Alexander Forbes
Group Holdings Limited

Unaudited interim results announcement and cash dividend declaration

for the six months ended 30 September 2021

FY2022

Contents

Highlights

Operating income from continuing operations of

R1 565 million

up 6% year on year, underpinned by market performance, higher opening asset balances and continued momentum in new business wins.

The group achieved new business wins of R82 million in annualised revenue, with notable wins in retirements, healthcare, investments and individual consulting:

- 39% increase in new business written to R5.4 billion within the individual consulting segment.
- R2.1 billion in new business into Alexander Forbes Retirements Income Solution (AFRIS), adding five new funds with a 19% increase in members to 5 591 since March 2021.
- 75 new umbrella fund clients added with 6 200 members.
- Two new large clients added to our standalone retirement fund offering with 11 000 members.
- 47 new appointments, with R7.9 billion in total assets under administration (AuA) and assets under management (AuM) won in our investments business.

Profit from continuing operations[1] of

R389 million up 5% year on year owing to top-line growth and disciplined cost containment.

Headline earnings per share from continuing operations improved

4% to 18.9 cents

[1] *Profit from continuing operations before non-trading and capital items.*

[2] *The AFICA group comprises Alexander Forbes Individual Client Administration Proprietary Limited and its two wholly owned subsidiaries, Alexander Forbes Retail Client Administration Proprietary Limited and Alexander Forbes Nominees Proprietary Limited.*

Interim dividend per share declared of

12 cents (2020: 13 cents).

Headline earnings per share from total operations of 12.7 cents declined 12% owing to the financial performance of the discontinued operations:

- Increased claims received and paid as a result of the deaths related to the Covid-19 pandemic affecting the discontinued group risk and retail life business which reported a loss for the period of R85 million (2020: R20 million profit).
- The loss from the group risk business was partially offset by the profit from the recently discontinued Alexander Forbes Individual Client Administration (AFICA) group[2] that reported a profit of R6 million (2020: R8 million).

Our capital position remains strong, with a surplus of own funds over regulatory capital of

R1 243 million, 8% lower from year-end. The group cover ratio of 1.8 times is well above our policy solvency capital requirements (SCR) cover ratio of 1.2 times.

The group has concluded and recently announced three corporate transactions in line with its growth strategy. The transactions will:

- Consolidate Alexander Forbes's leading position in the employee benefits market.
- Enable the rapid transformation of Alexander Forbes towards being a member-oriented financial services provider.
- Unlock our ability to accelerate growth by scaling up our core capabilities and enhancing our customer experience to amplify our impact on people's lives.

AuA and AuM increased 20% year on year to

R423 billion (up 6% since 31 March 2021) owing to higher market returns and an increase in net new business flows during the period.

Dawie de Villiers, Chief executive officer, commented:

‘Our business has focused on strengthening our core capabilities of administration, consulting and investments which created the stable foundation that now enables us to accelerate growth. Our performance over the period demonstrates the benefits of the disciplined execution of our strategy. We are excited by the recently announced corporate transactions aligned to our strategic objectives and enable Alexander Forbes to amplify the positive impact it has on people’s lives by delivering insight and advice. These transactions rapidly transform Alexander Forbes towards becoming a member-oriented financial services provider.’

Financial highlights

In millions of South African rands (Rm)	2021/2020 % change	2021	2020[1]	2019[1]
		For the six months ended 30 September (unaudited)		
Continuing operations				
Operating income[2]	6	**1 565**	1 475	1 525
Profit from operations (before non-trading and capital items)	5	**389**	371	410
Profit for the period	(1)	**240**	243	255
Cash generated from operations	(8)	**298**	324	496
Basic earnings per share (cents)	6	**18.8**	17.8	17.9
Headline earnings per share (cents)	4	**18.9**	18.2	18.2
Closing AuA and AuM (in billions of South African rands)	20	**423**	353	344
Discontinued operations				
Operating income[2]	(95)	**7**	133	443
(Loss)/Profit from operations (before non-trading and capital items)	>(100)	**(84)**	28	135
Total group				
Basic earnings per share (cents)	(11)	**12.6**	14.1	24.2
Headline earnings per share (cents)	(12)	**12.7**	14.5	24.5
Normalised headline earnings per share (cents)	(12)	**12.2**	13.9	27.2
Interim dividend (cents per share)	(8)	**12.0**	13.0	18.0

[1] *Restated for the effects of discontinued operations. Refer to note 8 of the condensed consolidated financial statements.*
[2] *Operating income represents revenue net of direct expenses.*

Executive summary

Alexander Forbes is pleased to report the financial results for the six months ended 30 September 2021, which demonstrate the benefits of our strategic clarity, underpinned by the sustained operational and commercial resilience of the business.

We improved the top line by 6% and contained expense growth to 3% for the period. Our clients are experiencing the benefits of our client-centric and advice-led consulting approach.

Our performance over this period occurred within the context of persistently challenging economic conditions, with the July riots and electricity load shedding in the latter part of the reporting period creating an uncertain environment for the key drivers of our business.

Markets delivered 12.3% for the nine months of the calendar year to September 2021, volatility has increased and will likely continue to rise as major central banks prepare to tighten monetary policy. Volatile markets will always be present; however, through our multi-manager investment strategy we manage risk more effectively. This strategy aims to diversify asset management styles and investments across a broad opportunity set of traditional and alternative assets, locally and globally.

Management efforts to win new business and improve top-line growth have been effective. We are pleased with the progress made in new business, achieving notable wins in retirements, healthcare, investments and individual consulting. The group achieved new business wins of R82 million in annualised revenue.

Operating income from continuing operations increased 6% year on year to R1 565 million, owing to the continued momentum in new business wins and higher opening asset balances at the beginning of the 2022 financial year, which has driven a higher average asset position for the period and positive market returns.

Other income, which comprises the rental and other income received from non-core services, declined due to the conclusion of many of the transitional services provided to Momentum Metropolitan Holdings Limited as part of the transitional services agreement. The transitional services agreement resulted from the disposal of the South African short-term insurance business in 2019.

Growth in operating expenses was contained to 3% year on year. We remain prudent in our efforts to contain expenses while continuing to invest in our people, technology and digital programmes.

Executive summary continued

Profit from operations (before non-trading and capital items) increased 5% year on year to R389 million (2020: R371 million) during the period. Management believes this appropriately reflects the core trading results of the group.

Attributable earnings for the period have been influenced by the financial performance of the discontinued operations, which reported a loss for the period of R79 million (2020: R45 million) due to:

- Increased claims and payments owing to the deaths related to the Covid-19 pandemic in our discontinued group risk and retail life business. The loss includes increased reserving required in the group risk business during the period. The attributable loss from this discontinued business was R85 million (2020: R20 million profit).
- The loss from the group risk business was partially offset by the profit from the recently discontinued AFICA group, that reported a profit of R6 million (2020: R8 million).

The comparable prior year period includes the increased provision relating to the enhanced transfer value (ETV) liability matter as disclosed in previous reporting periods. No additional provision was required during the period as the liability is limited to a cap which was fully provided in the previous year.

The sale and transfer for the group risk and retail life business is well advanced. We have received unconditional approval from the Competition Commission for this transaction and are progressing with the Prudential Authority approval process. We anticipate concluding this transaction before the 2022 financial year-end, with a concerted effort to settle outstanding claims and close down the Alexander Forbes Life licence.

In line with our strategic intent of refocusing the business to amplify our impact on the lives of individual members and our stated ambition to accelerate growth, Alexander Forbes, through its wholly owned subsidiaries Alexander Forbes Limited (AFL) and Alexander Forbes Financial Services (Proprietary) Limited (AFFS), has entered into binding agreements with Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited (Sanlam), for two transactions (subject to certain conditions precedent). Shareholders are referred to the Stock Exchange News Service (SENS) announcement dated 6 December 2021 for details relating to the proposed transactions.

The proposed transactions serve to enable the rapid transformation of Alexander Forbes towards being a member-oriented financial services provider by enhancing the digital capabilities available to its financial advisers and increasing the number of members within its traditional retirement fund base into which it will deploy such financial advice.

- The proposed acquisition of Sanlam's large standalone retirement fund administration business accelerates our growth in a mature industry segment and will increase the membership of the Alexander Forbes retirement fund administration capability by approximately 40%. This creates further capacity for Alexander Forbes to positively impact more members by scaling digital developments, delivering administration efficiencies and implementing its market-leading member engagement strategy across this base.
- The proposed sale of the AFICA group to Sanlam aims to modernise the digital experience delivered to Alexander Forbes' financial advisers and customers through improved administration and user functionality that is enabled by the best-in-class technological capability of the Glacier system. This will enable Alexander Forbes to better compete in the retail segment for compulsory and discretionary savings. The strategic advantage of providing retirement fund administration creates the platform for our financial advisers to connect with potential clients as they accumulate wealth and require financial advice.

Furthermore, Alexander Forbes signed a sale and purchase agreement with the shareholders of EBS International Proprietary Limited (EBS) for the purchase of 100% of the shares in EBS. The proposed acquisition of EBS accelerates growth by expanding and diversifying our service offering into adjacent segments of the South African and African retirement funding markets, uniquely positioning us to serve the breadth of retirement fund administration needs. Shareholders are referred to the SENS announcement dated 30 November 2021 for details relating to the potential transaction.

Through the implementation of these transactions, employees within the group will have greater opportunities to improve the lives of our customers given our extended capacity and enhanced capability.

The group balance sheet remained financially robust with a strong regulatory surplus position of R1 243 million and available cash of R511 million. During the period under review the group cover ratio was returned to 1.2 times from the 1.5 times cover imposed at the onset of the Covid-19 pandemic.

