board has declared a gross special cash dividend of 30 cents per ordinary share, thereby distributing the available cash to shareholders and reducing the surplus capital position. The group's strong cash performance and its desire to improve capital efficiencies is the basis for the board's decision to declare this special dividend. The special dividend is subject to approval by the Financial Surveillance Department of the South African Reserve Bank (SARB). A finalisation announcement confirming receipt of SARB approval will be released on SENS by no later than 9 July 2019.

Both dividends have been declared from profits. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The directors have satisfied the solvency and liquidity test as required in terms of section 4(1) of the Companies Act 71 of 2008. 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:

- Finalisation date for special dividend: Tuesday, 9 July 2019
- Last day of trade to receive a dividend: Tuesday, 16 July 2019
- Shares commence trading ex dividend: Wednesday, 17 July 2019
- Record date: Friday, 19 July 2019
- Payment date: Monday, 22 July 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 July 2019 and Friday, 19 July 2019, both days inclusive.

Operating review

Our segmental analysis is aligned with the way that we managed the business through the year under review. As part of the revised strategy, we will be transitioning to a client-centric operating model, which is currently being designed and will be reflected in our interim results for the new financial year.

Corporate & employee benefits

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
Rm	2019	%	2018	2019	%	2018
Continuing operations	**1 288**	3	1 254	**93**	(53)	199
Consulting and retirements	**1 176**	6	1 111	**93**	(53)	199
Administration only	**112**	(22)	143	**–**	–	–
Group risk (discontinued operations)	**92**	42	65	**37**	95	19
Corporate & employee benefits	**1 380**	5	1 319	**130**	(40)	218

Corporate & employee benefits delivered a 5% growth in operating income to R1 380 million. Profit from operations (before non-trading and capital items) at R130 million is down 40%, driven by higher operating expenses incurred by consulting and retirements partly off-set by a strong performance from group risk.

Consulting and retirements

Our strategy is focused on building a relationship of trust with our clients to deliver best advice and solutions, always putting clients first. We have improved our corporate engagement strategies by offering new solutions to position our clients for regulatory change. An example is retirement benefit counselling, where we offer employees counselling and access to advice on site and proactively contact those nearing retirement. The business has also implemented effective default strategies and solutions to improve member outcomes.

This division reported a 6% improvement in operating income, largely due to:

- healthcare consulting: up 10% – owing to the annualised value of new business from the prior financial year and some significant wins early in the current year. New business also improved owing to the collaboration with our strategic partners;
- retirements (umbrella funds): up 6% – Assets under management (AuM) for the umbrella funds increased by 10% to R81.4 billion owing to conversions from administration only clients and an increase in the contribution flows; and
- consultants and actuaries: up 4% – despite macroeconomic and internal challenges, which impacted on new business prospects.

Costs for consulting and retirements increased 13% to R1 195 million (2018: R1 055 million). This increase in operating expenses is driven by higher personnel, IT, compliance and regulatory costs, and targeted capacity build-up to strengthen the core.

Administration only

Administration only reflects revenue earned from clients where fees are earned based on administration only services. This division is now shown within the corporate & employee benefits segment. Approximately 75% of the revenue decline during the period results from administration only clients being converted to the umbrella fund within retirements.

Group risk

Gross written premiums increased by 19% year on year to R638 million driven by strong growth in new business (with a low churn rate of 3%), with a 42% improvement in operating income to R92 million year on year. An industry-wide increase of 22% in disability claims resulted in an adverse impact on the business and has necessitated additional reserving.

The group risk business was able to participate in a reinsurance profit share due to improved reinsurers underwriting results. The profit share was the biggest contributor to the increase in net operating income in the current year and has off-set the higher claims experience and increased reserves.

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

Investments

Operating income grew by 7%, amid volatile market performance and significant movement in asset flows, mainly due to the execution of several strategic initiatives. The business has focused on extending its product offering, which includes private markets and fund-of-hedge funds, not otherwise accessible in its investment universe. In addition, clients have access to a distinctive global product offering through our strategic partner, Mercer. The extended product offering enhances our value proposition to clients.

The reported total Assets under administration and management (AuA and AuM) were R342 billion at 31 March 2019, a 4% decrease, impacted by lower-than-expected new business and client losses, mainly from the withdrawal of assets from our platform business. Our flagship portfolio, Performer, continues to do well with 16% growth in AuM to R124.8 billion at year-end and achieving superior returns; thus adding significant value in a tough market.

The assets are segregated as follows:

	31 March 2019			31 March 2018		
Rbn	Institutional	Retail	Total	Institutional	Retail	Total
Assets under administration (AuA)	**29.7**	**5.0**	**34.7**	48.2	5.5	53.7
Assets under management (AuM)	**246.4**	**60.6**	**307.0**	247.3	56.4	303.7
Total AuA and AuM	**276.1**	**65.6**	**341.7**	295.5	61.9	357.4

A summary of the cash flows for the 12 months to 31 March 2019 is depicted below:

	31 March 2019			31 March 2018		
Rbn	Institutional	Retail	Total	Institutional	Retail	Total
Controllable	**(11.9)**	**0.4**	**(11.5)**	7.0	(1.4)	5.6
New business	**3.3**	**0.4**	**3.7**	9.7	1.1	10.8
Outflows owing to client losses	**(15.2)**	**–**	**(15.2)**	(2.7)	(2.5)	(5.2)
Uncontrollable	**(3.5)**	**(0.8)**	**(4.3)**	(9.0)	(1.7)	(10.7)
Ongoing contributions	**38.6**	**8.5**	**47.1**	29.7	5.9	35.6
Withdrawals for benefit payments	**(42.1)**	**(9.3)**	**(51.4)**	(38.7)	(7.6)	(46.3)
Withdrawal from platform	**(21.5)**	**–**	**(21.5)**	(3.5)	–	(3.5)
Net cash flows	**(36.9)**	**(0.4)**	**(37.3)**	(5.5)	(3.1)	(8.6)

The business reported R37.3 billion in net cash outflows for the year, 58% of which comprised withdrawals from the platform business that related to two clients. Outflows owing to client losses result from the following: R5.1 billion from clients supported by Alexander Forbes consultants; R4.7 billion from clients advised by external consultants; and R5.4 billion from a single client linked to the insourced administration.

For the institutional business, R3.3 billion in new business AuM flowed in during the year with a further R1.7 billion assets awaiting transfer pending regulatory approval. Uncontrollable cash outflows continue to be negative, influenced by factors prevalent across the retirement fund industry.

Retail

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
Rm	2019	%	2018	2019	%	2018
Wealth and investments (continuing operations)	**891**	4	856	**383**	(2)	391
Retail insurance (discontinued operations)	**573**	12	510	**192**	66	116
Retail	**1 464**	7	1 366	**575**	13	507

The retail segment delivered a 7% increase in operating income to R1 464 million, while profit from operations increased 13% to R575 million. The increase in profit from operations for retail insurance is largely due to improved underwriting results in the short-term insurance business and stabilised reserving in AF Life individual insurance.

Wealth and investments

Operating income increased 4% mainly due to a 16% improvement in Financial Planning Consultants' (FPCs) new business flows. The improvement in new business flows reflects the effectiveness of our member engagement and intervention efforts.

- The preservation rate remained constant at 55%, largely owing to a 60% increase in our member engagement despite the weak economic environment.
- In addition, the retention rate (the percentage of preserved assets that is retained by Alexander Forbes) improved by 5% to 43% due to the presence and focused effort of the FPC business within the institutional member base.

In line with our strategic objective of providing best advice and improving the financial well-being of our members, we launched Alexander Forbes Retirement Income Solution (AFRIS), which is a unique life and legacy solution, in FY2018. AFRIS was developed to allow pension funds to meet their obligations under new regulations. It provides a simple and cost-effective solution for trustees while alleviating the burden of structuring in-fund solutions within funds of insufficient scale. This solution also adds value to members by providing a single set of portfolios that are consistently priced at levels similar to that paid by retirement funds. AFRIS' closing assets under administration ended the financial year on R2.7 billion, reflecting new business flows of R2.3 billion for the year.

