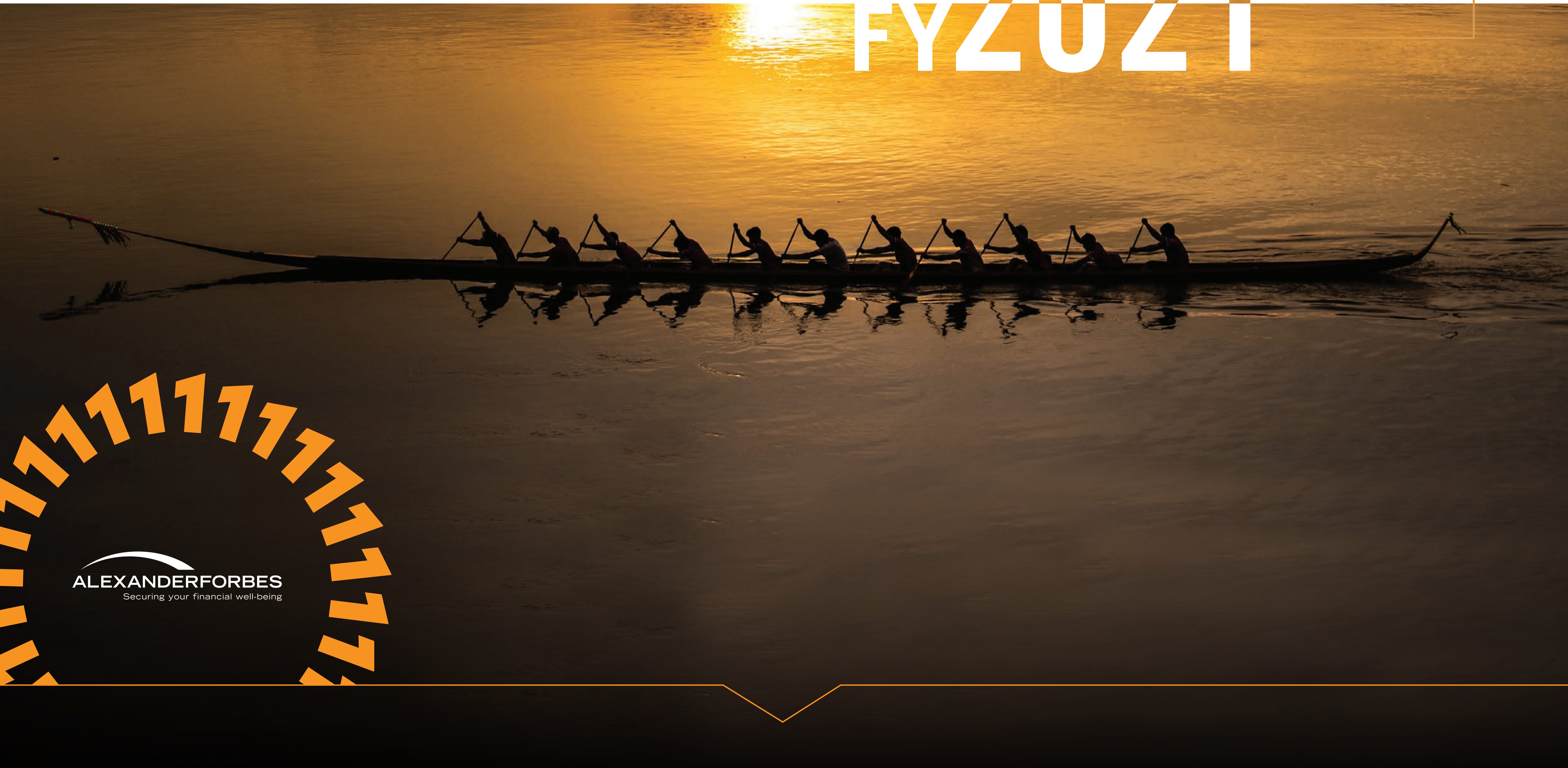
Alexander Forbes
Group Holdings Limited

Results announcement and final cash dividend declaration

for the year ended 31 March 2021

FY2021



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Overview

Alexander Forbes has delivered a resilient set of results which reflect the benefit of its strategic clarity and is underpinned by the operational and commercial sustainability of the business and the sharp focus on execution.

The underlying business remains stable, solvency is sound, the value proposition has been enhanced, and we have become a more advice-led integrated business well positioned for growth.

- A clear focus on our advice-led value proposition is yielding results in the form of increased new business and recognition by our clients, prospects and the broader industry.
- During the financial year, Alexander Forbes continued to win awards and accolades for the relevance of our advice, solutions and services.
- We have a clear signal from our clients that the group's response to sustain their businesses and the livelihoods of their employees resulted in a greater partnership. This partnership is premised on our advice-led solutions, our responsive negotiations around temporarily decreasing contributions, and guiding the market through the volatile period.
- Significant improvement in independently measured net promoter score (NPS) which more than doubled year on year.
- Our people are more engaged, reflected in the improvement in our employee engagement score, and this provides us with a strong foundation for higher performance in the future.
- New business wins of R140 million annualised revenue, the highest value in the past five years.

Operating income in line with prior year
at R3 153 million,
which is a pleasing result given the challenging operating environment.

Operating expenses are well contained at
R2 543 million
an increase of 4% year on year. Excluding the impact of stranded costs[1], the underlying operating expense growth reduces to 1% year on year.

Headline earnings per share from continuing operations
up 4% year on year to 33.4 cents per share.

Cash generated from continuing operations remains strong at
R977 million (2020: R936 million).

Our capital position remains robust with a regulatory surplus of
R1 353 million. The group **cover ratio of 1.92 times is well above the target** solvency cover ratio cover ratio of 1.5 times.

Completed the exit of the insurance businesses and delivered on our capital-light strategy.

- Concluded the sale of the Namibian short-term insurance business.
- Entered into a sale and transfer agreement for the group risk and retail life business on 11 June 2021. The transaction is subject to regulatory approval.

Final dividend declared of
9 cents per share
(2020: 12 cents per share), taking the **annual dividend to 22 cents per share** and maintaining the dividend cover at 1.5 times in line with our dividend policy.

29% increase in assets under administration (AuA) and **assets under management (AuM) surpassing the**
R400 billion **mark.**

[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).*

Chief executive officer, Dawie de Villiers, commented:

'Alexander Forbes's results reflect a strong and resilient performance of which I am proud. This, during a year in which the operating conditions were some of the most challenging on record. Our leaders have driven strategic clarity and disciplined execution across Alexander Forbes, and these benefits have cemented the positioning of our advice-led, integrated value proposition. Alexander Forbes has partnered with our clients to sustain their businesses and the livelihoods of their employees, as well as ensuring the safety and well-being of our own employees during the global pandemic. We intend to build on this foundation by adapting and evolving to constantly remain relevant to our clients, provide opportunities for our employees to grow and to serve our community and society in securing their financial well-being.'

Financial highlights

In millions of South African rands (Rm)	2021/2020 % change	Audited twelve months ended 31 March 2021	2020	2019
Continuing operations				
Operating income[1]	–	**3 153**	3 153	3 136
Profit from operations (before non-trading and capital items)	(10)	**685**	757	754
Cost-to-income ratio[2] (percentage)	230 bps	**78.3**	76.0	76.0
Profit/(loss) for the year	>100	**444**	(764)	322
Cash generated from operations	4	**977**	936	1 003
Basic earnings/(loss) per share (cents)	> 100	**33.0**	(67.1)	22.1
Headline earnings per share (cents)	4	**33.4**	32.2	32.9
Discontinued operations				
Operating income[1]	(91)	**49**	547	727
(Loss)/profit from operations (before non-trading and capital items)	> (100)	**(38)**	144	237
Total group				
Basic earnings/(loss) per share (cents)	> 100	**14.3**	(11.8)	27.2
Headline earnings per share (cents)	(64)	**12.7**	35.4	44.2
Normalised headline earnings per share (cents)	(69)	**12.0**	38.7	45
Interim dividend per share (cents)	(28)	**13**	18	18
Final dividend per share (cents)	(25)	**9**	12	12
Annual dividend per share (cents)	(27)	**22**	30	30
Special dividend per share (cents)	n/a	**–**	50	30
Closing AuA and AuM (in billions of South African rands)	29	**401**	310	342

[1] Operating income represents revenue net of direct expenses.
[2] Cost-to-income ratio is calculated as a percentage of operating expenses (before non-trading and capital items) and adjusted for other income, over operating income.

Executive summary

Alexander Forbes is pleased to report financial results for the full year ended 31 March 2021. Over the past year there has been an immense resolve under challenging conditions to show progress in executing our strategic objectives. We have a clear indication from our clients that we are improving our client experience and our employees have confirmed to us that they are more engaged, setting the foundation for sustained performance. The underlying business remains stable, our solvency is sound, our value proposition has been enhanced, and we are a more integrated business that is well positioned for growth.

The beginning of the 2021 financial year coincided with the start of lockdowns brought on by the outbreak of the coronavirus pandemic. This presented challenging trading conditions and required the business to put appropriate measures in place to deliver to our clients remotely, while keeping our people safe. Importantly, it has also galvanised us to think and behave differently. Amid this uncertainty, our focus has been on our integrated advice-led consulting framework, which has designed market-leading and appropriate solutions to address the evolving needs of our clients and members.

Our strategic decision to focus on our core business has enabled us to assist our clients seamlessly and more effectively. Throughout the year we have improved and enhanced our process management and met our client service level agreements. We also proactively engaged regulators, directly or through industry bodies, to ensure improved outcomes for our clients. We remained resolute in our disciplined approach to capital management. Our unleveraged balance sheet and strong cash position enabled Alexander Forbes to navigate cautiously through this turbulent period.

In South Africa, the economic environment in which we operated for the most part of the financial year was characterised by a real gross domestic product contraction of 7% which marked the deepest annual contraction in 74 years. The adverse impact of the economy on individuals during the year resulted in lower levels of savings and members choosing to take cash withdrawals when leaving their employer and retiring, which negatively affects their financial outcomes. In this difficult business environment, our client base experienced low levels of employment, retrenchments, negative salary growth, suspensions of retirement fund contributions and accelerated business closures towards the second half of the period. These factors reduced our active membership base for the financial year.