Financial review

Consolidated operating income and operating expenses

Operating income

	For the six months ended 30 September 2021		
Rm	2021	%	2020[1]
Retirement consulting	**421**	–	423
Healthcare consulting	**149**	6	141
Investments	**689**	10	626
Individual consulting	**171**	13	151
Multinational consulting	**135**	1	134
Total	**1 565**	**6**	**1 475**

Operating income grew 6% year on year to R1 565 million amid challenging trading conditions. The retirement consulting business continues to be impacted by the weak local economy, member losses due to retrenchments though at a slower rate than the comparable period in the prior year, and low levels of employment. We continue to report success in new business wins into our standalone and umbrella fund offering. Our healthcare consulting business remained steady, driven by the increase in the medical aid commission cap as well as new business wins in the healthcare broking and primary care offering. Both the investments and individual consulting segments performed in line with expectations attributable to market performance and net new business wins. Positive performance from our multinational business was offset by a strengthening of the average rand-dollar exchange rate during the period. Our Arrive solution continues to experience an increase in new appointments.

Retirement consulting

Operating income from retirement consulting remained in line with the prior period at R421 million, owing to the persistently weak economy and a reduction in members as a result of Covid-19 related retrenchments in the comparable prior year period. Our client base continued to experience retrenchments in the period under review, although at a much slower rate with 6 400 members being retrenched – 58% lower than the comparable prior year period. These retrenchments continued within our umbrella funds, which are primarily small, medium and micro enterprises. We also saw several business closures within our umbrella funds, again at a lower rate than the comparable prior year period.

During the period our existing client base started to expand their membership. The improvement in the existing client membership, coupled with new business wins, has offset the impact of retrenchments.

We continue to make good traction on new business wins, adding 75 clients and 6 200 members to our umbrella fund offering. We experienced some client losses (21 clients with 1 600 members) and business closures (18 clients with 780 members) in our umbrella funds, with the net number of participating employers up 2% to 1 704 in during the period. We are excited to report the addition of two new large clients to our standalone retirement funds offering comprising 11 000 members.

Total active member records reflect a 2% decline when compared to 30 September 2020 and an increase of 2% since 31 March 2021.

The reduction in the recurring administration fee income year on year, owing to the decrease in the average active member base, was partly offset by increased fee income from our consulting and actuarial teams from supporting businesses that closed or liquidated in the prior year. We are, however, starting to experience an increase in administration income during the period, in line with the increase in membership base.

Closing AuM for our umbrella funds (included in the investments business segment) exceeded R100 billion in the period, increasing 17% year on year to R102 billion owing to positive market growth offset by a small net negative cash flow in the period.

Closing assets under management for our umbrella funds increased 17% year on year to R102 billion

Our relentless focus on client engagement and experience, coupled with our integrated consulting approach continues to improve client retention and satisfaction within our retirement fund business. This is demonstrated by our Diamond Arrow Award issued by PMR Africa, where we placed first for the 15th consecutive year, in the categories of:

- best consulting actuarial firm
- best pension fund administrator and consultants administering more than 150 000 members

[1] *Restated for the effects of discontinued operations.*

Financial review continued

Healthcare consulting

Healthcare consulting continued to deliver growth, reporting a 6% year on year increase in operating income to R149 million. This increase is attributable to the increase in the medical aid commission cap of 3% from January 2021, expansion within our existing client base, and new business wins. Our strategic collaborative partnership with Evo Finanical Services continue to yield positive results, particularly in sectors where we have historically been under-represented.

Healthcare membership has increased 6% year on year to 227 773 members and 2% since 31 March 2021. Our healthcare client base is less susceptible to the weak economy. In line with recent trends within our retirement fund clients, our healthcare clients are also expanding their membership during the period.

As the world redefines ways of work, we will focus on supporting our clients through this journey by helping them navigate the complex world of medical scheme choices and options, health and employee well-being, as well as the increased focus on the management of absenteeism, incapacity and employee assistance programmes.

Investments

Investments reported a 10% increase in operating income year on year to R689 million, owing to market performance and new business wins partially offset by the reduction in the blended margin. The cumulative blended market return across our portfolios was 5.9% over the period (19.6% on a 12 month rolling basis to 30 September 2021). The institutional blended margin reduced to 27.6 bps (2020: 30.1 bps) owing to new business wins into lower margin portfolios and products (including platform) as well as the historical impact of client switches from higher to lower margin portfolios (particularly more conservative cash-based portfolios) and the historical impact of proactive pricing reviews.

Our portfolios remain well positioned, employing a diverse set of investment strategies to which we apply our multi-management approach for enhanced returns at reduced risk. Our 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.

We have made progress in our asset advisory business, which consults to retirement funds on their investment portfolios, asset allocations and fund strategies.

Our flagship portfolio, AF Performer, continues to do well, with AuM of R183 billion (up 24% year on year) at 30 September 2021. The portfolio experienced net positive cash inflows of R2.3 billion during the period coupled with a positive market return of 7.05% for the period. By consistently outperforming the peer group, Performer is the second-best performing balanced fund in SA over the past eleven years as measured in the Alexander Forbes Manager Watch Survey™ (Global Best Investment View category).

Total AuA and AuM at 30 September 2021 of R423 billion increased 20% year on year and are up 6% from 31 March 2021.

Total closing assets are segregated as follows:

	30 September 2021			30 September 2020		
R billion	Institutional	Retail	Total	Institutional	Retail	Total
Assets under administration (AuA)	56.9	6.7	63.6	32.2	5.6	37.8
Assets under management (AuM)	287.0	72.3	359.3	252.8	62.8	315.6
Total AuA and AuM	**343.9**	**79.0**	**422.9**	**285.0**	**68.4**	**353.4**

We are pleased to report new business with 47 appointments in the period. Institutional new business assets of R7.9 billion flowed in the period, which included R3.7 billion in platform administration business.

The platform administration business represents an area of growth for us as we leverage our leading in-house administration system and capabilities to clients for regulatory reporting, unitisation and risk mitigation, albeit at lower margins than our traditional business.

New business into AF Investments products amounted to R4.2 billion in the period, which is commendable in the context of the challenging environment and demonstrates the strong client relationships, the benefits of our value proposition and implementation of best advice for our advisory clients. Lost business was higher than comparable prior year period resulting from delays in outflows of AuM from clients who had notified us in the previous financial year of their termination, mainly arising from competitive pressure.

While we have experienced asset outflows from lost business of R3.8 billion in the period, the weak South African economy continued to adversely impact our institutional cash flows, albeit at a lower rate than in the second half of the previous financial year. In the 2021 financial year, we reported net uncontrollable cash outflows of R16.1 billion, of which R11.2 billion occurred in the second half of the year owing to contribution holidays and contribution reductions. During the period under review net uncontrollable cash outflows reduced to R6.2 billion owing to ceased contribution holidays, contribution levels returning to pre-Covid levels and reduced withdrawals.

A summary of the cash flows for the six months to 30 September 2021 is shown below:

	30 September 2021			30 September 2020		
R billion	Institutional	Retail	Total	Institutional	Retail	Total
Controllable (Product)	**0.5**	**–**	**0.5**	**4.3**	**–**	**4.3**
New business	4.2	–	4.2	6.5	–	6.5
Outflows owing to client losses	(3.7)	–	(3.7)	(2.2)	–	(2.2)
Controllable (Platform)	**3.6**	**–**	**3.6**	**0.8**	**–**	**0.8**
New business	3.7	–	3.7	2.2	–	2.2
Outflows owing to client losses	(0.1)	–	(0.1)	(1.4)	–	(1.4)
Uncontrollable	**(6.0)**	**(0.2)**	**(6.2)**	**(4.0)**	**(0.9)**	**(4.9)**
Ongoing contributions	17.2	4.4	21.6	14.3	3.6	17.9
Withdrawals for benefit payments	(23.2)	(4.6)	(27.8)	(18.3)	(4.5)	(22.8)
Net cash flows	**(1.9)**	**(0.2)**	**(2.1)**	**1.1**	**(0.9)**	**0.2**

Individual consulting

Individual consulting reported an increase of 13% in operating income to R171 million, owing to higher assets under advisement and new business of R5.4 billion achieved during the period. New business written in the period was 39% higher year on year, with the comparable prior year period being adversely impacted by the Covid-19 lockdown during which we experienced several months of virtual meetings with clients. With the uptake of vaccinations and the lifting of lockdown restrictions, the number of financial reviews held face to face increased in the period.

Closing assets under advisement increased 14% year on year to R83 billion (up 4% since 31 March 2021), driven by strong market performance and new business written in the period.

The business continues to deliver enhanced retirement benefit consulting (eRBC) services to individuals in line with regulatory requirements for members of retirement funds to understand their options before making important decisions, and ensuring that these members have access to appropriate advice. We are making progress with an 88% year-on-year increase in the number of corporate clients (777 clients) who have taken up our eRBC services. Member education services presentations and our My Money Matters call centre have pivoted member engagement over the past year from primarily face-to-face to virtual, offering members flexibility on financial counselling delivery channels.

Through our newly implemented digital solution for client exits, which is part of our member engagement strategy, we have seen a positive effect in improving member outcomes with an increase in the number of members remaining invested, increased preservation rates for digital users and an increase in members who made an active preservation decision, as opposed to using the default solution. Overall, fewer members are choosing to withdraw their retirement savings in cash.

Financial review continued

Assets being preserved on exit, retirement or retrenchment, measured by the preservation rate, improved to 56% from 51% in September 2020, owing to lower retrenchment exits, lower withdrawal claims, and the improved preservation into in-fund solutions for standalone retirement funds.

The retention rate[1] has improved to 25% from 24% in September 2020.