Profit from operations decreased by 2% to R383 million owing to higher expenses aimed at driving future growth as well as regulatory and compliance costs. In addition, the decision to discontinue the provision of retail life policies has resulted in some of those shared costs being absorbed by the wealth and investment business.

Retail insurance businesses

Gross written premiums in the short-term insurance business increased by 5% to R1.8 billion for the year, with the business continuing to grow owing to enhanced product offerings and good service levels.

New business increased by 13% in the motor and household portfolio. The loss ratio for the period under review improved to 62.2% from 64.0% (with personal lines recording an improvement to 65.8% from 68.1% in the prior year) largely attributable to enhanced underwriting interventions. This is well below the targeted annual loss ratio of 71%.

The group made a strategic decision to discontinue the provision of AF Life individual insurance policies from 1 July 2018. The existing policies will continue to be serviced but no new policies will be written. The operations of the business have been adjusted to reflect the decision, which has resulted in a decrease in operating expenses.

OVERVIEW OF FINANCIAL RESULTS (CONTINUED)

Emerging markets

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
Rm	2019	%	2018	2019	%	2018
Emerging markets						
Namibia	**152**	(7)	164	**30**	(44)	54
Botswana	**92**	23	75	**27**	93	14
Other	**11**	–	11	**(1)**	89	(9)
AFEM head office	**–**	–	–	**(24)**	(14)	(28)
Total	**255**	2	250	**32**	3	31

Emerging markets delivered a 2% increase in operating income to R255 million mainly owing to:

- a strong performance from the Botswana retirements business. The retirements business accounted for the improved performance in Botswana's operating income, which was driven mainly by client acquisitions and the delivery of new business initiatives; and
- largely off-set by poor performance from Namibia. Namibia continues to operate in a recessionary economic environment coupled with increased competitive pressure, both of which have adversely impacted the core retirements and investments businesses respectively. Assets under management have decreased 3% in the twelve months ended 31 March 2019 to R3.6 billion.

In line with the revised strategy, Alexander Forbes will service its clients across Africa through its advice-led solution platform 'ARRIVE' in close collaboration with Mercer.

Corporate costs

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
Rm	2019	%	2018	2019	%	2018
Corporate costs	**–**	–	–	**(221)**	44	(153)

Corporate costs include the office of the chief executive officer and chief financial officer, the group strategy office, as well as costs associated with the listed holding company, including non-executive directors' fees. The corporate costs also include consulting costs and project costs associated with the group's implementation of strategy. The significant increase is due to the R50 million termination cost relating to the exit of the IT contract and higher consulting costs.

Prospects

As we embark on this new chapter, we do so in an economic environment that will likely remain constrained for the foreseeable future. Our focus for the next year will be on the implementation of our integrated target operating model and revised strategy to ensure we become more client-centric, simplify our business and deliver improved results. We expect a stable year where profit growth may be hampered while we correct some of the previous inefficiencies and invest to grow. We aim to conclude the disposal of our insurance businesses and commence a restructuring of the legal entities within the group, to ensure efficient allocation of capital within a capital-light business going forward. Any surplus capital generated as a result of these actions will be returned to shareholders, as appropriate.

The market environment is characterised by a maturing industry with many 'one size fits all' product offerings. Our opportunity lies in our innovative advice and solutions, ensuring that our members receive the best information and access to advice at various stages through their life journey. Our operating model is being reset to ensure that we continue being the best at providing advice and that we remain an innovative, forward-thinking and industry-changing company into the future.

Alexander Forbes remains uniquely positioned as an advice-led provider of integrated retirement solutions and holistic wealth management and as the largest administrator of retirement funds in South Africa. This position is well supported by our loyal client and member base, a solid balance sheet with adequate room to grow supported by strong cash-generation capacity and a highly skilled employee base. We intend to maximise these attributes to create shareholder value by unlocking the potential inherent in our core businesses.

Investigation, subsequent actions and reportable irregularity

The AFGH board initiated an investigation into allegations against the former chief executive officer. This resulted in the termination of the services of the former chief executive officer and actions to remedy all the issues identified during the investigation. PricewaterhouseCoopers Incorporated (PwC) reported these matters as a reportable irregularity (including reporting as such to the Prudential Authority in accordance with section 252(1)(b) of the Financial Sector Regulation Act 9 of 2017) and concluded that they have been dealt with and are no longer continuing. PwC has expressed an unmodified opinion on the financial statements which are available for inspection at the company's registered office. The resultant legal processes between the former chief executive officer and the company remain ongoing.

Change in directorate

Messrs NG Payne and T Dloti were appointed as independent non-executive directors effective 1 May and 1 August 2018 respectively. The service of Mr AA Darfoor as chief executive officer was terminated on 25 September 2018 and he was replaced by Mr DJ de Villiers on 1 November 2018. Ms N Ford-Hoon resigned as the chief financial officer with effect from 14 December 2018 and she was replaced by Mr BP Bydawell on 1 April 2019.

The board wishes to thank Ms M Ramplin for her tremendous commitment, dedication and speed of execution on some critical items requiring attention while caretaking the chief executive officer role during the period of transition in the current year.

Corporate governance

The company's application of the principles contained in the King IV Report on Corporate Governance for South Africa (King IV) is disclosed in the King IV report available on the company's website. No material changes in application have occurred since the publication of that report. Disclosure in respect of the current reporting will be available no later than 31 July 2019.

On behalf of the board of directors

N Nyembezi
Non-executive Chair

DJ de Villiers
Chief Executive Officer

14 June 2019

SUMMARY FINANCIAL STATEMENTS

The Alexander Forbes Group Holdings Limited (the group) summary consolidated financial statements for the year ended 31 March 2019 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for provisional reports, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act as amended applicable to summarised financial statements.

The group's results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. This report is presented in South African rands, which is the presentation currency of the group. All amounts are stated in millions of rands (Rm), unless indicated otherwise.

While this report is itself not audited, the consolidated annual financial statements from which the summary consolidated annual financial statements on pages 14 to 36 have been derived were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audit report does not necessarily report on all of the information contained in this report. Any forecast financial information contained herein has not been reviewed or reported on by the company's external auditor.

Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement and, more specifically, the nature of the information that has been audited, they should obtain a copy of the auditor's report together with the accompanying audited group consolidated annual financial statements, both of which are available for inspection at the company's registered office. Copies can be downloaded from the company's website following an announcement in June 2019 on the JSE's Stock Exchange News Service (SENS).

The accounting policies applied in the preparation of the consolidated financial statements from which the results have been derived are consistent with the accounting policies applied in the preparation of the group's previous consolidated annual financial statements, except as modified by the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The group adopted IFRS 9 and IFRS 15 with effect from 1 April 2018.

The group has, as permitted by both IFRS 9 and IFRS 15, elected not to restate its comparative financial statements. Consequently, comparability will not be achieved due to the fact that the comparative financial information has been prepared on a different basis. The group did, however, align certain disclosures within these results to provide comparable data. The impact of adopting IFRS 9 has been applied retrospectively with a cumulative adjustment to the group's opening 1 April 2018 reserves.

These summary consolidated financial statements were compiled under the supervision of Mr Bruce P Bydawell (chief financial officer), CA(SA), CFA. The board of directors of Alexander Forbes Group Holdings Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

In terms of the JSE Listings Requirements, the group no longer posts a physical copy of this announcement to its shareholders. Investors are referred to the company's website www.alexanderforbes.co.za/investors.

The results were made publicly available on 18 June 2019.

