ALEXANDER FORBES GROUP HOLDINGS LIMITED

Results Announcement

for the year ended 31 March 2020, final and special cash dividend declaration

FY2020

ALEXANDERFORBES
Securing your financial well-being

Contents

The whole is greater than the sum of its parts

From a flock of birds that move in unison to a team of rowers contributing to a team win, the whole is greater than the sum of its parts.

We combine and integrate our unique skills, expertise and offerings across Alexander Forbes. This reflects our integrated strategy to achieve ONE Alexander Forbes, which is beneficial to our clients, employees and shareholders.

Highlights

Disciplined and successful execution of strategic initiatives

- **Stability across our client base** due to the roll-out of our client-centric strategy, successful implementation of our advice-led consulting framework, and implementing continuous client feedback mechanisms
- Satisfactory progress in the delivery of default retirement solutions, **showing measurable benefits to our clients**
- **Delivery on our capital-light strategy** has shown a significant improvement to our capital position due to:
  - completion of the disposal of the short-term insurance business in South Africa (AFI)
  - conversion of the Alexander Forbes sponsored umbrella fund to being privately administered in the second half of the year
- Following a detailed assessment of the potential impact of the COVID-19 pandemic and considering the significant improvement in the group's solvency and liquidity position, the board of directors has **declared a special dividend of 50 cents per share**
- **Completed the exit of non-core businesses** with the disposal of the interests in Uganda and Zambia and signed a binding agreement for the sale of the Namibian short-term insurance business
- **Successful implementation of our target operating model**
- **Continued to strengthen our employee engagement** interventions and improve our culture, which is refocused on 'ONE Alexander Forbes':
  - 9% increase in our staff engagement score for the year
- **Our Arrive multinational solution continues to gain momentum** with 51 clients across Africa since inception

18.8% ▲ **Normalised return on equity** (2019: 5.9%)

R310 billion in closing **assets under administrations** (AuA) and **assets under management** (AuM) down ▼ **9%** owing to negative market performance, mostly in the month of March 2020

Profit from continuing operations (before non-trading and capital items) **flat at R757 million** owing to muted operating income growth coupled with good expense management, offset by stranded costs relating to the short-term insurance business

Profit on sale of South African short-term insurance business of **R861 million**

1% ▲ increase in **operating income** from continuing operations to **R3 153 million** in a difficult operating environment

R1 145 million goodwill written off. This goodwill asset arose from the private equity acquisition of the group in 2007

Final dividend declared of **12 cents** per share (2019: 12 cents per share)

Cash generated from **continuing operations** remains strong at **R936 million**

Regulatory capital surplus **R2 060 million** an increase of ▲ **83%** (2019: R1 124 million)

Headline earnings per share for the total group of ▼ **35.4 cents** per share down 20% (2019: 44.2 cents per share)

Special dividend of **50 cents** per share declared (2019: 30 cents per share), returning surplus cash to shareholders

Chief executive officer, Dawie de Villiers, commented:

The decision to de-risk our business model, simplify our structure and adopt an advice-led, client-centric strategy is gaining traction. Our focus on our core offering will further enhance shareholder value, while combining our market-leading integrated consulting framework with a capital-light strategy has allowed us to reshape a new Alexander Forbes.

After robustly stress-testing various scenarios for our business, driven by COVID-19 and the sovereign downgrade, we are now confident that we will be able to navigate steadily through these turbulent economic times. And we fully intend to take the innovative lead in this market, based on superior solutions and sustainable financial well-being for our clients.'

Financial highlights

For the year ended 31 March 2020

In millions of South African rands (Rm)	2020/ 2019 % change	12 months ended 31 March 2020	Restated 2019[1]	Restated 2018[1]
Continuing operations				
Operating income[2]	1	3 153	3 136	3 010
Profit from operations (before non-trading and capital items)	–	757	754	901
Cost-to-income ratio[3]	–	76.0%	76.0%	70.1%
(Loss)/profit for the year	(>100)	(764)	322	490
Cash generated from operations	(7)	936	1 003	1 020
Basic (loss)/earnings per share (cents)[4]	(>100)	(67.1)	22.1	32.7
Headline earnings per share (cents)[4]	(2)	32.2	32.9	34.0
Closing AuA and AuM (in billions of rands)	(9)	310	342	357
Discontinued operations				
Operating income[2]	(25)	547	727	637
Profit from operations (before non-trading and capital items)	(39)	144	237	153
Total group				
Basic (loss)/earnings per share (cents)[4]	(>100)	(11.8)	27.2	18.2
Headline earnings per share (cents)[4]	(20)	35.4	44.2	43.7
Normalised headline earnings per share (cents)[4]	(14)	38.7	45.0	52.4
Interim dividend (cents per share)	–	18	18	18
Final dividend (cents per share)	–	12	12	24
Annual dividend (cents per share)	–	30	30	42
Special dividend (cents per share)	n/a	50	30	–

[1] Prior year numbers restated for the effects of discontinued operations and IFRS 16 Leases. Refer to notes 2 and 9 contained in the summary consolidated financial statements.

[2] Operating income represents revenue net of direct expenses.

[3] Cost-to-income ratio is a percentage of operating expenses (before non-trading and capital items) over operating income including other income.

[4] The weighted average number of shares in issue decreased to 1 222 million (2019: 1 237 million) as a result of the cancellation of 53.6 million ordinary shares in August 2019.

Overview

1

Alexander Forbes has executed on the strategic objectives set for the year against a backdrop of a persistently challenging macro-economic environment that was exacerbated by the uncertainty and volatility brought about by the COVID-19 pandemic in the last quarter of the financial year. We have achieved some major milestones in the execution of our strategy that include:

- focusing on our core competencies – with a renewed focus on delivering best advice and measurable benefits to our clients
- increased client interventions and improved client service levels, resulting in stabilising our client base
- simplifying our business model in preparation for being capital-light
- significantly strengthened the balance sheet and cash position
- disposing of non-core businesses
- improved employee morale

> These achievements provide us with a solid base and the resilience to weather the economic uncertainty and disruption caused by the COVID-19 pandemic in the year ahead.

Operating environment

With South Africa in a technical recession, having recorded two consecutive quarters of negative growth and an overall growth rate of only 0.2% for the year as a whole, the operating environment for Alexander Forbes in the 2020 financial year remained challenging. As a result of weak economic growth, the unemployment rate rose to an all-time high of 29.1%. The weak economy leads to retrenchments and thus fewer active members, as well as competitive fee pressure. This also places savings and retirements markets under pressure, resulting in asset outflows demonstrated by the decline in the preservation rate[1] for savings to 53% from 55% in the prior year.

Positive market returns recorded in the first nine months of the financial year were reversed in the last quarter. All the major global asset class returns were negative during the last quarter of the 2020 financial year, except for global bonds. Similar trends were observed in the South African asset class returns where the returns of equities, bonds and property were negative. Local cash was the only asset class to register positive returns.

[1] The percentage value of retirement funds that are transferred to preservation or retirement solutions after an employee resigns or retires from a company.

Our funds performed well relative to benchmarks, given our portfolio positioning, with maximum offshore exposure and allocations to private markets.

Delivery on our strategy

This was a critical year for Alexander Forbes as we implemented significant changes to our operating model and strategy. The structural reorganisation of the business is intended to allow us to deliver on our core purpose of creating beneficial outcomes for our clients and members through an advice-led framework.

Building a market leading integrated consulting offering

- The revamp of our strategy and operating model has transformed Alexander Forbes into a client-centric organisation that is advice-led. Being advice-led with an integrated consulting team in a mature industry gives us an advantage. Our multimanager approach also provides clients with the benefits of best-of-breed product selection which is able to optimise returns in volatile markets.
- An increased focus on providing market leading appropriate advice to our clients with increased client engagements and interventions has been well received. We have reported some notable new business wins in investments, healthcare and retirements.
- We also improved our service standards and re-established key client relationships which has stabilised attrition in our client base.
- Our clients have recognised our efforts, demonstrated through their feedback, with an 89% increase in our annual net promoter score.
- We are pleased to report that the structural changes made throughout the year have enabled us to challenge the norms and to eliminate silos. We now operate as 'One Alexander Forbes'.

Capital-light journey

- The completion of the disposal of the South African short-term insurance business (AFI disposal), concluded on 31 January 2020, has substantially improved our capital position.
- We also announced the disposal of the Namibian short-term insurance business on 14 April 2020. This transaction remains subject to certain conditions precedent and is expected to be concluded in the first half of the new financial year.
- We have exited the businesses in Uganda and Zambia, successfully reducing our physical presence in sub-scale markets throughout Africa.
- In August 2019, we cancelled 53 568 809 million treasury shares which reduced the issued share capital of the company and released R48 million in solvency capital required.
- The sale of the group risk and retail life insurance businesses was close to conclusion in the last quarter of the financial year. However, owing to the market disruption caused by the COVID-19 pandemic both Alexander Forbes and the purchaser agreed to place the disposal process on hold. Our commitment to grow and improve this business will continue through the new financial year, with the intention of continuing the disposal process that is anticipated for the latter part of 2020, should economic conditions improve.

- We successfully converted the Alexander Forbes sponsored umbrella fund, which was under our long-term insurance life licence, to being privately administered. This structural change has reduced the capital requirement in the group by R400 million.
- African Rainbow Capital (ARC) held a 10% interest in the share capital of the intermediate holding company Alexander Forbes Limited. Pursuant to the transaction approved by shareholders in 2017, these shares were to be exchanged for the listed company shares on 3 February 2020. Both parties agreed to postpone the flip-up to accommodate the shareholder reorganisation. The ARC flip-up was subsequently concluded on 13 May 2020.

Operational efficiency and cost management

- The target operating model, together with the alignment of strategic projects, is enabling greater focus on structural efficiency. Our focus on re-engineering our operations and administration capability has allowed us to become agile in providing bespoke solutions for our clients. The embedment of the operating model has given us the ability to rapidly respond to the COVID-19 pandemic.
- Improvements in our administration process have reduced both the number and cost of errors and omissions reported for the current year.
- Operating expenses increased 3% year on year and includes the impact of R96 million relating to shared central costs recovered from discontinued operations during this period. The impact of stranded costs[1] will continue to mask our cost management efforts over the next two financial years. We are pleased with the underlying cost containment (+1% up year on year), excluding this impact.
- The theme of operational excellence is being embedded in our administration, data analysis and reporting to help us service our clients better.

People and culture

- The change that was brought about by the implementation of the target operating model, supported by employee engagement initiatives, focused on showing our people how we have delivered on our commitments made to them and our stakeholders. We are pleasantly surprised by how energised our people have been and how they have taken ownership for what they need to do.
- The major theme for our human capital strategy in the 2020 financial year flowed from the changes in leadership in the prior financial year. Through our strategic reset and operating model change, we have avoided a slowdown in productivity while improving the employee experience, which ultimately translates into better client service. We have given greater accountability to our leaders within Alexander Forbes in order to empower them in rebuilding trust.
- We focused on retaining and training employees thus strengthening our talent pool.
- Our culture metrics have shown improved employee morale and trust in leadership, reflected by the 9% increase in our staff engagement score for the year.
- During the COVID-19 pandemic, our employees have been able to effectively and efficiently work from home to ensure that, not only are we available to our clients for advice during a financially stressful time but we also continue to provide guidance to them, ensuring that they maintain their financial well-being for the future.

[1] *Costs that would previously be absorbed by the discontinued operations but will remain following disposal (these costs include allocations of central shared costs, premises costs and IT costs).*

Financial review

2

Our operating model is designed to unite our business lines and present a single 'one company' view to our clients.

Our **Consulting** platform incorporates all client-facing business units, which are segmented, based on solutions and services provided to our clients. These business units include retirements consulting, healthcare consulting, investments, individual consulting and multinational consulting. The consulting platform houses all revenue for the group as well as the costs for this platform.