Closing AuA in AFRIS was
R12.1 billion
at 30 September 2021,
up 55% year on year

Our default solutions have shown strong growth during the period and continue to deliver on their value proposition for clients. These are the Alexander Forbes Retirement Fund in-fund and our flagship AFRIS offerings. Closing AuA in AFRIS increased 55% year on year to R12.1 billion as at 30 September 2021 (up 19% since 31 March 2021), adding 11 new funds year on year with a 54% increase in membership.

This solution, together with eRBC services, continues to demonstrate measurable benefits for clients and we continue to identify ways to evolve the solution to grow asset inflows into AFRIS to a broader market set and widen the eligibility criteria.

Multinational consulting

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

Operating income increased 1% year on year to R135 million, with positive growth reported across all countries offset by the appreciation of the rand, which resulted in a negative foreign exchange impact on Botswana and Channel Islands operating income. Excluding the foreign exchange impact, operating income for multinational consulting would have increased by 7% year on year. Channel Islands reported satisfactory growth in wealth management from new business and recurring market growth. Botswana had strong client wins in the asset consulting business in the period with inflationary growth in administration income. Namibia experienced a slight increase in administration fees, still feeling the effects of the tough economic conditions in that country.

The Arrive platform delivers health, wealth and career solutions to multinational clients throughout Africa and is aligned to our advice-led framework. We continue to see the benefits of a coordinated consulting and service approach across Africa, and we have added 10 new clients year on year, taking the total number of Arrive clients to 71. 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 30 September 2021 there were 113 GBM clients with 4 new broker appointments landed in the period.

Secured mandates with
71 pan-Africa companies
and 113 broker appointments since inception

Other income

Other income comprises income earned from information technology services and sublease arrangements provided to entities that previously formed part of the group and other external parties. The group reported other income of R18 million, down 65% year on year, owing to the conclusion of the transitional services agreement relating to the sale of the South African short-term insurance business.

Operating expenses

Operating expenses increased 3% year on year. We remain prudent in our effort to contain expenses and look for efficiencies. Cost containment efforts are balanced with the need for technology development, improved governance, and an increasing pressure to retain talent in a scarce market.

During the period under review, progress was made on optimising space across all regional offices while retaining our property footprint to remain accessible to our clients. Our largest lease contract for our Sandton head office has three years remaining and we continue to look for subleasing opportunities in this building.

Management remains resolute in its efforts to continue the journey towards becoming a highly automated, digitised and simplified business geared towards the future needs of our clients. We are currently implementing three significant automated solutions to our administration clients.

Items below profit from operations

Non-trading and capital items

Non-trading and capital items decreased to R17 million (2020: R25 million) owing to a reduction in professional fees and costs relating to strategic consulting engagements. The non-trading and capital items also include the amortisation of intangible assets amounting to R28 million (2020: R28 million) and the performance of the cell-captive facility that reported a profit for the period of R19 million (2020: R19 million). The accounting for amortisation has no impact on the cash flows of the group. The accounting for the amortisation of intangible assets and the results of the cell-captive facility are excluded when calculating the group's normalised earnings.

Investment income

Investment income of R40 million (2020: R61 million), earned from the regulatory capital and surplus cash position of the company, declined by 34% owing to lower cash balances following payment of the final dividend, the share buy-back programme and the reduction in the interest rate. The group returned a total of R1.4 billion to shareholders since 31 March 2020 in line with its capital-light strategy and stated intent to return surplus cash to shareholders. In addition, investment income of R14 million (2020: R10 million) related to individual policyholder investments is recorded in the consolidated income statement. An equal tax debit is raised for this investment income. This policyholder income (and related tax cost) is excluded from our normalised earnings when assessing the group's own investment income.

Finance costs

IFRS 16 has resulted in a R30 million (2020: R33 million) finance cost associated with the lease liabilities. This represents 91% of the total finance costs for the period of R33 million (2020: R38 million).

Profit before and after tax

Profit before taxation from continuing operations of R391 million is up 2%.

The normalised effective tax rate, excluding the policyholder tax, is 36.3% due to unutilised tax losses that have not been raised as deferred tax assets during the period. The group is progressing with a strategic initiative to structure our financial services business to improve profitability and the related tax position. The improvement of the effective tax rate is a high priority for the group.

The resulting profit from continuing operations of R240 million (2020: R243 million) was marginally flat year on year.

Discontinued operations

Discontinued operations include the operating results of:

- The group risk and retail life business operations that were classified as discontinued in the prior financial year. The sale and transfer of these businesses was announced in June 2021. The group risk business experienced increased claims and payments as a result of the deaths related to the Covid-19 pandemic. The loss includes increased reserving required in the period under review. The attributable loss from this discontinued business was R85 million (2020: R20 million profit).
- The sale of the AFICA group was recently announced as part of a separate transaction with Sanlam Life Insurance Limited. The AFICA group reported a profit for the period of R6 million (2020: R8 million).

The prior year loss reported in discontinued operations includes the provision of the liability for ETV claims, as disclosed in previous reporting periods.

After finance charges and taxes, the loss for the period from discontinued operations was R79 million (2020: R45 million).

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

Headline earnings

Headline earnings from continuing operations of R240 million is marginally higher year on year with the improvement in the trading result offset by the lower investment income and higher effective tax rate. Headline earnings per share for continuing operations marginally increased 4% to 18.9 cents per share (2020: 18.2 cents per share).

Headline earnings from total operations declined 14% to R161 million attributable to the financial performance of the discontinued operations.

Normalised earnings

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

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

Financial position and dividends

Financial position

Our unleveraged balance sheet, supported by surplus regulatory capital and available cash, continues to place Alexander Forbes in a strong financial position.

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

At 30 September 2021 the consolidated regulatory capital requirement of the group amounted to R1 568 million, which increased by 9% from year end. Using the measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards implemented during 2018, the group has a regulatory surplus capital of R1 243 million. The group recently returned its policy cover ratio to 1.2 times from 1.5 times set at the onset of Covid-19. The current regulatory capital cover of 1.8 times is well above the group policy cover ratio.

The group's cash flows remain strong with cash generated from continuing operations of R298 million. The group continues to maintain a high conversion of profit from operations to cash.

On 11 November 2021, 47 457 417 shares acquired as part of the share buyback programme were cancelled and withdrawn on the JSE, which reduced the issued share capital of the company and released R92 million in solvency capital required. In addition, the group is in the process of disposing of its group risk and retail life insurance businesses and restructuring various operations and entities in the group, which will further reduce regulatory capital. As a result of the nature of the sale, we anticipate that the capital held within the life licence business will be released within 12 to 18 months after the effective date of the sale.

Interim dividend declaration

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

The board has declared an interim gross cash dividend of 12 cents (9.6 cents net of dividend withholding tax) per ordinary share for the six months ended 30 September 2021 (2020: 13 cents per ordinary share). In determining the interim dividend for this period, the board considered the performance of the discontinued operations that includes the impact of the group risk Covid-19 loss (refer to note 8.2) and adjusted for this loss.

The interim dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The issued number of shares at the date of declaration is 1 354 083 992. The directors have satisfied the solvency and liquidity test as required in terms is section 4(1) of the Companies Act 71 of 2008.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday 4 January 2022
Shares commence trading 'ex' dividend	Wednesday 5 January 2022
Record date	Friday 7 January 2022
Payment date	Monday 10 January 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 January 2022 and Friday, 7 January 2022, both days inclusive.

Prospects

Accelerating growth

Alexander Forbes is unlocking its potential to rapidly transform towards becoming a member-oriented financial services provider by enhancing the digital capabilities available to our financial advisers and increasing the number of members within our traditional retirement fund base who may benefit from our independent financial advice and best-in-class propositions.

We have laid the foundation for growth by stabilising our core. Our strategic focus has helped us to capitalise on opportunities in our market that are aligned with our growth vision. These transactions will materially expand our institutional base and greatly enhance our ability to serve the financial needs of individual members within our market-leading retirement fund administration base.

The proposed acquisition of the standalone retirement fund administration business of Sanlam accelerates our growth in a mature industry segment and will increase the membership of the Alexander Forbes retirement fund administration capability by approximately 40%.

The increased membership base presents the opportunity for Alexander Forbes to connect with South Africa's largest distinct pool of retirement fund members (outside of the Government Employees Pension Fund) as we shift our strategic focus towards engaging with and serving the financial needs of individual clients. The implementation and adoption of our member engagement suite is maturing amongst our clients as more employers begin to appreciate the potential to impact their employees' lives by providing access to Alexander Forbes' insight and financial advice.

The sale of the AFICA group to Sanlam aims to modernise the digital experience delivered to our financial advisers and clients through the improved user functionality that is enabled by the best-in-class technological capability of the Glacier system. This will enable Alexander Forbes to better compete in the retail segment for compulsory and discretionary savings. The strategic advantage of providing retirement fund administration creates the platform for our financial advisors to connect with potential clients as they accumulate wealth and require financial advice.

Alexander Forbes will drive brand awareness to reach more members into the future and continue to modernise our digital capabilities so that members are able to efficiently connect with the business.

The proposed acquisition of EBS accelerates our growth by expanding our service offering into adjacent segments of the South African and African retirement funding markets. This uniquely positions Alexander Forbes to serve the breadth of institutional retirement fund administration needs. We will now be able to unlock previously inaccessible opportunities to serve the self-administration needs of very large retirement funds based in South Africa and select countries in Africa.

The implementation of the respective corporate transactions to extract the anticipated synergies and to execute on the opportunities now available are a key strategic priority for the business.