Alexander Forbes Group Holdings Limited
Summary Consolidated Financial Statements

for the year ended 31 March 2019

SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2019

Rm	Notes	2019	Restated 2018[1]
Continuing operations			
Fee and commission revenue	4	**4 058**	3 981
Fee and commission expenses		**(922)**	(971)
Operating income net of direct expenses		**3 136**	3 010
Operating expenses		**(2 458)**	(2 177)
Profit from operations before non-trading and capital items		**678**	833
Non-trading and capital items	5	**(231)**	(159)
Operating profit		**447**	674
Investment income	6	**213**	208
Finance costs	7	**(89)**	(96)
Reported profit/(loss) arising from accounting for policyholder investments as treasury shares	12	**8**	(24)
Share of net loss of associate (net of income tax)		**(4)**	–
Profit before taxation		**575**	762
Income tax expense	8	**(259)**	(260)
Income tax expense relating to group profits		**(238)**	(271)
Income tax (expense)/credit relating to policyholder investment returns		**(21)**	11
Profit for the year from continuing operations		**316**	502
Discontinued operations			
Profit/(loss) from discontinued operations (net of tax)	9	**72**	(175)
Profit for the year		**388**	327
Profit attributable to:			
Owners of the company		**334**	240
Non-controlling interest		**54**	87
		388	327
Basic earnings per share (cents)	10	**27.0**	18.9
Diluted earnings per share (cents)	10	**26.7**	18.8
Weighted average number of shares in issue (net of treasury shares) (millions)	10	**1 237**	1 269

1. Restated for the effects of discontinued operations.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

Rm	2019	Restated 2018[1]
Profit for the year	**388**	327
Other comprehensive income:		
Foreign currency translation differences – foreign operations	**44**	(9)
Foreign currency translation reserve reclassified to profit or loss on loss of control	**(17)**	–
Cash flow hedge	**40**	(37)
Other comprehensive income for the year that may be reclassified to profit or loss[2]	**67**	(46)
Remeasurement of post-employment benefit obligations	**–**	3
Other comprehensive income that will not be reclassified to profit or loss[2]	**–**	3
Total comprehensive income for the year	**455**	284
Total comprehensive income attributable to:		
Owners of the company	**394**	201
Non-controlling interest	**61**	83
Total comprehensive income for the year	**455**	284

1. Restated for the effects of discontinued operations.
2. Net of related taxes.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2019

Rm	Notes	2019	2018
ASSETS			
Financial assets held under multi-manager investment contracts	13	**299 852**	296 758
Financial assets of insurance cell-captive facilities		**–**	352
Property and equipment		**139**	174
Purchased and developed computer software		**151**	400
Goodwill		**2 537**	3 038
Intangible assets		**323**	390
Investment in associate		**24**	–
Deferred tax assets		**200**	175
Financial assets	14	**108**	445
Insurance receivables		**–**	1 339
Trade and other receivables		**419**	299
Cash and cash equivalents		**5 041**	5 794
Assets of disposal group classified as held for sale	9	**3 500**	82
Total assets		**312 294**	309 246
EQUITY AND LIABILITIES			
Owners of the company		**5 751**	6 010
Non-controlling interest		**299**	287
Total equity		**6 050**	6 297
Financial liabilities held under multi-manager investment contracts	12	**299 885**	296 825
Financial liabilities of insurance cell-captive facilities		**–**	352
Borrowings		**719**	719
Employee benefits		**154**	162
Deferred tax liabilities		**113**	119
Provisions		**369**	304
Finance lease liabilities		**–**	51
Operating lease liabilities		**199**	197
Insurance payables		**1 689**	3 572
Trade and other payables		**631**	634
Liabilities of disposal group classified as held for sale	9	**2 485**	14
Total liabilities		**306 244**	302 949
Total equity and liabilities		**312 294**	309 246

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

Rm	2019	Restated 2018[1]
Cash flows from operating activities		
Cash generated from operations	**821**	861
Net interest received	**100**	135
Net cash flows (paid to)/received from insurance and policyholder contracts	**(215)**	348
Net cash flows paid to policyholder investment contracts	**(2 121)**	(1 982)
Taxation paid	**(383)**	(333)
Dividends paid	**(531)**	(829)
Dividends paid to non-controlling interest[2]	**(11)**	(14)
Cash flows from operating activities – discontinued operations	**292**	184
Net cash outflow from operating activities	**(2 048)**	(1 630)
Cash flows from investing activities		
Payments for intangible assets	**–**	(3)
Net cash inflow/(outflow) on financial assets	**336**	(145)
Payments to investment in associate	**(23)**	–
Payments for capital expenditure incurred on property, equipment and computer software	**(113)**	(317)
Proceeds from sale of subsidiaries and businesses	**15**	–
Cash flows from investing activities – discontinued operations	**(6)**	(4)
Net cash inflow/(outflow) from investing activities	**209**	(469)
Cash flows from financing activities		
Purchase of shares in terms of share buy-back transaction and share incentive schemes	**(151)**	(333)
Payments of lease liabilities	**(51)**	(9)
Net proceeds from sale of treasury shares held by policyholder investment contracts	**26**	62
Purchase of treasury shares held under policyholder investment contracts	**(17)**	(47)
Proceeds from disposal of treasury shares held under policyholder investment contracts	**43**	109
Net cash outflow from financing activities	**(176)**	(280)
Decrease in cash and cash equivalents	**(2 015)**	(2 379)
Cash and cash equivalents at the beginning of the year	**13 702**	16 087
Effects of exchange rate changes on cash and cash equivalents	**64**	(6)
Cash and cash equivalents at the end of the year	**11 751**	13 702
Analysed as follows:		
Cash and cash equivalents of continuing operations	**5 041**	5 794
Cash held under multi-manager investment contracts	**5 772**	7 887
Cash held under insurance cell-captive contracts	**–**	6
Cash and cash equivalents of disposal group classified as held for sale	**938**	15
	11 751	13 702

1. Restated for the effects of discontinued operations.
2. Previously disclosed under financing activities.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

Rm	Share capital	Treasury shares	Other reserves	Accumu-lated profit/(loss)	Total	Non-con-trolling interest	Total equity
At 1 April 2017	6 192	(160)	(336)	1 205	6 901	218	7 119
Total comprehensive income	–	–	(41)	242	201	83	284
Profit for the year	–	–	–	240	240	87	327
Other comprehensive income	–	–	(41)	2	(39)	(4)	(43)
Total transactions with owners of the company	–	(232)	418	(1 278)	(1 092)	(14)	(1 106)
Shares purchased in terms of share buy-back programme and share incentive schemes[1]	–	(333)	–	–	(333)	–	(333)
Settlement of share incentive schemes[2]	–	39	(39)	–	–	–	–
Movement of treasury shares in policyholder assets	–	62	–	–	62	–	62
Dividends paid	–	–	–	(829)	(829)	(14)	(843)
Movement in share-based payment reserve	–	–	8	–	8	–	8
Transfer to retained earnings[3]	–	–	449	(449)	–	–	–
At 31 March 2018	**6 192**	**(392)**	**41**	**169**	**6 010**	**287**	**6 297**
IFRS 9 transition adjustments[4]	**–**	**–**	**–**	**(36)**	**(36)**	**(4)**	**(40)**
Adjusted balance 1 April 2018	**6 192**	**(392)**	**41**	**133**	**5 974**	**283**	**6 257**
Total comprehensive income	**–**	**–**	**60**	**334**	**394**	**61**	**455**
Profit for the year	**–**	**–**	**–**	**334**	**334**	**54**	**388**
Other comprehensive income	**–**	**–**	**60**	**–**	**60**	**7**	**67**
Total transactions with owners of the company	**–**	**(105)**	**19**	**(531)**	**(617)**	**(45)**	**(662)**
Shares purchased in terms of share buy-back programme[5]	**–**	**(151)**	**–**	**–**	**(151)**	**–**	**(151)**
Settlement of share incentive schemes[6]	**–**	**20**	**(20)**	**–**	**–**	**–**	**–**
Movement of treasury shares in policyholder assets	**–**	**26**	**–**	**–**	**26**	**–**	**26**
Dividends paid	**–**	**–**	**–**	**(531)**	**(531)**	**(11)**	**(542)**
Movement in share-based payment reserve	**–**	**–**	**39**	**–**	**39**	**–**	**39**
Other movements in non-controlling interest[7]	**–**	**–**	**–**	**–**	**–**	**(34)**	**(34)**
At 31 March 2019	**6 192**	**(497)**	**120**	**(64)**	**5 751**	**299**	**6 050**

