ALEXANDER FORBES GROUP HOLDINGS LIMITED

Unaudited interim results announcement

and cash dividend declaration for the six months ended 30 September 2019

FY2020

ALEXANDERFORBES

Securing your financial well-being

The whole is greater than the sum of its parts

From a flock of birds that move in unison to a team of rowers contributing to a team win, the whole is greater than the sum of its parts. This can take place on a small or a large scale and serves as visual inspiration for the Alexander Forbes interim results report.

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

Contents

Highlights

Strategic initiatives on track

- **We are advanced in our journey** to provide an integrated service model to our clients, leveraging our expertise in retirements benefits, investments, healthcare and individual financial planning – thereby retaining and stabilising our client base
- **New operating model** on track for full implementation
- **We have strengthened our employee engagement** interventions and improved our culture, which is refocused on ONE Alexander Forbes
- **Our capital light strategy** is well under way with the disposal of the South African short-term insurance business expected to conclude early in 2020
- **Good progress** made in the roll-out and delivery of default retirement solutions, showing measurable benefits to our clients
- **Simplifying and rationalising** our product offering
- **Notable traction** gained in our ARRIVE service offering to multinational clients in Africa through our collaboration with Mercer

Profit for the period (from continuing operations) of
R250 million ▲
2018: R53 million

Operating income from continuing operations up **1%** to **R1 588 million** ▲

Profit from continuing operations (before non-trading and capital items) up **3%** to **R403 million** ▲ which reflects good expense management

Headline earnings per share, for the total group, up **42%** to **24.5 cents** ▲

Assets under administration (AuA) and **assets under management** (AuM) of **R344 billion** ▼ down 7% year on year, largely owing to client losses during the second half of the previous financial year. Good progress in the current period – AuA and AuM up **R2 billion** ▲ from 31 March 2019

Cash generated from continuing operations remains strong at **R489 million** ▲

Interim dividend of 18 cents per share declared

Chief executive officer, Dawie de Villiers, commented:
"We continue to work with determination to implement our strategy of simplifying our business, improving our product offering to our clients and ensuring that we deliver best advice and measurable benefits to them. We are pleased with the progress made to date and we are confident that through our new integrated value proposition, our clients will benefit positively from our best advice. And it will also reflect favourably in the quality of our earnings and the performance of our business in the longer term."

In millions of rands (Rm)	2019/2018 % change	Unaudited six months ended 30 September 2019	2018[1]	2017[1]
Continuing operations				
Operating income[2]	1	**1 588**	1 571	1 459
Profit from operations (before non-trading and capital items)	3	**403**	391	411
Cost-to-income ratio[3]	(50) bps	**74.6**	75.1	71.8
Profit for the period	>100	**250**	53	242
Cash generated from operations	1	**489**	485	471
Basic earnings per share (cents)	>100	**17.5**	2.8	15.9
Headline earnings per share (cents)	33	**17.8**	13.4	15.5
Closing AuA and AuM (in billions of rands)	(7)	**344**	371	363
Total operations				
Basic earnings/(loss) per share (cents)	>100	**24.2**	(3.5)	21.7
Headline earnings per share (cents)	42	**24.5**	17.3	21.3
Normalised headline earnings per share (cents)	43	**27.2**	19.0	25.6
Interim dividend (cents)	–	**18**	18	18

[1] *Prior-year numbers restated for the effects of discontinued operations and IFRS 16 Leases. Refer to notes 2 and 9 contained in the condensed consolidated financial statements.*
[2] *Operating income represents revenue net of direct expenses (throughout the document).*
[3] *Cost-to-income ratio is a percentage of the operating expenses (before non-trading and capital items) over operating income.*

Overview

1

Alexander Forbes is pleased to report the financial results for the six months ended 30 September 2019, which clearly shows early signs that our strategic initiatives are starting to bear fruit. Whilst our clients are experiencing the benefits of our client-centric and advice-led consulting approach, the top-line benefits will take some time to fully materialise. We are pleased with the progress made through brisk but disciplined execution of our strategic agenda and remain confident of this approach and its benefits to clients and shareholders.

Our performance over this period occurred within the context of challenging economic conditions, which continue to impede our ability to grow revenue. The South African economy continues to be sluggish with downside risks to the outlook for GDP growth. South Africa's unemployment rate increased to 29% in the second quarter of 2019, the highest since the first quarter of 2008, with both the formal sector and private households shedding jobs. This ultimately puts pressure on retirement fund membership growth as well as growth in members covered by healthcare brokerage services.

