

FY2021 Additional information

For the 6 months ended 30 September 2020



**ALEXANDERFORBES**
Securing your financial well-being

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Key
performance
indicators



Operating income¹ – by type and by driver

for the six months ended 30 September

R million	Retirements consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Other		Group Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
By type														
Consulting and advise fees	83	80	23	25	9	11	146	141	57	56	-	5	318	318
Administration fees	298	337	-	-	-	-	72	78	62	54	-	-	432	469
Commission	42	43	118	119	-	-	-	3	6	4	-	-	166	169
Investment management fees	-	-	-	-	617	623	-	-	9	9	-	-	626	632
Total	423	460	141	144	626	634	218	222	134	123	-	5	1 542	1 588
By driver														
Asset based	-	-	-	-	626	634	218	219	9	9	-	-	853	862
Payroll expense	298	337	-	-	-	-	-	-	62	61	-	-	360	398
Members	78	74	21	23	-	-	-	-	56	48	-	5	155	150
Adhoc fees	5	6	2	2	-	-	-	-	1	1	-	-	8	9
Commission	42	43	118	119	-	-	-	3	6	4	-	-	166	169
Total	423	460	141	144	626	634	218	222	134	123	-	5	1 542	1 588

1. Operating income net of direct expenses

Key performance indicators

for the six months ended 30 September

	Unit	2017	2018	2019	2020	4 year CAGR
Retirements consulting						
Number of umbrella fund corporate clients ¹		1 417	1 483	1 629	1 682	6%
Number of umbrella fund active members	'000	327	357	368	367	4%
Umbrella fund closing assets under management	R bn	73.2	79.8	83.1	87.1	6%
Standalone retirement funds assets under administration	R bn	354	364	330	337	-2%
Total number of active members ²	'000	935	944	927	896	-1%
Healthcare consulting						
Number of healthcare corporate clients		550	534	537	529	-1%
Number of healthcare active member records	'000	209	210	216	214	1%
Investments (institutional)						
Closing assets under administration	R bn	51.1	50.7	28.6	32.2	-14%
Closing assets under management	R bn	248.2	255	248.2	252.8	1%
Average assets under administration	R bn	50.1	50.7	29.6	30.0	-16%
Average assets under management	R bn	242	254.7	248.7	249	1%
Blended net margin – on average assets ³	bps	23.1	28.6	30.6	30.1	9%
Individual clients						
Number of FPC clients ⁴	'000	50	53	48	47	-2%
FPC preservation rate	%	57	55	53	51	-4%
FPC retention rate	%	23	23	22	24	1%
Closing assets under advice FPC	R bn	67.8	71.1	72.2	73	2%
Closing assets under administration AFICA	R bn	62	64	64.7	65.5	2%
AF Investments closing assets under management	R bn	63.7	65.4	66.8	68.4	2%
AFRIS number of clients		-	-	155	171	0%
AFRIS number of members		-	-	2 084	3 637	0%
AFRIS closing assets under administration	R bn	-	1.4	4.6	7.8	0%
Multinational consulting (Namibia and Botswana)						
Members under administration		102 083	108 235	108 799	108 464	2%
Closing assets under management (AF Investments Namibia)	R bn	3.8	3.6	3.5	3.4	-4%

1. Corporate action within existing client base of 10 262 new clients and 103 lost clients in FY2019

2. Retrenchments in membership of 15 205 in the current period

3. Blended margin restated to include the AF Life rebate

4. Change in FPC client numbers resulting from data clean-up in prior periods



Finance
review

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Explanation of adjustments to normalised

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

Amortisation of intangible assets arising from business combination

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

Professional indemnity insurance cell-captive results

The profits and losses of the facility are a result of the premiums paid, claims experienced and the changes made to the provision for expected future claims. The recorded profits and losses of the cell-captive facility should trend to zero over the longer term. The annual premiums paid for this insurance 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 a 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 loss arising from accounting for policyholder investment in treasury shares

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

Investment income and taxation payable on behalf of policyholders

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

Normalised income statement

for the six months ended 30 September

R million	Normalised 2020	%	Normalised 2019
Operating income net of direct expenses	1 542	(3)	1 588
Other income	52	-	-
Operating expenses	(1 250)	3	(1 218)
Operating profit before share scheme and corporate charges	344	(7)	370
Share scheme costs	(4)	33	(3)
Operating profit before non-trading and capital items	340	(7)	367
Non-trading and capital items	(16)	>100	(5)
Operating profit	324	(10)	362
Net investment income (excluding policyholder investment income)	56	24	45
Profit before taxation	380	(7)	407
Income tax expense	(136)	11	(122)
Profit from continuing operations	244	(14)	285
(Loss)/profit from discontinued operations	(53)	<(100)	92
Profit for the period	191	(49)	377
Attributable to non-controlling interest	(15)	(67)	(46)
Profit attributable to owners of the company	176	(47)	331
Adjusting items			
Normalised headline adjusting items	5		3
Normalised headline profit attributable to owners of the company	181	(46)	334
Normalised number of shares			
Weighted average number of shares in issue	1 297		1 223
Weighted average number of shares by policyholders classified as treasury shares	6		6
Normalised number of shares in issue	1 303		1 229
Normalised earnings per share (cents)	13.5	(50)	26.9
Normalised headline earnings per share (cents)	13.9	(49)	27.2

