FY 2021

Alexander Forbes Group Holdings Limited

unaudited interim results announcement and cash dividend declaration

for the six months ended 30 September 2020

ALEXANDERFORBES
Securing your financial well-being

Like 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, shareholders, the communities and economies in which we operate.

Contents

Salient features

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 governments and companies to reconsider their responses to the impact of the pandemic. Alexander Forbes welcomes the united concerted effort that has been made by government and business to find the balance between fighting this pandemic and the risk-adjusted strategy implemented to get the South African economy up and running again through the easing of lockdown restrictions.

Through turbulent and uncertain times, **Alexander Forbes has had to rethink and reimagine its business norm.** The past eight months have been characterised by a rapid transition to remote working, new virtual ways of engaging with our clients, and improved automation with a reduced impact on our environment through less travel and enhanced processes to facilitate a paperless environment.

It is a global executive challenge to continuously improve productivity and efficiency by adopting more agile ways of work. This cannot be achieved without a clear and focused people strategy. Alexander Forbes has invested in improved virtual training, productivity measurement and a commitment to transformation which will reflect positively on our results in the future.

Operating income from continuing operations at

R1 542 million

down 3% year on year

Performance impacted by the challenging economic environment.

Profit from continuing operations of

R382 million

down 5% year on year

owing to the decline in top-line growth and the impact of stranded costs[1] from the sale of the short-term insurance business in the prior year. **The continued focus on expense management helped contain growth in operating expenses to 2% year on year. Excluding the impact of stranded costs and the effect of the IFRS 16 lease adjustment, underlying operating expenses decreased 1% year on year.**

Headline earnings per share from continuing operations improved

6% to 18.8 cents

The decline in profit from operations was offset by a positive impact from the insurance cell-captive facility, lower interest expense and the impact of shares repurchased over the past 12 months.

Headline earnings per share for total operations of 14.5 cents declined 41% owing to the financial performance of the discontinued operations that have been impacted by:

- The reduced contribution of profit from discontinued operations resulting from the sale of the short-term insurance business.
- An amount of R78 million expensed through the income statement (31 March 2020: R30 million) owing to the increased liability for enhanced transfer value (ETV) claims that could not be matched by the insurance asset due to one insurer in the insurance programme not confirming insurance cover. The anticipated recovery from the specific insurer, in future years, will be recorded as income at that time.

Our capital position remains strong with a regulatory surplus of

R1 453 million

29.5% decrease from year-end

This is due to the payment of a special dividend in July 2020. **The group cover ratio of 2.08 times is well above the target SCR cover ratio of 1.5 times.**

The sale of the Namibian short-term insurance business to Momentum Metropolitan Holdings Namibia has been approved by the Namibian competition authorities and the local regulator. The transaction is expected to close by the end of this financial year. We are targeting to conclude the disposal of the group risk business by financial year-end.

Assets under administration (AuA) and assets under management (AuM)

increased 3% year on year to

R353 billion

(up 14% since 31 March 2020)

owing to higher market returns and an increase in new business flows during the period.

Alexander Forbes has shown its resilience and agility amidst persistently challenging trading conditions. We have responded to our clients' needs proactively, prioritised the safety and well-being of our people, continued to focus on cost containment and maintained sound capital management, while building a new business pipeline.

Interim dividend per share

declared of

13 cents (2019: 18 cents)

[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).*

DAWIE DE VILLIERS, Chief executive officer, says

'Despite the tough trading conditions that the business has faced over the past six months, the core business remains stable. Alexander Forbes proactively responded to clients' needs particularly during the Covid-19 pandemic by intensifying our engagement and ensuring that we continued to provide outstanding service and solutions, through our advice-led approach.

We remain confident in our advice-led strategy and believe that continued delivery against our objectives will reflect positively in the performance of the business over the medium-term.'

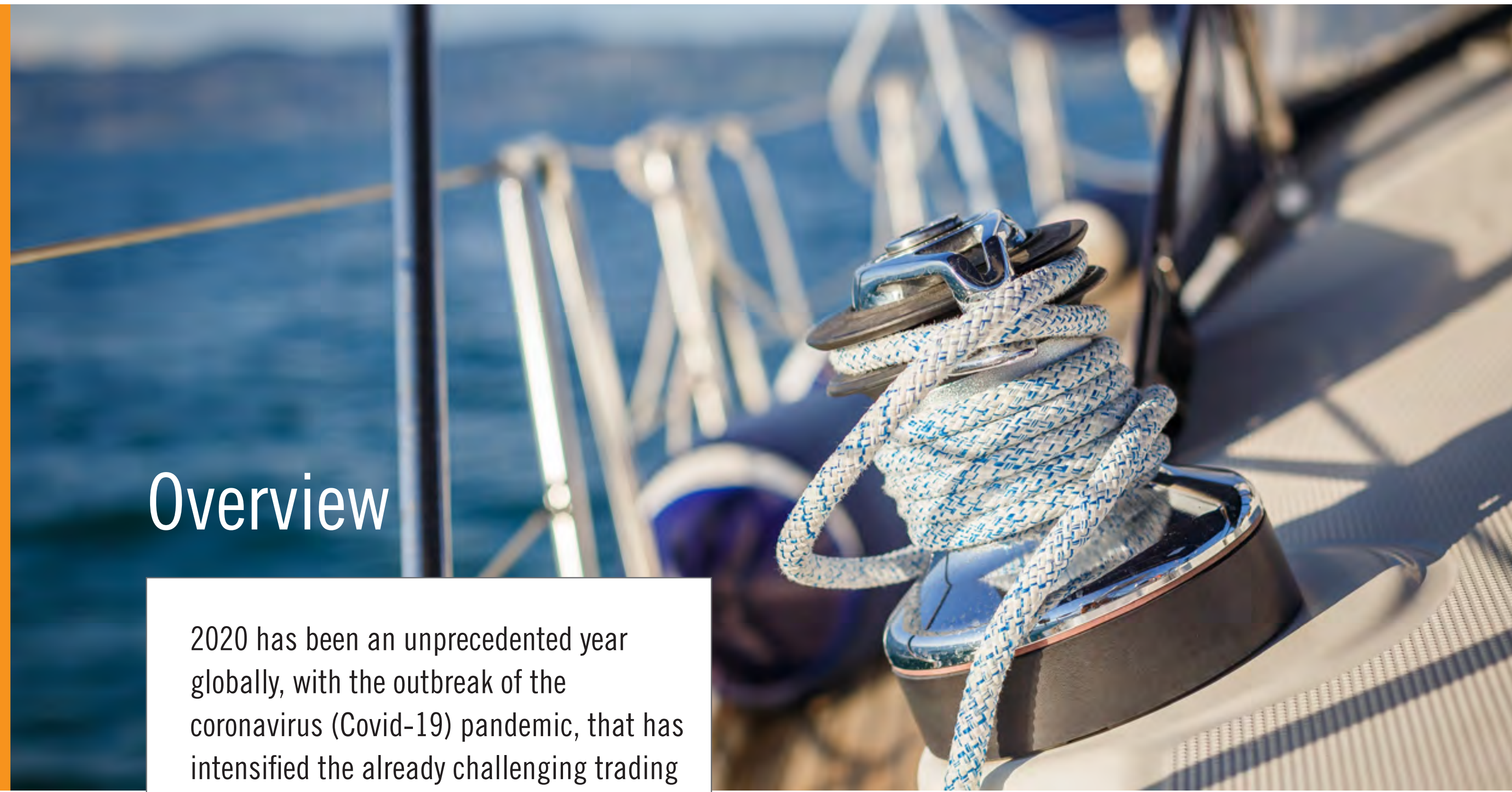
Financial highlights

For the six months ended 30 September (unaudited)

In millions of South African rands (Rm)	2020/2019 % change	2020	2019	2018
Continuing operations				
Operating income[1]	(3)	**1 542**	1 588	1 571
Profit from operations (before non-trading and capital items)	(5)	**382**	403	391
Cost-to-income ratio (percentage)[2]	60 bps	**75.2**	74.6	75.1
Profit for the period	–	**251**	250	53
Cash generated from operations	(31)	**335**	489	485
Basic earnings per share (cents)	5	**18.4**	17.5	2.8
Headline earnings per share (cents)	6	**18.8**	17.8	13.4
Closing AuA and AuM (in billions of South African rands)	3	**353**	344	371
Discontinued operations				
Operating income[1]	(83)	**66**	380	337
Profit from operations (before non-trading and capital items)	(88)	**17**	142	92
Total group				
Basic earnings/(loss) per share (cents)	(42)	**14.1**	24.2	(3.5)
Headline earnings per share (cents)	(41)	**14.5**	24.5	17.3
Normalised headline earnings per share (cents)	(49)	**13.9**	27.2	19.0
Interim dividend (cents per share)	(28)	**13.0**	18.0	18.0

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

[2] The cost-to-income ratio is calculated as the percentage of operating expenses (before non-trading and capital items), adjusted for other income, divided by operating income.



Overview

2020 has been an unprecedented year globally, with the outbreak of the coronavirus (Covid-19) pandemic, that has intensified the already challenging trading conditions in which Alexander Forbes has operated in the six months ended 30 September 2020. The hard lockdown in South Africa during April and May 2020 resulted in very limited business and economic activities apart from designated essential services. As a result, GDP contracted at an annualised rate of 51.0% in Q2 2020, marking the deepest quarterly contraction in history and extending the economic recession to a fourth quarter. At the same time, global and local markets experienced significant volatility, with the worst market crash in decades, followed by a rapid recovery as unprecedented stimulus measures were put in place and the fact that the largest companies globally benefited from the need for technology enablement. In South Africa, however, sovereign credit ratings downgrades still persist on the back of a stressed national fiscus.