Savings and retirement markets remain under pressure, demonstrated by the preservation rate for retirement savings declining from 55% to 53% during the period.

Investment markets also performed poorly, with the JSE all share index returning -0.7% for the six months to September 2019, and an annual return of -1.5%. To mitigate the poor market performance, we remained well diversified in our investment portfolios offered to clients with our multi-management approach, providing enhanced returns at reduced risk. In particular, our clients continue to benefit from good returns in respect of offshore, hedge fund and private market allocations across our portfolios.

Stabilsing the core

Our client engagement interventions increased during the period to ensure that we remain attuned to our clients' needs, by providing outstanding service and solutions. We are making good progress in new business, achieving some notable wins in investments, healthcare and retirements. We are also pleased that increased client engagement is further contributing to the stability across our client base. However, we note the effect of historical client losses on our revenue. Management efforts to close the revenue gaps continue unabated through building a robust pipeline of new business as well as the creation of dedicated capacity to support the sales and consulting areas.

Implementing the new operation model

The implementation of the new operating model remains key to enable the effective delivery of our strategy to significantly demonstrate the shift in our integrated offering to our clients. We are on track to finalise the structural changes required by our operating model by the end of the 2020 financial year. To support the process, employee engagement is continuing with various initiatives being rolled out to support our people to appropriately respond to the changes under way.

Exiting non-core

The disposal of the South African short-term insurance business is well advanced. We have received approval from the Competition Commission, and we are progressing with the Prudential Authority approval process. We anticipate closing this transaction early in 2020. The process for the separate disposals of the group risk business in South Africa, the short-term insurance business in Namibia and the businesses in Uganda and Zambia are also under way. The application to convert the Alexander Forbes sponsored umbrella fund to being privately administered has been submitted to the Prudential Authority. Management aims to conclude these transactions by the end of the 2020 financial year.

Advancing our strategy

Cumulatively, we believe that our strategy and the new way of operating will provide our clients with holistic best-in-class advice across a broader spectrum, and in doing so, will significantly enhance our integrated value proposition. It will provide the impetus to continue to lead the industry, leverage our scale and simplify our processes.

With respect to potential acquisitions, we continue to explore and assess opportunities to acquire similarly focused employee benefit businesses in support of our strategy.

As we roll-out our client-centric strategy, our holistic approach to financial well-being solutions have a wider socio-economic impact on the economies in which we operate. Our advice-led focus provides our clients and their employees with more innovative educational interventions about financial well-being through a broad range of retirement and savings solutions. Alexander Forbes is leading a step change in the mind-set of our corporate clients to help them bring about behavioural change among their employees about the importance of long-term savings and investments. In so doing, we will widen the discussion and understanding on the importance of achieving financial well-being for a lifetime and enhancing member outcomes.

Financial review

2

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

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

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

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

Our financial review is in line with our management reporting and focuses on revenue aligned with the key drivers that are associated with this revenue.
Our operating costs are managed and presented as one company.

Consolidated operating income and profit from operations

Operating income

R million	Sept 2019	%	Sept 2018[1]
Retirements consulting	**460**	(2)	471
Healthcare consulting	**144**	12	129
Investments	**634**	1	630
Individual consulting	**222**	2	217
Multinational consulting	**123**	5	117
Other[2]	**5**	(29)	7
Operating income	**1 588**	**1**	**1 571**

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

[2] *Other income relates to IT services rendered to an external third party. This third party formed part of the group historically and was disposed of in a prior year.*

Operating income increased by 1% to R1 588 million for the period. The weak economic environment, coupled with subdued market returns and the continued impact of clients lost during the prior year, has impeded our ability to grow revenue. While we have been successful in stabilising our client base with relentless focus on both retaining and adding value to existing clients during this period, we note the continued impact of clients lost during the prior year on our revenue. The increase in client engagement activities has not only stablised our client base but also resulted in winning new business. Although lower than expected, we achieved some notable wins in investments, healthcare consulting and retirements.

Operating income
increased 1%

R1 588
million

Retirements consulting

Operating income growth was down 2% in a persistently challenging operating environment, owing to the weak economy, that leads to retrenchments and thus fewer active members, as well as competitive fee pressure. Through focused effort we have been able to improve client retention over the current period, providing a stronger base for future growth. While we have achieved pleasing new business wins in our umbrella offerings during the period, historical client losses continues to have a negative effect.