Operating income of R3 153 million remained unchanged from the prior year, which is a pleasing and resilient result in the context of a challenging economic environment. The persistently weak economy coupled with the impact of retrenchments affected our retirement business. This was offset by positive market returns and increase in new business wins as well as sustained growth from our multinational consulting business where our Arrive platform continues to gain traction.

We continued to focus on expense management throughout the year, although the impact of stranded costs continues to mask these efforts. Operating expenses increased 4% year on year to R2 543 million. We are pleased with containing underlying expense growth to 1% year on year, excluding the impact of stranded costs and the IFRS 16 lease adjustments.

In line with our strategic principles of an advice-led and capital-light model, we have concluded the exit of the insurance businesses during the year. We completed the sale of the Namibian short-term insurance business in December 2020. The group has also entered into a sale and transfer agreement for the group risk and retail life business on 11 June 2021. The transaction requires regulatory approval. We expect to close this transaction in the first half of financial year 2022, with a concerted effort to settle outstanding claims and close down the Alexander Forbes Life licence.

We remain confident in our strategy and will continue to execute against our objectives, which will continue to reflect positively in the performance of the business. Our business is geared for growth and we are satisfied with our efforts to date. Our focus on intensified customer engagement is beginning to show signs of success and we are accelerating progress in this area. We remain motivated to seize opportunities in the market and gain further market share through our integrated advice-led proposition and deliver measurable benefits to our clients delivered by our engaged and passionate people.

Financial review

Our operating model is designed to integrate our platforms and present a holistic ‘one company’ experience to our clients to optimise their path to securing their financial well-being.

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

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

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

Consolidated operating income and operating expenses

Operating income

Year ended 31 March	2021	%	2020
Retirement consulting	**848**	(5)	895
Healthcare consulting	**293**	1	289
Investments	**1 282**	1	1 273
Individual consulting	**455**	3	442
Multinational consulting	**275**	8	254
Total	**3 153**	–	**3 153**

The past year has been characterised by the global economic uncertainty arising from the Covid-19 pandemic among other exogenous factors that affect the drivers of our financial performance. Throughout the financial year, we continued to focus on our clients with increased engagement activities and providing best advice through an integrated market-leading consulting offering.

Operating income growth remained unchanged year on year at R3 153 million in challenging trading conditions. The retirement consulting business continues to be impacted by the weak local economy, member losses due to higher levels of retrenchments and low levels of employment. We continue to report good success in new business wins into our umbrella fund in a highly competitive market. Our healthcare consulting business remained steady mainly driven by new business wins in the healthcare broking and primary care offering. Individual consulting performed in line with expectations attributable to strong market performance and new business wins in the second half of the year. Our multinational business performed well with good contributions from Botswana, Channel Islands and our Arrive solution continues to experience an increase in new appointments.

Retirement consulting

Retirement consulting reported a 5% decline in operating income to R848 million. This was influenced by the weak local economy and the effect of the change to the structure of the Alexander Forbes sponsored umbrella funds that occurred in the second half of the previous financial year. As previously reported, the structure change resulted in the Alexander Forbes sponsored umbrella funds becoming privately administered funds from being underwritten. While this structural change has a limited impact on operating profit, the revenue impact of the structural change is that the group bears the VAT charge on the administration and consulting fees earned from the privately administered umbrella funds, which it did not carry while operating as underwritten funds. Excluding the impact of the structural change, retirement consulting would have reported a decline of 3% (to R873 million) for the year.

The persistently challenging operating environment experienced through the financial year was led by a weak economy that resulted in low levels of employment, retrenchments and negative growth in payroll within our client base, as well as business closures.

The total number of active member records declined 6% to 864 087 (2020: 914 440). Retrenchments within our client base were spread evenly between the first and second half of the year and accounted for 3% (30 326 member retrenchments) of our active membership base. While we have seen a reduction in the number of monthly retrenchments in the last quarter of the financial year, this rate remains higher compared to the prior year. Clients in our umbrella funds who are primarily small, medium and micro enterprises (SMMEs), reported higher levels of retrenchments compared to our standalone clients. Our standalone client base, comprising larger corporates, reported fewer business closures and low levels of retrenchments but were impacted by reductions and suspensions in their payroll.

The regulator approved the suspension of contributions for retirement funds for up to a six-month period commencing from the beginning of the financial year. The lower contributions were adopted by some clients with minimal impact on retirement consulting business.

Recurring revenue from clients was adversely affected by the subdued growth in payroll and headcount across our client base as explained. Fee billing work for consulting and actuarial services, on the other hand, remained unchanged year on year. Clients refocused activities towards business continuity and survival rather than on enhancing their retirement funding arrangements. We have identified opportunities to engage clients and prospects to showcase our integrated value proposition that can enable greater simplification of their respective retirement funding structures.

The focus during the financial year has been on supporting our clients through this turbulent time. We provided advice on managing their employee benefit needs and navigating the complex regulatory environment, with the many legislative changes that took place throughout the year. The relentless focus on client engagement and experience, coupled with our integrated consulting approach, has resulted in improved client retention and client satisfaction with our retirement fund clients. This is demonstrated by Alexander Forbes winning the Diamond Arrow Award issued by the PMR Africa, placing first in the category of consulting actuarial firm for 14 consecutive years.

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, when leaving their retirement fund, better understand their options and make more informed decisions for their retirement with a view to improving outcomes and their financial well-being.

We continue to report success in new business wins into our umbrella fund in a highly competitive market. The institutional umbrella fund offering, which comprises the flagship Alexander Forbes Retirement Fund (AFRF) and Alexander Forbes Access (AF Access) reported sustained growth in new business during the year, with 115 new appointments. While we experienced some client losses, this has reduced from the previous year. Although the number of umbrella fund clients has reduced by 1% to 1 668, the number of active members has reduced by 7% year on year to 345 641. We believe that we are well positioned to benefit from further consolidation of retirement funds into umbrella funds.

Closing assets under management (AuM) for our umbrella funds (included in the investments business segment) increased 27% year on year to R96 billion owing to positive market growth of R22 billion offset by negative net cash flows from the umbrella fund in the year of R2 billion (2020: net cash flows were a positive R500 million).

Our approach remains advice-led, holistic and member focused. We believe strongly in the value of long-term savings products provided through employment, especially in these uncertain times, and we continue to partner with our clients to provide holistic advice and employee benefit solutions.

Closing assets under management for our umbrella funds increased 27% year on year to R96 billion

Healthcare consulting

The focus during the year has been on supporting our clients through these challenging times, by providing advice on managing their healthcare programmes and working-from-home ergonomics as well as providing regular Covid-19 pandemic updates.

The healthcare consulting business reported a 1% increase in operating income to R293 million. Recurring revenue for the year increased 3% year on year despite the adverse impact of the global pandemic and widespread lockdowns in South Africa. This was underpinned by pleasing new business wins in the healthcare broking and primary care businesses with 17 new client appointments in the year, with an additional 17 000 healthcare members. The health management and actuarial businesses experienced a reduction in revenue in the current financial year owing to reduced services to some clients as well as retrenchments within the client base.

Our healthcare client base has been less susceptible to business closures and retrenchments in the year than our retirement consulting client base, with a greater number of retrenchments occurring in the second half of the year. Total retrenchments and reductions within the existing healthcare membership base stood at 2% for the year. We are pleased to report a 3% increase in the overall number of healthcare membership to 223 983 at 31 March 2021 owing to retaining members from business closures and new business wins.

Our collaboration with Evo Financial Services continues to yield results. This partnership has enabled us to strengthen our position in sectors where we were historically underrepresented and delivered new mandates with an additional 30 000 members over the past three 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 core solutions accordingly.

Investments

Investments reported a 1% increase in operating income to R1 282 million amid volatile market conditions resulting from the global pandemic. Strong market performance during the year was offset by the impact of a lower asset base at the beginning of the financial year and a reduction in both the institutional and retail blended margins. The institutional blended margin reflects broader industry pressure on investment fees reducing to 29.4 bps (2020: 30.6 bps) and has been impacted by client switches from higher to lower margin portfolios (particularly more conservative cash-based portfolios), new business wins into lower margin portfolios and products (including platform) as well as proactive pricing reviews.

Closing assets under management and administration now exceed R400 billion up 29% year on year

Closing assets under management and administration (AuM and AuA) crossed over the R400 billion mark to R401 billion. This is a significant milestone, reflecting a 29% increase year on year. The increase in AuM and AuA is attributable to strong market performance, coupled with our well-diversified investment approach and our platform offering which allows us to leverage our leading in-house administration system, scale and capabilities for our clients.

Total closing assets are segregated as follows:

	31 March 2021			31 March 2020		
R billions	**Institutional**	**Retail**	**Total**	Institutional	Retail	Total
Assets under administration (AuA)	**53.2**	**6.5**	**59.7**	24.4	5.1	29.5
Assets under management (AuM)	**272.5**	**68.7**	**341.2**	224.1	56.7	280.8
Total AuA and AuM	**325.7**	**75.2**	**400.9**	**248.5**	**61.8**	**310.3**

The multi-management approach is central to the Alexander Forbes investment philosophy and is embedded in our DNA. Much like finding the best solutions always starts with getting the best advice, innovative multi-management is also fundamental to our clients' success. Our multi-management approach is centred on a practical risk management framework that allows us to carefully consider all potential outcomes and manage identified risks that might arise in the process. This means that we are uniquely positioned to employ a diverse set of investment strategies managed by a broad panel of well-researched asset managers that are responsive to market changes, and better positioned to deliver the highest likelihood of achieving our clients' long-term investment objectives. Over the year, 61% of multi-asset portfolios exceeded their benchmarks and on a three-year basis, 73% have exceeded their benchmarks.

Alexander Forbes Investments has been acknowledged for the robustness of its investment approach regardless of the market environment.

61% of multi-asset portfolios exceeded their benchmarks
and on three-year basis
73% have exceeded their benchmarks

We are pleased to announce that the Alexander Forbes Investments South Africa Private Markets programme received the Institutional Impact Award by the South African Venture Capital and Private Equity Association, recognising our ongoing commitment to embedding environmental social and governance (ESG) and impact investing in our investment processes. The Alexander Forbes Investments Hedge Fund of Funds was nominated for awards by Hedge News Africa, another notable affirmation of our investment approach and the consistent long-term performance we have achieved for our clients.