The **Investments, Products & Enablement (IP&E)** platform includes the investment management team, research & best practice academy, product management and other strategic units such as strategic insights, chief economist office, digital analytics and client services. The costs of this platform are allocated to the segmented business units, within the consulting platform, in our segmental reporting.

The **Client Services & Business Optimisation (CSBO)** platform includes our operations, technology and shared services units. The costs of this platform are allocated to the segmented business units, within the consulting platform, in our segmental reporting.

Overview

The financial results for the year include the following:

- Profit from operations before non-trading and capital items of R757 million remained flat year on year. This reflects muted operating income growth coupled with good expense management, offset by stranded costs relating to the short-term insurance business.
- As a result of the AFI disposal, the group has recognised a profit on sale of R861 million.
- The group wrote off R1 145 million in goodwill and a further R47 million in related intangible assets, included as non-trading and capital items, that reflect the uncertainty of projected income arising from the COVID-19 pandemic.

Consolidated operating income and profit from operations

Operating income

Rm	2020	%	Restated 2019[1]
Retirements consulting	895	(4)	930
Healthcare consulting	289	8	267
Investments	1 273	1	1 257
Individual consulting	442	3	430
Multinational consulting	254	7	238
Other[2]	–	(100)	14
Total	**3 153**	**1**	**3 136**

[1] *Prior year numbers restated for the effect of discontinued operations. Refer to note 9 contained in the summary consolidated financial statements.*

[2] *'Other' relates to various services rendered to an external third party. This third party formed part of the group historically and was disposed of in prior years.*

Operating income increased 1% to R3 153 million amid difficult trading conditions, characterised by a weak economic environment, coupled with subdued market returns and the impact of clients lost in the prior financial year. This was exacerbated in the last quarter, by the economic and financial disruption caused by the COVID-19 pandemic. We are pleased to report a sustained increase in our client engagement interventions to ensure that we remain attuned to our clients' needs, by providing outstanding service and solutions, which contributes to a loyal client base. The increase in client engagement activities has not only stabilised our client base but also resulted in new business wins.

Operating income increased 1%
R3 153 million

Retirements consulting

Retirements consulting reported a 4% decline in operating income to R895 million owing to the weak local economy, the impact of historical client losses and a one-off change to the structure of the Alexander Forbes sponsored umbrella funds that occurred in the second half of the financial year. While this structural change has no effect on the operating profit of the group, the impact to operating income is a decline of R12 million. Operating income for retirements consulting would have been down 3% excluding this structural change.

The weak economy resulted in low levels of employment, static payrolls and retrenchments within our client base that in turn led to fewer active members and reduced fund contributions, which impacted on administration and consulting fees. The impact of client retrenchments in the year has been largely felt within our standalone retirement offering, which includes impact of clients lost during the prior financial year. The client base within our umbrella funds, that is primarily small, medium and micro enterprises, has been less affected by client retrenchments. However all client segments, large and small, experienced low levels of employment and static payrolls.

Competition in the umbrella fund market remains high. More competition inevitably leads to pressure on fees and affects client retention. Management efforts include relentless focus on improving client experiences by deepening our advice-led consulting approach and unlocking benefits for clients through our integrated servicing model. We continue to add value to clients by navigating them through the complex regulatory environment and assisting with the implementation of default regulations, which include default investment strategies, default preservation options, annuity strategies at retirement and the implementation of retirement benefit counselling (RBC). We have also demonstrated measurable benefits to clients who have adopted our advice and solutions. In addition, there are signs of success in our integrated consulting approach, reporting growth in consulting income and improved client retention with our standalone retirement fund clients.

The institutional umbrella fund offering, comprising the flagship Alexander Forbes Retirement Fund and Alexander Forbes Access, has seen good growth in new business in the current year with 262 new appointments, comprising over 34 000 members. While we have experienced some client losses (103 clients with a membership of 21 500), mostly relating to terminations notified in the previous financial year, we have seen a stabilisation in the second half of the financial year following a focus on key client relationships.

Active members in our umbrella retirement funds increased by 3% to 372 794, while the number of umbrella fund clients (participating employers) increased by 11% to 1 689. Closing assets under management (included in the investments business segment) of R75.8 billion is 7% lower year on year, owing to negative market growth of R6 billion (-7.3%), mainly in the last quarter of the financial year that was partially offset by positive net cash flows into the umbrella funds of R0.5 billion for the year.

Good growth in new business in the umbrella fund with **262 new appointments** in the current period, comprising over

34 000

members

Our main priority, in the current environment is to assist corporates and members navigate the challenges brought about by the COVID-19 pandemic insofar as it relates to retirement fund arrangements. Our approach remains advice-led, holistic and member focused.

Healthcare consulting

We continue to deliver sustained growth in the healthcare consulting business, reporting an 8% increase in operating income to R289 million. This is supported by growth within the healthcare broking business with 23 new client appointments, an increase in consulting fees from opportunities to support clients with health management and actuarial solutions as well as new business wins in these businesses.

Our strategic collaborative partnerships continue to yield positive results, particularly in sectors where we have historically been under-represented. We are increasing exposure to mining and government entities, as well as organised labour. Besides the traditional medical aid members in these sectors, we are seeing increasing demand to assist previously uncovered members and this fits with our advice-led framework, as these members require appropriate advice and assistance.

The healthcare industry continues to feature on the agenda of government and regulatory changes are likely to continue. Regulatory concerns for this business during the year include the ongoing National Health Insurance consultation and the Council for Medical Schemes outlawing certain low-income products apart from traditional medical aid. These regulatory changes present opportunities for Alexander Forbes to not only provide the best advice to employers, but also to provide alternative products to clients to ensure that members' healthcare needs remain well covered.

We continue to support the government's intention to provide affordable and appropriate healthcare universally and are encouraged by the outlook on the continuation of medical schemes. Alexander Forbes will continue to adapt our business model and product proposition, as well as influence the responses of our clients, in line with new regulatory developments.

Operating income from healthcare consulting up 8%

R289 million

(2019: R267 million)

Investments

Operating income growth for investments was up 1% to R1 273 million amid increased market volatility throughout the year. Market performance in the first nine months in the financial year was offset by the negative market returns reported in the last quarter, arising from the adverse impact of the COVID-19 pandemic. The cumulative blended market return over the year was -5.8% with the last quarter returning -9.8%. This had a significant effect on the closing assets under administration (AuA) and assets under management (AuM).

Our well-diversified investment approach implemented across our multimanager investment portfolios helped to mitigate the poor market performance for our clients. Our investment philosophy aims to provide a level of downside protection when markets fall, which has been evident over the first quarter of 2020. Given our purposeful diversificatoin in our portfolio positioning, with maximum offshore exposure and allocations to private markets, our funds performed well relative to benchmarks. Over the year, 62% of multi-asset portfolios exceeded their benchmarks.

Our flagship portfolio, Performer, continues to do well with AuM of R126 billion, with positive net cash inflows in the year of R11 billion. Despite the negative returns reported over the year, Performer beat its benchmark (which is the median of other large balanced asset managers) by 4.4% and consistently ranks in the first quartile of Alexander Forbes Large Manager Watch Survey™. Performer remains well positioned in these volatile markets to continue to achieve superior returns on a risk-adjusted basis.

Reported total AuA and AuM at 31 March 2020 amount to R310 billion, 9% lower year on year owing to negative market performance in the last quarter of the financial year.

Total closing assets are segregated as follows:

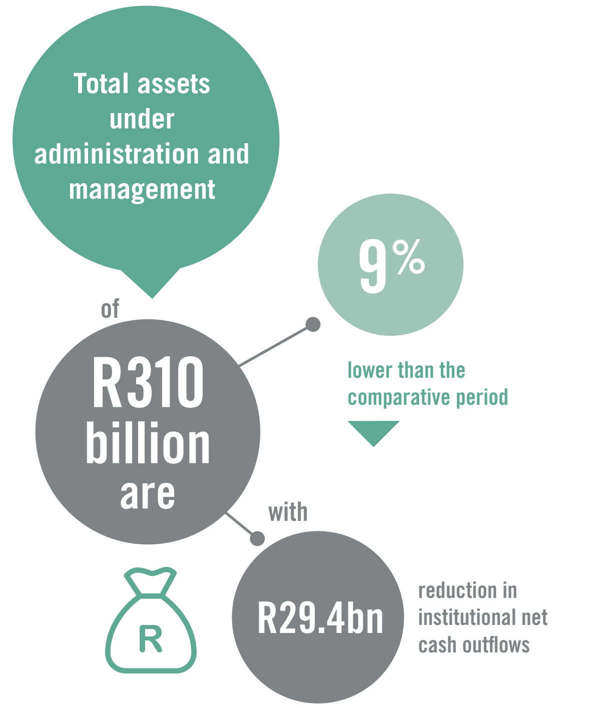
	31 March 2020			31 March 2019		
R billion	**Institutional**	**Retail**	**Total**	**Institutional**	**Retail**	**Total**
Assets under administration	24.4	5.1	29.5	29.7	5.0	34.7
Assets under management	224.1	56.7	280.8	246.4	60.6	307.0
Total AuA and AuM	**248.5**	**61.8**	**310.3**	**276.1**	**65.6**	**341.7**

A summary of the cash flows for the twelve months to 31 March 2020 is shown below.

	31 March 2020			31 March 2019		
R billion	**Institutional**	**Retail**	**Total**	**Institutional**	**Retail**	**Total**
Controllable	0.4	–	0.4	(11.9)	0.4	(11.5)
New business	4.4	–	4.4	3.3	0.4	3.7
Outflows owing to client losses	(4.0)	–	(4.0)	(15.2)	–	(15.2)
Uncontrollable	(4.8)	(0.9)	(5.7)	(3.5)	(0.8)	(4.3)
Ongoing contributions	32.9	8.9	41.8	38.6	8.5	47.1
Withdrawals for benefit payments	(37.7)	(9.8)	(47.5)	(42.1)	(9.3)	(51.4)
Withdrawals from platform	(3.1)	–	(3.1)	(21.5)	–	(21.5)
Net cash flows	**(7.5)**	**(0.9)**	**(8.4)**	**(36.9)**	**(0.4)**	**(37.3)**

The institutional business recorded positive controllable inflows for the year, which is a significant improvement on the R11.9 billion outflow in the previous financial year, owing to focused effort on client engagement and appropriate best advice. Withdrawals from the admin platform were also lower year on year, with the prior year withdrawal largely being from a single client that took its investment administration in-house, and current year withdrawals represent a carry-over from that same client.

For the institutional business, in addition to the R4.4 billion in new business AuM inflow for the year, a further R4.1 billion new business AuM is expected (of which R3.3 billion is pending regulatory approval and the balance of R0.8 billion did not require approval). While the business is seeing a slowdown in the net outflows from the institutional uncontrollable cash flows, this continues to be negative, influenced by factors prevalent across the retirement fund industry.



Individual consulting

Operating income increased by 3% to R442 million due to the continued presence of Financial Planning Consultants (FPC) in our institutional member base together with higher average assets across the FPC and retail administration businesses.

While new business performance continues to be strong reporting 3 142 new clients in the year, this is offset by some lost clients and asset outflows from an increase in withdrawals and the amount of cash taken at retirement given the prevailing adverse economy. The economic pressure faced by our clients is also evidenced by the decline in the preservation rate[1] to 53% from 55% in the prior financial year. Consequently, the retention rate[2] has declined to 23% from 24% in the prior financial year. Closing assets under advisement, attributable to negative market performance mainly in March 2020.