Number of active member records

927 000

members under administration

2018: **944 000**

Overall, the business continues to respond to regulatory changes, most notably the introduction of default regulations. We have seen a pleasing take-up by clients of our advice and solutions in this regard, as well as being able to demonstrate measurable benefits to clients who have adopted these solutions.

The standalone retirement offering, which houses most of our large clients, continues to show signs of stabilisation with key client relationships being re-established together with an improvement in servicing standards. Priorities across this business include rebuilding capacity and specialised capabilities to ensure adequate coverage of the retirements client base and to strengthen our client-facing capabilities along with the implementation of the integrated consulting model.

The institutional umbrella fund offering, which comprises the flagship Alexander Forbes Retirement Fund (AFRF) and AF Access, has seen good growth in new business in the current period, with 186 new appointments, comprising over 27 000 members. While we have experienced client losses, mostly relating to terminations notified in the previous financial year (totalling 99 clients with a membership of 18 000), we are seeing signs of stabilisation with key client relationships being re-established.

AuM for our umbrella funds (included in the investments business segment) grew by 4% year on year to R83.1 billion at 30 September 2019. This growth comprised positive net cash flows into the umbrella funds of R1.1 billion (2% growth in AuM) and market growth of 2%. Active members in our umbrella retirement funds increased by 3% year on year to 367 570 members, while the number of umbrella funds clients (participating employers) increased by 10% to 1 629.

Good growth in new business in the umbrella fund with **186 new appointments** in the current period, comprising over

27 000

members

Healthcare consulting

We continue to deliver a strong performance in the healthcare consulting business, reporting a 12% increase in operating income. The healthcare broking business continues to demonstrate market strength within a highly competitive industry, with 30 new appointments in the current period. Membership growth of 3% year on year, together with the annual inflationary increase in the medical aid commission and margin enhancement within the operating model, contributed to the growth in operating income.

Our strategic collaborative partnerships continue to yield positive results, particularly in sectors where we have historically been under-represented.

The healthcare consulting business is responding to changes in regulation within the industry.

The Competition Commission health market inquiry (HMI) into private healthcare recognised the value of medical scheme brokers to members, given the complexity of product designs of medical scheme. In the final report, the HMI recommended ways in which medical schemes could increase member use of brokers.

We have also taken the current national health insurance (NHI) proposals into account. In the absence of additional detail, we are supportive of the desire to offer affordable and appropriate healthcare to our nation. We are encouraged by the view that medical schemes are likely to continue. Strategically we continue to consider adaptations to our business model to position ourselves optimally for these developments.

Investments

Operating income growth for investments was up 1% for the period. Our portfolios continue to benefit from changes made in the prior year that include offshore allocations to Mercer Global portfolios, as well as the introduction of hedge funds and private markets.

This is offset by the lower average AuA and AuM reported year on year due to client losses in the second half of the previous financial year. The client losses comprised R10 billion AuM lost from product clients and R21 billion AuM lost from platform clients. Outflows from both client losses and uncontrollable outflows have reduced during the period, due to improved client engagement. Outflows from lost clients, in particular, reduced to R4 billion in AuM during the period.

To mitigate the poor market performance, we remained well diversified in our investments portfolios offered to clients with our multi-management approach providing superior returns at below average risk. A cumulative blended market return of 1.4% year on year was achieved across our portfolios.

Reported total AuA and AuM of R344 billion, while 7% lower than the comparable prior period, is R2 billion higher from 31 March 2019.

Our flagship portfolio, Performer, continues to do well with AuM of R136 billion, a 9% increase from 31 March 2019 (up 15% year on year). Performer continues to achieve superior returns, adding significant value for clients in a volatile market.

Total closing assets are segregated as follows:

	Sept 2019			Sept 2018		
R billion	Institutional	Retail	Total	Institutional	Retail	Total
Assets under administration	28.6	5.3	33.9	50.7	5.3	56.0
Assets under management	248.2	61.5	309.7	255.0	60.1	315.1
Total AuA and AuM	**276.8**	**66.8**	**343.6**	**305.7**	**65.4**	**371.1**

Total assets under administration and management of R344 billion are 7% lower than the comparative period and R2 billion higher from 31 March 2019

A summary of the cash flows for the six months to 30 September 2019 is shown below.