The impact of the restrictions on economic activity was widespread, with output declining sharply in all key sectors. This led to significant impacts on our clients, some of whom have reduced salaries temporarily, some reduced contribution rates to retirement savings temporarily and in other cases retrenched their employees, which reflect in the unemployment statistics, the lingering effects of which will likely be felt in our business in the next 12 to 24 months.

Alexander Forbes has shown its resilience and agility in responding to these challenges. Amid this uncertainty we have responded to our clients' needs proactively, prioritised the safety and well-being of our people, continued to focus on cost containment and maintained sound capital management, while building a new business pipeline.

Through our business continuity strategy, we have moved with speed to create a new Alexander Forbes and new ways of working. We transitioned, early on, with most of our employees effectively working from home to deliver to our clients. Since the health and safety of our people is an imperative, we provided remote working and management toolkits to assist teams in working cohesively and effectively. Focus on physical and mental health and well-being was facilitated through fitness and wellness coaches, resilience workshops and increased engagement with healthcare professionals. Through these challenging times, we also proactively engaged regulators, directly or through industry bodies, to ensure good outcomes for our clients. Alexander Forbes also contributed to the Solidarity Fund and made funds available to our employees in distress.

With the hard lockdown imposed since the start of the period, we transitioned to virtual client engagements. We continue to serve our clients remotely and with the easing of lockdown restrictions since August 2020 we have a balance of virtual and face-to-face interactions, driven by our clients' preferences.

Despite the challenges brought about by Covid-19, our focus remained on our clients, ensuring their financial well-being. Our efforts were directed at developing solutions to alleviate their burden during this difficult time. Some of the relief afforded to clients include contribution holidays, advising individuals close to retirement on the best annuity options, facilitating a change in drawdown rates for clients in living annuities, assisting clients in taking advantage of improved annuity rates where appropriate as well as client switches to more conservative and diversified portfolios in AF Investments supported by a massive increase in client engagement.

This period also demonstrated the value of default investment strategies, ensuring that individuals are appropriately invested and avoid knee-jerk reactions during market volatility. The majority of our clients remained invested in their chosen default investment strategies.

We are pleased that we have been able to enhance our process management, meet our client service level agreements, monitored productivity and reported notable new business wins. We continue to receive positive feedback on our service levels which has been evidenced by positive client retention.

Although the reality of volatile markets will always be present, through our multi-manager investment strategy we are able to manage risk more effectively. This strategy aims to diversify asset management styles and investments across a broad opportunity set of traditional and alternative assets, both locally and globally.

Operating income reduced by 3% to R1 542 million for the period in difficult trading conditions, coupled with the impact of the structure change to the Alexander Forbes sponsored umbrella fund[1], partially offset by growth in multinational consulting (consulting solutions and advice to entities outside South Africa).

Cost containment continues to be an area of focus. During the period, growth in operating expenses was contained to 2% year on year (excluding the impact of stranded costs and the IFRS 16 lease adjustment, underlying operating expenses decreased 1% year on year). Investment is still required in areas of our business where efficiencies and operational excellence are critical. This means that we will carefully balance the need for investment through prioritisation of projects as well as carefully maintaining our cost-to-income ratio at acceptable levels.

Alexander Forbes continues to evaluate and assess select bolt-on acquisitive growth opportunities. We are pleased to report progress made with two acquisitions concluded (subject to certain conditions precedent). Although small, these acquisitions testify to the strengthening of our core businesses and the enhancement of our integrated advice-led value proposition.

[1] In the second half of the prior financial year, 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. The revenue impact of the structural change is that the group incurs the VAT charge on the administration and consulting fees earned from the privately administered umbrella funds, which it did not incur while operating as underwritten funds. The group also qualifies for VAT deductions on expenses incurred by the privately administered umbrella funds.

Financial review

Alexander Forbes has again shown its resilience amid persistently challenging trading conditions. Throughout the period we have improved and enhanced our process management, continued to focus on cost containment, responded to our clients' needs proactively and pleasingly reported notable new business wins.

Profit from continuing operations of R382 million was down 5% year on year, impacted by a 3% decline in operating income together with the ongoing effect of stranded costs.

Profit from continuing operations benefited from the positive impact of the insurance cell-captive facility, and a reduction in interest expense in the period.

Our **operating model** is designed to align and integrate our business lines in order to present a single 'One Alexander Forbes' to our clients.

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

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

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

Operating income

Operating income

For the six months ended 30 September 2020

Rm	2020	%	2019
Retirements consulting	**423**	(8)	460
Healthcare consulting	**141**	(2)	144
Investments	**626**	(1)	634
Individual consulting	**218**	(2)	222
Multinational consulting	**134**	9	123
Other[1]	**–**	(100)	5
Total	**1 542**	(3)	1 588

[1] 'Other' relates to various services rendered to external third parties. These third parties formed part of the group historically and were disposed of in prior years.

Retirements consulting

Retirements consulting reported an 8% decline in operating income owing to the weak local economy and the one-off change to the structure of the Alexander Forbes sponsored umbrella funds, to being privately administered from being underwritten, that occurred in the second half of the previous financial year. While this structural change has a limited impact on operating profit, the impact to operating income is the VAT levied on fees earned amounting to R19 million. Operating income for retirements consulting would have been down 4% excluding this structural change.

In this challenging operating environment, our client base has experienced retrenchments, low levels of employment, negative growth in payroll as well as an acceleration of business closures towards the latter part of the period. These factors have resulted in a reduction to our active member base with the impact felt in the second half of the period. Retrenchments and business closures were experienced within our umbrella funds, which are primarily small, medium and micro enterprises (SMMEs). Our standalone client base, comprising larger corporates, while reporting low levels of retrenchments, were impacted by reductions and suspensions in their payroll as well as low levels of employment.

Alexander Forbes along with the industry engaged the regulator, who approved reduced contributions for retirement funds for up to a six-month period, commencing from the beginning of this reporting period. The lower contributions were adopted by some clients with minimal impact on retirements consulting but a larger impact on the investments business.

The focus during this period has been supporting our clients through these challenging times, by providing advice on managing their employee benefit needs and navigating the complex regulatory environment, in particular the many legislative changes that have taken place during these past six months.

In line with our improvement projects and initiatives, we have rolled out new digital solutions, including a digital exit process for clients. This new digital process changes how withdrawal claims are submitted, ensuring that members, on exit of their retirement fund, understand their options and make the best decision for their retirement. It also ensures the process is significantly easier for our corporate clients. Other digital processes allow for employers to submit bulk claim files and upload contribution files on-line, to ensure more timely investment of monthly contributions.

We are pleased to report success in new business wins into our umbrella fund, in a highly competitive market. We continue to see the success of our renewed consulting approach, reporting growth in consulting and actuarial income earned in the period as well as good client retention of our retirement fund clients.

The institutional umbrella fund offering, which comprises the flagship Alexander Forbes Retirement Fund (AFRF) and Alexander Forbes Access, reported sustained growth in new business during the period, with 67 new appointments, comprising over 4 200 members. While we experienced some client losses (15 clients with a membership of 700), this has reduced from the previous comparable period. Although the number of umbrella fund clients has remained relatively flat at 1 682, active members decreased 1.4% since March 2020 to 367 406 owing to retrenchments in the client base. Closing AuM for our umbrella funds (included in the investments business segment) increased 5% year on year to R87 billion (up 15% from 31 March 2020) owing to positive market growth and positive net cash flows into the umbrella fund in the period.

Healthcare consulting

We continue to be one of the leading healthcare consulting houses in a highly competitive industry. Our healthcare consulting business reported a 2% decrease in operating income year on year, with the marginal increase in existing medical aid revenue from clients offset by lower income earned from corporate and public sector clients for fee work (health management and actuarial). Our healthcare client base has been less susceptible to business closures and retrenchments in the period with membership reducing by 1.5% from 31 March 2020 to 214 143 members.

Our collaboration with Evo Financial Services continues to grow. This partnership has enabled us to strengthen our position in sectors where we were historically under-represented and delivered new mandates with an additional 12 500 members over the past two and a half years.

The healthcare industry continues to feature on the agenda of government and regulatory changes are likely to continue. 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 will adapt our business model and product proposition accordingly.

Investments

Investments reported a 1% decline in operating income year on year. The cumulative positive blended market return of 8.7% achieved for the period was offset by a reduction in the blended margin. The blended institutional margin reduced to 30.1 bps from 30.6 bps in the previous comparable period due to client switches from higher margin portfolios to lower margin portfolios (particularly more conservative cash-based portfolios), new business wins into lower margin portfolios and products, proactive pricing reviews and the growth of our AFRIS solution.

We continue to make good progress in our asset advisory business, which consults to retirement funds on their asset portfolios, asset allocations and fund strategies.

We believe our well-diversified investment approach implemented in our multi-manager investments portfolios helped to mitigate the volatile market performance for clients, as evidenced by the performance of our flagship portfolio over the period. Given our portfolio positioning, which takes into account the late-cycle dynamics with maximum offshore exposure and allocations to private markets, our funds performed well relative to benchmarks, partially offsetting the impact of asset outflows due to rising unemployment.