Our flagship portfolio, Performer, has delivered consistent and competitive performance over time, delivering better long-term investment outcomes for clients. This is achieved by maintaining our investment philosophy and consistently applying our multi-management investment approach. Performer consistently ranks in the first quartile of the Alexander Forbes Large Manager Watch Survey™ over the medium to long term and remains well positioned in these volatile markets to continue to achieve superior returns on a risk-adjusted basis.

Performer AuM increased 32% to R166 billion with positive net cash inflows reported in the financial year.

Performer AuM has grown to
R166 billion
Performer consistently ranks in the first quartile of Alexander Forbes Large Manager Watch Survey™

The institutional business reported a positive net cash flow position for the year, following negative net cash flows for several years. This positive result is underpinned by record new business wins achieved of R29.8 billion, the highest in the last five years owing to several large client wins. This is a noteworthy achievement in a challenging year demonstrating the strong client relationships and implementation of best advice for our advisory clients. New business comprised R20 billion in AuA for our platform offering (administration and reporting services to clients using our internal unitisations administration system) and R9.8 billion flowing into our product offerings. Client terminations in the institutional business were higher than prior years owing to client liquidations, competitive pressure as well as increased passive offerings.

The weak South African economy had an adverse impact on our institutional cash flows. Contributions from active members of retirement funds reported subdued growth year on year. This was due to contribution holidays, where some retirement fund clients elected not to contribute for a period of up to six months, and from retrenchments, which were mainly experienced in the second half of the 2020 calendar year. Uncontrollable cash outflows increased in the year due to withdrawals by members of institutional clients. This shows an increasing trend from that experienced in the second half of the 2020 calendar year, influenced by factors across the retirement fund industry.

A summary of the cash flows for the twelve months to 31 March 2021 is shown below.

	31 March 2021			31 March 2020		
R billions	**Institutional**	**Retail**	**Total**	Institutional	Retail	Total
Controllable (product)	**0.2**	**–**	**0.2**	0.4	–	0.4
New business	**9.8**	**–**	**9.8**	4.4	–	4.4
Outflows owing to client losses	**(9.6)**	**–**	**(9.6)**	(4.0)	–	(4.0)
Controllable (platform)	**18.6**	**–**	**18.6**	(3.1)	–	(3.1)
New business	**20.0**	**–**	**20.0**	–	–	–
Outflows owing to client losses	**(1.4)**	**–**	**(1.4)**	(3.1)	–	(3.1)
Uncontrollable	**(14.6)**	**(1.5)**	**(16.1)**	(4.8)	(0.9)	(5.7)
Ongoing contributions	**34.2**	**8.4**	**42.6**	32.9	8.9	41.8
Withdrawals for benefit payments	**(48.8)**	**(9.9)**	**(58.7)**	(37.7)	(9.8)	(47.5)
Net cash flows	**4.2**	**(1.5)**	**2.7**	**(7.5)**	**(0.9)**	**(8.4)**

Individual consulting

Individual consulting reported a 3% increase in operating income to R455 million, owing to strong market performance in the year, notable new business wins in the context of the current environment and the ongoing evolution of our individual customer engagement strategy.

Although we experienced strong market performance in the year (18% blended market return across Financial Planning Consulting (FPC) assets), average assets grew at a lower rate impacted by the lower opening asset base and the timing of new business.Closing assets under advisement of R79.6 billion increased by 19% year on year, while average assets under advisement increased by 3% year on year. This was driven by strong blended market performance for the year and good new business, particularly in the second half of the year.

New business of R9.4 billion achieved in the financial year, while 5% lower than the prior year is another notable performance in a year where we experienced several months of virtual meetings with existing and prospective clients. New business split between the first and second half of the year was 41% and 59% respectively, represented by 3 541 new individual clients in the year. We have seen an increasing trend among our client base in the current year to buy fixed-term pensions at retirement (as opposed to guaranteed and flexible pensions), as they seek greater certainty on financial outcomes in these turbulent times.

Annuity payments were consistent year on year, demonstrating the strength of our client base. A small portion of our clients amended their annuity drawdown in line with the regulatory change in the year which permitted higher annuity drawdown for four months. The preservation rate[1] declined to 49% (2020: 53%) due to continued economic pressure faced by our members and further impacted by a higher proportion of retrenchments in the year. The retention rate[2] has remained unchanged at 23% owing to the improved active engagement initiatives with our members, this has resulted in better success at other exit events such as retirements.

The Alexander Forbes Retirements Income Solution (AFRIS) continued to show strong growth and deliver on its value proposition as a default solution for retirement fund clients and employers in line with default regulations.

Closing AuA in AFRIS was
R10.2 billion
at 31 March 2021, **up 73% year on year**

[1] *The percentage value of retirement funds that are transferred to preservation or retirement solutions after an employee resigns or retires from a company.*
[2] *The percentage value of fund assets that remain with Alexander Forbes over total exits.*

Closing AuA in AFRIS increased 73% year on year to R10.2 billion at 31 March 2021. This growth was underpinned by an increase of 17 new institutional clients joining in the year coupled with a 64% increase in active members to 4 716. We continue to win new business into AFRIS with new asset inflows of R3.7 billion during the year. This solution, together with retirement benefit counselling (RBC) services, continues to demonstrate measurable benefits for clients.

Our focus on increasing member engagement through RBC continues to gain traction with 555 institutional clients now using our solution. Previously our RBC was limited to worksite consulting, we have enhanced our offering through a new call centre solution and various digital initiatives which has enable us to sale our offering to more members. We continue to look for opportunities for strategic partnerships and acquisitions, evidenced in the current year with the bolt-on acquisition of a small wealth consulting business.

Multinational consulting

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

Operating income increased by 8% to R275 million with growth driven by continued good performance from the Botswana and Channel Islands and sustained growth from our Arrive solution that continues to experience an increase in new appointments. The Namibian business reported negative growth of 3% for the year, with the institutional business impacted by the persistently depressed macroeconomic environment and retirement industry factors similar to those experienced in South Africa.

The focus during this year has been on supporting our clients through these challenging times and improving service delivery. We are pleased to have won the Diamond Arrow Awards issued by the PMR Africa in the year, placing first in the categories of consulting actuarial firm, employee benefit administrator and consultant and pension/retirement fund administrator.

The Arrive platform which delivers health, wealth and career solutions to multinational clients throughout Africa, is aligned to our advice-led framework. We continue to see the benefits of a coordinated consulting and service approach across Africa. We continue to make traction with our Arrive offering with 13 new clients added in the year, taking the total number of Arrive clients to 64. 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. At 31 March 2021, there were 109 GBM clients with 26 broker appointments landed in the year, taking the total number of broker appointments to 95 since inception.

Operating expenses

Year ended 31 March	2021	%	2020
Total personnel costs	**1 521**	4	1 466
IT costs	**365**	(4)	380
Premises	**282**	2	277
Professional fees	**176**	3	171
Insurance costs	**77**	4	74
Other expenses	**232**	(6)	247
Total adjusted operating expenses	**2 653**	**1**	**2 615**
Recoveries from discontinued operations (stranded costs)	**(20)**	(79)	(96)
Adjustment for IFRS 16 leases	**(90)**	17	(77)
Total operating expenses (continuing operations)	**2 543**	**4**	**2 442**

The increase in operating expenses was contained to 4% year on year 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). The focused expense management efforts, which provided savings in premises operating costs, information technology, travel and entertainment, and marketing and communication costs, continue to be masked by the impact of these stranded costs. Adjusting for the stranded costs and the implementation of IFRS 16 Leases, operating expense growth for continuing operations remains well contained at 1%.

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. The increase in technology costs is driven by the implementation of programmes relating to the assessment of our cyber defence mechanisms to respond with rigour and agility to:

- further strengthen our information security environment
- accelerating development of our digital capabilities and servicing platforms
- enable our people to work remotely due to the lockdown restrictions.

We continued to embed operational excellence across our operations to drive efficiency and better manage the controllable administration expenses by ensuring the right skills and capacity are aligned to our client experience commitments. We also introduced diverse and compelling employee well-being initiatives to keep our people engaged as we transitioned into the new ways of working brought about by the Covid-19 pandemic. Examples include resilience training, managing teams in remote working environments, and health and wellness programmes.

Despite the constrained operating environment, we have made significant progress with improvements in operational performance, simplifying and automating processes and rolling out client solutions. We remain committed to investing in the right technology and client support initiatives to proactively respond to client needs and transform our operations in an agile manner whilst being prudent on expense management.

Items below profit from operations

Non-trading and capital items

Non-trading and capital items decreased substantially to R52 million (2020: R1 283 million). This is attributable to the one-off impact of goodwill written off in the prior year of R1 145 million associated with the individual, retirement, healthcare and multinational consulting cash generating units (CGUs). Goodwill allocated to these CGUs was fully written off during the prior year following a detailed assessment of the anticipated impact of the Covid-19 pandemic. Our re-assessment of goodwill in the current year continues to support the position taken in the prior year.

The remainder of the non-trading and capital items include, among others, the recurring amortisation costs of intangible assets amounting to R56 million and the consolidation of the group's insurance cell-captive, which returned a profit of R22 million in the current financial year.

Investment income

Investment income of R103 million (2020: R158 million), earned from the regulatory capital and surplus cash position of the company, declined by 35% owing to a reduction in the prime interest rate coupled with lower cash balances following the payment of the special and interim dividends during the year. In addition, an investment profit of R33 million (2020: R3 million loss) related to individual policyholder investments is recorded in the consolidated income statement. An equal tax expense is raised for this investment profit. The policyholder profit (and related tax expense) are excluded from our normalised earnings when assessing the group's own investment income.

Finance costs

Finance costs decreased 48% to R74 million (2020: R143 million) due to the repayment of the group's revolving credit facility at the beginning of the financial year. Finance costs associated with the lease liabilities amounted to R64 million (2020: R74 million).