R billion	Sept 2019 Institutional	Sept 2019 Retail	Sept 2019 Total	Sept 2018 Institutional	Sept 2018 Retail	Sept 2018 Total
Controllable	(1.4)	–	(1.4)	(2.0)	–	(2.0)
New business	1.6	–	1.6	1.6	–	1.6
Outflows owing to client losses	(3.0)	–	(3.0)	(3.6)	–	(3.6)
Uncontrollable	(1.9)	(0.1)	(2.0)	(2.8)	(0.1)	(2.9)
Ongoing contributions	15.6	4.7	20.3	20.8	5.0	25.8
Withdrawals for benefit payments	(17.5)	(4.8)	(22.3)	(23.6)	(5.1)	(28.7)
Withdrawal from platform	(1.0)	–	(1.0)	(0.9)	–	(0.9)
Net cash flows	**(4.3)**	**(0.1)**	**(4.4)**	**(5.7)**	**(0.1)**	**(5.8)**

For the institutional business, in addition to the R1.6 billion in new business AuM inflow for the current period, a further R2.9 billion new business AuM is expected (awaiting transfer pending regulatory approval). While the business is seeing a slowdown in the net outflows from the uncontrollable cash flows, this continues to be negative, influenced by factors prevalent across the retirement fund industry.

Individual consulting

Operating income increased by 2% to R222 million due to continued subdued market performance and net cash outflows in the period.

Closing assets under advisement grew by 2% to R72.2 billion at 30 September 2019 from the comparative period. While new business performance continues to be strong, lost business has increased largely due to an increase in withdrawals and the amount of cash taken at retirement given the prevailing adverse economy.
The economic pressure faced by our clients is also evidenced by the decline in the preservation rate[1] to 53% from 55% in the previous comparable period.

The retention rate (the percentage of preserved assets that remain with Alexander Forbes) reduced marginally to 22% from 23% in the previous comparable period.

The Alexander Forbes Retirements Income Solution (AFRIS) is a flagship solution that enables retirement funds and employers to put in place a best-of-breed solution that meets the requirements of default regulations. This solution, together with retirement benefits counseling services, continues to demonstrate measurable benefits.

Closing AuA in AFRIS increased 70% in the past six months to R4.6 billion. Thirty-six new funds were added in the same period and AFRIS membership grew by 23%.

A pleasing aspect is that we continue to observe where funds have adopted the AFRIS default solutions, this generally translates to better savings outcomes compared to funds who have not adopted the AFRIS solutions. This is evidenced by the higher preservation rate of 62% for funds that have adopted AFRIS when compared with the overall preservation rate across all funds (53%) and the improved retention rate of 32%.

23% **AFRIS membership** grew by 23% from the financial year-end

36 with **36 new funds** added

Multinational consulting

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

Operating income increased by 5% with the growth driven by pleasing performance from Botswana (up 9%) and Channel Islands (up 8%), offset by flat growth reported in Namibia due to the depressed macroeconomic environment and client losses in the prior year.

In line with our strategy to shift from an in-country model towards a client-centric pan-Africa advice-led solutions platform with limited physical presence, our multinational consulting capability in partnership with Mercer through the ARRIVE solution has been aligned to the new operating model.

To date, we have secured mandates with 31 companies. The strategic partnership extends to include Mercer Global Benefits Management (GBM) clients where Mercer have exclusive mandates to provide global broking services to multinational companies. Through this partnership Alexander Forbes secures the broking appointment in South Africa, with 19 appointments secured in the current period.

The ARRIVE solution has been aligned to the new operating model. To date, we have secured mandates with 31 companies Alexander Forbes secures the broking appointment in South Africa for Mercer GBM clients, with 19 appointments in the current period.

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

Operating expenses

Rm	Sept 2019	%	Sept 2018
Operating expenses (for continuing operations)	1 185	0.4	1 180
Adjustments for like-for-like comparison:			
Penalty fees relating to IT contract	–		(50)
Recoveries from discontinued operations	54		87
Adjustment for IFRS 16 *Leases*	36		38
Total adjusted operating expenses	**1 275**	**1.6**	**1 255**

Operating expense growth is well contained at 0.4%, reflecting good expense management. The cost-to-income ratio improved to 74.6% from 75.1% in the previous comparable period. The cost containment is, in part, due to a reduction in one-off expenses that were included in the previous comparable period. However, as expected, this benefit is largely offset by the stranded costs[1] incurred due to the anticipated sale of the short-term insurance business in South Africa. The central shared costs recovered from the discontinued operation were reduced as part of the transitional services agreement, and have been absorbed in the continuing expense base. The impact of these stranded costs is R33 million for the six months to September 2019 and is expected to place pressure on the cost-to-income ratio over the next two years.