1. The group purchased Alexander Forbes Group Holdings Limited (AFH) shares to the value of R276 million, at an average price of R6.89 per share, in a general buy-back approved by shareholders. In addition, R57 million of AFH shares were purchased in terms of share incentive schemes.
2. Shares amounting to R39 million relating to the 2014 tranches of the conditional share scheme (R26 million) and the forfeitable share scheme (R13 million) were settled in the prior year.
3. The group transferred the redemption reserve amounting to R449 million into accumulated profits. This reserve arose in prior years on the redemption of historic preference shares. The transfer has a nil impact on total equity, however, resulted in a reduction in accumulated profits.
4. Refer to note 2.2.
5. The group purchased AFH shares to the value of R151 million during the year, at an average price of R5.11 per share, in a general buy-back approved by shareholders. In addition shares to the value of R65 million (12.5 million shares) were transferred from treasury shares to the shareholder-approved share incentive schemes.
6. Shares amounting to R4 million relating to the 2015 tranche of the forfeitable share scheme were settled. In addition, R16 million relating to the 2018 retention share scheme was also settled.
7. This amount relates to changes in non-controlling interests following the disposal of the group's Kenyan operations.

SUMMARY CONSOLIDATED GROUP SEGMENTAL INCOME AND PROFIT ANALYSIS

for the year ended 31 March 2019

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
Rm	2019	%	2018	2019	%	2018
Corporate & employee benefits	**1 380**	5	1 319	**130**	(40)	218
Consulting and retirements	**1 176**	6	1 111	**93**	(53)	199
Administration only	**112**	(22)	143	**–**	–	–
Group risk	**92**	42	65	**37**	95	19
Investments	**764**	7	712	**402**	1	398
Institutional clients	**2 144**	6	2 031	**532**	(14)	616
Wealth and investments	**891**	4	856	**383**	(2)	391
Retail insurance	**573**	12	510	**192**	66	116
Retail clients	**1 464**	7	1 366	**575**	13	507
Emerging markets	**255**	2	250	**32**	3	31
Corporate	**–**	–	–	**(221)**	44	(153)
Earnings before non-trading items	**3 863**	6	3 647	**918**	(8)	1 001
Accounting for property leases	**–**	–	–	**(3)**	(80)	(15)
Total group	**3 863**	6	3 647	**915**	(7)	986
Group risk	**92**	42	65	**37**	95	19
Retail insurance (short-term and long-term)	**573**	12	510	**192**	66	116
Emerging markets	**62**	–	62	**8**	(56)	18
Discontinued operations	**727**	14	637	**237**	55	153
Total continuing operations	**3 136**	4	3 010	**678**	(19)	833

Rm	2019	%	2018
Profit from operations before non-trading and capital items – continuing operations	**678**	(19)	833
Adjusted for:			
Accounting for property leases	**3**		15
Normalised profits before non-trading items – continuing operations	**681**	(20)	848
Non-trading and capital items (excluding professional indemnity insurance cell-captive results and amortisation of PPA intangible assets)	**(200)**		(54)
Investment income (excluding policyholder investment income)	**192**		219
Finance costs	**(89)**		(96)
Share of net loss of associate (net of tax)	**(4)**		–
Normalised profit before tax	**580**	(37)	917
Normalised income tax expense	**(248)**		(304)
Normalised profit after tax	**332**	(46)	613
Profit from discontinued operations	**72**		121
Normalised profit for the year	**404**	(45)	734
Attributable to non-controlling interest	**(54)**		(77)
Normalised profit attributable to shareholders	**350**	(47)	657
Normalised basic earnings per share (cents)	**28.1**	(45)	51.2
Normalised headline earnings per share (cents)	**45.0**	(14)	52.4
Normalised weighted average number of shares in issue (millions)	**1 246**		1 283

A full reconciliation of the normalised earnings to the statutory income statement may be found in the audited group consolidated annual financial statements.

The segmental analysis above reflects the operating structure under which management currently reports.

SUMMARY CONSOLIDATED GROUP SEGMENTAL INCOME AND PROFIT ANALYSIS (CONTINUED)

for the year ended 31 March 2019

The group's executive committee examines the performance both from a product and geographic perspective and has identified the following reportable segments of the business:

Institutional clients
The corporate & employee benefits division includes consulting, retirements and group risk solutions for corporates:

- consulting and retirements includes actuarial consulting, healthcare actuarial and consulting, fund administration, consulting to standalone retirement funds, fund administration and consulting to umbrella retirement funds and beneficiary funds;
- the administration only segment is separately reported from the consulting division in corporate & employee benefits and reflects the revenue earned from clients where we earn fees only based on administration services. This segment was reported separately in the prior year; however, due to the change of chief operating decision-makers, this segment is now reported under institutional; and
- group risk – group risk and disability insurance through Alexander Forbes Life.

Investments – investment services, including a range of investment portfolios, advice-led solutions and alternative investments

Retail clients
Retail clients include the following business units:

- wealth and investments – the wealth and investments segment of the retail clients business is focused on generating revenue through the offering of financial advice, the administration and management of investments. This segment incorporates Financial Planning Consultants (FPCs), AF Individual Client Administration (AFICA), AF Preservation Fund and the retail assets under management in AF Investments; and
- retail insurance – this segment comprises AF Insurance, which provides short-term insurance solutions to individuals and the AF Life individual insurance business.

Emerging markets
Alexander Forbes emerging markets (emerging markets) operates in five countries across Africa – Namibia, Botswana, Nigeria, Uganda and Zambia, with a primary offering of corporate & employee benefits. Namibia, however, has both an institutional and retail offering much like the South African business, while the Nigerian business operates as a consulting and actuarial practice. We note that the operations in Kenya have been disposed of in the year (refer to note 9 for further detail).

Corporate
Corporate costs include costs associated with the corporate office of the group which is responsible for certain functions that include strategic direction, capital management, group finance and investor relations as well as group projects undertaken as part of the transformation journey.

Normalised segmental results
The group's segmental results are reflected to include the normalised results which is the basis upon which management manages the group and reflects the economic substance of the group's performance. The adjustments between the IFRS summary consolidated income statement and the normalised results are as follows:

Amortisation of intangible assets arising from business combination – Non-trading and capital items include the ongoing accounting amortisation of intangible assets amounting to R67 million for the year ended 31 March 2019 (2018: R80 million). The capitalisation of intangible assets and the related amortisation resulted from the required accounting treatment at the time of the private equity acquisition of the group in 2007. The amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group.

Professional indemnity insurance cell-captive results – The profits and losses of the facility are a result of the premiums paid, claims experienced and the changes made to the provision for expected future claims. The recorded profits and losses of the cell-captive facility should trend to zero over the longer term. The annual premiums paid for this insurance is included in the operating expenses of each segment. The group is required to consolidate the financial results of the cell-captive which are recorded in the non-trading and capital items.

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 the operating profit growth rate while the absolute value is an expense of R3 million for the year ended 31 March 2019 (2018: R15 million). The impact is isolated and removed from normalised results to afford a better comparison and to reflect the true premises' cost over the long term.

Reported profit/(loss) arising from accounting for policyholder investment in treasury shares – In terms of IFRS, as presently constituted, any Alexander Forbes shares acquired by underlying asset managers (under a discretionary mandate) and held by the group's multi-manager investment subsidiary for policyholders (the shares) are required to be accounted for in Alexander Forbes' consolidated financial statements as treasury shares. As a result any fair value gains or losses made on the shares, which are economically matched to the policyholder liabilities, are recognised in the group's income statement.

Investment income and taxation payable on behalf of policyholders – The group's tax expense includes both deferred and income taxation payable on behalf of policyholders within the AF investments insurance licensed entity. The recognition of the recovery of this tax expense is included in the group's investment income. The normalised results exclude the policyholder tax expense and the related investment income which directly off-set this tax expense.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

1. Basis of preparation

The Alexander Forbes Group Holdings Limited (the group) summary consolidated financial statements, including the statement of financial position, income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows, for the year ended 31 March 2019 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of IAS 34 *Interim Financial Reporting* and the requirements of the South African Companies Act applicable to summary financial statements.