The Alexander Forbes Retirements Income Solution (AFRIS) is our flagship in-fund solution, for retirement fund clients and employers, that meets the default regulations. AFRIS continues to show strong traction with 50 new institutional clients joining in the year and membership increasing by 123% to 2 879 members. Closing AuA in AFRIS of R5.9 billion increased by over 100% year on year.

This solution, together with retirement benefit counselling (RBC) services, continues to demonstrate measurable benefits for clients. A pleasing aspect is that we continue to observe that where funds have adopted the AFRIS default solutions, this generally translates to better savings outcomes compared to funds who have not adopted the AFRIS solutions. This is evidenced by the higher preservation rate of 57% for funds that have adopted AFRIS when compared with the overall preservation rate across all funds of 53% and the improved retention rate of 28% when compared with the overall retention rate across all funds of 23%.

Our focus of increasing member engagement through RBC continues to gain traction with 337 clients now using our solution. This includes both individual consulting as well as worksite consulting.

123%

AFRIS membership grew by 123% to 2 879 members

>100%

Closing AuA in AFRIS **increased by over 100%** year on year to **R5.9 billion**

[1] *The percentage value of retirement funds that are transferred to preservation or retirement solutions after an employee resigns or retires from a company.*

[2] *The percentage of preserved assets that remain with Alexander Forbes.*

Multinational consulting

Multinational consulting includes consulting activities where we have physical offices in areas outside South Africa (Channel Islands, Botswana, Namibia and Nigeria) and consulting advice provided through the Arrive solution.

Operating income increased by 7% to R254 million with growth driven by continued performance from Botswana (up 10%) and improved performance from Namibia (up 3%). The latter was impacted by the depressed macroeconomic environment and client losses in the prior year. The Channel Islands consulting business reported growth of 3%, benefiting from rand depreciation and strong performance in wealth consulting new and ongoing business. Our Nigeria business was repositioned in the year to focus on consulting actuarial opportunities with support from South Africa and is showing momentum with good new business wins in the year.

The Arrive platform, that delivers health, wealth and career solutions to multinational clients throughout Africa, is aligned to our client-centric advice-led framework. We are specifically seeing the benefits of a coordinated consulting and service approach across Africa. We have added value to our clients through data and insights, pooling of risk and consistent treatment for all employees across the continent.

Through the strategic partnership with Mercer, the Arrive platform has secured 51 client mandates to date (38 clients in the current financial year). The strategic partnership extends to include Mercer Global Benefits Management (GBM) clients where Mercer has exclusive mandates to provide global broking services to multinational companies. Through this partnership Alexander Forbes secures the broking appointment in South Africa, with 69 appointments made since inception (28 clients in the current financial year).

The Arrive solution has been aligned to the new operating model. To date, we have secured mandates with

51 companies

(38 in the current year). Alexander Forbes secures the broking appointment in South Africa for Mercer GBM clients, with

69 appointments since inception (28 appointments in the current year).

Other income

Other income of R46 million (2019: nil) comprises of income earned from IT services and sublease arrangements provided to entities previously in the group and other entities. These arrangements have a positive contribution towards addressing the impact of stranded costs due to the sale of the short-term insurance business.

Operating expenses

Rm	2020	%	2019
Operating expenses (from continuing operations)	2 442	3	2 382
Adjustments for like-for-like comparison:			
Penalty fees relating to IT contract	–	–	(50)
Recoveries from discontinued operations	96	–	192
Adjustment for IFRS 16 *Leases*	77	–	73
Total adjusted operating expenses	**2 615**	**1**	**2 597**

Operating expenses growth was well contained at 3% to R2 442 million demonstrating good expense management, offset by stranded costs[1] from the AFI disposal. The central shared costs recovered from the discontinued operation were reduced as part of the transitional services agreement and have been absorbed in the continuing expense base. The impact of these stranded costs is R96 million for the year and is expected to continue to place pressure on the cost-to-income ratio over the next two years.

The cost-to-income ratio remained flat at 76.0% year on year. Adjusting for the one-off IT penalty expense item incurred in the previous financial year, as well as the stranded costs and the implementation of IFRS 16 *Leases*, growth in operating expenses for continuing operations remains well contained, increasing by 1%.

We have been deliberate in our efforts to drive operational excellence as a principle for an organisation-wide culture shift. A key focus area has been around ensuring that we have the right skills and capacity to meet our service level commitments and improve the overall client experience.

Our emphasis on financial control and on improving client experience and service levels reduced both the number and cost of errors and omissions reported for the financial year. Our focus and actions in containing discretionary spend resulted in a reduction in professional fees and other expenses.

Active and ongoing expense management remains a top priority as we aim to reduce our cost-to-income ratio over the next two years. This will be achieved by re-engineering our operations and administration capability, simplifying and automating processes, using standardised reporting, rationalising IT applications, being data-led and digitising client solutions.

Profit from continuing operations (before non-trading and capital items)

R757 million

flat year on year, owing to **muted top-line growth** coupled with **good expense management, offset by stranded costs** relating to the short-term insurance business.

[1] *Costs that would previously be absorbed by the discontinued operations but will remain following disposal (these costs include allocations of central shared costs, premises costs and IT costs).*

Items below profit from operations

Non-trading and capital items

Non-trading and capital items increased substantially to R1 283 million (2019: R231 million), 89% of which is the result of the write off in goodwill assets of R1 145 million associated with the individual, retirements, healthcare and multinational consulting cash generating units (CGUs). This goodwill balance arose in 2007 as part of the private equity transaction. Goodwill allocated to these CGUs was fully written-off during the current year following a detailed assessment of the potential impact of the COVID-19 pandemic. Our detailed assessment was aligned to the out-of-cycle Own Risk and Solvency Assessment (ORSA) approved by the board. Refer to note 5 of the summary consolidated financial statements.

In addition, the group also wrote off R47 million in intangible assets, arising from business combinations, in relation to the CGUs noted above. The write-offs have no impact on cash and are adjusted for in headline earnings. The remainder of the non-trading and capital items include costs relating to strategic consulting, which has declined significantly year on year, software written off, recurring amortisation costs of intangible assets and the consolidation of the group's insurance cell-captive facility.

Investment income

Investment income of R155 million, earned from the regulatory capital and surplus cash position of the company, declined by 27% owing to a reduction in the prime interest rate coupled with lower cash balances following the payment of the special dividend during the year. In addition, an investment loss of R3 million (2019: R21 million profit) related to individual policyholder investments is recorded in the consolidated income statement. An equal tax credit is raised for this investment loss. This policyholder loss (and related tax credit) are excluded from our normalised earnings when assessing the group's own investment income.

Finance costs

Finance costs of R143 million (2019: R161 million), comprise costs associated with the group's revolving credit facility (RCF) and the accounting for finance costs associated with the lease liabilities. The outstanding debt on the RCF of R101 million as at 31 March 2020 was repaid subsequent to year-end. Finance costs associated with the lease liabilities amounted to R74 million (2019: R72 million) and resulted from the adoption of IFRS 16 *Leases*, which has been applied retrospectively.

Profit before and after tax

After non-trading and capital items, finance charges and the effect of the policyholder investments, the group reported a loss before taxation from continuing operations of R514 million (2019: R583 million profit). The goodwill write off is disallowed for tax purposes, resulting in an income tax expense of R250 million incurred in the year. The normalised effective tax rate, excluding the policyholder tax, is 36% largely due to unutilised tax losses which have not been raised as deferred tax assets in the current year. The group reported a loss from continuing operations of R764 million (2019: R322 million profit).

Loss for the year (from continuing operations) of

R514 million

2019: R583 million profit

Discontinued operations

Profit before non-trading and capital items from discontinued operations of R144 million declined 4% year on year, reflecting operating results for ten months of the short-term insurance business, as well as the impact of the underwriting loss recorded in AF Life for the financial year. The underwriting loss associated with the retail life book is attributable to repudiated reinsurance claims. Subsequent to the year-end we have had some recovery on these claims which is detailed in note 15.3.

The operating profit from discontinued operations reflects the benefit of the stranded costs, where the shared services cost allocated to these businesses is lower as agreed in the transitional services agreement with the purchaser.

The total profit from discontinued operations includes a number of items:

- the fair value adjustment less cost to dispose of the Namibian short-term insurance business. On 14 April 2020, the group announced the disposal of this business, subject to the completion of certain conditions precedent. Refer to note 15.1.
- the write-off of an investment in an associate
- a provision for warrantees on the sale of businesses
- the profit on sale of the short-term insurance business of R861 million.
- The details of the operating results and non-trading and capital items of discontinued operations are included in note 9.

Headline earnings

Headline earnings, which excludes the goodwill write-off as well as the profit on sale from the AFI disposal and other headline adjusting items, was 21% lower at R433 million. The weighted average number of shares declined marginally to 1 222 million (2019: 1 237 million) due to the general share buy-back programme, approved by shareholders at the 2019 annual general meeting, and subsequent share cancellation. Headline earnings per share decreased by 20% to 35.4 cents per share (2019: 44.2 cents per share).

Normalised earnings

The group's normalised segmental results reflect the economic substance of the group's performance and the basis upon which management manages the group. This is shown in the group segmental income and profit analysis (including the adjustments between the normalised results and the IFRS summary consolidated income statement).

Financial position and dividends

3

Financial position

The proceeds from the AFI disposal and the restructuring of the Alexander Forbes sponsored umbrella fund to being privately administered has significantly improved the financial position and increased the surplus capital position of the group. Our unleveraged balance sheet, supported by the surplus regulatory capital and available cash, places Alexander Forbes in a strong financial position for the uncertainty that lies ahead.

All regulated entities within the group comply with current solvency, liquidity and regulatory Solvency Capital Requirements (SCR) targets. As at 31 March 2020 the consolidated regulatory capital requirement of the group was R1 310 million, which decreased by 28% from the previous financial year. Using the measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards implemented during 2018, the group has surplus capital of R2 060 million.

The group's cash flows remain strong with cash generated from continuing operations of R936 million. The group continues to maintain a high conversion of profit from operations to cash.

Our capital reduction journey, announced in June 2019, aims to release trapped capital and reduce the surplus capital held. This is evidenced by the special dividend that was paid in the prior year and that has been declared in the current financial year.

In addition, in the current year 53 568 809 shares were cancelled and withdrawn on the JSE, which reduced the issued share capital of the company and released R48 million in solvency capital required.

On 22 January 2020, we announced our intention to use the cash proceeds from the sale of the short-term insurance business to repay the revolving credit facility and repurchase shares from Mercer, by way of a specific buy-back, as part of a shareholder reorganisation. On 23 March 2020, we subsequently announced that both parties mutually agreed to cancel the specific repurchase due to the market disruption caused by the COVID-19 pandemic.

The execution of our capital-light strategy has resulted in a 13% increase in the average tangible net asset value to R3 241 million as at 31 March 2020 (2019: R2 867 million). This includes R1 599 million in surplus cash available (from continuing operations) for distribution, after taking into account regulatory capital requirements.

Final and special dividend declaration

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

The board believes the surplus cash and capital position, after the payment of the final and special dividend, will still provide sufficient liquidity and capital strength. This is expected to provide Alexander Forbes with a solid base to withstand the adverse impact of COVID-19 and the South African sovereign credit rating investment downgrade.

The board has declared a final gross cash dividend of 12 cents per ordinary share (9.6 cents net of dividend withholding tax) for the year ended 31 March 2020, bringing the total dividend declared for the year to 30 cents per share. This maintains the dividend cover within our policy of 1.5 times to 2.0 times cover.

In addition, the board has declared a special gross cash dividend of 50 cents per ordinary share (40 cents net of dividend withholding tax), distributing the available cash to shareholders and reducing a significant portion of 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 14 July 2020.

Both dividends have been declared from income reserves. 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 1 401 541 409.