We anticipate legislative changes that will create greater opportunities to engage individual members to balance short- and long-term savings needs. Our advice-led approach, member engagement suite and fund administration capability uniquely position Alexander Forbes to access and help clients to plan for their future as such legislation further individualises the retirement fund experience.

The One Alexander Forbes model has acted to protect and grow our market share as the integration of our respective capabilities matures. In particular, the vertical integration of the value chain between retirements consulting, fund administration, investments and individual consulting continues to deliver success and the proposed transactions serve to create further runway to capitalise on such integration.

Our flagship Alexander Forbes Retirement Income Solution (AFRIS) has been made available to all our clients across all lines of business so that individuals access institutionally priced investments that include our leading AF Performer portfolio to create wealth.

In line with our strategy, we will continue to explore selective opportunities to acquire businesses to strengthen our core capabilities and accelerate our transformative ambitions.

Change in directorate

Ms BJ Memela-Khambula retired as independent non-executive director and as chair of the social, ethics and transformation committee (Setco) effective 3 September 2021. Mr AM Mazwai succeeded Ms Memela-Khambula as Setco chair on 18 November 2021.

Mr AD Mminele will be appointed as an independent non-executive director, chair designate and member of the nominations and remuneration committees effective 1 January 2022.

The current chair, Ms M Ramplin, will retire from the board on 1 April 2022 and Mr Mminele will succeed her as chair effective on the same day.

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 2021 financial year governance report available on the company's website. No material changes in application have occurred since the publication of that report.

On behalf of the board of directors

M Ramplin
Non-executive chair

DJ de Villiers
Chief executive officer

6 December 2021

Condensed consolidated financial statements

The Alexander Forbes Group Holdings Limited (the group) condensed consolidated interim results for the period ended 30 September 2021 (interim results) are prepared in accordance with:

- 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 condensed consolidated financial statements

The condensed consolidated interim results of the group for the period ended 30 September 2021 include the:

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

The group's results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. This report is presented in South African rand, which is the presentation currency of the group. All amounts are stated in millions of Rand (Rm), unless indicated otherwise.

The accounting policies applied in the preparation of the consolidated financial statements from which the results have been derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous audited consolidated annual financial statements.

Additionally, these interim results have not been audited or reviewed by the group's external auditors. The group's 2021 annual financial information has been extracted from the underlying audited consolidated annual financial statements for the year ended 31 March 2021.

These condensed consolidated financial statements were compiled under the supervision of Mr BP Bydawell (Chief financial officer), CA (SA), CFA. The board of directors of Alexander Forbes Group Holdings Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

The results were made publicly available on 6 December 2021 on our website: *www.alexanderforbes.co.za/investorrelations/financial-results.*

Condensed consolidated income statement

For the six months ended 30 September 2021

Rm	Notes	Six months 30 Sep 2021	Restated Six months 30 Sep 2020[1]	Restated Twelve months 31 Mar 2021[1]
Continuing operations				
Fee and commission revenue	2	**2 047**	1 904	3 895
Fee and commission expenses		**(482)**	(429)	(882)
Operating income net of direct expenses		**1 565**	1 475	3 013
Other income	3	**18**	52	75
Operating expenses		**(1 194)**	(1 156)	(2 420)
Profit from operations before non-trading and capital items		**389**	371	668
Non-trading and capital items	4	**(17)**	(25)	(52)
Operating profit		**372**	346	616
Investment income	5	**54**	71	136
Finance costs	6	**(33)**	(38)	(74)
Reported (loss)/profit arising from accounting for policyholder investments as treasury shares		**(2)**	6	13
Profit before taxation		**391**	385	691
Income tax expense	7	**(151)**	(142)	(258)
Income tax expense relating to group profits		**(137)**	(132)	(225)
Income tax expense relating to policyholder investment returns		**(14)**	(10)	(33)
Profit for the period from continuing operations		**240**	243	433
Discontinued operations				
Loss from discontinued operations (net of tax)	8	**(79)**	(45)	(230)
Profit for the period		**161**	**198**	**203**
Profit attributable to:				
Owners of the company		**159**	183	185
Non-controlling interest		**2**	15	18
		161	**198**	**203**
Basic earnings per share (cents)		**12.6**	14.1	14.3
Diluted earnings per share (cents)		**11.8**	13.7	13.7
Weighted average number of shares in issue (net of treasury shares) (millions)		**1 267**	1 297	1 297

[1] *Restated for the effects of discontinued operations, refer to note 8.*

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2021

Rm	Six months 30 Sep 2021	Restated Six months 30 Sep 2020[1]	Restated Twelve months 31 Mar 2021[1]
Profit for the period	**161**	198	203
Other comprehensive income			
Other comprehensive income for the period that may be reclassified to profit or loss[2]	**(2)**	(5)	(19)
Foreign currency translation differences – foreign operations	**(2)**	(6)	(20)
Cash flow hedge	**–**	1	1
Other comprehensive income that will not be reclassified to profit or loss[2]	**–**	–	(14)
Remeasurement of post-employment benefit obligations	**–**	–	(14)
Total comprehensive income for the period	**159**	**193**	**170**
Total comprehensive income attributable to:			
Owners of the company	**157**	178	152
Non-controlling interest	**2**	15	18
Total comprehensive income for the period	**159**	**193**	**170**

[1] *Restated for the effects of discontinued operations, refer to note 8.*
[2] *Net of related taxes.*

Condensed consolidated statement of financial position

At 30 September 2021

Rm	Notes	30 Sep 2021	30 Sep 2020	31 Mar 2021
Assets				
Financial assets held under multi-manager investment contracts	10	**351 739**	306 973	333 217
Goodwill		**1 392**	1 392	1 392
Intangible assets		**161**	189	192
Property and equipment		**478**	601	544
Purchased and developed computer software		**136**	120	125
Deferred tax assets		**189**	199	203
Financial assets	11	**671**	103	1 042
Insurance receivables		**1 046**	–	726
Tax assets		**27**	11	31
Trade and other receivables	12	**296**	1 143	250
Cash and cash equivalents		**2 374**	2 869	2 288
Assets of disposal group classified as held for sale	8	**1 024**	2 359	907
Total assets		**359 533**	**315 959**	**340 917**
Equity and liabilities				
Owners of the company		**3 978**	4 291	3 991
Non-controlling interest		**35**	40	37
Total equity		**4 013**	**4 331**	**4 028**
Financial liabilities held under multi-manager investment contracts	10	**351 756**	306 995	333 232
Borrowings		**27**	–	29
Employee benefits		**155**	154	147
Deferred tax liabilities		**88**	67	87
Provisions	13	**332**	1 086	445
Lease liabilities		**620**	759	690
Insurance payables		**1 053**	–	779
Trade and other payables		**482**	367	570
Tax liabilities		**7**	21	3
Liabilities of disposal group classified as held for sale	8	**1 000**	2 179	907
Total liabilities		**355 520**	**311 628**	**336 889**
Total equity and liabilities		**359 533**	**315 959**	**340 917**

Condensed consolidated statement of cash flows

For the six months ended 30 September 2021

Rm	Notes	Six months 30 Sep 2021	Restated Six months 30 Sep 2020[1]	Restated Twelve months 31 Mar 2021[1]
Cash flows from operating activities				
Cash generated from operations		**298**	324	960
Interest received		**35**	59	99
Interest paid		**(33)**	(38)	(74)
Net cash flows received from/(paid to) insurance and policyholder contracts		**10**	(51)	(5)
Net cash flows received from/(paid to) policyholder investment contracts		**567**	649	(805)
Taxation paid		**(128)**	(124)	(268)
Dividends paid		**(119)**	(846)	(1 021)
Payments made to non-controlling interests		**(4)**	(5)	(11)
Cash flows from operating activities – discontinued operations	8.2.1	**(149)**	(128)	(9)
Net cash inflow/(outflow) from operating activities		**477**	**(160)**	**(1 134)**
Cash flows from investing activities				
Additions to financial assets		**(122)**	(14)	(981)
Proceeds from disposal of financial assets		**498**	8	38
Payments for capital expenditure incurred on property, equipment and computer software		**(32)**	(70)	(107)
Payment for acquisition of subsidiary (net of cash acquired)		**–**	–	(15)
Proceeds from sale of subsidiaries and businesses		**–**	–	40
Net cash inflow/(outflow) from investing activities		**344**	**(76)**	**(1 025)**
Cash flows from financing activities				
Repayment of borrowings		**(2)**	(100)	(100)
Borrowings raised		**–**	–	28
Payments of lease liabilities		**(73)**	(63)	(136)
Purchase of shares in terms of share buy-back and share-incentive schemes		**(90)**	(144)	(284)
Proceeds from sale of treasury shares held by policyholder investments		**–**	(2)	(1)
Purchase of treasury shares held by policyholder investments		**(6)**	(3)	(13)
Disposal of treasury shares held by policyholder investments		**6**	1	12
Net cash outflow from financing activities		**(165)**	**(309)**	**(493)**
Increase/(decrease) in cash and cash equivalents		**656**	(545)	(2 652)
Cash and cash equivalents at the beginning of the period		**7 699**	10 376	10 376
Effects of exchange rate changes on cash and cash equivalents		**(3)**	(8)	(25)
Cash and cash equivalents at the end of the period		**8 352**	**9 823**	**7 699**
Analysed as follows:				
Cash and cash equivalents of continuing operations		**2 374**	2 869	2 288
Cash held under multi-manager investment contracts[2]		**5 688**	6 575	5 121
Cash and cash equivalents of disposal group classified as held for sale		**290**	379	290
		8 352	**9 823**	**7 699**