The group's results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. This report is presented in South African rands, which is the presentation currency of the group. All amounts are stated in millions of rands (Rm), unless indicated otherwise.

The accounting policies applied in the preparation of the consolidated annual financial statements from which the results have been derived are consistent with the accounting policies applied in the preparation of the group's previous audited consolidated annual financial statements, except as modified by the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The group adopted IFRS 9 and IFRS 15 with effect from 1 April 2018.

The group has, as permitted by both IFRS 9 and IFRS 15, elected not to restate its comparative financial statements. Therefore comparability will not be achieved due to the fact that the comparative financial information has been prepared on a different basis. The impact of adopting IFRS 9 has been applied retrospectively with an adjustment to the group's opening 1 April 2018 accumulated profits. For more detail refer to notes 2.1 and 2.2.

While this report is itself not audited, the consolidated annual financial statements from which the summary consolidated annual financial statements on pages 15 to 37 have been correctly derived were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audit report does not necessarily report on all of the information contained in this report. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement and, more specifically, the nature of the information that has been audited, they should obtain a copy of the auditor's report together with the accompanying audited consolidated annual financial statements, both of which are available for inspection at the company's registered office. Copies can be downloaded from the company's website following an announcement in June 2019 on the JSE's Securities Exchange News Service (SENS).

These summary consolidated financial statements were compiled under the supervision of Mr Bruce P Bydawell (chief financial officer), CA(SA), CFA. The board of directors of Alexander Forbes Group Holdings Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

2. Changes in significant accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the group's financial statements and discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior years. The changes in accounting policies are also reflected in the group's consolidated financial statements for the year ending 31 March 2019. The effect of initially applying these standards are mainly attributed to an increase in impairment losses recognised on financial assets as well as reclassification of payments to customers from direct expenses to fee and commission revenue.

2.1 IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The group has adopted IFRS 15 using the cumulative effect method (with practical expedients), however with no material financial effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the group's various goods and services are set out below.

Under IFRS 15 revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

2. Changes in significant accounting policies (continued)

2.1 IFRS 15 *Revenue from Contracts with Customers* (continued)

Type of product/ service	Nature, timing of satisfaction of performance obligations, significant payment terms	Impact of change in accounting policy
Consulting fees; Administration fees (Consulting and administration)	Consulting and administration fees – comprise fees earned in respect of advisory services. Fees derived from consulting and administration services are recognised over time as the customer receives benefits as services are performed. Prior to the adoption of IFRS 15 revenue from consulting and administration services were recognised based on the stage of completion as the related services were rendered. There are no differences between the amounts recognised under IFRS 15 and those that would have been recognised under previous accounting standards. Consulting and administration contracts do not have significant financing arrangements and no discounts are provided to clients.	IFRS 15 did not have a significant impact on the group's results.
Actuarial consulting fees (Consulting)	Actuarial consulting fees – comprise fees earned in respect of actuarial reports and other ad hoc reports prepared for our clients. Actuarial consulting arrangements bear a fixed fee which is only payable on delivery of an actuarial report. Fees derived from actuarial consulting services are recognised at a point in time as the customer receives benefit on delivery of the actuarial report. Prior to the adoption of IFRS 15 revenue from consulting services was recognised based on the stage of completion as the related services were rendered.	IFRS 15 did not have a significant impact on the group's results.
Insured commission income (Commission)	Insured commission income – is derived from brokerage services and consulting services. The revenue relating to brokerage services is recognised on placement of a client. The consulting services portion is treated in the same way as described above under consulting and administration fees. The commission is received upfront and management has concluded, based on history, that it is highly probable that there will not be a significant reversal of revenue. There are no differences between the amounts recognised under IFRS 15 and those that would have been recognised under previous accounting standards.	IFRS 15 did not have a significant impact on the group's results.
Healthcare commission income (Commission)	Healthcare commission income – comprises commissions earned in respect of healthcare products. Prior to IFRS 15 the company recognised the income on a monthly basis. The brokerage services contracts are renewable on an annual basis. Under IFRS 15 the company has identified a single performance obligation which is satisfied over time. The company shall continue to recognise and record the commission income on a monthly basis. Consequently, there are no differences between the amounts recognised under IFRS 15 and those that would have been recognised under previous accounting standards. Payments made to healthcare clients were classified as direct costs. On the adoption of IFRS 15 these costs are now deducted from the fees generated from those clients, thereby reducing the amount of revenue that would have been recognised. The effect on operating income net of direct expenses is nil.	IFRS 15 did not have a significant impact on the group's results.
Transition management fees (Asset based)	Transition management fees – comprise fees earned for services provided in relation to the transfer of investment assets. Prior to IFRS 15 transition management fees were recognised in income on transfer by reference to the net asset value of the assets transferred. Under IFRS 15 the company has identified a single performance obligation which is satisfied at a point in time. The company shall continue to recognise transition management fees in income on transfer of investment assets by reference to the net asset value of the assets transferred.	IFRS 15 did not have a significant impact on the group's results.
Multi-manager investment fees (Asset based)	Multi-manager investment fees – comprise fees earned for multi-manager investment and administration. Under IFRS 15 management has identified one performance obligation, being ongoing investment management and administration services; the reason being that initial administration fees cannot be associated with services provided at inception of the contract. Consequently, initial administration fees will continue to be brought to book upon inception of the investment contract and recognised on a straight-line basis over the expected period of the contract. Ongoing investment management and administration services are considered a series of distinct services that are substantially the same and have the same pattern of transfer to the client. These are recognised over time and determined on a daily basis. Consequently, there are no differences between the amounts recognised under IFRS 15 and those that would have been recognised under previous accounting standards.	IFRS 15 did not have a significant impact on the group's results.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

2. Changes in significant accounting policies (continued)

2.2 IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 April 2018 relates solely to the new impairment requirements, as described further below.

Loan receivable
The group has a loan receivable currently carried at R29 million. Under the previous accounting standard (IAS 39) there was no objective evidence that this loan receivable was impaired. IFRS 9 contains a new impairment model which will result in earlier recognition of losses. The likely outcomes for the collection of this receivable are variable, with a greater likelihood that the group will suffer credit losses to the full value of the loan receivable. Consequently, this loan receivable has been provided for in full and against opening accumulated profits.

Trade receivable
A subsidiary within the group has a long-outstanding trade receivable amounting to R11 million. Under the previous accounting standard (IAS 39) there was no objective evidence that the counterparty to the trade receivable was unable to pay. IFRS 9 contains a new impairment model which will result in earlier recognition of losses. In applying the new guidance management expects a greater likelihood that the group will suffer credit losses to the full value of the trade receivable. Consequently, this trade receivable has been provided for in full and against opening accumulated profits.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, accumulated profits and NCI.

Rm	2019
Opening accumulated profits	
Recognition of expected credit losses under IFRS 9 (net of related taxes)	**(36)**
Impact at 1 April 2018	**(36)**
Non-controlling interest	
Recognition of expected credit losses under IFRS 9 (net of related taxes)	**(4)**
Impact at 1 April 2018	**(4)**
Financial assets	
As reported	**108**
IFRS 9 expected credit losses	**29**
Amounts without adoption of IFRS 9	**137**
Trade and other receivables	
As reported	**419**
IFRS 9 expected credit losses	**11**
Amounts without adoption of IFRS 9	**430**

3. Exchange rates

Certain transactions of the group occur in foreign currencies. In the current year the most significant foreign currency is the Great British pound (GBP). The GBP transactions and balances have been translated using the exchange rates below. Other less material foreign transactions and balances have been translated to rand using appropriate weighted average rates and closing rates respectively.