The salient dates for the final and special dividend will be as follows:

- Finalisation date for special dividend: by 11:00 Tuesday, 14 July 2020
- Last day of trade to receive a dividend: Tuesday, 21 July 2020
- Shares commence trading 'ex' dividend: Wednesday, 22 July 2020
- Record date: Friday, 24 July 2020
- Payment date: Monday, 27 July 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 July 2020 and Friday, 24 July 2020, both days inclusive.

Prospects

4

There is no doubt that the COVID-19 pandemic and its impact on the world economy is a tipping point in global history, and that of Alexander Forbes. The speed and complexity of the Covid-19 outbreak has forced companies to reconsider their responses to the impact of the pandemic on their businesses. We are no different and through our business continuity strategy we have effected, in the financial services industry, a market-leading transition into the new era of operating a fully virtual company.

We responded to the lockdown with speed and agility - 98% of our staff were working from home from the date the lockdown was implemented. Throughout the period we have improved and enhanced our process management and met all our client service levels agreements and have monitored productivity. Our relative success during this period has enabled a reimagining of the future Alexander Forbes and new ways of working.

Through this period, **our focus** has been on our **advice-led consulting framework,** which has designed market leading and appropriate solutions relative to what they are experiencing.

Our business has proven its resilience and agility

in responding to the challenges of a persistent low-growth economic outlook. Amid this uncertainty we have remained astute in our capital management, continued to focus on cost containment, responded to our clients, while building a new business pipeline. While the pandemic has dampened our short-term outlook and impacted our original revenue targets the 2021 financial year, we believe that we now have a solid foundation for growth over the long term.

Our strategy remains focused on a value proposition

which differentiates us from our competitors by providing market-leading advice that optimises client and member outcomes.

Our strategic decision to focus

on our core business of being advice-led for both corporate and individual clients has enabled us to assist our clients seamlessly and more effectively during the additional financial stress of the pandemic and its adverse economic impact.

Our proactive assessment and vigilance of external factors has ensured that we undertake an out-of-cycle Own Risk and Solvency Assessment (ORSA) and explore various scenarios. Through a rigorous and exacting process, the board and executive management have prepared and reviewed a number of scenarios which have considered a range of global and local economic, social and systemic factors that may occur as a result of the COVID-19 pandemic.

The scenarios have followed the potential recovery patterns within the South African context and provide greater insight into the key drivers that influence the operating income of Alexander Forbes. The operating income of Alexander Forbes is directly linked to market values of the assets we administer and manage and to the formal employment statistics within our client base. Our ORSA scenarios reflect a potential decrease in our operating income of between 3% (best-case scenario) and 15% (worst-case scenario).

As a result of the ORSA, the board and executive management have identified specific strategic initiatives to respond to the current operating environment.

These initiatives consider the immediate response, intermediate plans and the long-term implications. We are cognisant of the impact the economic changes will have on our profitability and have responded to it.

We have made immediate changes to our planned spending for the year

including a freeze on new hires and reduced discretionary spend including travel, conferences, and advertising.

We have also undertaken a review of all improvement projects that were already under way,

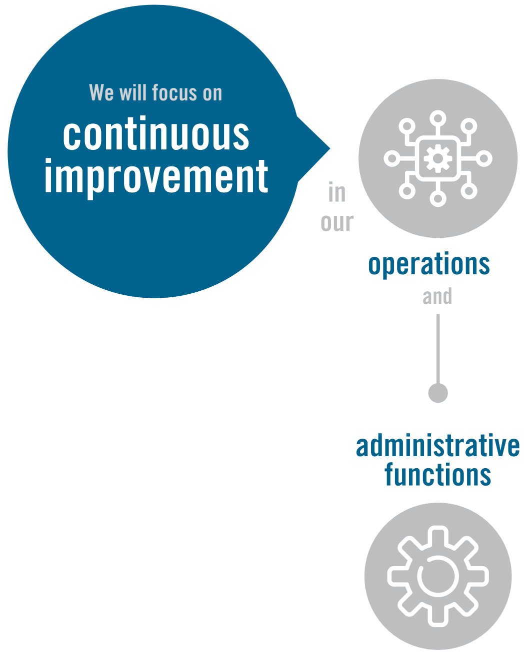
specifically relating to efficiencies and automation. Taking into consideration the group's financial position, these improvement projects have been honed to focus on optimising our administration process and ensuring we deliver on our promise to improve client service and reduce our cost to serve.

> Our clients remain at the centre, and we are committed to providing the most relevant and appropriate employee benefits and investment advice in these uncertain times. We will continue to work closely with industry bodies, regulators and government departments to ensure that the policies and decisions made regarding pensions and investments are appropriate.

Our continued success requires Alexander Forbes to continue offering market leading integrated consulting and investments solutions. This will require further re-engineering of our operations and administrative functions. It will also require further embedding through mindset and behavioural changes amongst both our staff and our clients.

Underpinning our long-term growth will be an ongoing focus on operational excellence in execution, a continual reduction in costs, further improvements in our administration capability and a strengthening of our talent pool. We will stop activities that are not important so that we can place our energy and resources into initiatives that add value – our core services. This includes a continued and full roll-out of all facets of member engagement encompassing administration, reporting and product development. The ultimate goal is to ensure that members stay with us throughout their lifetime.

> Advice-led is what our clients require and our strategy to accomplish this is already bearing fruit. Our next task is to round this out with further member-engagement, answering every member's query and assisting each individual's financial well-being. This will ensure member loyalty to Alexander Forbes for life.



Change in directorate

5

The following changes to the board were announced through the year:

- Ms NB Radebe resigned as director on 28 November 2019.
- Ms N Nyembezi resigned as director and chair of the board on 31 December 2019 and was succeeded by Ms M Ramplin.
- Mr MD Collier resigned as director on 31 December 2019.

Subsequent to year-end, Mr DJ Anderson resigned as director on 6 May 2020, which is the day following the completion of the ARC Acquisition[1]. Mr Anderson's resignation is in accordance with the Amended and Restated Relationship Agreement and as detailed in the SENS announcement released by the company on 22 January 2020.

Ms MR Nkadimeng was appointed as a non-executive director on 3 June 2020.

The board expresses its sincerest appreciation for the dedication, effort and tremendous contribution of Mesdames Nyembezi and Radebe as well as Messrs Collier and Anderson and wishes them well for the future.

[1] *The acquisition by African Rainbow Capital of 193 000 000 ordinary shares from Mercer, which amounts to 15% of the issued share capital that was concluded on 5 May 2020.*

Corporate governance

6

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. Disclosure in respect of the current year will be available no later than 31 July 2020.

On behalf of the board of directors

M Ramplin
Non-executive chair

DJ de Villiers
Chief executive officer

8 June 2020

Summary consolidated financial statements

7

The Alexander Forbes Group Holdings Limited (the group) summary consolidated financial statements for the year ended 31 March 2020 (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, 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 rand, which is the presentation currency of the group. All amounts are stated in millions of Rand (Rm), unless indicated otherwise.

The accounting policies applied in the preparation of the consolidated financial statements from which the results have been derived are in terms of IFRS and 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 16 *Leases.* The group adopted IFRS 16 with the effect from 1 April 2019.

The group has, as permitted by IFRS 16, elected to restate its comparative financial statements. The impact of adopting IFRS 16 has been applied using the full retrospective approach with an adjustment to the group's 31 March 2019 previously reported results.

While this report is itself not audited, the consolidated annual financial statements from which the summary consolidated annual financial statements on pages 16 to 42 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.

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 of the audited group consolidated annual financial statements that contains the auditor's report, can be downloaded from the company's website: *www.alexanderforbes.co.za/investorrelations financial-results.*

Any forecast financial information contained herein has not been reviewed or reported on separately by the company's external auditor.

These condensed consolidated financial statements were compiled under the supervision of Mr BP 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.

The results were made publicly available on 8 June 2020 on our website: *www.alexanderforbes.co.za/investorrelations/financial-results*.

Summary consolidated income statement

For the year ended 31 March 2020

Rm	Notes	2020	Restated 2019[1]
Continuing operations			
Fee and commission revenue	3	4 022	4 058
Fee and commission expenses		(869)	(922)
Operating income net of direct expenses		**3 153**	**3 136**
Other income	4	46	–
Operating expenses		(2 442)	(2 382)
Profit from operations before non-trading and capital items		**757**	**754**
Non-trading and capital items	5	(1 283)	(231)
Operating (loss)/profit		**(526)**	**523**
Investment income	6	155	213
Finance costs	7	(143)	(161)
Reported profit arising from accounting for policyholder investments in treasury shares		–	8
(Loss)/profit before taxation		**(514)**	**583**
Income tax expense	8	(250)	(261)
Income tax expense relating to corporate profits		(253)	(240)
Income tax credit/(expense) relating to policyholder investment returns		3	(21)
(Loss)/profit for the year from continuing operations		**(764)**	**322**
Discontinued operations			
Profit from discontinued operations (net of tax)	9.1	810	68
Profit for the year		**46**	**390**
(Loss)/profit attributable to:			
Owners of the company		(145)	336
Non-controlling interest		191	54
		46	**390**
Basic (loss)/earnings per share (cents)	10	(11.8)	27.2
Diluted (loss)/earnings per share (cents)		(11.8)	26.9
Weighted average number of shares in issue (net of treasury shares) (millions)		1 222	1 237

[1] *Restated for the retrospective adoption of IFRS 16 and effects of discontinued operations, refer to note 2 and note 9.*

Summary consolidated statement of comprehensive income

For the year ended 31 March 2020

Rm	2020	Restated 2019[1]
Profit for the year	**46**	**390**
Other comprehensive income		
Foreign currency translation differences – foreign operations	49	44
Foreign currency translation reserve reclassified to profit or loss on loss of control	–	(17)
Cash flow hedge	(4)	40
Other comprehensive income that may be reclassified to profit or loss[2]	**45**	**67**
Remeasurement of post-employment benefit obligations[2]	14	–
Other comprehensive income that will not be reclassified to profit or loss[2]	**14**	**–**
Total comprehensive income for the year	**105**	**457**
Total comprehensive income attributable to:		
Owners of the company	(89)	396
Non-controlling interest	194	61
Total comprehensive income for the year	**105**	**457**

[1] *Restated for the retrospective adoption of IFRS 16 and effects of discontinued operations, refer to note 2 and note 9.*

[2] *Net of related taxes.*

Summary consolidated statement of financial position

For the year ended 31 March 2020

Rm	Notes	2020	Restated 2019[1]	Restated 2018[1]
Assets				
Financial assets held under multi-manager investment contracts	11	272 585	299 852	296 758
Financial assets of insurance cell-captive facilities		–	–	352
Goodwill	5	1 392	2 537	3 038
Intangible assets		219	323	390
Property and equipment		624	731	964
Purchased and developed computer software		132	151	400
Investment in associate		–	24	–
Deferred tax assets		228	238	217
Financial assets	12	95	108	445
Insurance receivables		–	–	1 014
Tax assets		7	4	15
Trade and other receivables		527	415	284
Cash and cash equivalents		3 959	5 041	5 794
Assets of disposal group classified as held for sale	9	2 285	3 184	82
Total assets		**282 053**	**312 608**	**309 753**
Equity and liabilities				
Owners of the company		4 806	5 645	5 902
Non-controlling interest		297	299	287
Total equity		**5 103**	**5 944**	**6 189**
Financial liabilities held under multi-manager investment contracts	11	272 612	299 885	296 825
Financial liabilities of insurance cell-captive facilities		–	–	352
Borrowings	7	101	719	719
Employee benefits		132	154	162
Deferred tax liabilities		85	113	119
Provisions		461	369	304
Lease liabilities		822	933	1 188
Insurance payables		–	1 689	3 247
Trade and other payables		599	611	585
Tax liabilities		10	20	49
Liabilities of disposal group classified as held for sale	9	2 128	2 171	14
Total liabilities		**276 950**	**306 664**	**303 564**
Total equity and liabilities		**282 053**	**312 608**	**309 753**