Our flagship portfolio, Performer, continues to do well with AuM of R148 billion at 30 September 2020. The portfolio experienced net positive cash inflows of R2.5 billion during the period and had a positive market return of 15.5% over the period. As at 30 September 2020, Performer beat its benchmark[1] by 60 bps and has a positive return as well as outperformance against the benchmark over 1, 3 and 5 year and longer periods. By consistently outperforming the peer group, Performer is now the second-best performing balanced fund in SA over the past ten years as measured in the Alexander Forbes Manager Watch Survey (Global Best Investment View category).

[1] *Performer benchmark is the median of other large balanced asset managers.*

Reported total AuA and AuM at 30 September 2020 of R353 billion is 3% higher year on year and 14% higher (R43 billion) since 31 March 2020.

Total closing assets are segregated as follows:

	30 September 2020			30 September 2019		
R billion	**Institutional**	**Retail**	**Total**	Institutional	Retail	Total
Assets under administration	**32.2**	**5.6**	**37.8**	28.6	5.3	33.9
Assets under management	**252.8**	**62.8**	**315.6**	248.2	61.5	309.7
Total AuA and AuM	**285.0**	**68.4**	**353.4**	**276.8**	**66.8**	**343.6**

We are pleased to report good progress in new business landed with 25 new appointments in the period. New business assets of R8.7 billion flowed in the period, which included R2.2 billion in platform administration business. The platform administration business represents an area of growth for us as we leverage our leading in-house administration system and capabilities to clients for regulatory reporting, unitisation and risk mitigation, albeit at lower margins than our traditional business.

While we have experienced asset outflows from lost business of R3.6 billion in the period, the largest change to our cash flows is due to the change in economic conditions in South Africa. Contributions from active members of retirement funds reduced by R3.0 billion in the period mainly from contribution holidays, where some retirement fund clients elected, and from retrenchments, the latter being experienced towards the end of the period. Uncontrollable cash outflows increased with withdrawals from institutional clients showing an increasing trend from the second quarter of the financial year and are expected to continue to be negative, influenced by factors prevalent across the retirement fund industry.

A summary of the cash flows for the six months to 30 September 2020 is shown below:

	30 September 2020			30 September 2019		
R billion	**Institutional**	**Retail**	**Total**	Institutional	Retail	Total
Controllable (Product)	**4.3**	**–**	**4.3**	**(1.4)**	**–**	**(1.4)**
New business	**6.5**	**–**	**6.5**	1.6	–	1.6
Outflows owing to client losses	**(2.2)**	**–**	**(2.2)**	(3.0)	–	(3.0)
Controllable (Platform)	**0.8**	**–**	**0.8**	**(1.0)**	**–**	**(1.0)**
New business	**2.2**	**–**	**2.2**	–	–	–
Outflows owing to client losses	**(1.4)**	**–**	**(1.4)**	(1.0)	–	(1.0)
Uncontrollable	**(4.0)**	**(0.9)**	**(4.9)**	**(1.9)**	**(0.1)**	**(2.0)**
Ongoing contributions	**14.3**	**3.6**	**17.9**	15.6	4.7	20.3
Withdrawals for benefit payments	**(18.3)**	**(4.5)**	**(22.8)**	(17.5)	(4.8)	(22.3)
Net cash flows	**1.1**	**(0.9)**	**0.2**	**(4.3)**	**(0.1)**	**(4.4)**

Individual clients

Individual consulting reported a 2% decline in operating income year on year. While ongoing revenue earned from administration was flat year on year and ongoing advice income grew year on year, lower new business written in the period impacted growth in operating income. While in line with expectations, new business for the period, is lower than the previous comparable period due to the adverse effect of the lockdown in South Africa. New business is starting to show traction as lockdown restrictions are eased and face-to-face meetings resume.

Closing assets under advisement increased 1% year on year to R73 billion (up 9% from 31 March 2020). Although we have seen lower new business performance year on year, lost business and annuity withdrawals have remained largely flat over this period.

The business continues to deliver enhanced retirement benefit consulting (eRBC) services to individuals in line with regulatory requirements so that clients understand their options before making important decisions and have access to advice. Good success has been reported to date with 413 clients having taken up our eRBC services that offer individuals a counselling conversation, primarily through our My Money Matters centre.

Assets being preserved on exit, retirement or retrenchment, measured by the preservation rate, reduced from 53% to 51% year on year (31 March 2020: 53%) impacted by the prevailing economic climate with more clients taking cash on exiting a retirement fund. However, the retention rate[1] improved year on year to 24% from 22%. We have seen an increase in investment into fixed annuity products on exit, which talks to the desire of clients for stability in their retirement income.

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

AFRIS closing assets under administration increased 32% from 31 March 2020 to R7.8 billion

The Alexander Forbes Retirements Income Solution (AFRIS) continues to add value to clients. AFRIS membership grew by 26% from 31 March 2020, with eight new retirement funds electing to make AFRIS the default annuity solution for their members during the period. It is also pleasing to start seeing increased support of AFRIS from external advisers. We continue to win new business into AFRIS with new asset inflows of R1.9 billion during the period. The negative trend in the preservation rates was also experienced in retirement funds with AFRIS year on year, highlighting the retrenchments experienced within this client base of predominantly SMMEs.

Multinational consulting

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

Operating income increased by 9% driven by pleasing performance from Arrive, Botswana and Channel Islands, partially offset by negative growth reported in Namibia due to the depressed macroeconomic environment and retirement industry factors similar to those experienced in South Africa.

Arrive secured mandates with 61 pan-Africa companies and 91 broker appointments since inception

We continue to make traction with our Arrive offering, with ten new clients added in the period taking the total number of Arrive clients to 61. 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. As at 30 September 2020, there are 91 GBM clients with 22 appointments landed in the period.

Other income

Other income of R52 million (2019: nil) comprises income earned from IT services and sublease arrangements provided to entities previously in the group and other external parties. These arrangements have a positive contribution towards addressing the impact of stranded costs resulting from the sale of the short-term insurance business. We continue to look for additional sublease agreement opportunities, to further mitigate these costs.

Operating expenses

For the six months ended 30 September 2020

Rm	2020	%	2019
Operating expenses (from continuing operations)	1 212	2	1 185
Adjustments for like-for-like comparison:			
Recoveries from discontinued operations	8		54
Adjustment for IFRS 16 *Leases*	42		36
Total adjusted operating expenses	**1 262**	(1)	1 275

Operating expenses increased 2% and includes the impact of the reduced recoveries of shared central overhead costs that remain with the business following the sale of the short-term insurance business (stranded costs). Central shared costs recovered from the discontinued operations of R8 million (2019: R54 million) absorbed in the continuing expense base decreased 85% year on year. The impact of the stranded costs will continue to mask our cost management efforts over the next two financial years. Underlying cost growth was well managed, with a 1% decline when excluding the impact of stranded costs and the IFRS 16 lease adjustment.

Expense management initiatives will continue with targeted savings in discretionary spend, property, limits on groupwide outsourced contracts and a conscious effort to reduce personnel costs through limited replacement appointments. In addition, we are focused on delivering on our operational efficiency initiatives and continue with the refinements to structures in operations and administration, group technology, and corporate shared services.

We are sensitive to the challenges faced by our employees resulting from the adverse impact brought about by Covid-19. Consequently, we have put in place appropriate continuous interventions and programmes to protect and safeguard their financial and emotional well-being.

The cost of regulation and technology improvements continues to place pressure on our expense base. This year the number of legislative amendments has more than doubled and we have seen a significant increase in attempted cyber-attacks on our environment.

Items below profit from operations

Non-trading and capital items

Non-trading and capital items decreased to R25 million (2019: R42 million), owing to the improved results of the insurance cell-captive facility that reported a profit of R19 million (2019: R3 million loss). The non-trading and capital items also include the amortisation of intangible assets amounting to R28 million (2019: R34 million). The accounting for amortisation has no impact on the cash flows of the group. The accounting for both the amortisation of intangible assets and the results of the cell-captive facility is excluded when calculating the group's normalised earnings.

Investment income

Investment income of R61 million (2019: 79 million), earned from the regulatory capital and surplus cash position of the company, declined by 23% owing to lower cash balances following the repayment of the revolving credit facility, payment of the special dividend and the share buyback programme implemented in the period. In addition, investment income of R10 million (2019: R5 million) related to individual policyholder investments is recorded in the consolidated income statement. An equal tax debit is raised for this investment income. This policyholder income (and related tax cost) are excluded from our normalised earnings when assessing the group's own investment income.

Finance costs

Finance costs of R38 million (2019: R72 million) reduced 47% year on year due to the repayment of the revolving credit facility. IFRS 16 has resulted in a R33 million (2019: R38 million) finance cost associated with the lease liabilities, this represents 87% of the total finance costs for the period.

Profit before and after tax

Profit before taxation from continuing operations of R396 million is 8% higher than the prior period, owing to the decrease in non-trading and capital items and lower finance costs. The normalised effective tax rate excluding the policyholder tax is 36% due to unutilised tax losses which have not been raised as deferred tax assets in the current period. The resulting profit from continuing operations of R251 million (2019: R250 million) was flat year on year.

Discontinued operations

Profit before non-trading and capital items from discontinued operations of R17 million declined 88% year on year, owing to the inclusion of the operating results from the short-term insurance in the previous comparable period. The short-term insurance business contributed R132 million to the profit before non-trading and capital items in the previous comparable period.

Non-trading and capital items include a loss of R78 million (2019: R19 million) owing to the increased liability for enhanced transfer value (ETV) claims that could not be matched by the insurance asset due to one insurer in the insurance programme not confirming insurance cover. Refer to note 8.2.1 for further information.

