

Annual results – additional information

for the twelve months ended 31 March 2020

FY2020



ALEXANDERFORBES
Securing your financial well-being

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Key performance indicators

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Operating income¹ – by type and by driver

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for the twelve months ended 31 March

R million	Retirements consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Other		Group Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
By type														
Consulting and advise fees	175	168	53	50	26	24	298	302	109	103	-	14	661	661
Administration fees	645	683	-	-	-	-	144	128	116	106	-	-	905	917
Commission	75	79	236	217	-	-	-	-	11	9	-	-	322	305
Investment management fees	-	-	-	-	1 247	1 233	-	-	18	20	-	-	1 265	1 253
Total	895	930	289	267	1 273	1 257	442	430	254	238	-	14	3 153	3 136
By driver														
Asset based	-	-	-	-	1 273	1 257	442	430	18	20	-	-	1 733	1 707
Payroll expense	645	683	-	-	-	-	-	-	116	106	-	-	761	789
Members	163	153	47	44	-	-	-	-	107	101	-	14	317	312
Adhoc fees	12	15	6	6	-	-	-	-	2	2	-	-	20	23
Commission	75	79	236	217	-	-	-	-	11	9	-	-	322	305
Total	895	930	289	267	1 273	1 257	442	430	254	238	-	14	3 153	3 136

1. Operating income net of direct expenses

Key performance indicators

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for the twelve months ended 31 March

	Unit	2017	2018	2019	2020	4 year CAGR
Retirements consulting						
Number of umbrella fund corporate clients ¹		1 389	1 505	1 520	1 689	7%
Number of umbrella fund active members	'000	315	352	361	373	6%
Umbrella fund closing assets under management	R bn	68.4	74.3	81.4	75.8	3%
Standalone retirement funds assets under administration	R bn	352	353	359	334	-2%
Total number of active members	'000	986	996	939	914	-2%
Healthcare consulting						
Number of healthcare corporate clients		549	555	531	532	-1%
Number of healthcare active member records	'000	205	211	218	217	2%
Investments (institutional)						
Closing assets under administration	R bn	50.5	48.2	29.7	24.4	-22%
Closing assets under management	R bn	234.5	247.3	246.4	224.1	-2%
Average assets under administration	R bn	50.8	50.9	41.2	29.0	-17%
Average assets under management	R bn	230.2	248.0	250.5	248.6	3%
Blended net margin – on average assets ²	bps	24.4	26.6	29.5	30.6	8%
Individual clients						
Number of FPC clients ³	'000	38	46	48	47.8	8%
Closing assets under advice FPC	R bn	64.7	66.8	71.7	66.7	1%
Closing assets under administration AFICA	R bn	59.8	60.7	64.1	59.6	0%
AF Investments closing assets under management	R bn	53.0	56.4	60.6	56.7	2%
AFRIS number of clients				113	163	0%
AFRIS number of members				1 300	2 879	0%
AFRIS closing assets under management	R bn			3.0	5.9	0%
Multinational consulting (Namibia and Botswana)						
Members under administration ⁴		102 160	107 702	108 943	106 790	1%
Closing assets under management (AF Investments Namibia)	R bn	3.6	3.7	3.6	3.2	-4%

1. Corporate action within existing client base of 10 262 new clients and 103 lost clients

2. Blended margin restated to include the AF Life rebate

3. Change in FPC client numbers resulting from data clean-up

4. Restated for discontinued operations (Uganda and Zambia) which included 20 083 in the prior period

Finance review

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Explanation of adjustments to normalised

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 as well as goodwill and intangible assets written off in the current year. The capitalisation of intangible assets including goodwill 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 amounting to a profit of R3 million for the year ended March 2020 (2019: R36 million) which are recorded in the non-trading and capital items.

Accounting for property lease

The group previously isolated and removed the accounting impact, under IAS 17, for property leases from the normalised results to afford a better comparison and to reflect the true premises cost over the long term. The introduction of new leases standard, IFRS 16, results in the recognition of a right-of-use asset as well as lease liabilities resulting in depreciation and finance costs being recognised in the income statement. In order to ensure comparability and to again reflect the true premises cost, adjustments amounting to R77 million (2019: R73 million) have been effected to profit before non-trading and capital items in addition to finance costs of R74 million (2019: R72 million) resulting in a net adjustment of R3 million (2019: R1 million) to profit before tax. The group has applied IFRS 16 retrospectively.

Reported 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.