In line with the objective of improving the client servicing operations and to ensure that we invest in the best skills, the business reported a 5% increase in personnel costs for the current period. IT costs, insurance and errors and omissions claims were also higher in the current period. While progress is being made in managing the errors and omissions claims as we improve our operational processes and controls, this continues to be an area of focus for management.

Adjusting for the one-off expense items incurred in the previous comparable period, as well as the stranded costs and the implementation of IFRS 16 *Leases*, growth in operating expenses for continuing operations remains well contained with an increase of 1.6%.

Expense management remains an area of focus for the executive team and the new strategy incorporates plans to address inefficiencies through simplification, automation and process improvement. The new operating model is designed to deliver efficient processes by simplifying the structure.

Profit from operations

Profit from operations (before non-trading and capital items) increased by 3% to R403 million owing to the marginal growth in operating income and cushioned by the relatively flat operating expenses over the previous comparable period.

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

Items below profit from operations

Non-trading and capital items

Non-trading and capital items decreased to R42 million (2018: R247 million), owing to the non-recurring capitalised software development assets write-off amounting to R147 million in the prior period as well as a reduction in consulting expenses. Non-trading and capital items also include the ongoing accounting for amortisation of intangible assets amounting to R34 million (2018: R34 million) and the results of the insurance cell–captive facility which reported a loss of R3 million (2018: loss of R34 million). The accounting for amortisation has no impact on the cash flows of the group. The accounting for both the amortisation of intangible assets and the results of the cell-captive facility are excluded when calculating the group's normalised earnings.

Non-trading and capital items

83%

decline to

R42 million

Investment income

Investment income earned from the regulatory capital and surplus cash position of the company during the current period was marginally down by 1% to R79 million. This is due to lower cash balances from the payment of the special dividend during the period. In addition, investment income of R5 million (2018: R13 million) related to individual policyholder investments, is recorded in the consolidated income statement from fund level taxes. An equal tax liability 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

The finance costs of R72 million (2018: R67 million) largely comprise costs associated with the group's revolving credit facility and the accounting for finance costs associated with the lease liabilities. The latter amounted to R38 million (2018: R31 million) and resulted from the adoption of IFRS 16 *Leases*, which has been applied retrospectively. The borrowings against the revolving credit facility, which is linked to the JIBAR interest rate, remain unchanged from the year-end at R719 million.

Accounting for policyholder investments

In terms of International Financial Reporting Standards (IFRS), any Alexander Forbes shares acquired by underlying asset managers and held by the group's multi-manager investment subsidiary for policyholders (the shares) are required to be accounted for in the Alexander Forbes consolidated financial statements as treasury shares and result in the elimination of any fair value gains or losses made on the shares. Refer to note 11 of the condensed consolidated financial statements. This accounting treatment has the effect that fair value movements of linked investment policy assets and liabilities that would normally be offset (and economically should be offset) are not being matched in the income statement. The resultant mismatch between the asset and liability movement does not reflect the economic substance of the transactions. The impact of this mismatch results in an accounting profit or loss that is reported in the Alexander Forbes consolidated income statement, whereas no actual economic profit or loss will ever be realised by the company. The reported loss of R6 million (2018: profit of R20 million) arising from the accounting for policyholder investments as treasury shares for the period is separately disclosed on the face of the income statement and is excluded when calculating the group's normalised earnings.

Profit before and after tax

After non-trading and capital items, finance charges and the effect of the policyholder investments, the group's profit before taxation from continuing operations of R367 million is 93% higher than the previous comparable period. The normalised effective tax rate excluding the policyholder tax is 31% largely due to net exempt income, unutilised tax losses and disallowed expenses relating to the anticipated disposal of the short-term insurance business. As a result, the profit from continuing operations increased to R250 million (2018: R53 million).