Profit before and after tax

After non-trading and capital items, finance charges and the effect of the policyholder investments, the group reported a profit before taxation from continuing operations of R708 million (2020: R514 million loss). The effective tax rate, excluding the policyholder tax, is 34.2% largely due to unutilised tax losses which have not been raised as deferred tax assets in the current year. The group reported a profit from continuing operations of R444 million (2020: R764 million loss).

Discontinued operations

The details of the operating results and non-trading and capital items of discontinued operations are included in note 8.

The group reported a loss before non-trading and capital items from discontinued operations of R38 million (2020: R144 million profit). The prior year results include ten months of the operating results from the South African short-term insurance business that is not included in the current year. The short-term insurance business contributed R217 million to the profit before non-trading and capital items in the prior year.

The group also reported a loss after tax for the year from discontinued operations of R267 million (2020: R53 million profit). This was due to developments in the enhanced transfer value (ETV) liability matter as the investigations progressed, especially in the last quarter of the financial year.

We continue to deal with the legacy enhanced transfer value (ETV) liability matter relating a UK subsidiary that was sold in 2012. The ETV liability arises from redress payments being ordered, to the industry as a whole, by the Financial Conduct Authority, the UK regulator, in respect of certain thematic errors in historical advice. The calculated value of the total liability for redress payments including the costs related to this process has increased significantly during the financial year. The Alexander Forbes insurance programme provides cover for claims of this nature and is sufficient for the quantum calculated. To date, the settlement amounts have been paid from the self-insured provision within the group's cell-captive insurance facility, and settlements that have been made from the primary layer of insurance. Our primary insurance layer has accepted and settled the claim in line with the programme.

As the liability has increased through the year, management approached insurers for each increasing layer in the insurance programme to obtained confirmation from the insurance underwriters confirming that the event is covered in terms of the policy. Certain insurers have challenged the policy based on the excess deductibles applied to the thematic errors. Management have obtained senior council legal opinion on the disputed aggregation by the first and fourth excess layers and remains confident that the positions taken by the them are incorrect and we will continue to pursue legal action on the matter. The recovery of insurance in the future will result in the income being recognised at the time.

As a result of the material increase in liability and the value of insurance that is being challenged by the insurers, the indemnities provided by Alexander Forbes in the original sale and purchase agreement (SPA) will be invoked. Alexander Forbes has a limitation of the liability included in the SPA determined by the proceeds received on the AFCA disposal and excludes the amounts recovered from insurers.

Consequently, Alexander Forbes has provided for the full potential liability of the ETV matter in the amount of R274 million. The impact to the Group's income statement in the amount of R250 million for the current period is reflected under discontinued operations.

Refer to note 8.1 of the summary consolidated financial statements.

Other items impacting the current year performance include the reduced earnings from the Namibian short-term insurance business, the loss on disposal of this business as well as operating losses from AF Life.

Headline earnings

Headline earnings from total operations, which excludes the profit on sale from the AFI Namibia disposal, is 57% lower at R164 million. The weighted average number of shares increased marginally to 1 297 million (2020: 1 222 million) due to the issue of shares to African Rainbow Capital (ARC) in line with the flip-up transaction[1] that was concluded on 13 May 2020. This increase was offset by the general share buy-back programme, approved by shareholders at the 2020 annual general meeting. Headline earnings per share decreased to 12.7 cents per share (2020: 35.4 cents per share).

Normalised earnings

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

[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 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 and was executed at market value. The increase in share capital offset by the reduction in non-controlling interests resulted in no dilution to existing shareholders.*

Financial position and dividends

Our unleveraged balance sheet supported by surplus regulatory capital and available cash continues to place Alexander Forbes in a strong financial position. Changes to the group's financial position include the following:

- The change in nature of the sale of the group risk and retail life businesses has necessitated a change in the allocation of assets and liabilities held for sale. This has resulted in, amongst other balances, insurance receivables and insurance payables being reinstated as assets and liabilities in the continuing business. These assets and obligations will be managed to settlement of all historical claims through the transition of the licensed life insurance company (AF Life) to closure.
- The group has historically invested in certain collective investment schemes. These investments amounting to R924 million in the current year have been historically classified as cash and cash equivalents. The nature of these investments now include longer dated financial instruments and as such have been classified as financial assets. This has resulted in an increase in financial assets with a corresponding decrease in cash and cash equivalents.

At 31 March 2021, the consolidated regulatory capital requirement of the group stood at R1 439 million, an increase of 10%. This increase was mainly driven by growth in expenses in regulated entities as well as increased reserves in AF Life. Using measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards, the group has a regulatory surplus of R1 353 million. This results in a regulatory capital cover of 1.9 times well above the group cover ratio of 1.5 times.

Cash flow from continuing operations increased 4% to R977 million. 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). The cash conversion of profit from operations and liquidity remains positive and has enabled the business to weather the uncertainty presented by the Covid-19 pandemic.

The dispute in the ETV matter has resulted in a provision of R274 million. The cash required to facilitate settlement of the claim to the extent of the group's limited liability has been reserved and will not impact future cash flows. As indicated in our discussion on this matter, we anticipate recoveries from these insurers on finalisation of the legal proceedings instituted by Alexander Forbes, which will return the cash into the business.

The disposal of the group risk and retail life businesses will result in a reduction of the capital required in the group. As a result of the nature of the sale the release of the capital held within the life license will take place in line with the time to close licensed life insurance company. We anticipate this process to take between 12 to 18 months post the effective date of the sale.

Final dividend declaration

The board has considered a final dividend declaration that considers the group's dividend policy, its current and projected regulatory position, the available cash as well as the highly cash-generative nature of the group.

The board believes the surplus cash and capital position, after the payment of the final dividend, will still provide sufficient liquidity and capital strength. This is expected to provide Alexander Forbes with a solid base to withstand the adverse impact of Covid-19.

The board has declared a final gross cash dividend of 9.0 cents per ordinary share (7.2 cents net of dividend withholding tax) for the year ended 31 March 2021. In determining the final dividend for this period, the board has considered the anticipated recovery from the ETV liability matter (refer to note 8.2), therefore maintaining the annual cover ratio within our policy of 1.5 times to 2.0 times.

The final dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The directors have satisfied the solvency and liquidity test as required in terms of section 4(1) of the Companies Act 71 of 2008. The issued number of shares at the date of declaration is 1 401 541 409.

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

Last day of trade to receive a dividend	Tuesday, 6 July 2021
Shares commence trading 'ex' dividend	Wednesday, 7 July 2021
Record date	Friday, 9 July 2021
Payment date	Monday, 12 July 2021

Share certificates may not be dematerialised or rematerialised between Wednesday 7 July 2021 and Friday 9 July 2021, both days inclusive.

Prospects

The continued success of Alexander Forbes is underpinned by our market leading integrated consulting and investments solutions offerings. We have built a solid foundation for growth and have set ambitious targets for the years ahead. Our growth agenda includes sizable organic and inorganic growth opportunities. We will differentiate ourselves through:

Advice-led employee benefit, healthcare and investments solutions

Our strategic focus of being an integrated, advice-led business means that we are well placed to continue to provide the most relevant and appropriate employee benefit solutions and services to our clients. We have improved our engagement with members through building trusted relationships and developed a more targeted strategy which will deliver better financial outcomes for our individual members.

Multimanager investment value proposition embedded in our DNA

Our multi-management approach is central to our investment philosophy and provides clients with the benefits of best-of-breed product selection which optimises returns in volatile markets. Our investment philosophy aims to provide a level of downside protection, making our portfolios well positioned in these volatile markets to continue to achieve superior returns on a risk-adjusted basis. We are confident that our well-diversified investment approach implemented across our multimanager investment portfolios will continue to add value for our clients. We will continue to embed ESG principles in how our portfolios are managed as well as focusing on improvements in monitoring and reporting.

Automate, digitise and simplify our business

Management remains resolute in our efforts to continue our journey towards becoming a highly automated, digitised and simplified business geared for the future needs of our clients. We are currently implementing three significant automated solutions to our Administration clients. For our clients and members, the aim is to deliver a better service and faster turnaround times. Underpinning our long-term growth will be an ongoing focus on operational excellence in execution, expense management which includes reducing our property footprint, further improvements in our administration capability and a strengthening of our talent pool.

Embrace regulation

The vast benefits of saving through the well-established, regulated and tax effective retirement system became clear during the pandemic for many employers and their employees. 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. As market leaders, we are well placed to deliver on further longer-term retirement reform efforts involving minimum mandatory preservation and broadening the savings coverage in South Africa.

Committed to improving returns through meaningful organic and inorganic growth

Over the past year, asset values have recovered from dampened values in the prior year and we expect our asset-based revenue stream to be more robust from the now higher relative base as a result. As employment stabilises and gross domestic product begins to increase, we expect to experience good growth in revenue on our existing client base. We anticipate an increase in market activity post Covid-19 as employers and retirement funds seek to simplify their retirement funding and healthcare benefits, and Alexander Forbes is best positioned to advise them.

Management continues to consider a healthy pipeline of inorganic growth opportunities ranging from bolt-on acquisitions to medium and large-scale opportunities. The landscape has changed considerably since the advent of Covid-19 and this has brought about opportunities for Alexander Forbes to review and pursue a sizable acquisition that will deliver scale and synergy benefits to our core business. Our financial position supported by the cash generated by the underlying operations remains a key strength during these times. Our unleveraged balance sheet ensures that we are well placed to benefit from these potential future growth opportunities. We will remain disciplined in our decisions with due consideration to the challenging operating environment.

Conclusion

We will improve financial inclusivity through our member engagement strategy. This involves partnering with our clients and members to be more self-sufficient and financially astute by providing them with suitable advice with a view to better outcomes to secure their financial well-being. It starts with empowering our members with access to financial literacy training to understand savings and benefits, which enables them to make more informed financial decisions. By offering them this opportunity to save and invest in their personal capacity at institutional prices over the long term, we contribute to their financial well-being, that of their employers and ultimately to the well-being of society.

Change in directorate

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

- Ms MR Nkadimeng was appointed as a non-executive director on 3 June 2020, and as member of the Social, ethics and transformation committee on 1 February 2021.
- Mr DJ Anderson resigned as a director on 6 May 2020, which is the day following the completion of the ARC Acquisition[1].
- Mr AM Mazwai was appointed as an independent, non-executive director, and member of the audit and risk committee, effective 9 November 2020.