		2019	2018
Weighted average	(ZAR:GBP rate)	**18.5**	17.0
Closing	(ZAR:GBP rate)	**18.8**	16.6

SUMMARY NOTES (CONTINUED)
for the year ended 31 March 2019

4. Fee and commission revenue

The group's operations and main revenue streams are those described in the last annual financial statements. The group's revenue is derived from contracts with customers. The nature and effect of initially applying IFRS 15 *Revenue from Contracts with Customers* on the group's financial statements are disclosed in note 2.1.

Disaggregation of revenue

	Primary segments							
	Institutional		**Retail**		**Emerging markets**		**Total**	
Rm	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Secondary segments								
Consulting and retirements	**1 598**	1 534	**–**	–	**–**	–	**1 598**	1 534
Investments	**836**	829	**–**	–	**–**	–	**836**	829
Wealth and investments	**–**	–	**1 282**	1 251	**–**	–	**1 282**	1 251
Emerging markets	**–**	–	**–**	–	**206**	199	**206**	199
Administration only	**136**	168	**–**	–	**–**	–	**136**	168
Total	**2 570**	2 531	**1 282**	1 251	**206**	199	**4 058**	3 981
Revenue by type								
Consulting and advice fees	**267**	276	**542**	511	**55**	52	**864**	839
Administration fees	**705**	696	**225**	224	**117**	112	**1 047**	1 032
Commission	**296**	283	**8**	8	**7**	6	**311**	297
Investment management fees	**1 302**	1 276	**507**	508	**27**	29	**1 836**	1 813
Total	**2 570**	2 531	**1 282**	1 251	**206**	199	**4 058**	3 981
Revenue by region								
South Africa	**2 566**	2 522	**1 228**	1 210	**–**	–	**3 794**	3 732
Namibia	**–**	–	**–**	–	**106**	116	**106**	116
Botswana	**–**	–	**–**	–	**92**	76	**92**	76
Jersey and Channel Islands	**4**	9	**54**	41	**–**	–	**58**	50
Other	**–**	–	**–**	–	**8**	7	**8**	7
Total	**2 570**	2 531	**1 282**	1 251	**206**	199	**4 058**	3 981
Timing of revenue recognition								
Products transferred at a point in time	**27**	27	**51**	46	**–**	–	**78**	73
Services transferred over time	**2 543**	2 504	**1 231**	1 205	**206**	199	**3 980**	3 908
Total	**2 570**	2 531	**1 282**	1 251	**206**	199	**4 058**	3 981

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

Rm	2019	Restated 2018[1]
5. Non-trading and capital items		
Professional indemnity insurance cell-captive result	**36**	(25)
Amortisation of intangible assets arising from business combination	**(67)**	(80)
Costs relating to strategic consulting engagement	**(34)**	(34)
Goodwill written off[2]	**–**	–
Goodwill written off	**–**	(317)
Goodwill written off – reclassified to discontinued operations	**–**	317
Software written off[3]	**(150)**	(17)
Software written off	**(290)**	(17)
Software written off – reclassified to discontinued operations	**140**	–
Other[4]	**(16)**	(3)
Total non-trading and capital items	**(231)**	(159)
6. Investment income		
Interest income	**178**	210
Investment and dividend income	**14**	16
Foreign exchange losses on intergroup loans	**–**	(7)
Investment income from general operations	**192**	219
Investment returns linked to policyholder tax expense	**21**	(11)
Total investment income	**213**	208
7. Finance costs		
Interest on revolving credit facility	**(59)**	(60)
Cost of hedging[5]	**(7)**	(17)
Other interest	**(23)**	(19)
Total finance costs	**(89)**	(96)

1. Restated for the effects of discontinued operations.
2. Goodwill allocated to the group risk cash-generating unit (CGU) was fully written off in the prior year. This business has been classified as a discontinued operation.
3. Following a thorough review of the strategic roadmap and related projects within the IT programme by the board, the group has decided to terminate the contract with the primary implementation partner, resulting in a R50 million termination payment as full and final settlement. In addition, the group assessed the recoverability of software in development and concluded that no future economic benefit will flow and consequently software amounting to R290 million was written off (of which R287 million relates to the termination of the IT programme). R140 million of the total relates to the insurance business, classified as a discontinue operation (refer to note 9.2).
4. Other items comprise mainly of the increase in provisions relating to proposed client settlements.
5. These costs represent the movement in forward points on a foreign exchange contract relating to the IT programme. This forward exchange contract was closed out during the year.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

Rm	2019	Restated 2018[1]
8. Income tax expense		
South African income tax		
Current tax	**(279)**	(288)
Current year	**(279)**	(274)
Prior year	**–**	(14)
Deferred tax	**67**	39
Current year	**66**	34
Prior year	**1**	5
Foreign income tax		
Current tax	**(14)**	(16)
Foreign withholding tax	**(4)**	(6)
Securities transfer tax	**(8)**	–
Income tax expense relating to corporate profits	**(238)**	(271)
Income tax (expense)/credit on policyholder investment returns	**(21)**	11
Current tax – current year	**(7)**	(44)
Deferred tax – current year	**(14)**	55
Income tax expense	**(259)**	(260)

1. Restated for the effects of discontinued operations.

9. Discontinued operations

In March 2019, the group announced a revised strategy that resulted in the decision to exit the insurance businesses as well as sub-scale African operations. This is in line with the decision to refocus the business providing advice-led integrated retirement solutions and holistic wealth management.

Consequently, the insurance operations of the group (both short-term insurance and group risk) as well as sub-scale African operations have been classified as discontinued operations during the current period. The assets and liabilities of these operations are presented as assets and liabilities of disposal group classified as held for sale at the date of discontinuance. The results of operations of the discontinued entities are reported separately in the income statement with the prior year also being restated to take this into effect.

In addition, the group's Kenyan business unit which was classified as a discontinued operation in prior years has been disposed of, resulting in a profit of R56 million (see note 9.3).

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

Rm	Notes	2019	2018
9. Discontinued operations (continued)			
9.1 Net profit of business units discontinued up to effective date of disposal			
The following represents the trading profit/(loss) in respect of the discontinued operations. Prior-year figures have been restated accordingly.			
Fee and commission revenue		**79**	194
Insurance revenue		**2 716**	2 505
Interest revenue – effective interest method		**53**	43
Less: Fee and commission revenue from previously discontinued operations		**–**	(81)
Total revenue[1]		**2 848**	2 661
Fee and commission expenses		**(103)**	(99)
Insurance claims, commissions and withdrawals		**(1 859)**	(1 774)
Net expenses from reinsurance contracts		**(159)**	(151)
Operating income net of direct expenses[1]		**727**	637
Operating expenses		**(497)**	(549)
Less: Operating expenses from previously discontinued operations		**7**	65
Profit from operations before non-trading and capital items		**237**	153
Add: (Loss)/profit from previously discontinued operations		**(7)**	16
Non-trading and capital items	9.2	**(149)**	(310)
Operating profit/(loss)		**81**	(141)
Investment income		**18**	17
Finance costs		**(2)**	(1)
Share of net profit of associate		**–**	1
Profit/(loss) before tax		**97**	(124)
Income tax expense		**(81)**	(51)
Profit/(loss) for the year from discontinued operations		**16**	(175)
Profit on disposal of subsidiary and associate	9.3	**56**	–
Total profit/(loss) from discontinued operations		**72**	(175)
Profit attributable to:			
Owners of the company		**67**	(183)
Non-controlling interest		**5**	8
		72	(175)
9.2 Non-trading and capital items			
Software written off		**(140)**	–
Goodwill relating to group risk written off		**–**	(317)
Costs related to proposed client settlement – Enhanced Transfer Values[2]		**(122)**	–
Reimbursement related to historical client settlement – Enhanced Transfer Values[2]		**122**	–
Other		**(9)**	7
		(149)	(310)

1. Excluding previously discontinued operations relating to the group's Kenyan and international operations. The Kenyan business unit was disposed of in the current year.
2. In the prior year we referred to a specific matter which was being reviewed by a foreign regulator in respect of a legacy subsidiary business that had been disposed of in a prior year inclusive of certain warrantees. The matter has now reached a quantifiable stage and management has accordingly raised a provision for this claim. The group is adequately insured for claims as a result of such errors and omissions. In addition, management have obtained confirmation from the insurance underwriters indicating that the event is covered in terms of the policy, consequently it has become virtually certain that an inflow of economic benefits will arise and, as a result, the insurance asset and related income are recognised in these financial statements. Accordingly, there is a nil impact to the group's income statement.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