Profit for the period (from continuing operations) of

R250 million

2018: R53 million

Discontinued operations

Operating income (net of direct expenses) from discontinued operations increased 13% to R380 million due to improved gross premiums in both the short- and long-term insurance businesses. Operating profit from discontinued operations (before non-trading items) is 54% higher at R142 million (2018: R92 million). The cost savings are largely based on the cost allocation changes made in terms of the transitional services agreement for the short-term insurance business. The resulting stranded costs are included in the operating expenses of the continuing operations.

Non-trading items of R19 million, largely related to costs pertaining to the anticipated sale of the short-term insurance business, reduced the operating profit to R123 million. After taking into account finance charges and taxes the profit for the period from discontinued operations was R92 million (2018: loss of R93 million, impacted by the non-recurrence of the R140 million write-off of capitalised software development assets). The full results of these businesses are reflected in note 9 of the condensed consolidated financial statements.

Headline earnings

Excluding the non-recurring capitalised software development assets write-off and other headline adjustments, headline earnings for total operation improved by 39% to R299 million (headline earnings for continuing operations improved by 30% to R217 million). This reflects improved stewardship and cost discipline. Headline earnings per share for total operations increased 42% to 24.5 cents per share (2018: 17.3 cents per share).

Normalised earnings

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

Financial position and dividends

3

Financial position

The financial position of the group remains robust and all regulated entities within the group comply with current solvency, liquidity and regulatory Solvency Capital Requirements (SCR).

As at 30 September 2019 the consolidated regulatory capital requirement of the group was R1 743 million, which decreased by 5% from the financial year-end. Using the measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards implemented during 2018, the group has a surplus capital of R731 million (before the proposed interim dividend distribution declared at 30 September 2019).

The group's cash flows continue to remain strong with cash generated from continuing operations of R489 million.

Our capital reduction journey, which was announced at the year-end results, aims to release trapped capital and reduce the surplus capital held. This was evidenced by the special dividend declared at year-end and paid during the current period. During the period, 53 568 809 shares were cancelled and withdrawn on the JSE. This relates to shares that were held in treasury from purchases implemented, in prior periods, as part of the share buy-back programme. In addition, the group is disposing of its insurance businesses and restructuring various operations and entities in the group.

The available surplus cash released will be used to reduce short-term borrowings, invest in core businesses and any surplus will be returned to shareholders.

The group's cash flows continue to remain strong with cash generated from continuing operations of

R489 million | **1% up**

Interim dividend declaration

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

The board has declared an interim gross cash dividend of 18 cents (14.4 cents net of dividend withholding tax) per ordinary share for the six months ended 30 September 2019.

The 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 1 287 858 154.

The salient dates for the dividend will be as follows:

- Last day of trade to receive a dividend:
  Tuesday, 7 January 2020
- Shares commence trading 'ex' dividend:
  Wednesday, 8 January 2020
- Record date:
  Friday, 10 January 2020
- Payment date:
  Monday, 13 January 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 January 2020 and Friday, 10 January 2020, both days inclusive.

18 cents

Interim dividend

2018: 18 cents per share

Prospects

4

The essence of our strategy is for Alexander Forbes to become a truly ‘client-centric’ organisation underpinned by four basic principles

- **An advice-led approach** and culture with the single-minded overarching objective of providing financial well-being for a lifetime for clients and their employees
- **Engaging** with and empowering our people who are the best in the industry
- **Focusing** on our core business of consulting, administration and investments
- **Delivered** through an integrated ONE company structure

Business priorities

for the second half of this financial year:

- Provide clients with outstanding service and solutions using our advice-led approach
- Client retention and winning new business
- Engage our best people and improve culture
- Finalise the full implementation of the integrated operating model and embed our integrated service model
- Conclude the sale of the insurance business, while managing stranded costs
- Convert the Alexander Forbes sponsored umbrella funds to privately administered
- Continue to simplify and rationalise our product offering

While we have made progress in the execution of the strategic initiatives outlined at the end of the previous financial year, the benefits of our new strategy will take time to fully reflect in our results. We are excited by our strategic agenda and remain confident that the impact of the changes taking place at Alexander Forbes will reflect positively both in our clients’ experience and in the performance of the business over the long term.

The Competition Commission has approved the sale of the South African short-term insurance business to Momentum Metropolitan Holdings Limited. We await final approval by the Prudential Authority, which is expected early in 2020. We will record the disposal of this business in our full-year results.