[1] *Restated for the retrospective adoption of IFRS 16 and effects of discontinued operations, refer to note 2 and note 9.*

Summary consolidated statement of cash flows

For the year ended 31 March 2020

Rm	2020	Restated 2019[1]
Cash flows from operating activities		
Cash generated from operations	936	1 003
Interest received	155	189
Interest paid	(143)	(161)
Net cash flows paid to insurance and policyholder contracts	(1 720)	(215)
Net cash flows received from/(paid to) policyholder investment contracts	148	(2 121)
Taxation paid	(622)	(383)
Dividends paid	(750)	(531)
Dividends paid to non-controlling interests	(234)	(11)
Cash flows from operating activities – discontinued operations	209	296
Net cash outflow from operating activities	**(2 021)**	**(1 934)**
Cash flows from investing activities		
Net cash inflow on financial assets	16	336
Payments for capital expenditure incurred on property, equipment and computer software	(51)	(113)
Proceeds from sale of subsidiaries and businesses	2 043	15
Cash flows from investing activities – discontinued operations	(644)	(29)
Net cash inflow from investing activities	**1 364**	**209**
Cash flows from financing activities		
Repayment of borrowings	(614)	–
Purchase of shares in terms of share buy-back transaction and share incentive schemes	(41)	(151)
Payments of lease liabilities	(112)	(157)
Net proceeds from sale of treasury shares held by policyholder investment contracts	7	26
Purchase of treasury shares held under policyholder investment contracts	(3)	(17)
Proceeds from disposal of treasury shares held under investment contracts	10	43
Cash flows from financing activities – discontinued operations	(8)	(8)
Net cash outflow from financing activities	**(768)**	**(290)**
Decrease in cash and cash equivalents	(1 425)	(2 015)
Cash and cash equivalents at the beginning of the year	11 751	13 702
Effects of exchange rate changes on cash and cash equivalents	50	64
Cash and cash equivalents at the end of the year	**10 376**	**11 751**
Analysed as follows:		
Cash and cash equivalents of continuing operations	3 959	5 041
Cash held under multi-manager investment contracts	5 927	5 772
Cash and cash equivalents of disposal group classified as held for sale	490	938
	10 376	**11 751**

[1] *Restated for the retrospective adoption of IFRS 16 and effects of discontinued operations, refer to note 2 and note 9.*

Summary consolidated statement of changes in equity

For the year ended 31 March 2020

Rm	Share capital	Treasury shares	Other reserves	Accumulated loss	Total	Non-controlling interest	Total equity
At 31 March 2018 (restated)[1]	**6 192**	**(392)**	**41**	**61**	**5 902**	**287**	**6 189**
IFRS 9 transition adjustments[2]	–	–	–	(36)	(36)	(4)	(40)
Adjusted balance 1 April 2018	**6 192**	**(392)**	**41**	**25**	**5 866**	**283**	**6 149**
Total comprehensive income	**–**	**–**	**60**	**336**	**396**	**61**	**457**
Profit for the year	–	–	–	336	336	54	390
Other comprehensive income	–	–	60	–	60	7	67
Total transactions with owners	**–**	**(105)**	**19**	**(531)**	**(617)**	**(45)**	**(662)**
Shares purchased in terms of share buyback programme and share incentive schemes[3]	–	(151)	–	–	(151)	–	(151)
Settlement of share incentive schemes[4]	–	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[5]	–	–	–	–	–	(34)	(34)
At 31 March 2019 (restated)	**6 192**	**(497)**	**120**	**(170)**	**5 645**	**299**	**5 944**
Total comprehensive income	–	–	42	(131)	(89)	194	105
Profit for the year	–	–	–	(145)	(145)	191	46
Other comprehensive income	–	–	42	14	56	3	59
Total transactions with owners	**(318)**	**301**	**17**	**(750)**	**(750)**	**(196)**	**(946)**
Share cancellation[6]	(318)	318	–	–	–	–	–
Shares purchased in terms of share buyback programme and share incentive schemes[7]	–	(41)	–	–	(41)	–	(41)
Settlement of share incentive schemes[8]	–	17	(17)	–	–	–	–
Movement of treasury shares in policyholder assets	–	7	–	–	7	–	7
Dividends paid	–	–	–	(750)	(750)	(234)	(984)
Movement in share-based payment reserve	–	–	34	–	34	–	34
Other movements in non-controlling interest[9]	–	–	–	–	–	38	38
At 31 March 2020	**5 874**	**(196)**	**179**	**(1 051)**	**4 806**	**297**	**5 103**

[1] Restatement on adoption of IFRS 16 (net of tax). Refer to note 2.1.

[2] The group recognised R40 million (R29 million relating to a loan receivable and R11 million relating to a trade receivable) as an IFRS 9 transition adjustment.

[3] The group purchased Alexander Forbes Group Holdings Limited (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.

[4] Shares amounting to R4 million relating to the forfeitable share scheme were settled. Further shares amounting to R16 million relating to the 2018 tranche of the retention share scheme were also settled.

[5] This amount relates to changes in non-controlling interests following the disposal of the group's Kenyan operations.

[6] The group cancelled 53 568 809 AFH which were withdrawn on the JSE on 26 August 2019.

[7] The group purchased AFH shares to the value of R20 million, at an average price of R4.61 per share, in a general buy-back approved by shareholders. In addition, shares to the value of R21 million were purchased for shareholder-approved share incentive schemes.

[8] Shares amounting to R6 million relating to the forfeitable share scheme were settled. In addition, R11 million relating to the 2018 retention share scheme were also settled.

[9] This amount relates to changes in non-controlling interests following the disposal of the group's Zambian and Ugandan operations.

Summary consolidated segmental income and profit analysis

For the year ended 31 March 2020

Rm	Retirements Consulting 2020	Retirements Consulting Restated 2019[1]	Healthcare Consulting 2020	Healthcare Consulting Restated 2019[1]	Investments 2020	Investments Restated 2019[1]	Individual Clients Consulting 2020	Individual Clients Consulting Restated 2019[1]	Multinational Consulting 2020	Multinational Consulting Restated 2019[1]	Total Consulting 2020	Total Consulting Restated 2019[1]	IP&E 2020	IP&E Restated 2019[1]	CSBO 2020	CSBO Restated 2019[1]	Group Total 2020	Group Total Restated 2019[1]
Continuing operations																		
Fee and commission revenue	908	943	289	269	1 909	1 948	640	622	276	262	4 022	4 044	–	–	–	14	4 022	4 058
Fee and commission expenses	(13)	(13)	–	(2)	(636)	(691)	(198)	(192)	(22)	(24)	(869)	(922)	–	–	–	–	(869)	(922)
Operating income net of direct expenses	**895**	**930**	**289**	**267**	**1 273**	**1 257**	**442**	**430**	**254**	**238**	**3 153**	**3 122**	**–**	**–**	**–**	**14**	**3 153**	**3 136**
Other income	–	–	–	–	–	–	–	–	–	–	–	–	–	–	46	–	46	–
Operating expenses	(850)	(866)	(232)	(224)	(841)	(905)	(395)	(406)	(244)	(232)	(2 562)	(2 633)	–	–	43	178	(2 519)	(2 455)
Operating expenses before recoveries	(212)	(195)	(108)	(104)	(76)	(60)	(161)	(183)	(209)	(208)	(766)	(750)	(170)	(108)	(1 679)	(1 789)	(2 615)	(2 647)
Recoveries from IP&E	(13)	(15)	(16)	(9)	(124)	(78)	(14)	(5)	(3)	(1)	(170)	(108)	170	108	–	–	–	–
Recoveries from CSBO	(625)	(656)	(108)	(111)	(641)	(767)	(220)	(218)	(32)	(23)	(1 626)	(1 775)	–	–	1 626	1 775	–	–
Recoveries from discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	96	192	96	192
Normalised profit from operations before non-trading and capital items	**45**	**64**	**57**	**43**	**432**	**352**	**47**	**24**	**10**	**6**	**591**	**489**	**–**	**–**	**89**	**192**	**680**	**681**
Normalised non-trading and capital items	–	(3)	–	–	–	–	–	–	(3)	1	(3)	(2)	–	–	(25)	(198)	(28)	(200)
Normalised operating profit	**45**	**61**	**57**	**43**	**432**	**352**	**47**	**24**	**7**	**7**	**588**	**487**	**–**	**–**	**64**	**(6)**	**652**	**481**
Normalised investment income	10	39	1	2	4	11	9	8	2	1	26	61	–	–	132	131	158	192
Normalised finance cost	–	(5)	(31)	(34)	–	(11)	(15)	(16)	–	–	(46)	(66)	–	–	(23)	(23)	(69)	(89)
Normalised profit before taxation	**55**	**95**	**27**	**11**	**436**	**352**	**41**	**16**	**9**	**8**	**568**	**482**	**–**	**–**	**173**	**102**	**741**	**584**
Normalised income tax expense	(20)	(41)	(10)	(5)	(159)	(150)	(15)	(7)	(3)	(3)	(207)	(206)	–	–	(63)	(43)	(270)	(249)
Normalised profit for the year from continuing operations	**35**	**54**	**17**	**6**	**277**	**202**	**26**	**9**	**6**	**5**	**361**	**276**	**–**	**–**	**110**	**59**	**471**	**335**
Normalised profit from discontinued operations (net of tax)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	809	69	809	69
Normalised profit for the year	**35**	**54**	**17**	**6**	**277**	**202**	**26**	**9**	**6**	**5**	**361**	**276**	**–**	**–**	**919**	**128**	**1 280**	**404**
Normalised adjustments	**(287)**	**–**	**(240)**	**–**	**–**	**–**	**(646)**	**–**	**(19)**	**(1)**	**(1 192)**	**(1)**	**–**	**–**	**(42)**	**(13)**	**(1 234)**	**(14)**
Accounting for property leases	–	–	–	–	–	–	–	–	–	(1)	–	(1)	–	–	3	2	3	1
Accounting for property leases – discontinued Operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	(1)	1	(1)
Amortisation of intangible assets arising from business combination	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(66)	(67)	(66)	(67)
Professional indemnity insurance cell-captive result	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3	36	3	36
Reported profit arising from accounting for policyholder investments in treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8	–	8
Investment income on behalf of policyholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3)	21	(3)	21
Goodwill and intangible assets arising from business combination written off	(287)	–	(240)	–	–	–	(646)	–	(19)	–	(1 192)	–	–	–	–	–	(1 192)	–
Tax effects on adjustments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	20	(12)	20	(12)
Profit for the year	**(252)**	**54**	**(223)**	**6**	**277**	**202**	**(620)**	**9**	**(13)**	**4**	**(831)**	**275**	**–**	**–**	**877**	**115**	**46**	**390**
Normalised basic earnings per share (cents)																	88.7	28.1
Normalised headline earnings per share (cents)																	38.7	45.0
Normalised weighted average number of shares in issue (millions)																	1 228	1 246

[1] *The prior year has been restated to align the segment report to the strategy change in accordance with IFRS 8 in addition to the retrospective adoption of IFRS 16 and effects of discontinued operations, refer to note 2 and note 9.*

Summary consolidated segmental income and profit analysis

continued

For the year ended 31 March 2020

During the year, the group revised its strategy and developed a future growth vision that entails providing best advice for clients and measurable client benefits, a pan-Africa solution, a focused business model and a capital-light operation. This required an operating model in which a client-centric, 'one-company' approach is strengthened through integration of different business lines.