[1] *Restated for the effects of discontinued operations, refer to note 8.*

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

Condensed consolidated statement of changes in equity

At 30 September 2021

Rm	Share capital	Treasury shares	Other reserves	Accumulated loss	Total equity holders' funds	Non-controlling interest	Total equity
At 31 March 2020	**5 874**	**(196)**	**179**	**(1 051)**	**4 806**	**297**	**5 103**
Total comprehensive income	–	–	(5)	183	178	15	193
Profit for the period	–	–	–	183	183	15	198
Other comprehensive income	–	–	(5)	–	(5)	–	(5)
Total transactions with owners of the company	403	(110)	11	(997)	(693)	(272)	(965)
Empowerment partner flip-up transaction[1]	403	20	(5)	(151)	267	(267)	–
Shares purchased in terms of share buy-back programme and share incentive schemes[2]	–	(144)	–	–	(144)	–	(144)
Settlement of share incentive schemes[3]	–	16	(16)	–	–	–	–
Movement of treasury shares in policyholder assets	–	(2)	–	–	(2)	–	(2)
Dividends paid	–	–	–	(846)	(846)	(5)	(851)
Movement in share-based payment reserve	–	–	32	–	32	–	32
At 30 September 2020	**6 277**	**(306)**	**185**	**(1 865)**	**4 291**	**40**	**4 331**
Total comprehensive income	–	–	(14)	(12)	(26)	3	(23)
Profit for the period	–	–	–	2	2	3	5
Other comprehensive income	–	–	(14)	(14)	(28)	–	(28)
Total transactions with owners of the company	–	(139)	40	(175)	(274)	(6)	(280)
Shares purchased in terms of share buy-back programme and share incentive schemes[4]	–	(140)	–	–	(140)	–	(140)
Movement of treasury shares in policyholder assets	–	1	–	–	1	–	1
Dividends paid	–	–	–	(175)	(175)	(2)	(177)
Movement in share-based payment reserve	–	–	40	–	40	–	40
Other movements in non-controlling interest[5]	–	–	–	–	–	(4)	(4)
At 31 March 2021	**6 277**	**(445)**	**211**	**(2 052)**	**3 991**	**37**	**4 028**
Total comprehensive income	**–**	**–**	**(2)**	**159**	**157**	**2**	**159**
Profit for the period	**–**	**–**	**–**	**159**	**159**	**2**	**161**
Other comprehensive income	**–**	**–**	**(2)**	**–**	**(2)**	**–**	**(2)**
Total transactions with owners of the company	**–**	**(51)**	**–**	**(119)**	**(170)**	**(4)**	**(174)**
Shares purchased in terms of share buy-back programme and share incentive schemes[6]	**–**	**(90)**	**–**	**–**	**(90)**	**–**	**(90)**
Settlement of share incentive schemes[7]	**–**	**39**	**(39)**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(119)**	**(119)**	**(4)**	**(123)**
Movement in share-based payment reserve	**–**	**–**	**39**	**–**	**39**	**–**	**39**
At 30 September 2021	**6 277**	**(496)**	**209**	**(2 012)**	**3 978**	**35**	**4 013**

[1] The group issued 118 019 747 ordinary shares to African Rainbow Capital (ARC), comprising 4 336 492 treasury shares and a new listing of 113 683 255 ordinary shares on 13 May 2020. This transaction was concluded pursuant to an agreement between Alexander Forbes Group Holdings Limited, Alexander Forbes Limited and ARC on 28 September 2016 in terms of which ARC would exchange its 10% shareholding in a subsidiary company, Alexander Forbes Limited, for shares in Alexander Forbes Group Holdings Limited. This transaction was approved by shareholders on 20 January 2017.

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

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

[4] The group purchased AFH shares to the value of R100 million, at an average price of R4.14 per share (24 166 684 shares), in a general buyback approved by shareholders. In addition, shares to the value of R40 million were purchased for shareholder-approved share incentive schemes.

[5] 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.

[6] The group purchased AFH shares to the value of R60 million, at an average price of R3.93 per share (15 253 382 shares), in a general buyback approved by shareholders. In addition, shares to the value of R30 million were purchased for shareholder-approved share incentive schemes.

[7] Shares amounting to R39 million relating to the forfeitable share scheme were settled.

Condensed consolidated segmental income and profit analysis

For the six months ended 30 September 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[1]	**2021**	2020	**2021**	2020[1]	**2021**	2020[1]	**2021**	2020[1]	**2021**	2020[1]
Continuing operations																		
Fee and commission revenue	**431**	430	**149**	141	**1 033**	941	**288**	249	**146**	143	**2 047**	1 904	**–**	–	**–**	–	**2 047**	1 904
Fee and commission expenses	**(10)**	(7)	**–**	–	**(344)**	(315)	**(117)**	(98)	**(11)**	(9)	**(482)**	(429)	**–**	–	**–**	–	**(482)**	(429)
Operating income net of direct expenses	**421**	423	**149**	141	**689**	626	**171**	151	**135**	134	**1 565**	1 475	**–**	–	**–**	–	**1 565**	1 475
Other income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**18**	52	**18**	52
Operating expenses	**(415)**	(416)	**(118)**	(115)	**(428)**	(412)	**(151)**	(130)	**(131)**	(128)	**(1 243)**	(1 201)	**–**	–	**–**	3	**(1 243)**	(1 198)
Operating expenses before recoveries	**(108)**	(105)	**(51)**	(48)	**(41)**	(39)	**(56)**	(53)	**(109)**	(106)	**(365)**	(351)	**(100)**	(90)	**(824)**	(801)	**(1 289)**	(1 242)
Recoveries from IP&E	**(2)**	(2)	**(8)**	(9)	**(79)**	(69)	**(6)**	(3)	**(2)**	(2)	**(97)**	(85)	**97**	85	**–**	–	**–**	–
Recoveries from CSBO	**(305)**	(309)	**(59)**	(58)	**(308)**	(304)	**(92)**	(78)	**(20)**	(20)	**(784)**	(769)	**–**	–	**784**	769	**–**	–
Recoveries from discontinued operations	**–**	–	**–**	–	**–**	–	**3**	4	**–**	–	**3**	4	**3**	5	**40**	35	**46**	44
Normalised profit from operations before non-trading and capital items	**6**	7	**31**	26	**261**	214	**20**	21	**4**	6	**322**	274	**–**	–	**18**	55	**340**	329
Normalised non-trading and capital items	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(8)**	(16)	**(8)**	(16)
Normalised operating profit	**6**	7	**31**	26	**261**	214	**20**	21	**4**	6	**322**	274	**–**	–	**10**	39	**332**	313
Normalised investment income	**–**	–	**–**	–	**1**	2	**2**	2	**1**	–	**4**	4	**–**	–	**36**	57	**40**	61
Normalised finance cost	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(3)**	(5)	**(3)**	(5)
Normalised profit before taxation	**6**	7	**31**	26	**262**	216	**22**	23	**5**	6	**326**	278	**–**	–	**43**	91	**369**	369
Normalised income tax expense	**(2)**	(3)	**(11)**	(10)	**(96)**	(77)	**(8)**	(8)	**(2)**	(2)	**(119)**	(100)	**–**	–	**(16)**	(33)	**(135)**	(133)
Normalised profit for the period from continuing operations	**4**	4	**20**	16	**166**	139	**14**	15	**3**	4	**207**	178	**–**	–	**27**	58	**234**	236
Normalised loss from discontinued operations (net of tax)	**–**	–	**–**	–	**–**	–	**(3)**	(4)	**–**	–	**(3)**	(4)	**–**	–	**(76)**	(41)	**(79)**	(45)
Normalised profit for the period	**4**	**4**	**20**	**16**	**166**	**139**	**11**	**11**	**3**	**4**	**204**	**174**	**–**	**–**	**(49)**	**17**	**155**	**191**
Normalised adjustments	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	–	**(1)**	–	**–**	–	**7**	7	**6**	7
Accounting for property leases	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	–	**(1)**	–	**–**	–	**20**	9	**19**	9
Amortisation of intangible assets arising from the 2007 private equity business combination	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(28)**	(28)	**(28)**	(28)
Professional indemnity insurance cell-captive result	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**19**	19	**19**	19
Reported (loss)/profit arising from accounting for policyholder investments in treasury shares	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(2)**	6	**(2)**	6
Investment income on behalf of policyholders	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**14**	10	**14**	10
Tax effects on normalised adjustments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(16)**	(9)	**(16)**	(9)
Profit for the period	**4**	**4**	**20**	**16**	**166**	**139**	**11**	**11**	**2**	**4**	**203**	**174**	**–**	**–**	**(42)**	**24**	**161**	**198**
Normalised basic earnings per share (cents)																	**12.0**	13.5
Normalised headline earnings per share (cents)																	**12.2**	13.9
Normalised weighted average number of shares in issue (millions)																	**1 271**	1 303

[1] *Restated for the effects of discontinued operations, refer to note 8.*

Condensed consolidated segmental income and profit analysis

For the six months ended 30 September 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, Products & 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, 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) and AF Preservation Fund.
- **Multinational consulting** – comprises consulting activities where we have physical offices in areas outside South Africa (Botswana, Namibia, Nigeria and the Channel Islands) and the consulting advice provided through the Arrive solution.

In terms of IFRS 8 *Operating Segments,* support functions would generally not be operating segments as the revenues earned and expenses incurred are only incidental to the entity's business. These activities only arise to support the main business units. The IP&E and CSBO platforms are not segments as defined; however, financial information relating to these platforms is regularly reviewed by management.

Investments, Products & Enablement

– which comprise the investment management team, research & best practice academy, product management and other strategic units such as strategic insights, chief economist, digital analytics. The 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 condensed consolidated income statement and the normalised results are as follows:

Amortisation 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. The capitalisation of these intangible assets resulted from the required accounting treatment at the time of the private equity acquisition of the group in 2007. The amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group.