Balance sheet reconciliation adjusting for policyholder and insurance-related balances

As at 30 September

R million	2020 IFRS	Adj. linked investment policyholders	2020 Corporate	March 2020 Corporate
Assets under management	306 973	(306 973)	-	-
Property, equipment and computer software	721		721	756
Goodwill & intangible assets	1 581		1 581	1 611
Financial assets and associates	103		103	95
Deferred tax asset	199		199	228
Trade and other receivables	1 154		1 154	534
Cash & cash equivalents	2 869		2 869	3 959
Assets classified as held for sale	2 359		2 359	2 285
Total assets	315 959	(306 973)	8 986	9 468
Liabilities under management	(306 995)	306 995	-	-
Borrowings	-		-	(101)
Employee benefits	(154)		(154)	(132)
Deferred tax liabilities	(67)	15	(52)	(73)
Lease liabilities	(759)		(759)	(822)
Provisions and deferred income	(1 086)		(1 086)	(461)
Trade and other payables	(388)	(56)	(444)	(554)
Liabilities associated with assets held for sale	(2 179)		(2 179)	(2 128)
Total liabilities	(311 628)	306 954	(4 674)	(4 271)
Total equity	4 331	(19)	4 312	5 197

EBITDA (IFRS and normalised)

for the six months ended 30 September

R million	Actual 2020	Normalised 2020	%	Normalised 2019
Profit before tax from continuing operations	396	380	(7)	407
Add back depreciation and amortisation ¹	129	46	12	41
Add interest cost of long-term borrowing and lease liabilities ²	34	1	(97)	30
EBITDA (including interest received on capital)	559	427	(11)	478

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

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

Return on equity (normalised)

As at 30 September

R million	Normalised 2020	Normalised 2019
Average equity ¹	5 374	5 755
Average tangible net asset value (excluding intangible assets and the related deferred tax)	3 334	2 965
Profit for the period from operations	1 097	797
Less attributable to non-controlling interest	(161)	(97)
Profit from continuing operations attributable to ordinary shareholders	936	700
LTM return on equity	17.4%	12.1%
LTM return on average capital employed	24.4%	17.5%
LTM return on tangible net asset value	28.1%	23.6%

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

Analysis of cash balances

As at 30 September

R million	Sep 2020	Sep 2020	Sep 2020	Sep 2019	Mar 2020
	Continuing operations	Discontinued operations	Total operations	Total operations	Total operations
Cash and cash equivalents	2 869	560	3 429	5 880	4 627
Cash held on behalf of policyholders	-	(187)	(187)	(2 386)	(261)
Cash held in cell captive insurance facilities	(277)	-	(277)	(333)	(314)
Restricted cash (EM, AM fees & Tax prov.)	(315)	(32)	(347)	(293)	(372)
Net current liabilities	(190)	-	(190)	(300)	(371)
Available cash before regulatory capital	2 087	341	2 428	2 568	3 309
Cash held for regulatory capital, liquidity and solvency requirements	(1 596)	(276)	(1 872)	(1 853)	(1 691)
Alexander Forbes group SCR	(1 167)	(184)	(1 351)	(1 743)	(1 310)
Cover ratio at 50%	(583)	(92)	(675)	-	(655)
Other assets backing regulatory capital	154	-	154	127	317
Additional surplus cover ratio held in cash	-	-	-	(237)	(43)
Available cash resources	491	65	556	715	1 618

Regulatory capital

As at 30 September (SAM Standard Formulae)

R million	2020			2019			% Change in Regulatory Surplus (%)
	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	
Holding company	786	253	533	43	109	(66)	(100.0)
Regulated insurer	1 370	689	681	1 933	1 345	588	15.8
FAIS & 13B regulated entity	266	226	40	227	152	75	(46.7)
Other regulated financial entity	148	79	69	87	61	26	165.4
Unregulated entity	234	104	130	184	76	108	20.4
Total Group	2 804	1 351	1 453	2 474	1 743	731	98.8

Thank you



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