Ms BJ Memela-Khambula has announced her intention not to stand for re-election at the annual general meeting to be held on 3 September 2021 and will retire with effect from the conclusion of the board meeting held on the same day. Alexander Forbes will make a future announcement on her successor as social, ethics and transformation committee chair. Ms Memela-Khambula has been a loyal and longstanding independent non-executive director since 2015.

The board wishes to express their appreciation to her for her excellent service and dedication and wishes her well for the future.

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. Disclosure for the current reporting period will be available no later than 31 July 2021.

On behalf of the board of directors

M Ramplin
Non-executive chair

DJ de Villiers
Chief executive officer

14 June 2021

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

Summary consolidated financial statements

The Alexander Forbes Group Holdings Limited (the group) summary consolidated financial statements for the year ended 31 March 2021 (results) are prepared in accordance with:

- the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) including the information required by IAS 34 *Interim Financial Reporting*
- 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 JSE Limited (JSE) Listings Requirements; and
- the requirements of the South African Companies Act No. 71 of 2008 applicable to summary consolidated financial statements

The summary consolidated interim results of the group for the year ended 31 March 2021 include the:

- summary consolidated income statement
- summary consolidated statement of other comprehensive income
- summary consolidated statement of financial position
- summary consolidated statement of cash flows
- summary 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 on or after 1 January 2020.

These summary consolidated financial statements have been audited by PricewaterhouseCoopers Inc., who have expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statement and of the auditor's report on the annual consolidated financial statement are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all the information contained in this announcement or results. Shareholders and investors are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement and, more specifically, the nature of the information that has been audited, they should obtain a copy of the auditor's report together with the accompanying audited group consolidated annual financial statements, that can be found on the company's website: *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 summary 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 14 June 2021 on our website: *www.alexanderforbes.co.za/investorrelations/financial-results.*

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Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Alexander Forbes Group Holdings Limited

Opinion

The summary consolidated financial statements of Alexander Forbes Group Holdings Limited, contained in the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 31 March 2021, the summary consolidated income statement, the summary consolidated statement of comprehensive income, the summary consolidated changes in equity and the summary consolidated cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Alexander Forbes Group Holdings Limited for the year ended 31 March 2021.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 14 June 2021. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Alsue du Preez
Registered Auditor
Johannesburg, South Africa
14 June 2021

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X24, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Summary consolidated income statement

For the year ended 31 March 2021

Rm	Notes	2021	2020
Continuing operations			
Fee and commission revenue	2	**4 035**	4 022
Fee and commission expenses		**(882)**	(869)
Operating income net of direct expenses		**3 153**	3 153
Other income	3	**75**	46
Operating expenses		**(2 543)**	(2 442)
Profit from operations before non-trading and capital items		**685**	757
Non-trading and capital items	4	**(52)**	(1 283)
Operating profit/(loss)		**633**	(526)
Investment income	5	**136**	155
Finance costs	6	**(74)**	(143)
Reported profit arising from accounting for policyholder investments as treasury shares		**13**	–
Profit/(loss) before taxation		**708**	(514)
Income tax expense	7	**(264)**	(250)
Income tax expense relating to group profits		**(231)**	(253)
Income tax (expense)/credit relating to policyholder investment returns		**(33)**	3
Profit/(loss) for the year from continuing operations		**444**	(764)
Discontinued operations			
(Loss)/profit from discontinued operations (net of tax)	8	**(241)**	810
Profit for the year		**203**	**46**
Profit/(loss) attributable to:			
Owners of the company		**185**	(145)
Non-controlling interest		**18**	191
		203	**46**
Basic earnings/(loss) per share (cents)		**14.3**	(11.8)
Diluted earnings/(loss) per share (cents)		**13.7**	(11.8)
Weighted average number of shares in issue (net of treasury shares) (millions)		**1 297**	1 222

Summary consolidated statement of comprehensive income

For the year ended 31 March 2021

Rm	2021	2020
Profit for the year	**203**	46
Other comprehensive income		
Foreign currency translation differences – foreign operations	**(20)**	49
Cash flow hedge	**1**	(4)
Other comprehensive income for the year that may be reclassified to profit or loss[1]	**(19)**	45
Remeasurement of post-employment benefit obligations	**(14)**	14
Other comprehensive income that will not be reclassified to profit or loss[1]	**(14)**	14
Total comprehensive income for the year	**170**	**105**
Total comprehensive income attributable to:		
Owners of the company	**152**	(89)
Non-controlling interest	**18**	194
Total comprehensive income for the year	**170**	**105**

[1] *Net of related taxes.*

Summary consolidated statement of financial position

At 31 March 2021

Rm	Notes	2021	2020
Assets			
Financial assets held under multi-manager investment contracts	10	**333 217**	272 585
Goodwill		**1 392**	1 392
Intangible assets		**192**	219
Property and equipment	14	**544**	624
Purchased and developed computer software		**125**	132
Deferred tax assets		**203**	228
Financial assets	11	**1 042**	95
Insurance receivables		**726**	–
Tax assets		**31**	7
Trade and other receivables		**250**	527
Cash and cash equivalents		**2 288**	3 959
Assets of disposal group classified as held for sale	8	**907**	2 285
Total assets		**340 917**	**282 053**
Equity and liabilities			
Owners of the company		**3 991**	4 806
Non-controlling interest		**37**	297
Total equity		**4 028**	**5 103**
Financial liabilities held under multi-manager investment contracts	10	**333 232**	272 612
Borrowings	6	**29**	101
Employee benefits		**147**	132
Deferred tax liabilities		**87**	85
Provisions		**445**	461
Lease liabilities		**690**	822
Insurance payables		**779**	–
Trade and other payables		**570**	599
Tax liabilities		**3**	10
Liabilities of disposal group classified as held for sale	8	**907**	2 128
Total liabilities		**336 889**	**276 950**
Total equity and liabilities		**340 917**	**282 053**

Summary consolidated statement of cash flows

For the year ended 31 March 2021

Rm	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations		**977**	936
Interest received		**99**	155
Interest paid		**(74)**	(143)
Net cash flows paid to insurance and policyholder contracts		**(5)**	(1 720)
Net cash flows (paid to)/received from policyholder investment contracts		**(805)**	148
Taxation paid		**(274)**	(622)
Dividends paid		**(1 021)**	(750)
Payments made to non-controlling interests		**(11)**	(234)
Cash flows from operating activities – discontinued operations		**(20)**	209
Net cash outflow from operating activities		**(1 134)**	**(2 021)**
Cash flows from investing activities			
Additions to financial assets		**(981)**	(2)
Proceeds from disposal of financial assets		**38**	18
Payments for capital expenditure incurred on property, equipment and computer software		**(107)**	(51)
Payment for acquisition of subsidiary (net of cash acquired)		**(15)**	–
Proceeds from sale of subsidiaries and businesses		**40**	2 043
Cash flows from investing activities – discontinued operations		**–**	(644)
Net cash (outflow)/inflow from investing activities		**(1 025)**	**1 364**
Cash flows from financing activities			
Repayment of borrowings		**(100)**	(614)
Borrowings raised		**28**	–
Payments of lease liabilities		**(136)**	(112)
Purchase of shares in terms of share buy-back and share-incentive schemes		**(284)**	(41)
Proceeds from sale of treasury shares held by policyholder investments		**(1)**	7
Purchase of treasury shares held by policyholder investments		**(13)**	(3)
Disposal of treasury shares held by policyholder investments		**12**	10
Cash flows from financing activities – discontinued operations		**–**	(8)
Net cash outflow from financing activities		**(493)**	**(768)**
Decrease in cash and cash equivalents		**(2 652)**	(1 425)
Cash and cash equivalents at the beginning of the year		**10 376**	11 751
Effects of exchange rate changes on cash and cash equivalents		**(25)**	50
Cash and cash equivalents at the end of the year		**7 699**	**10 376**
Analysed as follows:			
Cash and cash equivalents of continuing operations		**2 288**	3 959
Cash held under multi-manager investment contracts[1]		**5 121**	5 927
Cash and cash equivalents of disposal group classified as held for sale		**290**	490
		7 699	**10 376**

[1] *This amount relates to cash and cash equivalents held for short-term commitments within the multi-manager investment portfolios.*

Summary consolidated statement of changes in equity

For the year ended 31 March 2021

Rm	Share capital	Treasury shares	Other reserves	Accumulated loss	Total equity holders' funds	Non-controlling interests	Total equity
At 31 March 2019	**6 192**	**(497)**	**120**	**(170)**	**5 645**	**299**	**5 944**
Total comprehensive income	–	–	42	(131)	(89)	194	105
Profit for the year	–	–	–	(145)	(145)	191	46
Other comprehensive income	–	–	42	14	56	3	59
Total transactions with owners of the company	**(318)**	**301**	**17**	**(750)**	**(750)**	**(196)**	**(946)**
Shares cancellation[1]	(318)	318	–	–	–	–	–
Shares purchased in terms of share buy-back programme and share incentive schemes[2]	–	(41)	–	–	(41)	–	(41)
Settlement of share incentive schemes[3]	–	17	(17)	–	–	–	–
Movement of treasury shares in policyholder assets	–	7	–	–	7	–	7
Dividends paid	–	–	–	(750)	(750)	(234)	(984)
Movement in share-based payment reserve	–	–	34	–	34	–	34
Other movements in non-controlling interest[4]	–	–	–	–	–	38	38
At 31 March 2020	**5 874**	**(196)**	**179**	**(1 051)**	**4 806**	**297**	**5 103**
Total comprehensive income	**–**	**–**	**(19)**	**171**	**152**	**18**	**170**
Profit for the year	**–**	**–**	**–**	**185**	**185**	**18**	**203**
Other comprehensive income	**–**	**–**	**(19)**	**(14)**	**(33)**	**–**	**(33)**
Total transactions with owners of the company	**403**	**(249)**	**51**	**(1 172)**	**(967)**	**(278)**	**(1 245)**
Empowerment partner transaction[5]	**403**	**20**	**(5)**	**(151)**	**267**	**(267)**	**–**
Shares purchased in terms of share buy-back programme and share incentive schemes[6]	**–**	**(284)**	**–**	**–**	**(284)**	**–**	**(284)**
Settlement of share incentive schemes[7]	**–**	**16**	**(16)**	**–**	**–**	**–**	**–**
Movement of treasury shares in policyholder assets	**–**	**(1)**	**–**	**–**	**(1)**	**–**	**(1)**
Dividends paid	**–**	**–**	**–**	**(1 021)**	**(1 021)**	**(7)**	**(1 028)**
Movement in share-based payment reserve	**–**	**–**	**72**	**–**	**72**	**–**	**72**
Other movements in non-controlling interest[8]	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
At 31 March 2021	**6 277**	**(445)**	**211**	**(2 052)**	**3 991**	**37**	**4 028**