Professional indemnity insurance cell-captive results

– The profits and losses of the facility are a result of the premiums paid, claims experienced and the changes made to the provision for expected future claims. The recorded profits and losses of the cell-captive facility should trend to zero over the longer term. The annual premiums paid for this insurance are included in the operating expenses of each segment. The group is required to consolidate the financial results of the cell-captive amounting to a profit of R19 million for the period ended 30 September 2021 (2020: R19 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 R49 million (2020: R42 million) have been effected to profit before non-trading and capital items in addition to finance costs of R30 million (2020: R33 million), resulting in a net adjustment of R19 million (2020: R9 million) to profit before tax.

Reported profit or 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 six months ended 30 September 2021

1. Basis of preparation

The condensed consolidated results of Alexander Forbes Group Holdings Limited (the group) for the six months ended 30 September 2021 include the condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity.

The condensed consolidated interim financial statements are prepared in accordance with and containing the information required by IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the preparation of previous consolidated annual financial statements.

Summary notes continued

For the six months ended 30 September 2021

2. Fee and commission revenue

The group's operations and main revenue streams are those described in the latest annual financial statements. 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[1]	**2021**	2020	**2021**	2020[1]
Revenue by type												
Consulting and advice fees	**91**	83	**24**	23	**5**	15	**288**	245	**60**	57	**468**	423
Administration fees	**295**	305	**–**	–	**–**	–	**–**	4	**66**	67	**361**	376
Commission	**45**	42	**125**	118	**–**	–	**–**	–	**5**	6	**175**	166
Investment management fees	**–**	–	**–**	–	**1 028**	926	**–**	–	**15**	13	**1 043**	939
Total	**431**	**430**	**149**	**141**	**1 033**	**941**	**288**	**249**	**146**	**143**	**2 047**	**1 904**
Revenue by region												
South Africa	**431**	430	**149**	141	**1 033**	941	**288**	249	**–**	–	**1 901**	1 761
Namibia	**–**	–	**–**	–	**–**	–	**–**	–	**53**	49	**53**	49
Botswana	**–**	–	**–**	–	**–**	–	**–**	–	**55**	57	**55**	57
Jersey and Channel Islands	**–**	–	**–**	–	**–**	–	**–**	–	**32**	32	**32**	32
Other	**–**	–	**–**	–	**–**	–	**–**	–	**6**	5	**6**	5
Total	**431**	**430**	**149**	**141**	**1 033**	**941**	**288**	**249**	**146**	**143**	**2 047**	**1 904**
Timing of revenue recognition												
Products transferred at a point in time	**9**	9	**2**	2	**–**	–	**25**	23	**2**	1	**38**	35
Services transferred over time	**422**	421	**147**	139	**1 033**	941	**263**	226	**144**	142	**2 009**	1 869
Total	**431**	**430**	**149**	**141**	**1 033**	**941**	**288**	**249**	**146**	**143**	**2 047**	**1 904**

[1] *Restated for the effects of discontinued operations, refer to note 8.*

Summary notes continued

For the six months ended 30 September 2021

3. Other income

Rm	Six months 30 Sep 2021	Six months 30 Sep 2020	Twelve months 31 Mar 2021
Sub-rental income	14	28	45
Technology fees	4	24	30
Total other income[1]	**18**	**52**	**75**

[1] *The decrease in other income is due to the conclusion of the transitional services agreement relating to the sale of the South African short-term insurance business.*

4. Non-trading and capital items

Rm	Six months 30 Sep 2021	Six months 30 Sep 2020	Twelve months 31 Mar 2021
Professional indemnity insurance cell-captive result	19	19	22
Amortisation of intangible assets arising from business combination	(28)	(28)	(56)
Costs relating to strategic consulting engagement	(6)	(11)	(8)
Loss on disposal of property and equipment	(2)	–	–
Software written off	–	(5)	(5)
Other	–	–	(5)
Total non-trading and capital items	**(17)**	**(25)**	**(52)**

5. Investment income

Rm	Six months 30 Sep 2021	Six months 30 Sep 2020[1]	Twelve months 31 Mar 2021[1]
Interest income	40	46	87
Investment and dividend income	–	15	16
	40	**61**	**103**
Multi-manager operations			
Investment returns linked to policyholder tax expense	14	10	33
Total investment income	**54**	**71**	**136**
Investment income is derived from the following categories of financial assets:			
Amortised cost	41	46	87
Financial assets at fair value	13	25	49
Total investment income	**54**	**71**	**136**

[1] *Restated for the effects of discontinued operations, refer to note 8.*

6. Finance costs

Rm	Six months 30 Sep 2021	Six months 30 Sep 2020	Twelve months 31 Mar 2021
Interest on lease liabilities	(30)	(33)	(64)
Interest on borrowings	–	(1)	(1)
Cost of hedging	(2)	(1)	(4)
Other interest	(1)	(3)	(5)
Total finance costs	**(33)**	**(38)**	**(74)**

7. Income tax expense

Rm	Six months 30 Sep 2021	Six months 30 Sep 2020[1]	Twelve months 31 Mar 2021[1]
South African income tax			
Current tax	(123)	(114)	(222)
Current year	(123)	(110)	(217)
Prior years	–	(4)	(5)
Deferred tax	(9)	(7)	13
Current year	(9)	(7)	12
Prior years	–	–	1
Foreign income tax	**(3)**	(9)	(13)
Current tax	(3)	(9)	(2)
Deferred tax	–	–	(11)
Foreign withholding tax	**(2)**	(2)	(3)
Income tax expense relating to corporate profits	**(137)**	(132)	(225)
Income tax expense on policyholder investment returns	**(14)**	(10)	(33)
Current tax – current year	(7)	(7)	(11)
Deferred tax – current year	(7)	(3)	(22)
Income tax expense	**(151)**	**(142)**	**(258)**

[1] *Restated for the effects of discontinued operations, refer to note 8.*

Summary notes continued

For the six months ended 30 September 2021

8. Discontinued operations

Group risk and retail life operations – The sale of the insurance policies held by Alexander Forbes Life Limited was concluded and signed on 11 June 2021. The sale and transfer agreement will result in a transfer of the group risk and retail life insurance policies, related business contracts, and the technical provisions and reinsurance assets relating to the policies, to Sanlam Life Limited, a subsidiary of Sanlam Limited, under section 50 of the Insurance Act 18 of 2017. The parties received approval from the Competition Commission on 26 October 2021 and await final approval from the Prudential Authority which is expected before the 2022 financial year-end.

Alexander Forbes individual client administration business (AFICA group) – comprising Alexander Forbes Individual Client Administration Proprietary Limited and its two wholly owned subsidiaries, Alexander Forbes Retail Client Administration Proprietary Limited and Alexander Forbes Nominees Proprietary Limited. The sale of the AFICA group was recently announced as part of a transaction with Sanlam Life Insurance Limited.

8.1 Net profit of business units discontinued

Rm	Notes	Six months 30 Sep 2021	Six months 30 Sep 2020[1]	Twelve months 31 Mar 2021[1]
Operating income net of direct expenses	8.2	**7**	133	189
Operating expenses		**(91)**	(105)	(210)
(Loss)/profit from operations before non-trading and capital items		**(84)**	28	(21)
Non-trading and capital items	8.3	**(1)**	(78)	(250)
Operating loss		**(85)**	(50)	(271)
Investment income		**9**	13	30
Loss before tax		**(76)**	(37)	(241)
Income tax expense		**(3)**	(8)	(15)
Loss for the period from discontinued operations	8.2	**(79)**	**(45)**	**(256)**
Profit on disposal of subsidiary[2]		–	–	26
Total loss from discontinued operations		**(79)**	**(45)**	**(230)**
Loss attributable to:				
Owners of the company		**(79)**	(45)	(230)
		(79)	**(45)**	**(230)**

[1] *Restated for the inclusion of the AFICA group.*
[2] *Profit on disposal of subsidiary relates to the sale of the short-term insurance business in Namibia.*

8.2 Operating income net of direct expenses and loss for the period

The operating income net of direct expenses and loss for the period is attributable to the following discontinued operations:

Rm	Notes	Six months 30 Sep 2021	Six months 30 Sep 2020[1]	Twelve months 31 Mar 2021[1]
Group risk and retail life operations		**(70)**	36	35
AFICA group		**77**	67	140
AF Insurance Namibia		**–**	30	14
Operating income net of direct expenses		**7**	**133**	**189**
Group risk and retail life operations	8.2.1	**(85)**	20	5
AFICA group		**6**	8	11
AF Insurance Namibia		**–**	5	(22)
Legacy United Kingdom domiciled subsidiary – enhanced transfer values	8.3	**–**	(78)	(250)
Loss for the period from discontinued operations		**(79)**	**(45)**	**(256)**

[1] *Restated for the inclusion of the AFICA group.*

8.2.1 Group risk and retail life operations

The group risk business experienced increased claims and payments as a result of the deaths related to the Covid-19 pandemic. The loss includes increased reserving required in the period under review which also had a negative impact on the cash flows. The business holds sufficient capital to meet its commitments under various stress scenarios according to the business own risk and solvency assessment (ORSA).

8.3 Non-trading and capital items

Rm	Notes	Six months 30 Sep 2021	Six months 30 Sep 2020	Twelve months 31 Mar 2021
Costs related to proposed client settlement – enhanced transfer values	8.3.1	**–**	(78)	(250)
Other		**(1)**	–	–
Total non-trading and capital items		**(1)**	**(78)**	**(250)**

8.3.1 Costs related to proposed client settlement – enhanced transfer values

The enhanced transfer value (ETV) liability matter relates to 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 historical advice. Alexander Forbes has a limitation of GBP18.5 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 13.