Rm	2019	2018
9. Discontinued operations (continued)		
9.3 Disposal of subsidiary and associate		
Carrying value of net assets sold	**(70)**	–
Non-controlling interest	**34**	–
Foreign currency translation reserve of disposed entities	**21**	–
Carrying value disposed of	**(15)**	–
Proceeds on disposal	**74**	–
Capital gains tax	**(3)**	–
Profit on disposal of subsidiary	**56**	–
Net proceeds on disposal	**71**	–
Less: Proceeds receivable[1]	**(41)**	–
Net consideration received in cash	**30**	–
Cash and cash equivalents disposed of	**(15)**	–
Net cash inflow	**15**	–
9.4 Assets and liabilities of disposal group classified as held for sale		
Assets of insurance cell-captives	**555**	–
Long-term assets	**15**	25
Goodwill	**501**	–
Deferred tax asset	**5**	1
Insurance receivables	**1 464**	–
Trade and other receivables	**22**	41
Cash and cash equivalents	**938**	15
Total assets	**3 500**	82
Liabilities of insurance cell-captives	**555**	–
Insurance payables	**1 772**	–
Deferred tax liability	**1**	2
Provisions – non-current	**20**	1
Taxation payables	**21**	–
Trade and other payables	**116**	11
Total liabilities	**2 485**	14
Total equity	**1 015**	68

1. Proceeds receivable relate to amounts held in escrow to be released when the tax assessment for the entity is released by applicable revenue authorities.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

10. Earnings per share

10.1 Basic earnings per ordinary share

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

10.2 Headline earnings per ordinary share

Headline earnings per share is calculated by excluding applicable non-trading and capital gains and losses from the profit attributable to ordinary shareholders and dividing the resultant headline earnings by the weighted average number of ordinary shares in issue during the year. Headline earnings is defined in Circular 4/2018 issued by the South African Institute of Chartered Accountants.

10.3 Diluted earnings per ordinary share

Diluted earnings per ordinary share is calculated by adjusting the profit attributable to 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 shares.

10.4 Normalised earnings per share

Normalised earnings per share is calculated by dividing the normalised profit for the year attributable to owners of the company per the group segmental income and profit analysis by the weighted average number of shares in issue, adjusted for shares held by policyholders classified as treasury shares.

	2019	2018
10.5 Number of shares (million)		
Weighted average number of shares	**1 341**	1 341
Weighted average shares held by policyholders classified as treasury shares	**(9)**	(14)
Weighted average treasury shares	**(95)**	(58)
Weighted average number of shares in issue (net of treasury shares)	**1 237**	1 269
Dilutive shares	**14**	6
Diluted weighted average number of shares	**1 251**	1 275
Actual number of shares in issue	**1 341**	1 341
Actual treasury shares	**(118)**	(95)
Actual shares in issue net of treasury shares	**1 223**	1 246
Normalised number of shares		
Weighted average number of shares in issue	**1 237**	1 269
Shares held by policyholders classified as treasury shares	**9**	14
Normalised number of shares in issue	**1 246**	1 283

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

10. Earnings per share (continued)

10.6 Calculation of basic and headline earnings from total operations

Rm		2019	2018
Profit attributable to owners of the company		**334**	240
Adjusting items (net of tax and non-controlling interest):			
Profit on disposal of subsidiary – discontinued operations		**(50)**	–
Software written off – continuing operations		**135**	15
Software written off – discontinued operations		**126**	–
Goodwill written off – discontinued operations		**–**	317
Other capital items		**–**	(9)
Headline earnings for the year		**545**	563
Earnings per share from total operations[1]			
Basic earnings per share	(cents)	**27.0**	18.9
Headline earnings per share	(cents)	**44.0**	44.4
Diluted basic earnings per share	(cents)	**26.7**	18.8
Diluted headline earnings per share	(cents)	**43.5**	44.2

The group has an approved share scheme for employees that may result in dilution on both earnings per share and headline earnings per share at the future date of vesting. The dilutive effect is conditional on employee retention and performance during the year for each award. The above dilutive effect is calculated based on the performance of the company for the current year in relation to the performance criteria.

In addition, the company may issue shares to the empowerment shareholder in future in terms of the circular issued to shareholders on 2 December 2016. These shares have an immaterial anti-dilutive impact and are accordingly not included in the diluted number of shares above.

10.7 Calculation of normalised earnings from total operations

Rm		2019	2018
Normalised profit for the year from continuing operations per group segmental income and profit analysis[2]		**332**	613
Adjusting items (net of tax and non-controlling interest):			
Profit from discontinued operations[2]		**72**	121
Attributable to non-controlling interests		**(54)**	(77)
Normalised profit attributable to owners of the company		**350**	657
Adjusting items (net of tax and non-controlling interest):			
Profit on disposal of subsidiary – discontinued operations		**(50)**	–
Software written off – continuing operations		**135**	15
Software written off – discontinued operations		**126**	–
Normalised headline earnings from total operations		**561**	672
Normalised basic earnings per share[1]	(cents)	**28.1**	51.2
Normalised headline earnings per share[1]	(cents)	**45.0**	52.4

1. Amounts computed using unrounded numbers.
2. Restated for the effects of discontinued operations.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

	Rm		2019	2018
10.	**Earnings per share** (continued)			
10.8	**Calculation of basic and headline earnings from continuing operations**[1]			
	Profit after tax from continuing operations		**316**	502
	Less: Profit attributable to non-controlling interests		**(49)**	(79)
	Profit attributable to owners of the company		**267**	423
	Adjusting items (net of tax and non-controlling interest):			
	– Software written off		**135**	15
	Headline earnings from continuing operations		**402**	438
	Basic earnings per share from continuing operations[2]	(cents)	**21.6**	33.3
	Headline earnings per share from continuing operations[2]	(cents)	**32.5**	34.5
	Diluted basic earnings per share from continuing operations[2]	(cents)	**21.3**	33.2
	Diluted headline earnings per share from continuing operations[2]	(cents)	**32.1**	34.4
10.9	**Calculation of basic and headline earnings from discontinued operations**[1]			
	Profit/(loss) after tax from discontinued operations		**72**	(175)
	Less: Profit attributable to non-controlling interests		**(5)**	(8)
	Profit/(loss) from discontinued operations attributable to owners of the company		**67**	(183)
	Adjusting items (net of tax and non-controlling interest):			
	Profit on disposal of subsidiary		**(50)**	–
	Software written off		**126**	–
	Goodwill written off		**–**	317
	Other capital items		**–**	(9)
	Headline earnings from discontinued operations		**143**	125
	Basic earnings/(loss) per share from discontinued operations[2]	(cents)	**5.4**	(14.4)
	Headline earnings per share from discontinued operations[2]	(cents)	**11.5**	9.9
	Diluted basic earnings/(loss) per share from discontinued operations[2]	(cents)	**5.4**	(14.4)
	Diluted headline earnings per share from discontinued operations[2]	(cents)	**11.4**	9.8
11.	**Operating lease commitments**			
	Due within one year		**195**	184
	Due between one and five years		**610**	755
	Due after five years		**339**	354
	Total operating lease commitments		**1 144**	1 293

1. Restated for the effects of discontinued operations.
2. Amounts computed using unrounded numbers.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

12. Financial assets and liabilities held under multi-manager investment contracts

The policyholder assets held by the group's multi-manager investment subsidiary, AF Investments Limited, 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.