The change in the operating structure and the reallocation of certain business lines have resulted in the restatement of the prior year's comparative figures. The segmental analysis above reflects the operating structure under which management currently reports.

Under the operating model, the business is segmented into three distinct platforms:

1. a client-facing team under the *Consulting* platform,
2. a hub for innovative solutions and product enablement under the *Investments, Product & Enablement* (IP&E) platform and
3. a joint platform for services, including fund administration and shared services under the *Client Services & Business Optimisation* (CSBO) platform.

The group's reportable segments under IFRS 8 are defined as follows:

Consulting

– this includes:

- **Retirements consulting** – this includes actuarial consulting, fund administration, consulting to standalone retirement funds, fund administration and consulting to umbrella retirement funds and beneficiary funds. This also includes revenue earned from clients where we earn fees only based on administration services
- **Healthcare consulting** – this includes healthcare actuarial and consulting
- **Investments** – this includes both individual and corporate client offerings of financial advice, administration and management of investments
- **Individual consulting** – this incorporates Financial Planning Consultants (FPCs), AF Individual Client Administration (AFICA), and AF Preservation Fund
- **Multinational consulting** – comprises consulting activities where we have physical offices in areas outside South Africa (Botswana, Namibia and the Channel Islands) and the consulting advice provided through the ARRIVE solution

In terms of IFRS 8 Operating segments support functions would generally not be operating segments as the revenues earned and expenses incurred are only incidental to the entity's business. These activities only arise to support the main business units.

The IP&E and CSBO platforms are not segments as defined, however, financial information relating to these platforms is regularly reviewed by management.

Investments, products & enablement

– which comprise the investment management team, research & best practice academy, product management and other strategic units such as strategic insights, chief economist, digital analytics and client costs of this platform are allocated to the segmented business units above in the group's segmental reporting.

Client services & business optimisation

– this includes our operations, technology and shared services units. The costs of this platform are allocated to the segmented business units above in the group's segmental reporting. Each reportable segment includes the direct operating expenses related to the segment. The direct operating expenses for the IP&E and CSBO platforms are allocated to reportable segments using various allocation methods specific to the actual costs:

Direct recoveries include:

- Cost for administration services for administering funds in the Retirement Consulting business.
- IT costs directly attributable to the segments, including software licence fees, hardware and depreciation. Part of these costs have been allocated based on headcount.
- Premises costs directly related to space used that are allocated based on square metres occupied.

Apportioned recoveries based on trading profit include:

- IP&E costs related to product enablement, research and development.
- Other shared services functions including human resources, finance, compliance, internal audit, legal, marketing and corporate.

Summary consolidated segmental income and profit analysis

continued

For the year ended 31 March 2020

Normalised segmental results

The group's segmental results 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 and write off 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 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

For the year ended 31 March 2020

1. Basis of preparation

The summary consolidated results of Alexander Forbes Group Holdings Limited (the group) for the year ended 31 March 2020 include the income statement, statement of other comprehensive income, statement of financial position, statement of cash flows and the statement of changes in equity.

These results are prepared in accordance with, and comply with, the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), interpretations issued by the IFRS Interpretations Committee of the IASB, the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act applicable to summary consolidated 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 rand, which is the presentation currency of the group. All amounts are stated in millions of Rand (Rm), unless indicated otherwise.

The accounting policies applied in the preparation of these condensed consolidated financial results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous audited consolidated annual financial statements, except for the following standards, amendments and interpretations that have been adopted by the group for the first time in the current period. The adoption of these amendments did not have a significant impact on the current period or any prior period and are not likely to affect future periods except for IFRS 16 *Leases*.

The group has, as permitted by IFRS 16, elected to restate its comparative financial statements. The impact of adopting IFRS 16 has been applied using the full retrospective approach with an adjustment to the group's 31 March 2019 and 31 March 2018 previously reported results.

Standards, amendments and interpretations effective in 2020

The following standards, amendments and interpretations have been adopted by the group for the first time for the financial year ended 31 March 2020. The adoption of these amendments did not have a significant impact on the current period or any prior period except for IFRS 16 Leases.

Effective date	Standard, amendment or interpretation
1 January 2019	IFRS 16 *Leases*
	Amendments to IFRS 9, Financial instruments – Prepayment features with negative compensation
	Amendments to IAS 28, Investments in associates Long term interests in associates and joint ventures
	Amendments to IAS 19, Employee benefits – Plan amendment, curtailment or settlement IFRIC 23, Uncertainty over income tax
	Annual Improvements to IFRS standards 2015-2017 cycle

2. Changes in significant accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior years under the predecessor standard, IAS 17 Leases. A number of other new amendments to standards and interpretations are also effective from 1 January 2019 but they did not affect the group's previously reported financial results, disclosures or accounting policies and did not impact the group's results upon transition.

2.1 IFRS 16 *Leases*

IFRS 16 is mandatory for accounting periods beginning on or after 1 January 2019 and the group has applied the standard under the full retrospective approach, using the practical expedient to not separate contracts into lease and non-lease components. Accordingly, the information presented for prior periods has been restated. The effect of initially applying this standard has resulted in an increase in property and equipment, and liabilities at 1 April 2019.

The main principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on the balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, as was required by IAS 17, and introduces a single lessee accounting model, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is, or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease continues to be applied to leases entered or modified before 1 April 2019. For short-term leases (lease term of 12 months or less) and leases of low-value assets (namely, office equipment and office furniture), the group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The restatement of prior periods for IFRS 16 has resulted in an increase in total assets of R650 million as at 31 March 2019 (2018: R832 million) accompanied with an increase in total liabilities of R756 million (2018: R940 million). The IAS 17 straight-lining balance of R199 million at March 2019 was reversed out and the accompanying deferred tax of R56 million restated.

Summary notes continued

For the year ended 31 March 2020

Previously under IAS 17 the group classified lease payments as cash generated from operations in operating activities. With the adoption of IFRS 16 the group has recognised lease payments as financing activities for the capital portion and operating activities for the interest portion. This resulted in a restatement of the cash flows for the year ending March 2019 with an increase in cash generated from operations of R178 million accompanied by a corresponding increase in cash outflows from financing activities amounting to R114 million.

The group's lease portfolio consists of premises leased by the group which have various contractual terms ranging from 2 to 14 years. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. As the group has adopted the full retrospective approach, the borrowing rate applied is the one applicable at inception of each lease contract. The lease liability relating to the head office building accounts for 83% of the group's lease liabilities and is discounted at an incremental borrowing rate of 8.4%. The remainder of the leases liabilities are discounted at their respective incremental borrowing rates which vary from 3% – 14%, due to the multiple jurisdictions the group operates within.

A right-of-use asset is recognised at the amount of the lease liability, adjusted for any payments made in advance of lease commencement, and depreciated on a straight-line basis over the lower of the lease term or the useful life of the right-of-use asset. The depreciation on the right-of-use asset and the finance cost on the lease liability are presented separately in the income statement thereby replacing the previously recognised single expense (operating lease charges).

IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as a lessor are not different from those under IAS 17. The classification of the group's subleases has not changed on reassessment and transition to IFRS 16.

The table below sets out the impact of IFRS 16 on the comparative period income statement for the year ended 31 March 2019.

2.2 Impact on group income statement for the year ended 31 March 2019

Rm	Previously reported 2019	IFRS 16 Adjustment	Discontinued operations[1]	Restated 2019
Operating expenses	(2 458)	76	–	(2 382)
Rent expense reversal	–	178	–	178
Lease modification	–	6	–	6
Depreciation	–	(111)	–	(111)
Straight-lining reversal	–	3	–	3
Operating expenses excluding IFRS 16	(2 458)	–	–	
Profit from operations before non-trading and capital items	**678**	**76**	**–**	**754**
Operating profit	**447**	**76**	**–**	**523**
Finance costs	(89)	(72)	–	(161)
Share of net loss of associates (net of income tax)	(4)	–	4	–
Profit before taxation	**575**	**4**	**4**	**583**
Income tax expense	(238)	(2)	–	(240)
Profit for the year from continuing operations	**316**	**2**	**4**	**322**
Discontinued operations				
Profit/(loss) on discontinued operations (net of income tax)	72	–	(4)	68
Accumulated profit for the year	**388**	**2**	**–**	**390**

[1] *Refer to note 9.*

Summary notes continued

For the year ended 31 March 2020

For the purpose of comparison, the consolidated financial statements for the year ended 31 March 2020 have been restated. The adjusted balance sheet as at 31 March 2018 and 31 March 2019 is also presented. The impact of IFRS 16 is summarised hereafter:

2.3 Impact on group statement of financial position at 31 March 2019 and 1 April 2018

Rm	Previously reported 2019	Adjustments	Restated 2019	Previously reported 2018	Adjustments	Restated 2018
Assets						
Property and equipment	139	592	731	174	790	964
Deferred tax assets	200	38	238	175	42	217
Insurance receivables	–	–	–	1 339	(325)[1]	1 014
Assets and disposal groups classified as held for sale	3 500	(316)[2]	3 184	82	–	82
Equity and liabilities						
Accumulated profit/(loss)	(64)	(106)	61	(61)	(108)	(169)
Lease liabilities	199	734	933	248	940	1 188
Insurance payables	1 689	–	1 689	3 572	(325)[1]	3 247
Liabilities of disposal group classified as held for sale	2 485	(314)[2]	2 171	14	–	14

[1] *Restatement to correct prior period error of R325 million relating to insurance receivable and reinsurance payable balances not correctly eliminated. Refer to note 9.5.*

[2] *Included in this adjustment is a correction of R336 million relating to insurance receivable and reinsurance payable balances not correctly eliminated in 2019. Refer to note 9.5.*

The table below sets out the impact of IFRS 16 on the comparative period statement of cash flows for the year ended 31 March 2019.

2.4 Impact on group statement of cash flows for the year ended 31 March 2019

Rm	Previously reported 2019	IFRS 16 Adjustment	Discontinued operations[1]	Restated 2019
Cash flows from operating activities				
Cash generated from operations	821	178	4	1 003
Finance costs paid on property leases	–	(72)	–	(72)
Cash flows from operating activities - discontinued operations	292	8	(4)	296
Other cash flows from operating activities	(1 129)	–	–	(1 129)
Net cash inflow/(outflow) from operating activities	**(2 048)**	**114**	**–**	**(1 934)**
Cash flows from investing activities				
Payments to investment in associate	(23)	–	23	–
Cash flows from investing activities - discontinued operations	(6)	–	(23)	(29)
Net cash (outflow)/inflow from investing activities	**(29)**	–	–	**(29)**
Cash flows from financing activities				
Payments of lease liabilities	(51)	(106)	–	(157)
Cash flows from financing activities - discontinued operations	–	(8)	–	(8)
Net cash outflow from financing activities	**(176)**	**(114)**		**(290)**

[1] *Refer to note 9.*

Summary notes continued

For the year ended 31 March 2020

3. 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.