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

Rm	30 Sep 2021	30 Sep 2020	31 Mar 2021
Assets of insurance cell captives	**–**	621	–
Long-term assets	**31**	3	–
Deferred tax asset	**–**	1	–
Insurance receivables	**700**	1 336	617
Trade and other receivables	**3**	19	–
Cash and cash equivalents	**290**	379	290
Total assets	**1 024**	**2 359**	**907**
Liabilities of insurance cell captives	**–**	621	–
Insurance payables	**988**	1 446	907
Deferred tax liabilities	**–**	1	–
Provisions – non-current	**–**	8	–
Lease liability	**–**	1	–
Taxation payables	**–**	8	–
Trade and other payables	**12**	94	–
Total liabilities	**1 000**	**2 179**	**907**
Total equity	**24**	**180**	**–**

Summary notes continued

For the six months ended 30 September 2021

9. Earnings per share

9.1 Basic earnings per ordinary share

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

9.2 Headline earnings per ordinary share

Headline earnings per share is calculated by excluding applicable non-trading and capital gains and losses from the profit attributable to ordinary shareholders and dividing the resultant headline earnings by the weighted average number of ordinary shares in issue during the period. Headline earnings is defined in Circular 1/2021 issued by the South African Institute of Chartered Accountants.

9.3 Diluted earnings per ordinary share

Diluted earnings per ordinary share is calculated by adjusting the profit attributable to equity holders for any changes in income or expense that would result from the conversion of dilutive potential ordinary shares and dividing the result by the weighted average number of ordinary shares increased by the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential shares.

9.4 Normalised earnings per share

Normalised earnings per share is calculated by dividing the normalised profit for the period attributable to owners of the company per the group segmental income and profit analysis by the weighted average number of shares in issue, adjusted for shares held by policyholders classified as treasury shares.

9.5 Number of shares

Millions	Six months 30 Sep 2021	Six months 30 Sep 2020	Twelve months 31 Mar 2021
Weighted average number of shares	**1 402**	1 375	1 388
Weighted average shares held by policyholders classified as treasury shares	**(4)**	(6)	(6)
Weighted average treasury shares	**(131)**	(72)	(85)
Weighted average number of shares in issue (net of treasury shares)	**1 267**	1 297	1 297
Dilutive shares	**82**	46	56
Diluted weighted average number of shares	**1 349**	**1 343**	**1 353**
Actual number of shares in issue	**1 402**	1 402	1 402
Actual treasury shares	**(148)**	(100)	(126)
Share buy-back programme	**(58)**	(18)	(43)
Forfeitable share plan (FSP)	**(47)**	(36)	(40)
Employee share option plan (ESOP)	**(39)**	(39)	(39)
Policyholder investment in treasury shares	**(4)**	(7)	(4)
Shares in issue net of treasury shares	**1 254**	**1 302**	**1 276**
Normalised number of shares			
Weighted average number of shares in issue	**1 267**	1 297	1 297
Shares held by policyholders classified as treasury shares	**4**	6	6
Normalised number of shares in issue	**1 271**	**1 303**	**1 303**

9.6 Calculation of basic and headline earnings from total operations

Rm		Six months 30 Sep 2021	Six months 30 Sep 2020	Twelve months 31 Mar 2021
Profit attributable to owners of the company		**159**	183	185
Adjusting items:				
Loss on disposal of property and equipment – continuing operations		**2**	–	–
Software written off – continuing operations		**–**	5	5
Profit on disposal of subsidiaries – discontinued operations		**–**	–	(26)
Headline earnings for the period		**161**	**188**	**164**
Earnings per share from total operations[1]				
Basic earnings per share	(cents)	**12.6**	14.1	14.3
Headline earnings per share	(cents)	**12.7**	14.5	12.7
Diluted basic earnings per share	(cents)	**11.8**	13.7	13.7
Diluted headline earnings per share	(cents)	**11.9**	14.0	12.2

[1] *Amounts computed using unrounded numbers.*

The group has an approved share scheme for employees that may result in dilution on both earnings per share and headline earnings per share at the future date of vesting. The dilutive effect is conditional on employee retention and performance during the year for each award. The above dilutive effect is calculated based on the performance of the company for the current period in relation to the performance criteria.

9.7 Calculation of normalised earnings from total operations

Rm		Six months 30 Sep 2021	Six months 30 Sep 2020	Twelve months 31 Mar 2021
Normalised profit for the period per the group segmental income and profit analysis		**155**	191	195
Less: profit attributable to non-controlling interests		**(2)**	(15)	(18)
Normalised profit attributable to owners of the company		**153**	**176**	**177**
Adjusting items:				
Loss on disposal of property and equipment – continuing operations		**2**	–	–
Software written off – continuing operations		**–**	5	5
Profit on disposal of subsidiaries – discontinued operations		**–**	–	(26)
Normalised headline earnings for the period		**155**	**181**	**156**
Normalised earnings per share[1]				
Normalised basic earnings per share	(cents)	**12.0**	13.5	13.6
Normalised headline earnings per share	(cents)	**12.2**	13.9	12.0

[1] *Amounts computed using unrounded numbers.*

Summary notes continued

For the six months ended 30 September 2021

9. Earnings per share continued

9.8 Calculation of basic and headline earnings from continuing operations

Rm		Six months 30 Sep 2021	Six months 30 Sep 2020[1]	Twelve months 31 Mar 2021[1]
Profit after tax from continuing operations		**240**	243	433
Less: profit attributable to non-controlling interests		**(2)**	(12)	(16)
Profit attributable to owners of the company		**238**	**231**	**417**
Adjusting items:				
Loss on disposal of property and equipment		**2**	–	–
Software written off		**–**	5	5
Headline earnings from continuing operations		**240**	**236**	**422**
Earnings per share from continuing operations[2]				
Basic earnings per share from continuing operations	(cents)	**18.8**	17.8	32.1
Headline earnings per share from continuing operations	(cents)	**18.9**	18.2	32.5
Diluted basic earnings per share from continuing operations	(cents)	**17.6**	17.2	30.8
Diluted headline earnings per share from continuing operations	(cents)	**17.8**	17.5	31.2

[1] *Restated for the effects of discontinued operations, refer to note 8.*
[2] *Amounts computed using unrounded numbers.*

9.9 Calculation of basic and headline earnings from discontinued operations

Rm		Six months 30 Sep 2021	Six months 30 Sep 2020[1]	Twelve months 31 Mar 2021[1]
Loss after tax from discontinued operations		**(79)**	(45)	(230)
Less: profit attributable to non-controlling interests		**–**	(3)	(2)
Loss from discontinued operations attributable to owners of the company		**(79)**	(48)	(232)
Adjusting items:				
Profit on disposal of subsidiaries		**–**	–	(26)
Headline loss from discontinued operations		**(79)**	**(48)**	**(258)**
Earnings per share from discontinued operations[2]				
Basic loss per share from discontinued operations	(cents)	**(6.2)**	(3.7)	(17.8)
Headline loss per share from discontinued operations	(cents)	**(6.2)**	(3.7)	(19.8)
Diluted basic loss per share from discontinued operations	(cents)	**(6.2)**	(3.7)	(17.8)
Diluted headline loss per share from discontinued operations	(cents)	**(6.2)**	(3.7)	(19.8)

[1] *Restated for the effects of discontinued operations, refer to note 8.*
[2] *Amounts computed using unrounded numbers.*

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 loss of R2 million (2020: R6 million profit) 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 9.5.

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

Rm	30 Sep 2021	30 Sep 2020	31 Mar 2021
Total financial assets held under multi-manager investment contracts (per statement of financial position)	**351 739**	306 973	333 217
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**	42	42
Financial effects of accounting for policyholder investments as treasury shares – prior year	**(27)**	(14)	(14)
Financial effects of accounting for policyholder investments as treasury shares – current year	**2**	(6)	(13)
Total financial liabilities held for policyholders under multi-manager investment contracts	**351 756**	**306 995**	**333 232**

11. Financial assets

Rm	30 Sep 2021	30 Sep 2020	31 Mar 2021
Non-current financial assets	**47**	52	49
Current financial assets	**624**	51	993
Total financial assets	**671**	**103**	**1 042**
Financial assets designated at fair value through profit and loss	**624**	52	993
Financial assets classified at amortised cost	**34**	38	36
Financial assets designated at fair value through other comprehensive income	**13**	13	13
Total financial assets	**671**	**103**	**1 042**

12. Trade and other receivables

Rm	Notes	30 Sep 2021	30 Sep 2020	31 Mar 2021
Financial assets				
Trade receivables[1]		**140**	165	156
Other receivables		**50**	39	44
Total financial assets		**190**	204	200
Non-financial assets				
Accrued and not billed balances		**28**	26	29
Reimbursement insurance asset – enhanced transfer value	13.1	**–**	810	–
Prepayments		**78**	103	21
Total trade and other receivables		**296**	1 143	250

[1] *Included in trade and other receivables is a loss allowance on trade receivables of R27.5 million (2020: R20.5 million).*

Summary notes continued

For the six months ended 30 September 2021

13. Provisions

Rm	Notes	30 Sep 2021	30 Sep 2020	31 Mar 2021
Provisions for errors and omissions claims		**31**	36	42
Provisions for client settlements – enhanced transfer values (ETV)	13.1	**171**	917	274
Proposed client settlements		**127**	130	129
Other		**3**	3	–
Total		**332**	**1 086**	**445**

13.1 Provisions for client settlements – enhanced transfer value (ETV)

The enhanced transfer value (ETV) liability matter that has been disclosed in prior years relates to a legacy United Kingdom (UK) domiciled subsidiary, Alexander Forbes Consultants and Actuaries Limited (AFCA), that was sold in 2012 to Jardine Lloyd Thompson Group (JLT), now part of the Mercer Group inclusive of certain warranties and a limitation of liability. The liability arises due to certain thematic errors in historical advice that have been raised by the Financial Conduct Authority (the UK regulator) against the industry as a whole. The potential liability for redress payments arising from advice given by AFCA in the UK to participants of ETV schemes between 2008 and 2011, is calculated using certain assumptions based on a sample of the total number of cases that may require redress. During the 2021 financial year the calculated value of the total liability for redress payments including the costs related to this process increased significantly.