1 The group cancelled 53 568 809 shares which were withdrawn on the JSE on 26 August 2019.
2 The group purchased AFH shares to the value of R20 million, at an average price of R4.61 per share, in a general buy-back approved by shareholders. In addition, shares to the value of R21 million were purchased for shareholder-approved share incentive schemes.
3 Shares amounting to R6 million relating to the forfeitable share scheme were settled. In addition, R11 million relating to the 2018 retention share scheme was also settled.
4 This amount relates to changes in non-controlling interests following the disposal of the group's Zambian and Ugandan operations.
5 The group issued 118 019 747 ordinary shares, 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 and was executed at market value. The increase in share capital offset by the reduction in non-controlling interests resulted in no dilution to existing shareholders.
6 The group purchased AFH shares to the value of R160 million, at an average price of R3.77 per share (42 457 971 shares), in a general buyback approved by shareholders. In addition, shares to the value of R124 million were purchased for shareholder-approved share incentive schemes.
7 Shares amounting to R16 million relating to the 2017 tranche of the forfeitable share scheme were settled.
8 This amount relates to changes in non-controlling interests following the disposal of the group's shareholding in the short-term insurance operation in Namibia.

Summary consolidated segmental income and profit analysis

For the year ended 31 March 2021

	Retirement consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		**Total consulting**		Investments, Products & Enablement (IP&E)		Client Services & Business Optimisation (CSBO)		**Group total**	
Rm	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Continuing operations																		
Fee and commission revenue	**861**	908	**293**	289	**1 932**	1 909	**655**	640	**294**	276	**4 035**	4 022	**–**	–	**–**	–	**4 035**	4 022
Fee and commission expenses	**(13)**	(13)	**–**	–	**(650)**	(636)	**(200)**	(198)	**(19)**	(22)	**(882)**	(869)	**–**	–	**–**	–	**(882)**	(869)
Operating income net of direct expenses	**848**	**895**	**293**	**289**	**1 282**	**1 273**	**455**	**442**	**275**	**254**	**3 153**	**3 153**	**–**	**–**	**–**	**–**	**3 153**	**3 153**
Other income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**75**	46	**75**	46
Operating expenses	**(845)**	(850)	**(243)**	(232)	**(884)**	(841)	**(410)**	(395)	**(268)**	(244)	**(2 650)**	(2 562)	**–**	–	**17**	43	**(2 633)**	(2 519)
Operating expenses before recoveries	**(215)**	(212)	**(101)**	(108)	**(81)**	(76)	**(156)**	(161)	**(226)**	(209)	**(779)**	(766)	**(171)**	(170)	**(1 703)**	(1 679)	**(2 653)**	(2 615)
Recoveries from IP&E	**(1)**	(13)	**(17)**	(16)	**(134)**	(124)	**(16)**	(14)	**(3)**	(3)	**(171)**	(170)	**171**	170	**–**	–	**–**	–
Recoveries from CSBO	**(629)**	(625)	**(125)**	(108)	**(669)**	(641)	**(238)**	(220)	**(39)**	(32)	**(1 700)**	(1 626)	**–**	–	**1 700**	1 626	**–**	–
Recoveries from discontinued operations	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**20**	96	**20**	96
Normalised profit from operations before non-trading and capital items	**3**	**45**	**50**	**57**	**398**	**432**	**45**	**47**	**7**	**10**	**503**	**591**	**–**	**–**	**92**	**89**	**595**	**680**
Normalised non-trading and capital items	**–**	–	**–**	–	**–**	–	**–**	–	**34**	(3)	**34**	(3)	**–**	–	**(52)**	(25)	**(18)**	(28)
Normalised operating profit	**3**	**45**	**50**	**57**	**398**	**432**	**45**	**47**	**41**	**7**	**537**	**588**	**–**	**–**	**40**	**64**	**577**	**652**
Normalised investment income	**–**	10	**1**	1	**–**	4	**6**	9	**2**	2	**9**	26	**–**	–	**94**	132	**103**	158
Normalised finance cost	**–**	–	**–**	(31)	**–**	–	**–**	(15)	**–**	–	**–**	(46)	**–**	–	**(10)**	(23)	**(10)**	(69)
Normalised profit before taxation	**3**	**55**	**51**	**27**	**398**	**436**	**51**	**41**	**43**	**9**	**546**	**568**	**–**	**–**	**124**	**173**	**670**	**741**
Normalised income tax expense	**(1)**	(20)	**(18)**	(10)	**(139)**	(159)	**(18)**	(15)	**(15)**	(3)	**(191)**	(207)	**–**	–	**(43)**	(63)	**(234)**	(270)
Normalised profit for the year from continuing operations	**2**	**35**	**33**	**17**	**259**	**277**	**33**	**26**	**28**	**6**	**355**	**361**	**–**	**–**	**81**	**110**	**436**	**471**
Normalised profit from discontinued operations (net of tax)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(241)**	809	**(241)**	809
Normalised profit for the year	**2**	**35**	**33**	**17**	**259**	**277**	**33**	**26**	**28**	**6**	**355**	**361**	**–**	**–**	**(160)**	**919**	**195**	**1 280**
Normalised adjustments	**–**	**(287)**	**–**	**(240)**	**–**	**–**	**–**	**(646)**	**–**	**(19)**	**–**	**(1 192)**	**–**	**–**	**8**	**(42)**	**8**	**(1 234)**
Accounting for property leases	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**26**	3	**26**	3
Accounting for property leases – discontinued operations	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1	**–**	1
Amortisation of intangible assets arising from the 2007 private equity business combination	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(56)**	(66)	**(56)**	(66)
Professional indemnity insurance cell-captive result	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**22**	3	**22**	3
Reported profit arising from accounting for policyholder investments in treasury shares	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**13**	–	**13**	–
Investment income on behalf of policyholders	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**33**	(3)	**33**	(3)
Goodwill and intangible assets arising from business combination written off	**–**	(287)	**–**	(240)	**–**	–	**–**	(646)	**–**	(19)	**–**	(1 192)	**–**	–	**–**	–	**–**	(1 192)
Tax effects on on normalised adjustments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(30)**	20	**(30)**	20
Profit for the year	**2**	**(252)**	**33**	**(223)**	**259**	**277**	**33**	**(620)**	**28**	**(13)**	**355**	**(831)**	**–**	**–**	**(152)**	**877**	**203**	**46**
Normalised basic earnings per share (cents)																	**13.6**	88.7
Normalised headline earnings per share (cents)																	**12.0**	38.7
Normalised weighted average number of shares in issue (millions)																	**1 303**	1 228

Summary consolidated segmental income and profit analysis continued

For the year ended 31 March 2021

The segmental analysis on the previous pages reflects the operating structure under which management currently reports. Under the operating model, the business is segmented into three distinct platforms:

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

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

Consulting – this includes:

- **Retirement consulting** – this includes actuarial consulting, fund administration, consulting to standalone retirement funds, fund administration and consulting to umbrella retirement funds and beneficiary funds. This also includes revenue earned from clients where we earn fees only based on administration services.
- **Healthcare consulting** – this includes healthcare actuarial and consulting.
- **Investments** – this includes both individual and corporate client offerings of financial advice, administration and management of investments.
- **Individual consulting** – this incorporates Financial Planning Consultants (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

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

Client Services & Business Optimisation

– this includes our operations, technology and shared services units. The costs of this platform are allocated to the segmented business units above in the group's segmental reporting. Each reportable segment includes the direct operating expenses 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 summary consolidated income statement and the normalised results are as follows:

Amortisation and write-off of intangible assets arising from the 2007 private equity business combination

– Non-trading and capital items include the ongoing accounting amortisation of these intangible assets as well as goodwill and intangible assets written off in the current year. The capitalisation of these 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 R22 million for the year ended 31 March 2021 (2020: R3 million) which are recorded in the non-trading and capital items.

Accounting for property lease

– The group previously isolated and removed the accounting impact, under IAS 17, for property leases from the normalised results to afford a better comparison and to reflect the true premises cost over the long term. IFRS 16 requires an on-balance sheet recognition and measurement model for lessees, which includes the recognition of right-of-use assets as well as lease liabilities resulting in depreciation and finance costs being recognised in the income statement. These costs replace rental expenses which were recognised on a straight-line basis under IAS 17. In order to ensure comparability and to again reflect the true premises cost, adjustments amounting to R90 million (2020: R77 million) have been effected to profit before non-trading and capital items in addition to finance costs of R64 million (2020: R74 million), resulting in a net adjustment of R26 million (2020: R3 million) to profit before tax. The group adopted IFRS 16 retrospectively in the financial year ended 2020.

Reported profit/(loss) arising from accounting for policyholder investment in treasury shares

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

Investment income and taxation payable on behalf of policyholders

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

Summary notes

For the year ended 31 March 2021

1. Basis of preparation

The summary consolidated financial statements of Alexander Forbes Group Holdings Limited (the group) for the year ended 31 March 2021 include the summary consolidated income statement, summary consolidated statement of comprehensive income, summary consolidated statement of financial position, summary consolidated statement of cash flows and the summary consolidated statement of changes in equity.

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurements and recognition requirements of the International Financial Reporting Standards(IFRS) and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting.* The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived by in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of previous consolidated annual financial statements.

The accounting policies applied in the preparation of these summary 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

The adoption of these amendments did not have a significant impact on the current period or any prior period.