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 adjustments on the financial liability continue to be recognised in the income statement. The resultant profit for the year of R8 million (2018: R24 million loss) has been disclosed separately on the face of the income statement. 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	2019	2018
Total financial assets held under multi-manager investment contracts (per statement of financial position)	**299 852**	296 758
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	**47**	73
Financial effects of accounting for policyholder investments as treasury shares – prior year	**(6)**	(30)
– current year	**(8)**	24
Total financial liabilities held for policyholders under multi-manager investment contracts	**299 885**	296 825

13. Financial assets

	2019	2018
Non-current financial assets	**49**	90
Current financial assets	**59**	355
Total financial assets	**108**	445
Financial assets classified as available for sale	**–**	14
Financial assets at fair value through profit and loss[1]	**59**	264
Financial assets at amortised cost	**36**	85
Financial assets at fair value through other comprehensive income – designated	**13**	82
Total financial assets	**108**	445

14. Financial risk management and financial instruments

14.1 Financial risk factors

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

The summary consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and this disclosure should be read in conjunction with the group's annual financial statements as at 31 March 2019.

There have been no material changes in the risk management or in any risk management policies since the year-end except as amended by IFRS 9 *Financial Instruments*. Refer to note 2.2.

14.2 Liquidity risk

Compared to the 31 March 2018 year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

1. The decline in financial assets designated as fair value through profit or loss is due to the group's investment in unit trusts which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, thereby qualifying to be classified as cash and cash equivalents.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

14. Financial risk management and financial instruments (continued)

14.3 Fair value hierarchy

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

Rm	Level 1	Level 2	Level 3	Total
2019				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	**180 190**	**112 475**	**7 187**	**299 852**
General operations	**–**	**701**	**13**	**714**
Total financial assets measured at fair value	**180 190**	**113 176**	**7 200**	**300 566**
Financial liabilities designated at fair value				
Financial liabilities held under multi-manager investment contracts	**–**	**292 841**	**7 044**	**299 885**
Total financial liabilities designated at fair value	**–**	**292 841**	**7 044**	**299 885**

Rm	Level 1	Level 2	Level 3	Total
2018				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	176 993	107 014	4 864	288 871
Financial assets of insurance cell-captive facilities	178	168	–	346
General operations	–	346	14	360
Total financial assets measured at fair value	177 171	107 528	4 878	289 577
Cash held under multi-manager investment contracts	–	7 887	–	7 887
Cash held under insurance cell-captive contracts	–	6	–	6
	–	7 893	–	7 893
Financial liabilities designated at fair value				
Financial liabilities held under multi-manager investment contracts	–	291 937	4 888	296 825
Financial liabilities of insurance cell-captive facilities	–	352	–	352
Total financial liabilities designated at fair value	–	292 289	4 888	297 177

Transfers between Levels 1 and 2

Movements in financial assets associated with multi-manager investment contracts and insurance cell-captive facilities are directed by clients. These movements are a result of investments and withdrawals made. There were no transfers between Levels 1 and 2 during the year which were as a result of a change in valuation methodology.

Level 3 reconciliation

Level 3 financial assets and liabilities comprise mainly policyholder and cell-owner assets and liabilities. Financial assets and financial liabilities in this level are insignificant in relation to total financial assets and financial liabilities respectively. In addition, the movements in Level 3 financial assets are directly linked to the movements in the linked investment liability. Any fair value gains and losses resulting from policyholder or cell-owner financial assets and financial liabilities have no impact on profit or loss. There was no change in the valuation methodology of Level 3 assets during the year under review.

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

14. Financial risk management and financial instruments (continued)

14.3 Fair value hierarchy (continued)

Sensitivity analysis for Level 3 financial 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 discount rates
Infrastructure and development assets	Equity	Equity
	Distribution discount model, cost, mark to market, price earnings multiple and liquidation value	Interest rates and exchange traded prices
	Debt	Debt
	Discounted cash flow model	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.

14.4 Valuation methods and assumptions for valuation techniques

There were no changes in the valuation methods and assumptions for valuation techniques since 31 March 2018. A detailed description of the valuation methods and assumptions for valuation techniques is available in our annual financial statements for the year ended 31 March 2019.

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

The fair value of the following financial assets and liabilities measured at amortised cost approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Insurance payables
- Borrowings

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

15. Restatement of comparative information

As part of the ongoing financial statements enhancement process and in line with guidance published by the JSE proactive monitoring panel, management has identified two classification errors on the 2018 statement of cash flows that require restatement. The first relates to dividends paid to non-controlling interest (NCI) which were previously classified under cash flows from financing activities while dividends to shareholders were classified under cash flows from operating activities. In line with the JSE's recommendation, management has now reclassified dividends paid to NCI out of cash flows from financing activities into cash flows from operating activities. In addition, the group previously reflected cash transactions relating to treasury shares (held under policyholder investments) under cash flows from operating activities. Management has now reclassified those cash transactions relating to treasury shares (held under policyholder investments) out of cash flows from operating activities into cash flows from financing activities.

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

Rm	Restated 2018	Adjustment	Discontinued	As reported 2018
Cash flows from operating activities				
Cash generated from operations	861	–	(152)	1 013
Net interest received	135	–	(16)	151
Taxation paid	(333)	–	–	(333)
Dividends paid to equity holders	(829)	–	–	(829)
Net cash flow received from insurance and policyholder contracts	348	–	–	348
Net cash flows paid to policyholder investment contracts	(1 982)	(62)	–	(1 920)
Payments made to non-controlling interests	(14)	(14)	–	–
Cash flows from operating activities – discontinued operations	184	–	168	16
Net cash outflow from operating activities	(1 630)	(76)	–	(1 554)
Cash flows from investing activities				
Acquisition of intangible asset	(3)	–	–	(3)
Net cash outflow on financial assets	(145)	–	–	(145)
Payments for capital expenditure net of proceeds on disposal	(317)	–	4	(321)
Cash flows from investing activities – discontinued operations	(4)	–	(4)	–
Net cash outflow from investing activities	(469)	–	–	(469)

SUMMARY NOTES (CONTINUED)

for the year ended 31 March 2019

15. Restatement of comparative information (continued)

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

Rm	Restated 2018	Adjustment	Discontinued	As reported 2018
Cash flows from financing activities				
Payments of lease liabilities	(9)	–	–	(9)
Purchase of shares in terms of share buy-back transaction	(276)	–	–	(276)
Purchase of shares in terms of share incentive schemes	(57)	–	–	(57)
Net proceeds from sale of treasury shares held by policyholder investments	62	62	–	–
Purchase of treasury shares held under policyholder investments	(47)	(47)	–	–
Disposal of treasury shares held by policyholder investments	109	109	–	–
Dividends paid to non-controlling interests	–	14	–	(14)
Net cash outflow from financing activities	(280)	76	–	(356)
Decrease in cash and cash equivalents	(2 379)	–	–	(2 379)
Cash and cash equivalents at the beginning of the year	16 087	–	–	16 087
Foreign subsidiaries exchange differences	(6)	–	–	(6)
Cash and cash equivalents at the end of the year	13 702	–	–	13 702
Analysed as follows:				
Cash and cash equivalents of continuing operations	5 794	–	–	5 794
Cash held under multi-manager investment contracts	7 887	–	–	7 887
Cash held in insurance cell-captive facilities	6	–	–	6
Cash and cash equivalents of discontinued operations	15	–	–	15
	13 702	–	–	13 702

16. Events occurring after reporting period

There are no events subsequent to the year-end which require reporting.

CORPORATE INFORMATION

Alexander Forbes Group Holdings Limited

Registration number: 2006/025226/06
Tax reference number: 9404/921/15/8
JSE share code: AFH
ISIN: ZAE000191516
(Incorporated in the Republic of South Africa)

Independent directors

N Nyembezi (Chairman), MD Collier, RM Head, M Ramplin, NG Payne, BJ Memela-Khambula, T Dloti

Non-executive directors

DJ Anderson, WS O'Regan, B Radebe

Executive directors

DJ de Villiers (chief executive officer)
BP Bydawell (chief financial officer) (appointed effective 1 April 2019)

Executive: governance, legal and compliance (company secretary)

CH Wessels

Investor relations

Z Amra

Registered office

Alexander Forbes, 115 West Street, Sandown, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196

Website

www.alexanderforbes.co.za

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Alexander Forbes Group Holdings Limited

(the company)

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