	Retirements consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Other		Total	
Rm	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019[1]
Revenue by type														
Consulting and advice fees	175	168	53	52	32	31	496	494	109	103	–	14	865	862
Administration fees	658	696	–	–	–	–	144	128	130	122	–	–	932	946
Commission	75	79	236	217	–	–	–	–	11	9	–	–	322	305
Investment management fees	–	–	–	–	1 877	1 917	–	–	26	28	–	–	1 903	1 945
Total	**908**	**943**	**289**	**269**	**1 909**	**1 948**	**640**	**622**	**276**	**262**	**–**	**14**	**4 022**	**4 058**
Revenue by region														
South Africa	908	943	289	269	1 909	1 948	640	622	–	–	–	14	3 746	3 796
Namibia	–	–	–	–	–	–	–	–	108	106	–	–	108	106
Botswana	–	–	–	–	–	–	–	–	102	92	–	–	102	92
Jersey and Channel Islands	–	–	–	–	–	–	–	–	58	58	–	–	58	58
Other	–	–	–	–	–	–	–	–	8	6	–	–	8	6
Total	**908**	**943**	**289**	**269**	**1 909**	**1 948**	**640**	**622**	**276**	**262**	**–**	**14**	**4 022**	**4 058**
Timing of revenue recognition														
Products transferred at a point in time	18	21	6	6	–	–	54	51	2	–	–	–	80	78
Services transferred over time	890	922	283	263	1 909	1 948	586	571	274	262	–	14	3 942	3 980
Total	**908**	**943**	**289**	**269**	**1 909**	**1 948**	**640**	**622**	**276**	**262**	**–**	**14**	**4 022**	**4 058**

[1] *Restated for the effects of discontinued operations. Refer to note 9.*

Summary notes continued

For the year ended 31 March 2020

4. Other income

Rm	2020	2019
Sub-rental income[1]	28	–
Technology fees[2]	18	–
	46	–

[1] The group sub-leases additional office space to third parties.

[2] Technology fees relate to IT support services rendered to an external third party. This third party historically formed part of the group and was disposed of in the current year.

5. Non-trading and capital items

Rm	2020	2019
Goodwill written off[1]	(1 145)	–
Intangibles assets arising from business combinations written off[2]	(47)	–
Professional indemnity insurance cell-captive result	3	36
Amortisation of intangible assets arising from business combination	(66)	(67)
Costs relating to strategic consulting engagement	(3)	(34)
Software written off[3]	(26)	(150)
Other	1	(16)
	(1 283)	(231)

[1] The group's goodwill balance is evaluated for impairment on an annual basis. In the current year analysis, as a result of the COVID-19 pandemic and related economic impact, Alexander Forbes conducted an own risk and solvency assessment (ORSA). The scenarios analysis testing as part of the ORSA was used for the purposes of the goodwill impairment testing relating to the individual, retirements, healthcare and multinational consulting cash generating units (CGUs). Despite the solvency assessment indicating that Alexander Forbes remains sufficiently solvent, the reduced operating income which is theoretically projected under each scenario resulted in lower projected cash flows from each CGU. Across each of the respective CGUs, which have lower margins, the impact on the value in use was such that the goodwill balances were not supported and indicated impairment. The board decided to write off goodwill amounting to R1 145 million in relation to CGUs noted above. The CGUs to which goodwill was previously allocated were reorganised to align to the group's revised operating segments under the target operating model. The impact of this reorganisation resulted in R228 million goodwill being reallocated out of the previous consulting and retirements CGU into the healthcare consulting CGU.

[2] Customer lists and trade names amounting to R47 million arising from the 2007 private equity transaction were written off in the year.

[3] Software in development amounting to R26 million was written off in the current year. The prior year write off resulted from a thorough review of the strategic roadmap and related projects within the IT programme by management and the termination of the contract with the primary implementation partner.

6. Investment income

Rm	2020	2019
General operations		
Interest income	148	178
Investment and dividend income	10	14
	158	192
Multi-manager operations		
Investment (loss)/income linked to policyholder tax expense	(3)	21
	155	213

7. Finance costs[1]

Rm	2020	2019[1]
Interest on revolving credit facility[2]	(54)	(59)
Finance costs on lease liabilities	(74)	(72)
Net hedging costs	(1)	(7)
Other interest	(14)	(23)
	(143)	(161)

[1] Restated for the retrospective adoption of IFRS 16 and effects of discontinued operations, refer to note 2 and note 9.

[2] A repayment of R614 million was made against the revolving credit facility (RCF) in the second half of the financial year. The remaining balance on the RCF was settled subsequent to year end, refer to note 15.

Summary notes continued

For the year ended 31 March 2020

8. Income tax expense

Rm	2020	2019[1]
South African income tax		
Current tax	(238)	(281)
Current year	(240)	(281)
Prior year	2	–
Deferred tax	11	67
Current year	18	66
Prior year	(7)	1
Foreign income tax		
Current tax	(17)	(14)
Current year	(17)	(14)
Foreign withholding tax	(5)	(4)
Securities Transfer Tax	(4)	(8)
Tax attributable to policyholders	3	(21)
Current tax – current year	(7)	(7)
Deferred tax – current year	10	(14)
	(250)	(261)

[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 subscale African operations. The insurance operations of the group (both short-term insurance and group risk) as well as subscale African operations were classified as discontinued operations in the prior period. Management decided to exit the associate arrangement with KIN Digital (a fintech start-up aimed at providing a social interface directed at cost sharing arrangements) in the current period. The results of operations of the discontinued entities are reported separately in the income statement with the prior year also being restated.

Sale of businesses The group finalised the sale of the short-term insurance business in South Africa to Momentum Metropolitan Holdings Limited. The sale was concluded on 31 January 2020 and resulted in proceeds of R2 038 million. The Alexander Forbes East Africa business unit which was classified as a discontinued operation in prior years was disposed last year for a profit of R56 million, refer to note 9.3.

Other discontinued operations and asset held for sale KIN Digital was classified as held for sale and remeasured to fair value less cost to sell resulting in a loss of R44 million. Subsequent to year end the group disposed of KIN Digital at carrying value. The remaining operations classified as discontinued operations in 2019 are:

- the Namibian short-term insurance business – the group announced the disposal of this business in Namibia on 14 April 2020. The transaction remains subject to certain conditions precedent and is expected to be concluded in the first half of the new financial year. Refer to note 15.1. The prior years' assets and liabilities of this group has been restated, this change had no impact on the net asset value, results of operations or retained earnings of the operations. Details of this error are included in note 9.5.
- the group risk insurance operations which were classified as discontinued in the prior – a binding offer was received prior to year-end, however both parties mutually agreed to place the transaction on hold due to the market disruption caused by the COVID-19 pandemic. The group intends to continue with the disposal process which is anticipated for the latter part of 2020, should economic conditions improve.

Summary notes continued

For the year ended 31 March 2020

9. Discontinued operations continued

9.1 Net profit of business units discontinued up to date of disposal

Rm	Notes	2020	2019[1]
Fee and commission revenue		17	79
Insurance revenue		2 661	2 716
Interest revenue – effective interest method		75	53
Total revenue[2]		**2 753**	**2 848**
Fee and commission expenses		(90)	(103)
Insurance claims, commissions and withdrawals		(1 964)	(1 859)
Net expenses from reinsurance contracts		(152)	(159)
Operating income net of direct expenses[2]		**547**	**727**
Operating expenses		(406)	(497)
Less: operating expenses relating to previously discontinued operations		3	7
Profit from operations before non-trading and capital items		**144**	**237**
Add: loss from operations before non trading and capital items from previously discontinued operations		(3)	(7)
Non-trading and capital items	9.2	(142)	(149)
Operating profit		**(1)**	**81**
Investment income		41	18
Finance costs		(3)	(2)
Share of net loss of associates (net of income tax)		(7)	(4)
Profit before tax		**30**	**93**
Income tax expense		(83)	(81)
(Loss)/profit for the year from discontinued operations		**(53)**	**12**
Profit on disposal of subsidiaries and associate[3]		863	56
Total profit from discontinued operations		**810**	**68**
Profit attributable to:			
Owners of the company		676	63
Non-controlling interest		134	5
		810	**68**

[1] The comperative has been restated following management's decision to exit the assosiate arrangement in KIN Digital.

[2] Excluding previously discontinued operations relating to the group's multinational operations.

[3] Profit on disposal of subsidiary and associates comprises R861 million relating to the disposal AF Insurance and R2 million from the disposal of the interest in Zambia and Uganda.

9.2 Non-trading and capital items

Rm	2020	2019[1]
IFRS 5 impairments	(106)	–
KIN digital	(44)	–
Short-term insurance business in Namibia	(62)	–
Software written off	–	(140)
Corporate activity costs on discontinued operations	(6)	–
Costs related to proposed client settlement – enhanced transfer values[1]	(122)	(122)
Reimbursement related to historical client settlement – enhanced transfer values[1]	92	122
Other	–	(9)
	(142)	**(149)**

[1] The enhanced transfer value (ETV) matter, which has been disclosed in prior years, is being reviewed by a foreign regulator in respect of a legacy subsidiary business that had been sold inclusive of certain warrantees. The liability for the potential claim is calculated using certain assumptions based on a sample of the total number of cases that may require redress. During the current year the process for investigating and establishing the right course of action for each case has progressed. The assumptions used for the estimated liability have been modified according to the additional information available.

Summary notes continued

For the year ended 31 March 2020

9. Discontinued operations continued

9.3 Disposal of subsidiaries

Rm	2020	Restated 2019
Carrying value of net assets sold	(384)	(70)
Non-controlling interest	–	34
Goodwill disposed of	(445)	–
Foreign currency translation reserve of disposed entities	–	21
Carrying value disposed of	(829)	(15)
Gross proceeds on disposal	2 043	74
Taxes paid – STT and CGT	(314)	–
Other direct costs to sell	(37)	(3)
Profit on disposal of subsidiary	**863**	**56**
Net proceeds on disposal	1 729	71
Less: Proceeds receivable	–	(41)
Net consideration received in cash	1 729	30
Cash and cash equivalents disposed of	(611)	(15)
Net cash inflow	**1 118**	**15**

9.4 Assets and liabilities of disposal groups classified as held for sale

Rm	2020	Restated 2019
Assets of insurance cell-captives	734	555
Long-term assets	3	34
Goodwill	–	501
Deferred tax asset	1	6
Insurance receivables	1 047	1 128
Trade and other receivables	10	22
Cash and cash equivalents	490	938
Total assets	**2 285**	**3 184**
Liabilities of insurance cell-captives	734	555
Insurance payables	1 308	1 436
Deferred tax liabilities	1	1
Provisions – non-current	6	20
Lease liability	–	22
Taxation payables	8	21
Trade and other payables	71	116
Total liabilities	**2 128**	**2 171**
Total equity	**157**	**1 013**

Summary notes continued

For the year ended 31 March 2020

9. Discontinued operations continued

9.5 Restatement of comparative information

In the current year, the group identified an error in the accounting of insurance receivables and insurance payables relating to reinsurance of its short-term insurance business in Namibia. The insurance receivable and reinsurance payable balances were not correctly eliminated when the payments to the reinsurer are "net" settled. Therefore, both balances are overstated equally. In assessing whether the identified adjustment should be processed as a prior period error or recognised in the current period, management considered whether the facts that gave rise to the adjustment existed in prior years, or whether those events only arose due to information that came to light in the current year. The identified error has been corrected by retrospective restatement of the earliest reported period, 31 March 2018. The correction has no impact on retained earnings, cash flows and basic and diluted earnings per share.

The error has been corrected by restating each financial statement line item for the prior period as follows:

Impact on the statement of financial position[1]

Rm	Previously reported 2019	Correction of error	Restated 2019	Previously reported 2018	Correction of error	Restated 2018
Insurance receivables	–	–	–	1 339	(325)	1 014
Assets of disposal group classified as held for sale	3 500	(336)	3 164	82	–	82
Total assets	**3 500**	**(336)**	**3 164**	**1 421**	**(325)**	**1 096**
Insurance payables	1 689	–	1 689	3 572	(325)	3 247
Liabilities of disposal group classified as held for sale	2 485	(336)	2 149	14	–	14
Total liabilities	**4 174**	**(336)**	**3 838**	**3 586**	**(325)**	**3 261**

[1] *The correction excludes effects of IFRS 16 retrospective adoption. Refer to note 2.2.*

Summary notes continued

For the year ended 31 March 2020

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 1/2019 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.