Summary notes continued

For the year ended 31 March 2021

2. Fee and commission revenue

The group's operations and main revenue streams are those described in the accounting policies. The group's revenue is derived from contracts with customers involving the transfer of services at a point in time and over time. If the services rendered exceed the payment, a contract asset is recognised. If payments exceed the services rendered, a contract liability is recognised.

Disaggregation of revenue

	Retirement consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		**Group total**	
Rm	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenue by type												
Consulting and advice fees	**170**	175	**50**	53	**36**	32	**511**	496	**123**	109	**890**	865
Administration fees	**605**	658	**3**	–	**–**	–	**144**	144	**132**	130	**884**	932
Commission	**86**	75	**240**	236	**–**	–	**–**	–	**12**	11	**338**	322
Investment management fees	**–**	–	**–**	–	**1 896**	1 877	**–**	–	**27**	26	**1 923**	1 903
Total	**861**	**908**	**293**	**289**	**1 932**	**1 909**	**655**	**640**	**294**	**276**	**4 035**	**4 022**
Revenue by region												
South Africa	**861**	908	**293**	289	**1 932**	1 909	**655**	640	**–**	–	**3 741**	3 746
Namibia	**–**	–	**–**	–	**–**	–	**–**	–	**103**	108	**103**	108
Botswana	**–**	–	**–**	–	**–**	–	**–**	–	**115**	102	**115**	102
Jersey and Channel Islands	**–**	–	**–**	–	**–**	–	**–**	–	**61**	58	**61**	58
Other	**–**	–	**–**	–	**–**	–	**–**	–	**15**	8	**15**	8
Total	**861**	**908**	**293**	**289**	**1 932**	**1 909**	**655**	**640**	**294**	**276**	**4 035**	**4 022**
Timing of revenue recognition												
Products transferred at a point in time	**18**	18	**6**	6	**–**	–	**57**	54	**2**	2	**83**	80
Services transferred over time	**843**	890	**287**	283	**1 932**	1 909	**598**	586	**292**	274	**3 952**	3 942
Total	**861**	**908**	**293**	**289**	**1 932**	**1 909**	**655**	**640**	**294**	**276**	**4 035**	**4 022**

Summary notes continued

For the year ended 31 March 2021

3. Other income

Rm	2021	2020
Sub-rental income	45	28
Technology fees	30	18
Total other income	**75**	**46**

4. Non-trading and capital items

Rm	2021	2020
Professional indemnity insurance cell-captive result	22	3
Amortisation of intangible assets arising from the 2007 private equity transaction	(56)	(66)
Costs relating to strategic consulting engagement	(8)	(3)
Software written off[1]	(5)	(26)
Other	(5)	1
Goodwill written off[2]	–	(1 145)
Intangible assets arising from business combination written off – trade names[2]	–	(47)
Total non-trading and capital items	**(52)**	**(1 283)**

1 Software in development amounting to R5 million was written off in the current period.

2 The group's goodwill balance is evaluated for impairment on an annual basis. In the prior year's analysis the impact of the Covid-19 pandemic was considered and resulted in the write off of goodwill amounting to R1 145 million and trade names of R47 million.

5. Investment income

Rm	2021	2020
Interest income	87	148
Investment and dividend income	16	10
	103	158
Multi-manager operations		
Investment returns/(losses) linked to policyholder tax expense	33	(3)
Total investment income	**136**	**155**
Investment income is derived from the following categories of financial assets:		
Amortised cost	87	148
Financial assets at fair value	49	7
Total investment income	**136**	**155**

6. Finance costs

Rm	2021	2020
Interest on lease liabilities	(64)	(74)
Interest on borrowings[1]	(1)	(54)
Cost of hedging	(4)	(1)
Other interest	(5)	(14)
Total finance costs	**(74)**	**(143)**

1 A repayment of R101 million was made against the revolving credit facility during the year, inclusive of interest. Further details are included in note 24 of the FY2021 annual financial statements.

7. Income tax expense

Rm	2021	2020
South African income tax		
Current tax	(228)	(238)
Current year	(223)	(240)
Prior years	(5)	2
Deferred tax	13	11
Current year	12	18
Prior years	1	(7)
Foreign income tax	(13)	(17)
Current tax	(2)	(17)
Deferred tax	(11)	–
Foreign withholding tax	(3)	(5)
Securities transfer tax	–	(4)
Income tax expense relating to corporate profits	(231)	(253)
Income tax (expense)/credit on policyholder investment returns[1]	(33)	3
Current tax – current year	(11)	(7)
Deferred tax – current year	(22)	10
Income tax expense	**(264)**	**(250)**

1 Credit due to net release of unrealised gains.

Summary notes continued

For the year ended 31 March 2021

8. Discontinued operations

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 in March 2019. The sale of short-term insurance business in Namibia was concluded during the current financial year whilst the short-term insurance operation in South Africa was disposed of in the prior financial year. The results of operations of the discontinued entities are reported separately in the income statement.

Sale of Alexander Forbes Insurance Company Namibia – The group finalised the sale of the subsidiary, Alexander Forbes Insurance Company Namibia Limited, to Momentum Metropolitan Strategic Investments Proprietary Limited, a wholly owned subsidiary of Momentum Short Term Insurance (Namibia) Limited. This sale was effective 9 December 2020 and concluded the group's exit from the short-term insurance business.

The group received consideration of N$40 million (R40 million) in December 2020 and has recognised net proceeds of R30 million after payment of R10 million to minorities. The proceeds exclude potential amounts receivable in terms of a contingent consideration arrangement included as part of the terms of the sale. The contingent consideration may be payable to the group dependent on the outcomes of certain matters which are under review. The contingent consideration cannot be estimated reliably and therefore no value is assigned to it in terms of the international financial reporting standards (IFRS).

Other discontinued operations and assets held for sale – Alexander Forbes Life Limited (including the group risk and retail life businesses), a subsidiary of Alexander Forbes Limited, was classified as a discontinued operation in 2019. At 31 March 2020 a binding offer had been received, however, both parties mutually agreed to place the transaction on hold due to the market disruption caused by the Covid-19 pandemic. This transaction was not concluded.

As at 31 March 2021, management were in the final stages of reaching agreement on the sale of the insurance policies held by Alexander Forbes Life Limited. This agreement was concluded and signed on 11 June 2021. The sale and transfer agreement will result in a transfer of all insurance policies, as well as all related liabilities and the reserves created for these policies to Sanlam Life Limited, a subsidiary of Sanlam Limited, under section 50 of the Insurance Act 18 of 2017, subject to regulatory approval. The disposal of the Alexander Forbes Life Limited business operations as opposed to the legal entity has resulted in a change to the assets and liabilities which are held for sale as set out in note 21.4 of the FY2021 annual financial statements.

Upon disposal, the revenue-earning activities of the discontinued operation will cease whilst the remaining insurance receivables and insurance payables balances will be run down accordingly (refer to notes 18 and 28 respectively of the FY2021 annual financial statements).

8.1 Net profit of business units discontinued

Rm	Notes	2021	2021[1]
Net earned premiums		**496**	1 169
Interest revenue – effective interest method		**34**	75
Total net revenue		**530**	1 244
Net claims, commissions, fees and withdrawals		**(481)**	(697)
Operating income net of direct expenses[2]		**49**	547
Operating expenses		**(87)**	(406)
Operating expenses from previously discontinued operations		**–**	3
(Loss)/profit from operations before non-trading and capital items		**(38)**	144
Add: Profit from operations before non-trading and capital items from previously discontinued operations		**–**	(3)
Non-trading and capital items	8.2	**(250)**	(142)
Operating loss		**(288)**	(1)
Investment income		**30**	41
Finance costs		**–**	(3)
Share of net loss of associates (net of income tax)		**–**	(7)
(Loss)/profit before tax		**(258)**	30
Income tax expense		**(9)**	(83)
Loss for the period from discontinued operations		**(267)**	(53)
Profit on disposal of subsidiaries and associate[3]		**26**	863
Total (loss)/profit from discontinued operations		**(241)**	**810**
(Loss)/profit attributable to:			–
Owners of the company		**(243)**	676
Non-controlling interest		**2**	134
		(241)	**810**

[1] *In the 2021 financial year, the presentation of the net profit of business units discontinued note was simplified. As a result, the presentation of the comparative information has been restated. The restatement had no impact on the group's income statement, statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity.*

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

[3] *Profit on disposal of subsidiary relates to the sale of the short-term insurance business in Namibia. In the 2020 financial year, profit of subsidiaries and associates comprised R861 million relating to the disposal AF Insurance and R2 million from the disposal of the interest in Zambia and Uganda.*

8.2 Non-trading and capital items

Rm	Notes	2021	2020
Costs related to proposed client settlement – enhanced transfer values[1]		**(250)**	(30)
IFRS 5 impairments		**–**	(106)
KIN Digital		**–**	(44)
Short-term insurance business in Namibia		**–**	(62)
Corporate activity costs on discontinued operations		**–**	(6)
		(250)	**(142)**

[1] *The enhanced transfer value (ETV) liability matter, in respect of a legacy United Kingdom domiciled subsidiary that was sold in 2012 inclusive of certain warranties and a limitation of liability. The ETV liability arises from redress payments being ordered, to the industry as a whole, by the Financial Conduct Authority, the UK regulator, for certain thematic errors in historic advice. Alexander Forbes has a limitation of GBP 18.5 million on the liability. This limitation of liability excludes the amounts recovered from insurers. As a result of the increasing liability and the increased value of insurance which has not confirmed cover, the limitation of liability stipulated in the sale and purchase agreement will be invoked. For the avoidance of doubt, due to the limitation of liability, there is therefore no risk of any further increases to this liability or risk of new ETV-related liabilities. Refer to note 27.3 of the FY2021 annual financial statements.*

Summary notes continued

For the year ended 31 March 2021

8. Discontinued operations continued

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

Rm	2021	2020
Assets of insurance cell captives	–	734
Long-term assets	–	3
Deferred tax asset	–	1
Insurance receivables	**617**	1 047
Trade and other receivables	–	10
Cash and cash equivalents	**290**	490
Total assets	**907**	**2 285**
Liabilities of insurance cell captives	–	734
Insurance payables	**907**	1 308
Deferred tax liabilities	–	1
Provisions – non-current	–	6
Taxation payables	–	8
Trade and other payables	–	71
Total liabilities	**907**	**2 128**
Total equity	–	**157**