While the profit on sale will be dependent on the final date of the transaction closing, the salient details of the transaction include:

- Sale proceeds of R1 938 million plus interest (6% p.a.) from 1 April 2019 to the closing date
- Net asset value of the business of R728 million[1]
- The net asset value will increase by the retained profits for the year to the date of the sale

The base cost of this business is negligible because the business was built by Alexander Forbes and the associated capital gains tax payable on the sale will be applied to the proceeds.

Being advice-led with **integrated solutions**

is a key differentiator

[1] *Disclosed in our annual financial statements for the year ended 31 March 2019, includes goodwill associated with the business of R445 million resulting from the 2007 private equity transaction*

The disciplined execution of our **strategic initiatives** together with our **new operating model,** that simplifies and focuses our business, will **better position Alexander Forbes** for the economic period that we anticipate over the next three to five years. The successful implementation of key enablers over the past six months is already a major step change with an increasingly visible impact in our day-to-day operations.

Providing **best advice** and quality service through a simplified operating model and being capital light **will give** us a sustainable **competitive advantage.**

Change in directorate

5

The following changes to the board were announced on 29 November 2019:

- Ms NB Radebe resigned as Director on 28 November 2019.
- Ms N Nyembezi will step down as Director and Chair of the Board on 31 December 2019 and will be succeeded by Ms M Ramplin.
- Mr MD Collier will also step down as Director on 31 December 2019.

Please refer to the SENS announcement for the resulting changes in committee responsibilities.