After finance charges and taxes, the loss for the period from discontinued operations was R53 million (2019: R92 million profit).

The full results of these businesses are reflected in note 8 of the condensed consolidated financial statements.

Headline earnings

Headline earnings from continuing operations improved 12% to R244 million (2019: R217 million) driven by the reduction in the minority interests due to the ARC Flip-Up[1]. Headline earnings per share for continuing operations increased 6% to 18.8 cents per share (2019: 17.8 cents per share), reflecting the impact of the shares issued to ARC in the period as part of the Flip-Up transaction and share repurchases over the past 12 months.

Headline earnings from total operations declined 37% to R188 million attributable to the financial performance of the discontinued operations.

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 condensed consolidated income statement).

[1] 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 Alexander Forbes Group Holdings Limited (AFH), 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 AFH (Flip-Up). This transaction was approved by shareholders on 20 January 2017.

Financial position and dividends

Financial position

The financial position of the group remains robust and all regulated entities within the group comply with current liquidity and regulatory solvency capital requirements (SCR).

As at 30 September 2020 the consolidated regulatory capital requirement of the group of R1 351 million is marginally up from year-end. Using the measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards implemented during 2018, the group has a regulatory surplus capital of R1 453 million.

The group's cash flow from continuing operations declined 31% to R335 million due to an increase in working capital. The increase in working capital results from lower accruals aligned to lower anticipated expenses.

The cash conversion of profit from operations and liquidity is set to remain positive amid anticipated adverse revenue impacts arising from Covid-19.

Our capital reduction journey, announced in June 2019, targeted the release of trapped capital and the reduction of the surplus capital held. This is evidenced by the special dividend that was declared in the prior year and paid in the current period. Our unleveraged balance sheet, supported by the surplus regulatory capital and available cash of R491 million, places Alexander Forbes in a strong financial position for the uncertainty that lies ahead. In addition, the group is in the process of disposing of its insurance business in Namibia and the group risk business in South Africa which will further reduce regulatory capital.

Interim dividend declaration

An interim dividend declaration has been considered by the board, taking into account the group's current and projected regulatory position, the available cash in the group as well as the group's high cash generation ability.

The board has declared an interim gross cash dividend of 13 cents (10.4 cents net of dividend withholding tax) per ordinary share for the six months ended 30 September 2020. In determining the interim dividend for this period, the board has considered the anticipated recovery from the ETV liability matter (refer to note 8.2.1), therefore maintaining the cover ratio within our policy of 1.5 times to 2.0 times.

The interim dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The issued number of shares at the date of declaration is 1 401 541 409. The directors have satisfied the solvency and liquidity test as required in terms is section 4(1) of the Companies Act 71 of 2008.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 5 January 2021
Shares commence trading 'ex' dividend	Wednesday, 6 January 2021
Record date	Friday, 8 January 2021
Payment date	Monday, 11 January 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 January 2021 and Friday, 8 January 2021, both days inclusive.

Prospects

The disciplined execution of our strategy and the implementation of our integrated operating model has enabled us to adapt to market dynamics, while emphasising our core principle of a client-centric, advice-led market approach. Alexander Forbes has a strong value proposition in a highly competitive market. Being independent and advice-led is a key differentiator.

Our strategy

Our strategic decision to focus on our core business has enabled us to assist our clients seamlessly and more effectively during the additional financial stress of the pandemic and its adverse economic impact. Throughout the period we have improved and enhanced our process management, met our client service level agreements, enhanced productivity measurement and pleasingly reported notable new business wins. We also proactively engaged regulators, directly or through industry bodies, to ensure good outcomes for our clients.

We remain confident in our strategy and will continue to execute against our objectives which should reflect positively in the performance of the business over the medium term.

A stable and resilient business

The impact of Covid-19 and the expected future consequences on the economy will impact our original growth and cost targets. Whilst our clients are experiencing the benefits of our client-centric and advice-led consulting approach, the top line will continue to be under pressure for the next 18 to 24 months.

The underlying business remains stable, our solvency is sound, our value proposition is strong, and we are a more agile and integrated company better enabled to respond to the challenges that lie ahead. We still have work to do in transforming the business from being heavily reliant on manual processes to becoming a highly automated, digitised and standardised operating environment. We will continue our efforts around expense management across all categories and will prioritise administration efficiencies and our plan to reduce our property footprint. This will be balanced with the appropriate investment in technology and adhering to regulatory and compliance requirements.

Improvements

We will continue to create innovative solutions that solve our clients' needs and unlock the value of our scalable business model.

- Our investments, product and enablement teams will continue to simplify our offerings and enhance frameworks to align with market dynamics to service our clients based on their specific needs and requirements;
- We are implementing automated processes to drive efficient and simplified interaction with our clients;
- We will focus on improvement to our operations and administration functions;
- We are improving our member engagement through a targeted strategy, to deliver better financial outcomes for our members; and
- We will continue to embed ESG[1] into how our portfolios are managed as well as focusing on improvements in monitoring and reporting.

Changing regulation

There have also been numerous regulatory announcements in terms of which we are well placed to assist clients. These include potential changes to Regulation 28 to encourage greater investment in infrastructure programmes and provident fund annuitisation from 1 March 2021. Other longer-term retirement reform efforts aimed at making retirement savings accessible in emergencies subject to limits and at the same time ensuring minimum mandatory preservation, as well as initiatives aimed at broadening coverage of savings in South Africa, are areas where we believe we are well placed.

Opportunities

We are continuing to adapt and evolve to the new uncertain environment and will work hard to remain relevant to our clients, provide opportunities for our employees to grow and to serve our community and society in their financial well-being.

We aim to conclude the disposal of the Namibian short-term insurance business as well as the group risk business by the end of the current financial year.

Importantly, our unleveraged balance sheet and cash position ensure that Alexander Forbes is well placed to navigate the turbulent period ahead and to continue its market leading role in shaping the future. We continue to evaluate and assess selective bolt-on acquisitive growth opportunities that will strengthen our core businesses and enhance our integrated advice-led value proposition.

[1] *Environmental, social and corporate governance.*

Change in directorate

Mr A Mazwai was appointed as independent non-executive director and member of the audit and risk committee effective 9 November 2020.

Mr T Dloti resigned as an audit and risk committee member following the appointment of Mr A Mazwai.

Corporate governance

The company's application of the principles contained in the King IV Report on Corporate Governance for South Africa (King IV) is disclosed in the FY2020 governance report available on the company's website. No material changes in application have occurred since the publication of that report.

On behalf of the board of directors

M Ramplin
Non-executive chair

DJ de Villiers
Chief executive officer

3 December 2020

Condensed consolidated financial statements

These results are prepared in accordance with:

- International Financial Reporting Standards (IFRS) including IAS 34 *Interim Financial Reporting*
- the JSE Limited (JSE) Listings Requirements
- the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee
- Financial Pronouncements as issued by the Financial Reporting Standards Council
- the requirements of the South African Companies Act applicable to condensed consolidated financial statements

The condensed consolidated interim results of Alexander Forbes Group Holdings Limited (the group) for the six months ended 30 September 2020 include the:

- condensed consolidated income statement
- condensed consolidated statement of other comprehensive income
- condensed consolidated statement of financial position
- condensed consolidated statement of cash flows
- condensed consolidated statement of changes in equity

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 for the mandatory adoption of amendments to IFRS effective for 1 January 2020.

Any financial information contained in this announcement that may be construed as forecast information has not been reviewed or reported on separately by the group's external auditors.

Additionally, these interim results have not been audited or reviewed by the group's external auditors. The group's 2020 annual financial information has been extracted from the underlying audited consolidated annual financial statements for the year ended 31 March 2020. Investors are referred to *www.alexanderforbes.co.za/ investorrelations financial-results* where a detailed analysis of the group's financial results for Alexander Forbes Group Holdings Limited can be found.

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 3 December 2020 on our website: *www.alexanderforbes.co.za/investorrelations/financial-results.*

Condensed consolidated income statement

For the six months ended 30 September 2020

Rm	Notes	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Continuing operations				
Fee and commission revenue	2	**1 972**	2 028	4 022
Fee and commission expenses		**(430)**	(440)	(869)
Operating income net of direct expenses		**1 542**	**1 588**	**3 153**
Other income	3	**52**	–	46
Operating expenses		**(1 212)**	(1 185)	(2 442)
Profit from operations before non-trading and capital items		**382**	**403**	**757**
Non-trading and capital items	4	**(25)**	(42)	(1 283)
Operating profit/(loss)		**357**	**361**	**(526)**
Investment income	5	**71**	84	155
Finance costs	6	**(38)**	(72)	(143)
Reported profit/(loss) arising from accounting for policyholder investments in treasury shares		**6**	(6)	–
Profit/(loss) before taxation		**396**	**367**	**(514)**
Income tax expense	7	**(145)**	(117)	(250)
Income tax expense relating to corporate profits		**(135)**	(112)	(253)
Income tax (expense)/credit relating to policyholder investment returns		**(10)**	(5)	3
Profit/(loss) for the period from continuing operations		**251**	**250**	**(764)**
Discontinued operations				
(Loss)/profit from discontinued operations (net of tax)	8	**(53)**	92	810
Profit for the period		**198**	**342**	**46**
Profit/(loss) attributable to:				
Owners of the company		**183**	296	(145)
Non-controlling interest		**15**	46	191
		198	**342**	**46**
Basic earnings/(loss) per share (cents)	9	**14.1**	24.2	(11.8)
Diluted earnings/(loss) per share (cents)		**13.7**	23.9	(11.8)
Weighted average number of shares in issue (net of treasury shares) (millions)		**1 297**	1 223	1 222