9. Earnings per share

9.1 Basic earnings per ordinary share

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

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

9.5 Number of shares

Millions	2021	2020
Weighted average number of shares	**1 388**	1 310
Weighted average shares held by policyholders classified as treasury shares	**(6)**	(6)
Weighted average treasury shares	**(85)**	(82)
Weighted average number of shares in issue (net of treasury shares)	**1 297**	1 222
Dilutive shares	**56**	27
Diluted weighted average number of shares	**1 353**	**1 249**
Actual number of shares in issue	**1 402**	1 288
Actual treasury shares	**(126)**	(70)
Shares in issue net of treasury shares	**1 276**	**1 218**
Normalised number of shares		
Weighted average number of shares in issue	**1 297**	1 222
Shares held by policyholders classified as treasury shares	**6**	6
Normalised number of shares in issue	**1 303**	**1 228**

Summary notes continued

For the year ended 31 March 2021

9. Earnings per share continued

9.6 Calculation of basic and headline earnings from total operations

Rm		2021	2020
Profit/(Loss) attributable to owners of the company		**185**	(145)
Adjusting items:			
Software written off – continuing operations		**5**	26
Goodwill written off – continuing operations		**–**	1 145
Intangible assets arising from business combinations – continuing operations		**–**	47
Profit on disposal of subsidiaries – discontinued operations		**(26)**	(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 year		**164**	433
Earnings per share from total operations[1]			
Basic earnings/(loss) per share	(cents)	**14.3**	(11.8)
Headline earnings per share	(cents)	**12.7**	35.4
Diluted basic earnings/(loss) per share	(cents)	**13.7**	(11.8)
Diluted headline earnings per share	(cents)	**12.2**	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 year in relation to the performance criteria.

9.7 Calculation of normalised earnings from total operations

Rm		2021	2020
Normalised profit for the year per the group segmental income and profit analysis		**195**	1 280
Less: profit attributable to non-controlling interests		**(18)**	(191)
Normalised profit attributable to owners of the company		**177**	1 089
Adjusting items:			
Software written off – continuing operations		**5**	26
Profit on disposal of subsidiaries – discontinued operations		**(26)**	(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 year		**156**	**475**
Normalised earnings per share[1]			
Normalised basic earnings per share	(cents)	**13.6**	88.7
Normalised headline earnings per share	(cents)	**12.0**	38.7

[1] *Amounts computed using unrounded numbers.*

9.8 Calculation of basic and headline earnings from continuing operations

Rm		2021	2020
Profit/(loss) after tax from continuing operations		**444**	(764)
Less: profit attributable to non-controlling interests		**(16)**	(57)
Profit/(loss) attributable to owners of the company		**428**	(821)
Adjusting items:			
Software written off		**5**	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		**433**	**394**
Earnings per share from continuing operations[1]			
Basic earnings/(loss) per share from continuing operations	(cents)	**33.0**	(67.1)
Headline earnings per share from continuing operations	(cents)	**33.4**	32.2
Diluted basic earnings/(loss) per share from continuing operations	(cents)	**31.6**	(67.1)
Diluted headline earnings per share from continuing operations	(cents)	**32.0**	31.6

[1] *Amounts computed using unrounded numbers.*

9.9 Calculation of basic and headline earnings from discontinued operations

Rm		2021	2020
(Loss)/profit after tax from discontinued operations		**(241)**	810
Less: profit attributable to non-controlling interests		**(2)**	(134)
(Loss)/profit from discontinued operations attributable to owners of the company		**(243)**	676
Adjusting items:			
Profit on disposal of subsidiaries		**(26)**	(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 (loss)/earnings from discontinued operations		**(269)**	**39**
Earnings per share from discontinued operations[1]			
Basic (loss)/earnings per share from discontinued operations	(cents)	**(18.7)**	55.3
Headline (loss)/earnings per share from discontinued operations	(cents)	**(20.7)**	3.2
Diluted basic (loss)/earnings per share from discontinued operations	(cents)	**(18.7)**	54.1
Diluted headline (loss)/earnings per share from discontinued operations	(cents)	**(20.7)**	3.1

[1] *Amounts computed using unrounded numbers.*

Summary notes continued

For the year ended 31 March 2021

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

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 impact on profit in the current year was a profit of R13 million (2020: R nil) and has been disclosed separately on the face of the income statement. This treatment also affects the number of shares in issue, the impact of which is disclosed in note 9.

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

	2021	2020
Total financial assets held under multi-manager investment contracts (per statement of financial position)	333 217	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	41
Financial effects of accounting for policyholder investments as treasury shares – prior year	(14)	(14)
Financial effects of accounting for policyholder investments as treasury shares – current year	(13)	–
Total financial liabilities held for policyholders under multi-manager investment contracts	**333 232**	**272 612**

11. Financial assets

Rm	2021	2020
Non-current financial assets	49	50
Current financial assets[1]	993	45
Total financial assets	**1 042**	**95**
Financial assets designated at fair value through profit and loss	993	46
Financial assets classified at amortised cost	36	36
Financial assets designated as fair value through other comprehensive income	13	13
Total financial assets	**1 042**	**95**

[1] *The group has historically invested in certain collective investment schemes. These investments amounting to R924 million in the current year have been historically classified as cash and cash equivalents. The nature of these investments now include longer dated financial instruments and as such have been classified as financial assets. This has resulted in an increase in financial assets with a corresponding decrease in cash and cash equivalents.*

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 summary consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and this disclosure should be read in conjunction with the group's annual financial statements as at 31 March 2021.

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

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 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.

Rm	2021	2020
Weighted average rate (rand:sterling)	21.3	18.5
Closing rate (rand:sterling)	20.4	18.5

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
31 March 2021				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	203 253	119 951[1]	10 013	333 217
General operations	–	993	13	1 006
Total financial assets measured at fair value	**203 253**	**120 944**	**10 026**	**334 223**
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	323 219	10 013	333 232
Contingent consideration	–	–	16	16
Total financial liabilities measured at fair value	**–**	**323 219**	**10 029**	**333 248**
31 March 2020				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	156 142	108 768[1]	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**

[1] *Included in this balance are cash and cash equivalents amounting to R4 972 million (2020: R5 927 million) measured at amortised cost. Amortised cost is considered a reasonable estimate of fair value due to the short-term nature of cash and cash equivalents.*

Transfers between Levels 1 and 2

Movements in financial assets associated with multi-manager investment contracts 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 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 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.

Summary notes continued

For the year ended 31 March 2021

12. Financial risk management and financial instruments continued

12.4 Fair value hierarchy continued

Sensitivity analysis for Level 3 financial assets

The following table presents significant inputs to show the sensitivity of Level 3 measurements and assumptions used to determine the fair value of the financial assets:

Instrument	Valuation 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 2021.

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

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).

13. Summary of related party transactions

On 5 May 2020, ARC increased its holding in the company to 28.6% resulting from the acquisition of 193 000 000 shares from Mercer, announced to shareholders as part of the shareholder reorganisation circular, dated 2 March 2020, and related subsequent announcements. Mercer has in turn decreased its holding in the company to 15.6%.

On 14 May 2020, ARC agreed to transfer its 10% interest in Alexander Forbes Limited (as defined in the Flip-Up Agreement) to the company in return for the issue of the Flip-Up Shares by the company to ARC. Consequently, the company issued 118 019 747 shares to ARC, which increased its interest to 35.1%. This allotment and issue of shares gives effect to the company's obligations in terms of the written agreement (Flip-Up Agreement) entered into between the company, Alexander Forbes Limited (AFL) and ARC on 28 September 2016. This transaction was approved by shareholders on 20 January 2017 and was executed at market value. The increase in share capital offset by the reduction in non-controlling interests resulted in no dilution to existing shareholders.

14. Property and equipment

The movement in property and equipment includes the purchase of computer equipment amounting to R42 million and leasehold improvements incurred of R30 million to enhance existing operations. This was offset by depreciation during the year. Refer to note 14 of the FY2021 annual financial statements.

15. 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.

15.1 Client settlements arising from historical business practices – bulking

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

15.2 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. The BURS is in the process of a system migration which is further delaying the provision of reliable and accurate data on which to conclude the matter, coupled with lockdowns in Botswana because of the Covid-19 pandemic. As at the reporting date, the group is unable to determine the amount of the alleged penalty interest, if any.

15.3 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 to achieve full compliance. To date no fines have been levied by the regulator.

16. Events occurring after reporting period

At 31 March 2021, management were in the final stages of reaching agreement on the sale of the insurance policies held by Alexander Forbes Life Limited. On 11 June 2021, the group entered into a binding agreement with Sanlam Life Limited, a subsidiary of Sanlam Limited, subject to certain conditions precedent (Proposed Transaction) for a total cash consideration of R100 million. The sale and transfer agreement will result in a transfer of all insurance policies, as well as all related liabilities and the reserves created for these policies under section 50 of the Insurance Act 18 of 2017, subject to regulatory approval. The disposal of the Alexander Forbes Life Limited business operations as opposed to the legal entity has resulted in a change to the assets and liabilities which are held for sale as set out in note 21.4 of the FY2021 annual financial statements.

At the time the financial statements were authorised for issue, the group had not yet fulfilled all the conditions precedent in the agreement. The transaction has been treated as a reportable non-adjusting event after the reporting date.

Forward-looking statements

This report contains certain unaudited forward-looking statements and targets. These, by their nature, involve risk and uncertainty as they relate to future events and may be influenced by factors outside the group's control. There are various factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. We cannot guarantee that any forward-looking statements will materialise, and accordingly readers are cautioned not to place undue reliance on any forward-looking statements. Alexander Forbes disclaims any intention and assumes no responsibility or obligation to update or revise any forward-looking statements, even if new information becomes available as a result of future events or for any other reason, other than as is required by the JSE Listings Requirements.

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, AM Mazwai

Non-executive directors
WS O'Regan, MR Nkadimeng

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

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

Investor relations
Z Amra

Registered office
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Transfer secretaries
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Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132

Sponsor
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Date of issue: 14 June 2021