The group has an insurance programme to manage the risk of potential claims that arise from conducting activities of its business. There are seven insurance layers which in total provide cover for GBP140 million above our self-insured excess under the error and omissions insurance programme. As the liability increased through the 2021 financial year, management approached insurers for each increasing layer in the insurance programme to obtain confirmation from the insurance underwriters that the event is covered in terms of the policy. Management has since confirmed cover for the second and third excess layers; however, at 31 March 2021, in addition to the first excess layer, the insurer for the fourth excess layer has also indicated that it will not confirm cover. Both first and fourth excess layer insurers have cited the requirement for an excess deductible to be applied to each case as opposed to the thematic error across all cases (opposing the accepted and generally recognised insurance market position regarding the aggregation of claims under this policy). Management have obtained senior legal opinion on the disputed aggregation by the first and fourth excess layers and remains confident that the positions taken by them are incorrect and will continue to pursue legal action on the matter. The group believes it is adequately insured for the claims through error and omissions insurance cover. 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 in the 2021 financial year and the value of insurance that is being challenged by the insurers, management took the decision to invoke the indemnities included in the original sale and purchase agreement (SPA). The liability on warranty claims in the transaction was limited to GBP18.5 million, excluding recoveries of any claim received from any third-party insurer. Consequently, the group derecognised provisions and reimbursement insurance assets arising from the market policy cover, which are above the limitation. To date, the group has paid GBP10 million on the claim which has the effect of reducing the potential future liability of the company to approximately GBP8.5 million. As at 31 March 2021, the group had provided for the full potential liability on the ETV matter, resulting in a nil impact to the group's income statement for the current period compared to a R78 million expense in the comparative prior period (31 March 2021: R250 million).

Analysis and reconciliation of movement in provisions

Rm	Provisions for errors and omissions claims	Provision for client settlements – ETV	Proposed client settlements	Other	Total
Balance at 31 March 2020	**56**	**273**	**129**	**3**	**461**
Movement during the period:					
Net (decrease)/increase in provision	(5)	678	1	–	674
Payment made by cell-captive	(14)	(22)	–	–	(36)
Payment made by insurance market	–	(6)	–	–	(6)
Foreign subsidiaries' exchange differences	(1)	(6)	–	–	(7)
Balance at 30 September 2020	**36**	**917**	**130**	**3**	**1 086**
Movement during the period:					
Net increase/(decrease) in provision	10	(632)	–	–	(622)
Adjustment for payment by reinsurer	–	6	–	–	6
Payments made	(1)	–	(1)	(3)	(5)
Foreign subsidiaries' exchange differences	(3)	(17)	–	–	(20)
Balance at 31 March 2021	**42**	**274**	**129**	**–**	**445**
Movement during the period:					
Net (decrease)/increase in provision	**(10)**	**–**	**1**	**3**	**(6)**
Payments made	**(1)**	**(101)**	**(3)**	**–**	**(105)**
Foreign subsidiaries' exchange differences	**–**	**(2)**	**–**	**–**	**(2)**
Balance at 30 September 2021	**31**	**171**	**127**	**3**	**332**

14. Financial risk management and financial instruments

14.1 Financial risk factors

The group's activities expose it to various financial risks arising from its financial assets and liabilities. Financial risks comprise credit risk, liquidity risk and market risk. The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and this disclosure should be read in conjunction with the group's annual financial statements as at 31 March 2021.

There have been no material changes in the risk management or in any risk management policies since the year ended 31 March 2021.

14.2 Liquidity risk

Compared to the 31 March 2021 year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

14.3 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.

	Six months 30 Sep 2021	Six months 30 Sep 2020	Twelve months 31 Mar 2021
Weighted average rate (rand:sterling)	**20.1**	20.7	21.3
Closing rate (rand:sterling)	**20.3**	21.6	20.4

Summary notes continued

For the six months ended 30 September 2021

14. Financial risk management and financial instruments continued

14.4 Fair value hierarchy

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

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

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

Rm	Level 1	Level 2	Level 3	Total
30 September 2021				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts[1]	**226 538**	**113 758**	**11 443**	**351 739**
General operations	**–**	**624**	**13**	**637**
Total financial assets measured at fair value	**226 538**	**114 382**	**11 456**	**352 376**
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	**–**	**351 756**	**–**	**351 756**
Contingent consideration	**–**	**–**	**16**	**16**
Total financial liabilities measured at fair value	**–**	**351 756**	**16**	**351 772**
31 March 2021				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts[2]	203 253	119 951	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**

[1] *Included in the level 2 balance are cash and cash equivalents amounting to R635 million (2020: R585 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.*

[2] *Included in the level 2 balance are cash and cash equivalents amounting to R354 million (2020: nil) 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.

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

14.5 Valuation methods and assumptions for valuation techniques

There have been no changes in the valuation methods and assumptions for valuation techniques since 31 March 2021. 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.

14.6 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).

Summary notes continued

For the six months ended 30 September 2021

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 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

16.1 Cancellation of treasury shares

During October 2021, Alexander Forbes Group Holdings Limited acquired 47 457 417 ordinary shares of no par value held as treasury shares from its wholly owned subsidiary, Alexander Forbes Acquisition Proprietary Limited for a total consideration of R179.2 million, approximately R3.77 per ordinary share. The shares were cancelled and subsequently withdrawn on the JSE on 11 November 2021.

16.2 Acquisition of EBS International Proprietary Limited

On 30 November 2021, the group entered into a sale and purchase agreement with the shareholders of EBS International Proprietary Limited (EBS) in terms of which it will acquire 100% of the issued share capital in EBS (Proposed Transaction) for a total cash consideration of R142 million. The purchase consideration includes a retained portion of R14.2 million (payable after 12 months assuming no warranty or indemnity claims) and a deferred portion of R20 million (payable on meeting certain pre-agreed commitments).

The Proposed Transaction is subject to customary terms and conditions for transactions of this nature, including certain conditions being fulfilled, including approval from the Competition Authorities in terms of the Competition Act 89 of 1998 and approval of the independent fairness opinion by the JSE Limited.

The acquisition will be effective on the date on which all conditions precedent have been fulfilled and is expected to occur in the first half of 2022.

16.3 Acquisition of Sanlam's standalone retirement fund administration business and sale of the Alexander Forbes individual client administration business to Sanlam

On 6 December 2021 Alexander Forbes, through its wholly owned subsidiaries Alexander Forbes Limited (AFL) and Alexander Forbes Financial Services (Proprietary) Limited (AFFS), entered into binding agreements with Sanlam Life relating to the following transactions, subject to certain conditions precedent (Proposed Transactions):

1. The acquisition by AFFS of Sanlam Life's operations in relation to large standalone retirement fund administration (the EB standalone administration business).
2. The sale by AFL of its entire equity interest in Alexander Forbes Individual Client Administration Proprietary Limited (AFICA). AFICA and its subsidiaries (the AFICA group) house Alexander Forbes's individual client administration business.

1.1. AFFS's acquisition of Sanlam Life's EB standalone administration business

AFFS has entered into a sale and transfer of business agreement with Sanlam Life in terms of which it will be purchasing the EB stand-alone administration business of Sanlam Life (Proposed Acquisition). The Proposed Acquisition entails the transfer of the administration contracts, know-how and the employees relevant to the administration of the retirement funds.

The total purchase consideration for the Proposed Acquisition amounts to R154 million and will be settled in cash by AFFS consisting of an upfront amount and the balance to be settled over a period of up to two years from the effective date.

The Proposed Acquisition will be effective on the date on which all conditions precedent have been fulfilled and is expected to occur in the second half of 2022.

2. Alexander Forbes sale of the AFICA group

The AFICA group is a South African administration business that offers retail and institutional investors access to a wide variety of retirement and savings solutions. After a considered review of its digital capabilities as well as those of alternative providers, AFL will, in a separate transaction sell 100% of the shares in Alexander Forbes Individual Client Administration Proprietary Limited, and its two wholly owned subsidiaries, Alexander Forbes Retail Client Administration Proprietary Limited and Alexander Forbes Nominees Proprietary Limited to Sanlam Life (Proposed Disposal).

The total purchase consideration for the Proposed Disposal amounts to R200 million, and will be settled in cash by Sanlam, consisting of an upfront amount of R160 million, payable on the closing date of the transaction and a deferred amount of R40 million. The deferred amount is payable on the second anniversary of the closing date, or on the complete and successful migration of clients and customers to the Glacier investment platform, whichever occurs first.

The Proposed Transactions are subject to customary terms and conditions for transactions of this nature, including certain conditions being fulfilled, including:

- Approval from the Competition Authorities in terms of the Competition Act 89 of 1998;
- Regulatory approvals, including the Prudential Authority; and
- The conclusion of certain ancillary agreements, including transitional services agreements and outsourcing agreements.

The Proposed Disposal will be effective on the date on which all conditions precedent have been fulfilled and is expected to occur in the first half of 2022.

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,
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
Alexander Forbes, 115 West Street, Sandown, 2196

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

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

www.alexanderforbes.co.za

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