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2020

Rm	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Profit for the period	**198**	**342**	**46**
Other comprehensive income			
Foreign currency translation differences – foreign operations	**(6)**	(3)	49
Cash flow hedge	**1**	(3)	(4)
Other comprehensive income that may be reclassified to profit or loss[1]	**(5)**	**(6)**	**45**
Remeasurement of post-employment benefit obligations[1]	**–**	–	**14**
Other comprehensive income that will not be reclassified to profit or loss[1]	**–**	**–**	**14**
Total comprehensive income for the period	**193**	**336**	**105**
Total comprehensive income attributable to:			
Owners of the company	**178**	290	(89)
Non-controlling interest	**15**	46	194
Total comprehensive income for the period	**193**	**336**	**105**

[1] *Net of related taxes.*

Condensed consolidated statement of financial position

For the six months ended 30 September 2020

Rm	Notes	Six months 30 Sep 2020	Restated Six months 30 Sep 2019[1]	Twelve months 31 Mar 2020
Assets				
Financial assets held under multi-manager investment contracts	10	**306 973**	302 179	272 585
Goodwill	4	**1 392**	2 537	1 392
Intangible assets		**189**	289	219
Property and equipment		**601**	686	624
Purchased and developed computer software		**120**	179	132
Deferred tax assets		**199**	246	228
Financial assets	11	**103**	108	95
Tax assets		**11**	7	7
Trade and other receivables[2]		**1 143**	464	527
Cash and cash equivalents		**2 869**	4 896	3 959
Assets of disposal group classified as held for sale[1]	8	**2 359**	3 342	2 285
Total assets		**315 959**	**314 933**	**282 053**
Equity and liabilities				
Owners of the company		**4 291**	5 413	4 806
Non-controlling interest		**40**	273	297
Total equity		**4 331**	**5 686**	**5 103**
Financial liabilities held under multi-manager investment contracts	10	**306 995**	302 208	272 612
Borrowings	6	**–**	719	101
Employee benefits		**154**	162	132
Deferred tax liabilities		**67**	105	85
Provisions[2]		**1 086**	365	461
Lease liabilities		**759**	882	822
Insurance payables		**–**	2 026	–
Trade and other payables		**367**	502	599
Tax liabilities		**21**	3	10
Liabilities of disposal group classified as held for sale[1]	8	**2 179**	2 275	2 128
Total liabilities		**311 628**	**309 247**	**276 950**
Total equity and liabilities		**315 959**	**314 933**	**282 053**

[1] Restated to correct prior period error of R406 million relating to insurance receivable and reinsurance payable balances in discontinued operations not correctly eliminated. Refer to note 8.4.

[2] Included in trade and other receivables is an amount of R809 million (March 2020: R221 million) relating to the reimbursement insurance asset on the ETV claim whilst provisions include R917 million (March 2020: R273 million) relating to the matter. Refer to note 8.2.1.

Condensed consolidated statement of cash flows

For the six months ended 30 September 2020

Rm	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Cash flows from operating activities			
Cash generated from operations	**335**	489	936
Interest received	**59**	77	155
Interest paid	**(38)**	(72)	(143)
Net cash flows (paid to)/received from insurance and policyholder contracts	**(51)**	275	(1 720)
Net cash flows received from policyholder investment contracts	**649**	578	148
Taxation paid	**(127)**	(156)	(622)
Dividends paid	**(846)**	(526)	(750)
Dividends paid to non-controlling interests	**(5)**	(72)	(234)
Cash flows from operating activities – discontinued operations	**(136)**	78	209
Net cash (outflow)/inflow from operating activities	**(160)**	**671**	**(2 021)**
Cash flows from investing activities			
Net cash (outflow)/inflow on financial assets	**(6)**	2	16
Payments for capital expenditure incurred on property, equipment and computer software	**(70)**	(84)	(51)
Proceeds from sale of subsidiaries and businesses	**–**	–	2 043
Cash flows from investing activities – discontinued operations	**–**	(29)	(644)
Net cash (outflow)/inflow from investing activities	**(76)**	**(111)**	**1 364**
Cash flows from financing activities			
Repayment of borrowings	**(100)**	–	(614)
Purchase of shares in terms of share buyback transaction and share incentive schemes	**(144)**	(22)	(41)
Payments of lease liabilities	**(63)**	(52)	(112)
Net proceeds from treasury shares held by policyholder investment contracts	**(2)**	10	7
Purchase of treasury shares held under policyholder investment contracts	**(3)**	(4)	(3)
Proceeds from disposal of treasury shares held under investment contracts	**1**	14	10
Cash flows from financing activities – discontinued operations	**–**	**(4)**	**(8)**
Net cash outflow from financing activities	**(309)**	**(68)**	**(768)**
(Decrease)/increase in cash and cash equivalents	**(545)**	492	(1 425)
Cash and cash equivalents at the beginning of the period	**10 376**	11 751	11 751
Effects of exchange rate changes on cash and cash equivalents	**(8)**	(3)	50
Cash and cash equivalents at the end of the period	**9 823**	**12 240**	**10 376**
Analysed as follows:			
Cash and cash equivalents of continuing operations	**2 869**	4 896	3 959
Cash held under multi-manager investment contracts	**6 575**	6 360	5 927
Cash and cash equivalents of disposal group classified as held for sale	**379**	984	490
	9 823	**12 240**	**10 376**

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2020

Rm	Share capital	Treasury shares	Other reserves	Accumulated loss	Total	Non-controlling interest	Total equity
At 31 March 2019	**6 192**	**(497)**	**120**	**(170)**	**5 645**	**299**	**5 944**
Total comprehensive income	–	–	(6)	296	290	46	336
Profit for the period	–	–	–	296	296	46	342
Other comprehensive income	–	–	(6)	–	(6)	–	(6)
Total transactions with owners	**(318)**	**320**	**2**	**(526)**	**(522)**	**(72)**	**(594)**
Share cancellation[1]	(318)	318	–	–	–	–	–
Shares purchased in terms of share buyback programme	–	(22)	–	–	(22)	–	(22)
Settlement of share incentive schemes[2]	–	14	(14)	–	–	–	–
Movement of treasury shares in policyholder assets	–	10	–	–	10	–	10
Dividends paid	–	–	–	(526)	(526)	(72)	(598)
Movement in share-based payment reserve	–	–	16	–	16	–	16
At 30 September 2019	**5 874**	**(177)**	**116**	**(400)**	**5 413**	**273**	**5 686**
Total comprehensive income	–	–	48	(427)	(379)	148	(231)
Profit for the period	–	–	–	(441)	(441)	145	(296)
Other comprehensive income	–	–	48	14	62	3	65
Total transactions with owners	**–**	**(19)**	**15**	**(224)**	**(228)**	**(124)**	**(352)**
Shares purchased in terms of share buyback programme[3]	–	(19)	–	–	(19)	–	(19)
Settlement of share incentive schemes[4]	–	3	(3)	–	–	–	–
Movement of treasury shares in policyholder assets	–	(3)	–	–	(3)	–	(3)
Dividends paid	–	–	–	(224)	(224)	(162)	(386)
Movement in share-based payment reserve	–	–	18	–	18	–	18
Other movements in non-controlling interest[5]	–	–	–	–	–	38	38
At 31 March 2020	**5 874**	**(196)**	**179**	**(1 051)**	**4 806**	**297**	**5 103**
Total comprehensive income	**–**	**–**	**(5)**	**183**	**178**	**15**	**193**
Profit for the period	**–**	**–**	**–**	**183**	**183**	**15**	**198**
Other comprehensive income	**–**	**–**	**(5)**	**–**	**(5)**	**–**	**(5)**
Total transactions with owners	**403**	**(110)**	**11**	**(997)**	**(693)**	**(272)**	**(965)**
Empowerment partner flip-up transaction[6]	**403**	**20**	**(5)**	**(151)**	**267**	**(267)**	**–**
Shares purchased in terms of share buyback programme and share incentive schemes[7]	**–**	**(144)**	**–**	**–**	**(144)**	**–**	**(144)**
Settlement of share incentive schemes[8]	**–**	**16**	**(16)**	**–**	**–**	**–**	**–**
Movement of treasury shares in policyholder assets	**–**	**(2)**	**–**	**–**	**(2)**	**–**	**(2)**
Dividends paid	**–**	**–**	**–**	**(846)**	**(846)**	**(5)**	**(851)**
Movement in share-based payment reserve	**–**	**–**	**32**	**–**	**32**	**–**	**32**
At 30 September 2020	**6 277**	**(306)**	**185**	**(1 865)**	**4 291**	**40**	**4 331**

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

[2] Shares amounting to R3 million relating to the 2016 tranche of the forfeitable share scheme were settled. In addition, R11 million relating to the 2018 retention share scheme were also settled.

[3] The group purchased AFH shares to the value of R19 million, at an average price of R4.61 per share, in a general buyback approved by shareholders.

[4] Shares amounting to R3 million relating to the 2016 tranche of the forfeitable share scheme were settled.

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

[6] The group issued 118 019 747 ordinary shares to African Rainbow Capital (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 Alexander Forbes Group Holdings Limited, Alexander Forbes Limited and ARC on 28 September 2016 in terms of which ARC would exchange its 10% shareholding in a subsidiary company, Alexander Forbes Limited, for shares in Alexander Forbes Group Holdings Limited. This transaction was approved by shareholders on 20 January 2017.