Normalised income statement

for the twelve months ended 31 March

R million	Normalised 2020	%	Normalised 2019 ¹
Operating income net of direct expenses	3 153	1	3 136
Other income	46	-	-
Operating expenses	(2 512)	2	(2 455)
Operating profit before share scheme and corporate charges	687	1	681
Share scheme costs	(7)	-	-
Operating profit before non-trading and capital items	680	-	681
Non-trading and capital items	(28)	(86)	(200)
Operating profit	652	36	481
Net investment income (excluding policyholder investment income)	89	(14)	103
Profit before taxation	741	27	584
Income tax expense	(270)	8	(249)
Profit from continuing operations	471	41	335
Profit from discontinued operations	809	>100	69
Profit for the year	1 280	>100	404
Attributable to non-controlling interest	(191)		(54)
Profit attributable to owners of the company	1 089	>100	350
Adjusting items			
- Normalised headline adjusting items	(614)		211
Normalised headline profit attributable to owners of the company	475	(15)	561
Normalised number of shares			
Weighted average number of shares in issue	1 222		1 237
Weighted average number of shares by policyholders classified as treasury shares	6		9
Normalised number of shares in issue	1 228		1 246
Normalised earnings per share (cents)	88.7	>100	28.1
Normalised headline earnings per share (cents)	38.7	(14)	45.0

1. Restated for the retrospective adoption of IFRS 16 Leases and the effects of discontinued operations.

Balance sheet reconciliation adjusting for policyholder and insurance-related balances

As at 31 March

R million	2020 IFRS	Adj. linked investment policyholders	2020 Corporate	March 2019 ¹ Corporate
Assets under management	272 585	(272 585)	-	-
Property, equipment and computer software	756		756	882
Goodwill & intangible assets	1 611		1 611	2 860
Financial assets and associates	95		95	132
Deferred tax asset	228		228	238
Trade and other receivables	534		534	419
Cash & cash equivalents	3 959		3 959	3 352
Assets classified as held for sale	2 285		2 285	3 184
Total assets	282 053	(272 585)	9 468	11 067
Liabilities under management	(272 612)	272 612	-	-
Borrowings	(101)		(101)	(719)
Employee benefits	(132)		(132)	(154)
Deferred tax liabilities	(85)	12	(73)	(91)
Lease liabilities	(822)		(822)	(933)
Provisions and deferred income	(461)		(461)	(369)
Trade and other payables	(609)	55	(554)	(443)
Liabilities associated with assets held for sale	(2 128)		(2 128)	(2 171)
Total liabilities	(276 950)	272 679	(4 271)	(4 880)
Total equity	5 103	94	5 197	6 187

1. Restated for the retrospective adoption of IFRS 16 Leases.

EBITDA (IFRS and normalised)

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for the twelve months ended 31 March

R million	Actual 2020	Normalised 2020	%	Normalised 2019
(Loss)/Profit before tax from continuing operations	(514)	741	27	584
Add back depreciation and amortisation ¹	255	189	(8)	205
Add interest cost of long-term borrowing and lease liabilities ²	128	54	(8)	59
Add goodwill and intangible assets arising from business combination written off	1 192	-	-	-
EBITDA (including interest received on capital)	1 061	984	16	848

1. Actual depreciation and amortisation includes the amortisation of intangible assets arising from business combination and IFRS 16 right of use asset depreciation.

2. Normalised interest cost exclude finance costs on lease liabilities.

Return on equity (normalised)

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As at 31 March

R million	Normalised 2020	Normalised 2019 ¹
Average equity ²	5 805	5 915
Average tangible net asset value (excluding intangible assets and the related deferred tax)	3 241	2 867
Profit for the period from operations	1 280	404
Less attributable to non-controlling interest	(191)	(54)
Profit from continuing operations attributable to ordinary shareholders	1 089	350
LTM return on equity	18.8%	5.9%
LTM return on average capital employed	22.7%	10.5%
LTM return on tangible net asset value	33.6%	12.2%

1. Restated for the retrospective application of IFRS 16 Leases.

2. The average equity excludes policyholder treasury shares that are held for benefit of policyholders and shares purchased in terms of share schemes (the voting rights attached to these treasury shares are not AFGH rights).

Analysis of cash balances

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As 31 March

R million	2020	2020	2020	2019
	Continuing operations	Discontinued operations	Total operations	Total operations
Cash and cash equivalents	3 959	668	4 627	5 979
Cash held on behalf of policyholders	-	(261)	(261)	(1 996)
Cash held in cell captive insurance facilities	(314)	-	(314)	(401)
Restricted cash (EM, AM fees & Tax prov.)	(363)	(9)	(372)	(341)
Net current liabilities	(265)	(106)	(371)	(292)
Available cash before Regulatory capital	3 017	292	3 309	2 949
Cash held for regulatory capital, liquidity and solvency requirements	(1 418)	(273)	(1 691)	(1 835)
AF Group SCR	(1 157)	(153)	(1 310)	(1 839)
Cover ratio at 50%	(578)	(77)	(655)	(368)
Other assets backing regulatory Capital	317	-	317	540
Additional Surplus Cover ratio held in Cash	-	(43)	(43)	(168)
Available cash resources	1 599	19	1 618	1 114

Regulatory capital

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As at 31 March (SAM Standard Formulae)

R million	2020			2019			% Change in Regulatory Surplus (%)
	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	
Holding company	1 658	407	1 251	727	289	438	185.6%
Regulated insurer	1 238	577	661	1 950	1 294	656	0.8%
FAIS & 13B regulated entity	352	223	129	141	169	(28)	>100.0%
Other regulated financial entity	129	79	50	156	74	82	(39.0%)
Unregulated entity	(7)	24	(31)	(18)	6	(24)	29.2%
Total Group	3 370	1 310	2 060	2 956	1 832	1 124	83.3%

Thank you



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