10.5 Number of shares

Millions	2020	2019
Weighted average number of shares	1 310	1 341
Weighted average shares held by policyholders classified as treasury shares	(6)	(9)
Weighted average treasury shares	(82)	(95)
Weighted average number of shares in issue (net of treasury shares)	1 222	1 237
Dilutive shares	27	14
Diluted weighted average number of shares	1 249	1 251
Actual number of shares in issue	1 288	1 341
Actual treasury shares	(70)	(118)
Shares in issue net of treasury shares	1 218	1 223
Normalised number of shares		
Weighted average number of shares in issue	1 222	1 237
Shares held by policyholders classified as treasury shares	6	9
Normalised number of shares in issue	1 228	1 246

Summary notes continued

For the year ended 31 March 2020

10. Earnings per share continued

10.6 Calculation of basic and headline earnings from total operations (Rm)

Rm		2020	2019[1]
(Loss)/profit attributable to owners of the company		(145)	336
Adjusting items:			
Goodwill written off – continuing operations		1 145	–
Intangible assets arising from business combinations – continuing operations		47	–
Software written off – continuing operations		26	150
Software written off – discontinued operations		–	140
Profit on disposal of subsidiaries – discontinued operations		(863)	(56)
IFRS 5 impairment – KIN digital – discontinued operations		44	–
IFRS 5 impairment – short-term insurance business in Namibia – discontinued operations		62	–
Tax and non-controlling interest impact on above items		117	(23)
Headline earnings for the year		**433**	**547**
Earnings per share from total operations[2]			
Basic (loss)/earnings per share	(cents)	(11.8)	27.2
Headline earnings per share	(cents)	35.4	44.2
Diluted basic (loss)/earnings per share	(cents)	(11.8)	26.9
Diluted headline earnings per share	(cents)	34.7	43.7

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 group has issued shares to African Rainbow Capital subsequent to year end, refer to note 15.2. 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)

Rm		2020	2019[1]
Normalised profit for the year per the group segmental income and profit analysis		1 280	404
Profit attributable to non controlling interests		(191)	(54)
Normalised profit attributable to owners of the company		**1 089**	**350**
Adjusting items:			
Software written off – continuing operations		26	150
Software written off – discontinued operations		–	140
Profit on disposal of subsidiaries – discontinued operations		(863)	(56)
IFRS 5 impairment – KIN digital – discontinued operations		44	–
IFRS 5 impairment – short-term insurance business in Namibia – discontinued operations		62	–
Tax and non-controlling interest impact on above items		117	(23)
Normalised headline earnings for the year		**475**	**561**
Normalised earnings per share[2]			
Normalised basic earnings per share	(cents)	88.7	28.1
Normalised headline earnings per share	(cents)	38.7	45.0

[1] Restated for the retrospective adoption of IFRS 16 and effects of discontinued operations, refer to note 2 and note 9.
[2] Amounts computed using unrounded numbers.

Summary notes continued

For the year ended 31 March 2020

10. Earnings per share continued

10.8 Calculation of basic and headline earnings from continuing operations (Rm)

Rm		2020	2019[1]
(Loss)/profit after tax from continuing operations		(764)	322
Less: profit attributable to non controlling interests		(57)	(49)
(Loss)/profit attributable to owners of the company		**(821)**	**273**
Adjusting items:			
Goodwill written off		1 145	–
Intangible assets arising from business combination written off		47	–
Software written off		26	150
Tax and non-controlling interest impact on above items		(3)	(15)
Headline earnings from continuing operations		**394**	**408**
Earnings per share from continuing operations[2]			
Basic (loss)/earnings per share from continuing operations	(cents)	(67.1)	22.1
Headline earnings per share from continuing operations	(cents)	32.2	32.9
Diluted basic (loss)/earnings per share from continuing operations	(cents)	(67.1)	21.9
Diluted headline earnings per share from continuing operations	(cents)	31.6	32.6

10.9 Calculation of basic and headline earnings from discontinued operations (Rm)

Rm		2020	2019[1]
Profit after tax from discontinued operations		810	68
Less: profit attributable to non controlling interests		(134)	(5)
Profit from discontinued operations attributable to owners of the company		**676**	**63**
Adjusting items:			
Profit on disposal of subsidiaries		(863)	(56)
IFRS 5 impairment – KIN digital		44	–
IFRS 5 impairment – short-term insurance business in Namibia		62	–
Software written off		–	140
Tax and non-controlling interest impact on above items		120	(8)
Headline earnings from discontinued operations		**39**	**139**
Earnings per share from discontinued operations[2]			
Basic earnings per share from discontinued operations	(cents)	55.3	5.1
Headline earnings per share from discontinued operations	(cents)	3.2	11.3
Diluted basic earnings per share from discontinued operations	(cents)	54.1	5.0
Diluted headline earnings per share from discontinued operations	(cents)	3.1	11.1

[1] Restated for the retrospective adoption of IFRS 16 and effects of discontinued operations, refer to note 2 and note 9.
[2] Amounts computed using unrounded numbers.

Summary notes continued

For the year ended 31 March 2020

11. 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 of Rnil (2019: R8 million) 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	2020	2019
Total financial assets held under multi-manager investment contracts (per statement of financial position)	272 585	299 852
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	41	47
Financial effects of accounting for policyholder investments as treasury shares – prior year	(14)	(6)
– current year	–	(8)
Total financial liabilities held for policyholders under multi-manager investment contracts	**272 612**	**299 885**

12. Financial assets

Rm	2020	2019
Non-current financial assets	50	49
Current financial assets	45	59
	95	**108**
Financial assets designated at fair value through profit and loss	46	59
Financial assets classified at amortised cost	36	36
Financial assets designated as fair value through other comprehensive income	13	13
	95	**108**

Summary notes continued

For the year ended 31 March 2020

13. Financial risk management and financial instruments

13.1 Financial risk factors

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

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 2020.

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

13.2 Liquidity risk

Compared to the 31 March 2019 year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

13.3 Exchange rate risk

Certain transactions of the group occur in foreign currencies. In the current year the most significant foreign currency is the Great British pound. These transactions have been translated using the exchange rates below. Other less material foreign subsidiaries have been translated to rand in line with IAS 21 The Effects of Changes in Foreign Exchange Rates, using the weighted average rates for income statement items and the closing rates for items in the statement of financial position.

Rm	2020	2019
Weighted average rate (rand:sterling)	18.3	18.5
Closing rate (rand:sterling)	22.1	18.8

13.4 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).

Summary notes continued

For the year ended 31 March 2020

13. Financial risk management and financial instruments continued

13.4 Fair value hierarchy continued

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

Rm	Level 1	Level 2	Level 3	Total
2020				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	156 142	108 768	7 675	272 585
General operations	–	1 089	13	1 102
Total financial assets measured at fair value	**156 142**	**109 857**	**7 688**	**273 687**
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	265 386	7 226	272 612
Total financial liabilities measured at fair value	**–**	**265 386**	**7 226**	**272 612**
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 measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	292 841	7 044	299 885
Total financial liabilities measured at fair value	**–**	**292 841**	**7 044**	**299 885**

Transfers between Levels 1 and 2

Movements in financial assets associated with multi-manager investment contracts and cell-captive insurance 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 period under review.

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	Peer valuation multiples	Last exchange traded price and liquidity discounts
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

Summary notes continued

For the year ended 31 March 2020

13. Financial risk management and financial instruments continued

13.5 Valuation methods and assumptions for valuation techniques

There were no changes in the valuation methods and assumptions for valuation techniques since 31 March 2019. 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 2020.

13.6 Fair value of financial assets and financial liabilities are 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 and borrowings.

14. Contingencies

In the conduct of its ordinary course of business the group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims eventuating, that the group has adequate insurance programmes and provisions in place to meet such claims.

14.1 Client settlements arising from historical business practices - bulking

The bulking matter has been disclosed in prior years and reference can be made to previously published financial statements. As of the date of these financial statements most clients and past clients have accepted settlement offers and the necessary payments have been made. The group continues to make progress with settlement payments to remaining clients which now mainly consist of closed and liquidated funds.

14.2 AFFS Botswana: Botswana Public Officers Pension Fund penalty interest levied by the Botswana Unified Revenue Service (BURS)

In September 2019, the group became aware of a tax matter relating to penalty interest levied by BURS against a former client for alleged late remission of tax on pension fund payouts. As at reporting date, the group was unable to determine the amount of the alleged penalty interest. Furthermore, the group is reviewing the compliance status of the remaining funds administered by AFFS Botswana.

14.3 Penalties for the late submission of fund annual financial statements

The group operates in a regulatory environment and is subject to the required timeframes that are set out in those regulations. In certain instances delays in administrative processes may give rise to regulatory fines if these timeframes are not met, specifically if there are no extenuating circumstances that give rise to the delay. In particular, the group may be subject to fines for late submissions of fund valuations, financial statements and for delays in processing section 14 transfers between funds. The group is committed to compliance with applicable laws and regulations, however there are a number of late submissions which largely relate to closing and liquidating funds. Significant progress has been made in resolving these outstanding submissions and to improving the workflow processes in order to achieve full compliance. To date no fines have been levied by the regulator.

15. Events occurring after reporting period

15.1 Sale of Alexander Forbes Insurance Company Namibia

On 14 April 2020, the group entered into a binding agreement with Momentum Short Term Insurance (Namibia) Limited, a subsidiary of Momentum Metropolitan Holdings Limited, for the sale of Alexander Forbes Insurance Company Namibia Limited. This transaction is awaiting regulatory and Competition Commission approval and is anticipated to close in the first half of the new financial year. The business was classified as a discontinued operation in the group financial statements for the year ended 31 March 2019. This is in line with the previously announced intention to dispose of the group's insurance cluster and further delivering on the implementation of the advice-led and capital-light strategy.

15.2 Shareholder reorganisation

On 5 May, ARC completed the acquisition of 198 000 000 ordinary shares from Mercer, following which Mercer decreased its shareholding to 15.6% and ARC increased its holding to 28.6%. At the general meeting of shareholders held on 31 March 2020, a requisite majority of independent shareholders approved a mandatory offer waiver resolution. Following the adoption of the mandatory offer waiver resolution, the Takeover Regulation Panel (TRP) granted a waiver exemption to ARC, exempting ARC from the obligation to make a mandatory offer to remaining shareholders.

The Company issued 118 019 747 ordinary shares to ARC comprising 4 336 492 treasury shares and a new listing of 113 683 255 ordinary shares on 13 May 2020. This transaction was concluded pursuant to an agreement between, the Company, Alexander Forbes Limited (AFL) and ARC on 28 September 2016 in terms of which ARC would exchange its 10% shareholding in AFL for shares in the Company (Flip-Up). This transaction was approved by shareholders on 20 January 2017. As a result of the Flip-Up, ARC has increased its holding in the Company to 35.1%. Mercer's holding has resultantly decreased to 14.3% of the issued ordinary shares.

15.3 Reinsurance recovery

At 31 March 2020, the long-term insurance business received notification of the repudiation of a claim submitted to one of its reinsurance providers. A provision for the repudiated amount is recorded in the operating income of discontinued insurance operations. On 18 May 2020, the group received notification of a settlement offer of R33 million from one of the reinsurance providers. The recovery amount of R33 million will be recorded in the 2021 financial year.

15.4 Repayment of Revolving Credit Facility (RCF)

The group repaid the outstanding balance of R101 million and cancelled the RCF subsequent to year end.

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
M Ramplin (Chair), RM Head, NG Payne, BJ Memela-Khambula, T Dloti

Non-executive directors
WS O'Regan, MR Nkadimeng

Executive directors
DJ de Villiers (Chief executive officer)
BP Bydawell (Chief financial officer)

Executive: Governance, legal and compliance (Company secretary)
CH Wessels

Investor relations
Z Amra

Registered office
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Transfer secretaries
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Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
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