[7] The group purchased AFH shares to the value of R60 million, at an average price of R3.24 per share, in a general buyback approved by shareholders. In addition, shares to the value of R84 million were purchased for shareholder-approved share incentive schemes.

[8] Shares amounting to R16 million relating to the 2017 tranche of the forfeitable share scheme were settled.

Condensed consolidated segmental income and profit analysis

For the six months ended 30 September 2020

	Retirements consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		**Total Consulting**		IP&E		CSBO		**Group Total**	
Rm	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Continuing operations																		
Fee and commission revenue	**430**	467	**141**	144	**941**	957	**317**	320	**143**	135	**1 972**	2 023	**–**	–	**–**	5	**1 972**	2 028
Fee and commission expenses	**(7)**	(7)	**–**	–	**(315)**	(323)	**(99)**	(98)	**(9)**	(12)	**(430)**	(440)	**–**	–	**–**	–	**(430)**	(440)
Operating income net of direct expenses	**423**	**460**	**141**	**144**	**626**	**634**	**218**	**222**	**134**	**123**	**1 542**	**1 583**	**–**	**–**	**–**	**5**	**1 542**	**1 588**
Other income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**52**	–	**52**	–
Operating expenses	**(416)**	(432)	**(115)**	(116)	**(412)**	(405)	**(191)**	(202)	**(128)**	(112)	**(1 262)**	(1 267)	**–**	–	**8**	46	**(1 254)**	(1 221)
Operating expenses before recoveries	**(105)**	(108)	**(48)**	(57)	**(39)**	(45)	**(74)**	(92)	**(106)**	(89)	**(372)**	(391)	**(90)**	(64)	**(800)**	(820)	**(1 262)**	(1 275)
Recoveries from IP&E	**(2)**	(7)	**(9)**	(6)	**(69)**	(42)	**(8)**	(7)	**(2)**	(2)	**(90)**	(64)	**90**	64	**–**	–	**–**	–
Recoveries from CSBO	**(309)**	(317)	**(58)**	(53)	**(304)**	(318)	**(109)**	(103)	**(20)**	(21)	**(800)**	(812)	**–**	–	**800**	812	**–**	–
Recoveries from discontinued operations	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8**	54	**8**	54
Normalised profit from operations before non-trading and capital items	**7**	**28**	**26**	**28**	**214**	**229**	**27**	**20**	**6**	**11**	**280**	**316**	**–**	**–**	**60**	**51**	**340**	**367**
Normalised non-trading and capital items	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(16)**	(5)	**(16)**	(5)
Normalised operating profit	**7**	**28**	**26**	**28**	**214**	**229**	**27**	**20**	**6**	**11**	**280**	**316**	**–**	**–**	**44**	**46**	**324**	**362**
Normalised investment income	**–**	5	**–**	1	**2**	4	**3**	5	**–**	1	**5**	16	**–**	(1)	**56**	64	**61**	79
Normalised finance cost	**–**	–	**–**	(17)	**–**	–	**–**	(8)	**–**	–	**–**	(25)	**–**	–	**(5)**	(9)	**(5)**	(34)
Normalised profit before taxation	**7**	**33**	**26**	**12**	**216**	**233**	**30**	**17**	**6**	**12**	**285**	**307**	**–**	**(1)**	**95**	**101**	**380**	**407**
Normalised income tax expense	**(3)**	(10)	**(9)**	(4)	**(77)**	(69)	**(11)**	(5)	**(2)**	(4)	**(102)**	(92)	**–**	–	**(34)**	(30)	**(136)**	(122)
Normalised profit for the period from continuing operations	**4**	**23**	**17**	**8**	**139**	**164**	**19**	**12**	**4**	**8**	**183**	**215**	**–**	**(1)**	**61**	**71**	**244**	**285**
Normalised profit from discontinued operations (net of tax)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(53)**	92	**(53)**	92
Normalised profit for the period	**4**	**23**	**17**	**8**	**139**	**164**	**19**	**12**	**4**	**8**	**183**	**215**	**–**	**(1)**	**8**	**163**	**191**	**377**
Normalised adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**(35)**	**7**	**(35)**
Accounting for property leases	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**9**	(2)	**9**	(2)
Amortisation of intangible assets arising from business combination	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(28)**	(34)	**(28)**	(34)
Professional indemnity insurance cell-captive result	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**19**	(3)	**19**	(3)
Reported profit arising from accounting for policyholder investments in treasury shares	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**6**	(6)	**6**	(6)
Investment income on behalf of policyholders	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**10**	5	**10**	5
Tax effects on adjustments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(9)**	5	**(9)**	5
Profit for the period	**4**	**23**	**17**	**8**	**139**	**164**	**19**	**12**	**4**	**8**	**183**	**215**	**–**	**(1)**	**15**	**128**	**198**	**342**
Normalised basic earnings per share (cents)																	**13.5**	26.9
Normalised headline earnings per share (cents)																	**13.9**	27.2
Normalised weighted average number of shares in issue (millions)																	**1 303**	1 229

Condensed consolidated segmental income and profit analysis continued

For the six months ended 30 September 2020

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, technology, process re-engineering 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 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 (FPC), 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, Product & Enablement

– this comprises the investment management team, research & best practice academy, product management and other strategic units such as strategic insights, chief economist and digital analytics. The 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, process re-engineering 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 relating 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.

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 condensed 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 amounting to R28 million for the six months ended 30 September 2020 (2019: R34 million). The capitalisation of intangible assets and the related amortisation resulted from the required accounting treatment at the time of the private equity acquisition of the group in 2007. The amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group.

Professional indemnity insurance cell-captive results

The profits and losses of the facility are a result of the premiums paid, claims experienced and the changes made to the provision for expected future claims. The recorded profits and losses of the cell-captive facility should trend to zero over the longer term. The annual premiums paid for this insurance are 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 R19 million for the six months ended September 2020 (2019: R3 million loss) which are recorded in the non-trading and capital items.

Accounting for property lease

IFRS 16 *Leases* requires the recognition of right-of-use assets as well as lease liabilities on the statement of financial position for all material leases. This differs from the previous treatment of leases under IAS 17 and changes the nature of expenses related to leases by replacing the lease expense with a depreciation charge for the right-of-use asset and finance costs on the lease liability in the income statement. In order to ensure comparability and reflect the true premises cost, adjustments amounting to R42 million (2019: R36 million) have been effected to profit before non-trading and capital items in addition to finance costs of R33 million (2019: R38 million), resulting in a net adjustment of R9 million (2019: R2 million) to profit before tax.

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 the 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 six months ended 30 September 2020

1. Basis of preparation

The condensed consolidated results of Alexander Forbes Group Holdings Limited (the group) for the six months ended 30 September 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 IAS 34 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2020.

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 mandatory adoption of amendments to IFRS effective for annual reporting periods beginning on or after 1 January 2020 that have been adopted by the group for the first time in the current period as follows:

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IFRS 3, Business Combinations – Definition of a Business
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Summary notes continued

For the six months ended 30 September 2020

2. 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.

Rm	Retirements consulting	Healthcare consulting	Investments	Individual consulting	Multinational consulting	Other	Total
	2020						
Revenue by type							
Consulting and advice fees	**83**	**23**	**15**	**245**	**57**	**–**	**423**
Administration fees	**305**	**–**	**–**	**72**	**67**	**–**	**444**
Commission	**42**	**118**	**–**	**–**	**6**	**–**	**166**
Investment management fees	**–**	**–**	**926**	**–**	**13**	**–**	**939**
Total	**430**	**141**	**941**	**317**	**143**	**–**	**1 972**
Revenue by region							
South Africa	**430**	**141**	**941**	**317**	**–**	**–**	**1 829**
Namibia	**–**	**–**	**–**	**–**	**49**	**–**	**49**
Botswana	**–**	**–**	**–**	**–**	**57**	**–**	**57**
Jersey and Channel Islands	**–**	**–**	**–**	**–**	**32**	**–**	**32**
Other	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Total	**430**	**141**	**941**	**317**	**143**	**–**	**1 972**
Timing of revenue recognition							
Products transferred at a point in time	**9**	**2**	**–**	**23**	**1**	**–**	**35**
Services transferred over time	**421**	**139**	**941**	**294**	**142**	**–**	**1 937**
Total	**430**	**141**	**941**	**317**	**143**	**–**	**1 972**

Rm	Retirements consulting	Healthcare consulting	Investments	Individual consulting	Multinational consulting	Other	Total
	2019						
Revenue by type							
Consulting and advice fees	80	25	14	245	53	5	422
Administration fees	344	–	–	72	65	–	481
Commission	43	119	–	3	4	–	169
Investment management fees	–	–	943	–	13	–	956
Total	**467**	**144**	**957**	**320**	**135**	**5**	**2 028**
Revenue by region							
South Africa	467	144	957	320	–	5	1 893
Namibia	–	–	–	–	53	–	53
Botswana	–	–	–	–	48	–	48
Jersey and Channel Islands	–	–	–	–	29	–	29
Other	–	–	–	–	5	–	5
Total	**467**	**144**	**957**	**320**	**135**	**5**	**2 028**
Timing of revenue recognition							
Products transferred at a point in time	6	2	–	28	1	–	37
Services transferred over time	461	142	957	292	134	5	1 991
Total	**467**	**144**	**957**	**320**	**135**	**5**	**2 028**

Summary notes continued

For the six months ended 30 September 2020

3. Other income

Rm	**Six months 30 Sep 2020**	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Sub-rental income[1]	**28**	–	28
Technology fees[2]	**24**	–	18
	52	**–**	**46**

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

[2] Technology fees relate to IT support services rendered to external third parties. These third parties historically formed part of the group and were disposed of in the prior years.

4. Non-trading and capital items

Rm	**Six months 30 Sep 2020**	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Professional indemnity insurance cell-captive result	**19**	(3)	3
Amortisation of intangible assets arising from business combination	**(28)**	(34)	(66)
Costs relating to strategic consulting engagement	**(11)**	(1)	(3)
Software written off	**(5)**	(4)	(26)
Goodwill written off[1]	**–**	–	(1 145)
Intangibles assets arising from business combinations written off[2]	**–**	–	(47)
Other	**–**	–	1
	(25)	**(42)**	**(1 283)**

[1] In the prior year, due to uncertainty around the impact of the Covid-19 pandemic on the economy, the board decided to take a conservative approach to the calculation of value under each cash generating unit. This approach resulted in the impairment of goodwill amounting to R1 145 million.

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

5. Investment income

Rm	**Six months 30 Sep 2020**	Six months 30 Sep 2019	Twelve months 31 Mar 2020
General operations			
Interest income	**46**	73	148
Investment and dividend income	**15**	6	10
	61	79	158
Multi-manager operations			
Investment income/(loss) linked to policyholder tax expense	**10**	5	(3)
	71	**84**	**155**

Summary notes continued

For the six months ended 30 September 2020

6. Finance costs

Rm	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Interest on revolving credit facility[1]	**(1)**	(30)	(54)
Finance costs on lease liabilities	**(33)**	(38)	(74)
Net hedging costs	**(1)**	–	(1)
Other interest	**(3)**	(4)	(14)
	(38)	**(72)**	**(143)**

[1] *A repayment of R101 million was made against the revolving credit facility in the period inclusive of interest.*

7. Income tax expense

Rm	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
South African income tax			
Current tax	**(117)**	(112)	(238)
Current year	**(113)**	(114)	(240)
Prior year	**(4)**	2	2
Deferred tax	**(7)**	14	11
Current year	**(7)**	14	18
Prior year	**–**	–	(7)
Foreign income tax			
Current tax	**(9)**	(8)	(17)
Current year	**(9)**	(8)	(17)
Foreign withholding tax	**(2)**	(2)	(5)
Securities transfer tax	**–**	(4)	(4)
Tax attributable to policyholders	**(10)**	(5)	3
Current tax – current year	**(7)**	(4)	(7)
Deferred tax – current year	**(3)**	(1)	10
	(145)	**(117)**	**(250)**

Summary notes continued

For the six months ended 30 September 2020

8. Discontinued operations

In March 2019 the group announced a revised strategy that resulted in the decision to exit the insurance businesses as well as sub-scale African operations. This is in line with the decision to refocus the business, providing advice-led integrated retirement solutions and holistic wealth management. The insurance operations of the group (both short-term insurance and group risk) as well as sub-scale African operations were classified as discontinued operations during the year ended 31 March 2019.

Sale of Alexander Forbes Insurance Company Namibia (AFI Namibia) – A binding agreement for the sale of AFI Namibia to Momentum Short Term Insurance (Namibia) Limited, a subsidiary of Momentum Metropolitan Holdings Limited was announced on 14 April 2020. The sale has been approved by the Namibian regulatory authorities, the Namibian Competition Commission and the Namibia Financial Institutions Supervisory Authority, and is expected to close by the end of the financial year.

Other discontinued operations – The group risk insurance operations were classified as a discontinued operation during the year ended 31 March 2019. Certain delays caused by circumstances beyond the control of the group and previously considered unlikely have resulted in the business still being presented as a discontinued operation. The group remains committed to dispose of this business in line with its stated strategy. Management has resumed discussions with potential bidders and is targeting to conclude the sale process by the end of this financial year.

An assessment of the assets and liabilities held for sale has been performed and the fair value less costs to sell of the assets and liabilities to be disposed of remains higher than their carrying amounts.

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

Rm	Notes	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Total revenue		**645**	1 491	2 753
Direct expenses		**(579)**	(1 111)	(2 206)
Operating income net of direct expenses[1]		**66**	**380**	**547**
Operating expenses		**(49)**	(238)	(406)
Less: operating expenses relating to previously discontinued operations		**–**	–	3
Profit from operations before non-trading and capital items		**17**	**142**	**144**
Add: loss from operations before non-trading and capital items from previously discontinued operations		**–**	–	(3)
Non-trading and capital items	8.2	**(78)**	(19)	(142)
Operating (loss)/profit		**(61)**	**123**	**(1)**
Investment income		**13**	22	41
Finance costs		**–**	(3)	(3)
Share of net loss of associates (net of income tax)		**–**	(5)	(7)
(Loss)/profit before tax		**(48)**	**137**	**30**
Income tax expense		**(5)**	(45)	(83)
(Loss)/profit for the period from discontinued operations		**(53)**	**92**	**(53)**
Profit on disposal of subsidiaries and associate[2]		**–**	–	863
Total (loss)/profit from discontinued operations		**(53)**	**92**	**810**
(Loss)/profit attributable to:				
Owners of the company		**(50)**	102	676
Non-controlling interest		**(3)**	(10)	134
		(53)	**92**	**810**

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

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

Summary notes continued

For the six months ended 30 September 2020

8. Discontinued operations continued

8.2 Non-trading and capital items

Rm	Notes	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Costs related to proposed client settlement – enhanced transfer values	8.2.1	**(679)**	(18)	(122)
Reimbursement related to historical client settlement – enhanced transfer values	8.2.1	**601**	18	92
IFRS 5 impairments		**–**	–	(106)
KIN Digital		**–**	–	(44)
Short-term insurance business in Namibia		**–**	–	(62)
Corporate activity costs on discontinued operations		**–**	(17)	(6)
Other		**–**	(2)	–
		(78)	**(19)**	**(142)**

8.2.1 Costs and reimbursement related to historical client settlement – enhanced transfer value

The enhanced transfer value (ETV) liability matter which has been disclosed in prior years is in respect of a legacy United Kingdom domiciled subsidiary that was sold in 2012 inclusive of certain warranties. The liability arises due to certain thematic errors in advice that have been raised by the Financial Conduct Authority (the UK regulator) against the industry as a whole. The potential liability for cases that were advised by Alexander Forbes in the UK at the time is calculated using certain assumptions based on a number of cases assessed and found suitable for redress.

During the period, the process for investigating and establishing the thematic error and causal link for each case has progressed significantly and the assumptions used to calculate the estimated liability modified according to the additional information available. Resulting from the experience in the number of cases of redress and the quantum of each claim, the provision for the outstanding liability as at 30 September 2020 has increased significantly. Based on current assumptions, the estimated liability amounts to R917 million (31 March 2020: R273 million). As communicated over the past few years, the group is adequately insured for the claims through errors and omissions insurance cover. To date, the settlement amounts have been paid from the self-insured provision within the group's cell-captive insurance facility and, during the period for the first time, settlements have been made from the primary layer of insurance within our insurance policy programme. The errors and omissions insurance programme includes seven insurance layers which in total provide cover for R1.9 billion.

Management has obtained confirmation from the insurance underwriters for our second, third and fourth excess insurance layers, covering R809 million of the liability, confirming that the event is covered in terms of the policy. It is therefore considered virtually certain that an inflow of economic benefits will arise from these insurance layers of the insurance programme and the reimbursement insurance asset and related income are recognised.

However, the insurance underwriter of the first excess layer has failed to confirm cover and has, to date, chosen to oppose the accepted and generally recognised insurance market position regarding the aggregation of claims under this policy. The first excess layer covers R108 million in the overall programme. Management has obtained a senior counsel legal opinion on the matter and is confident that the position taken by the first excess layer underwriter is incorrect and will be instituting legal action.

As a result of the above uncertainty, Alexander Forbes is unable, at present, to recognise the related insurance asset pertaining to the first excess layer. Accordingly, there is an impact to the group's income statement in the amount of R78 million in the period resulting from this mismatch (R30 million was recognised in the prior year). The anticipated recovery of the insurance from the first excess layer, in future years, will result in the recovery being recorded as income at that time.

Summary notes continued

For the six months ended 30 September 2020

8. Discontinued operations continued

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

Rm	Six months 30 Sep 2020	Six months 30 Sep 2019[1]	Twelve months 31 Mar 2020
Assets of insurance cell-captives	**621**	623	734
Long-term assets	**3**	65	3
Goodwill	**–**	501	–
Deferred tax asset	**1**	9	1
Insurance receivables	**1 336**	1 126	1 047
Trade and other receivables	**19**	34	10
Cash and cash equivalents	**379**	984	490
Total assets	**2 359**	**3 342**	**2 285**
Liabilities of insurance cell-captives	**621**	623	734
Insurance payables	**1 446**	1 485	1 308
Deferred tax liabilities	**1**	1	1
Provisions – non-current	**8**	24	6
Lease liability	**1**	19	–
Taxation payables	**8**	14	8
Trade and other payables	**94**	109	71
Total liabilities	**2 179**	**2 275**	**2 128**
Total equity	**180**	**1 067**	**157**

[1] *Restated to correct prior period error of R406 million relating to insurance receivable and reinsurance payable balances in discontinued operations not correctly eliminated. Refer to note 8.4.*

8.4 Restatement of comparative information

During the 2020 financial year, the group identified an error in the accounting of insurance receivables and insurance payables relating to reinsurance for the short-term insurance business in Namibia, which is held for sale. The insurance receivable and reinsurance payable balances were not correctly eliminated when the payments to the reinsurer were 'net' settled, resulting in the overstatement of both balances equally. The identified error was disclosed in the annual financial statements for the year ended 2020 and has also been corrected in these interim results by retrospective restatement of the earliest reported period, 30 September 2019.

The correction had no impact on retained earnings, cash flows and basic and diluted earnings per share.

The adjustments resulting from the correction of the error have been applied to the statement of financial position for prior years as follows:

Rm	Previously reported 30 September 2019	Adjustment	Restated 30 September 2019
Assets of disposal group classified as held for sale	3 748	(406)	**3 342**
Total assets	**3 748**	**(406)**	**3 342**
Liabilities of disposal group classified as held for sale	2 681	(406)	**2 275**
Total liabilities	**2 681**	**(406)**	**2 275**

Summary notes continued

For the six months ended 30 September 2020

9. Earnings per share

9.1 Basic earnings per ordinary share

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

9.2 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 period. Headline earnings is defined in Circular 1/2019 issued by the South African Institute of Chartered Accountants.

9.3 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.

9.4 Normalised earnings per share

Normalised earnings per share is calculated by dividing the normalised profit for the period 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.

9.5 Number of shares

Millions	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Weighted average number of shares			
Weighted average number of shares	**1 375**	1 333	1 310
Weighted average shares held by policyholders classified as treasury shares	**(6)**	(6)	(6)
Weighted average treasury shares	**(72)**	(104)	(82)
Weighted average number of shares in issue (net of treasury shares)	**1 297**	1 223	1 222
Dilutive shares	**46**	17	27
Diluted weighted average number of shares	**1 343**	**1 240**	**1 249**
Actual number of shares			
Actual number of shares in issue	**1 402**	1 288	1 288
Actual treasury shares	**(100)**	(66)	(70)
Shares in issue net of treasury shares	**1 302**	**1 222**	**1 218**
Normalised number of shares			
Weighted average number of shares in issue	**1 297**	1 223	1 222
Shares held by policyholders classified as treasury shares	**6**	6	6
Normalised number of shares in issue	**1 303**	**1 229**	**1 228**

Summary notes continued

For the six months ended 30 September 2020

9. Earnings per share continued

9.6 Calculation of basic and headline earnings from total operations

Rm		Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Profit/(Loss) attributable to owners of the company		**183**	296	(145)
Adjusting items:				
Software written off – continuing operations		**5**	3	26
Goodwill written off – continuing operations		**–**	–	1 145
Intangible assets arising from business combinations – continuing operations		**–**	–	47
Profit on disposal of subsidiaries – discontinued operations		**–**	–	(863)
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
Headline earnings for the period		**188**	**299**	**433**
Earnings per share from total operations[1]				
Basic earnings/(loss) per share	(cents)	**14.1**	24.2	(11.8)
Headline earnings per share	(cents)	**14.5**	24.5	35.4
Diluted basic earnings/(loss) per share	(cents)	**13.7**	23.9	(11.8)
Diluted headline earnings per share	(cents)	**14.0**	24.1	34.7

[1] *Amounts computed using unrounded numbers.*

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 period in relation to the performance criteria.

9.7 Calculation of normalised earnings from total operations

Rm		Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Normalised profit for the period per the group segmental income and profit analysis		**191**	377	1 280
Less: Profit attributable to non-controlling interests		**(15)**	(46)	(191)
Normalised profit attributable to owners of the company		**176**	331	1 089
Adjusting items:				
Software written off – continuing operations		**5**	3	26
Profit on disposal of subsidiaries – discontinued operations		**–**	–	(863)
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
Normalised headline earnings for the period		**181**	**334**	**475**
Normalised earnings per share[1]				
Normalised basic earnings per share	(cents)	**13.5**	26.9	88.7
Normalised headline earnings per share	(cents)	**13.9**	27.2	38.7

[1] *Amounts computed using unrounded numbers.*

Summary notes continued

For the six months ended 30 September 2020

9. Earnings per share continued

9.8 Calculation of basic and headline earnings from continuing operations

Rm		Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Profit/(loss) after tax from continuing operations		**251**	250	(764)
Less: profit attributable to non-controlling interests		**(12)**	(36)	(57)
Profit/(loss) attributable to owners of the company		**239**	214	(821)
Adjusting items:				
Software written off		**5**	3	26
Goodwill written off		**–**	–	1 145
Intangible assets arising from business combination written off		**–**	–	47
Tax and non-controlling interest impact on above items		**–**	–	(3)
Headline earnings from continuing operations		**244**	**217**	**394**
Earnings per share from continuing operations[1]				
Basic earnings/(loss) per share	(cents)	**18.4**	17.5	(67.1)
Headline earnings per share	(cents)	**18.8**	17.8	32.2
Diluted basic earnings/(loss) per share	(cents)	**17.8**	17.3	(67.1)
Diluted headline earnings per share	(cents)	**18.1**	17.5	31.6

[1] *Amounts computed using unrounded numbers.*

9.9 Calculation of basic and headline earnings from discontinued operations

Rm		Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
(Loss)/profit after tax from discontinued operations		**(53)**	92	810
Less: profit attributable to non-controlling interests		**(3)**	(10)	(134)
(Loss)/profit from discontinued operations attributable to owners of the company		**(56)**	82	676
Adjusting items:				
Profit on disposal of subsidiaries		**–**	–	(863)
IFRS 5 impairment – KIN Digital		**–**	–	44
IFRS 5 impairment – short-term insurance business in Namibia		**–**	–	62
Tax and non-controlling interest impact on above items		**–**	–	120
Headline earnings from discontinued operations		**(56)**	**82**	**39**
Earnings per share from discontinued operations[1]				
Basic (loss)/earnings per share	(cents)	**(4.3)**	6.7	55.3
Headline (loss)/earnings per share	(cents)	**(4.3)**	6.7	3.2
Diluted basic (loss)/earnings per share	(cents)	**(4.3)**	6.6	54.1
Diluted headline (loss)/earnings per share	(cents)	**(4.3)**	6.6	3.1

[1] *Amounts computed using unrounded numbers.*

Summary notes continued

For the six months ended 30 September 2020

10. 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 R6 million (2019: R6 million loss) has been disclosed separately on the face of the income statement. This treatment also impacts the number of shares in issue, the impact of which is disclosed in note 9.5.

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

Rm	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Total financial assets held under multi-manager investment contracts (per statement of financial position)	**306 973**	302 179	272 585
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	**42**	37	41
Financial effects of accounting for policyholder investments as treasury shares			
– prior year	**(14)**	(14)	(14)
– current year	**(6)**	6	–
Total financial liabilities held for policyholders under multi-manager investment contracts	**306 995**	**302 208**	**272 612**

11. Financial assets

Rm	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Non-current financial assets	**52**	49	50
Current financial assets	**51**	59	45
Total financial assets	**103**	**108**	**95**
Financial assets designated at fair value through profit and loss	**52**	58	46
Financial assets classified at amortised cost	**38**	36	36
Financial assets designated as fair value through other comprehensive income	**13**	14	13
Total financial assets	**103**	**108**	**95**

Summary notes continued

For the six months ended 30 September 2020

12. Financial risk management and financial instruments

12.1 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 condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and this disclosure should be read in conjunction with the group's annual financial statements as at 31 March 2020.

There have been no material changes in the risk management or in any risk management policies since the year ended 31 March 2020.

12.2 Liquidity risk

Compared to the 31 March 2020 year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

12.3 Exchange rate risk

Certain transactions of the group occur in foreign currencies. In the current period the most significant foreign currency is the Great British pound (GBP). These transactions have been translated using the exchange rates in the table 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.

	Six months 30 Sep 2020	Six months 30 Sep 2019	Twelve months 31 Mar 2020
Weighted average rate (rand:sterling)	**20.7**	18.4	18.3
Closing rate (rand:sterling)	**21.6**	18.7	22.1

Summary notes continued

For the six months ended 30 September 2020

12. Financial risk management and financial instruments continued

12.4 Fair value hierarchy

The group classifies financial instruments measured at fair value in the statement of financial position using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

Rm	**Level 1**	**Level 2**	**Level 3**	**Total**
30 September 2020				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	**179 383**	**120 219**	**7 371**	**306 973**
General operations	**–**	**877**	**13**	**890**
Total financial assets measured at fair value	**179 383**	**121 096**	**7 384**	**307 863**
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	**–**	**299 625**	**7 370**	**306 995**
Total financial liabilities measured at fair value	**–**	**299 625**	**7 370**	**306 995**
31 March 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**

Summary notes continued

For the six months ended 30 September 2020

12. Financial risk management and financial instruments continued

12.4 Fair value hierarchy continued

Transfers between Levels 1 and 2

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

12.5 Valuation methods and assumptions for valuation techniques

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

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

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

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

Summary notes continued

For the six months ended 30 September 2020

13. 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.

13.1 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 at 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.

13.2 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 due to inability to engage with BURS as a result of lockdown restrictions and an ongoing implementation of a new system to address deficiencies in their legacy system which has highlighted shortcomings in the claims of the BURS pertaining to the alleged penalty interest due.

13.3 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, but 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 on closing and liquidating funds.

14. Events occurring after reporting period

Mr A Mazwai was appointed as independent non-executive director and member of the audit and risk committee effective 9 November 2020.

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, A Mazwai

Non-executive directors

WS O'Regan, NR 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

Alexander Forbes, 115 West Street, Sandown, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132

Sponsor

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

www.alexanderforbes.co.za

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