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

Corporate governance

6

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

On behalf of the board of directors

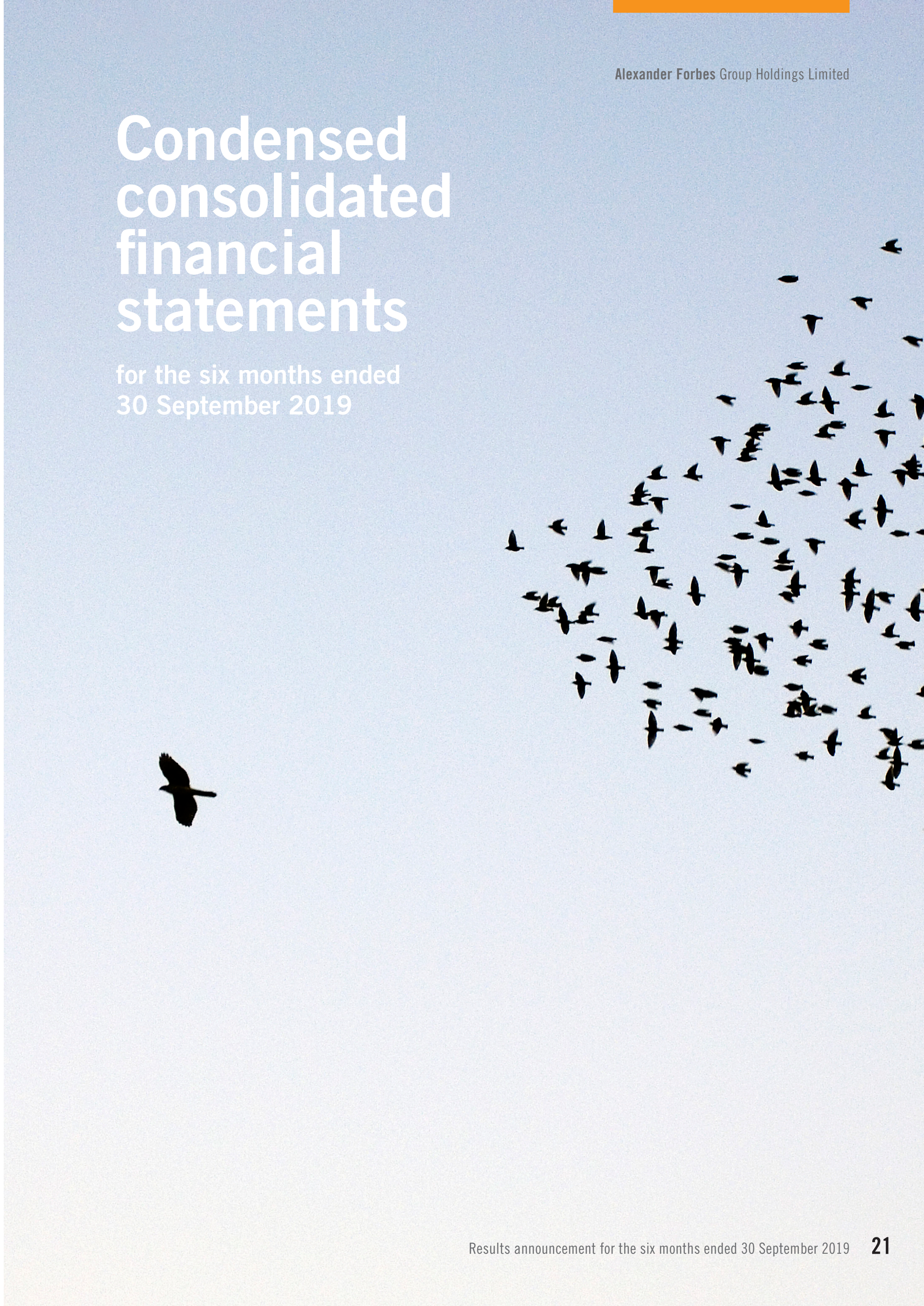
N Nyembezi
Non-executive chair

DJ de Villiers
Chief executive officer

6 December 2019

Condensed consolidated financial statements

for the six months ended 30 September 2019



Condensed consolidated financial statements

7

The condensed consolidated interim results of Alexander Forbes Group Holdings Limited (the group) for the six months ended 30 September 2019 include the:

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

These results are prepared in accordance with:

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

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

The accounting policies applied in the preparation of these condensed consolidated interim results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous audited consolidated annual financial statements, except as modified by the adoption of IFRS 16 *Leases* (IFRS 16). The group adopted IFRS 16 with effect from 1 April 2019.

The group has, as permitted by IFRS 16, elected to restate its comparative financial statements. The impact of adopting IFRS 16 has been applied using the full retrospective approach with an adjustment to the group's 30 September 2018 and 31 March 2019 previously reported results.

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

Additionally, these interim results have not been audited or reviewed by the group's external auditors. The group's 2019 annual financial information has been extracted from the underlying audited consolidated annual financial statements for the year ended 31 March 2019. The directors of the group take full responsibility for the preparation of this report.

In terms of the JSE's Listings Requirements, the group no longer posts a physical copy of this announcement to its shareholders. Investors are referred to *www.alexanderforbes.co.za* where a detailed analysis of the group's financial results for Alexander Forbes Group Holdings Limited can be found.

These condensed consolidated financial statements were compiled under the supervision of Mr BP Bydawell (chief financial officer), CA(SA), CFA.

The results were made publicly available on 9 December 2019.

Condensed consolidated income statement

For the six months ended 30 September 2019

Rm	Notes	Six months 30 Sep 2019	Six months 30 Sep 2018[1]	Twelve months 31 Mar 2019[1]
Continuing operations				
Fee and commission revenue	4	2 028	2 046	4 058
Fee and commission expenses		(440)	(475)	(922)
Operating income net of direct expenses		**1 588**	**1 571**	**3 136**
Operating expenses		(1 185)	(1 180)	(2 382)
Profit from operations before non-trading and capital items		**403**	**391**	**754**
Non-trading and capital items	5	(42)	(247)	(231)
Operating profit		**361**	**144**	**523**
Investment income	6	84	93	213
Finance costs	7	(72)	(67)	(161)
Reported (loss)/profit arising from accounting for policyholder investments in treasury shares	11	(6)	20	8
Profit before taxation		**367**	**190**	**583**
Income tax expense	8	(117)	(137)	(261)
Income tax expense relating to corporate profits		(112)	(124)	(240)
Income tax expense relating to policyholder investment returns		(5)	(13)	(21)
Profit for the period from continuing operations		**250**	**53**	**322**
Discontinued operations				
Profit/(loss) from discontinued operations (net of tax)	9	92	(93)	68
Profit/(loss) for the period		**342**	**(40)**	**390**
Profit/(loss) attributable to:				
Owners of the company		296	(43)	336
Non-controlling interest		46	3	54
		342	(40)	390
Basic earnings/(loss) per share (cents)	10	24.2	(3.5)	27.2
Diluted earnings/(loss) per share (cents)	10	23.9	(3.4)	26.9
Weighted average number of shares in issue (net of treasury shares) (millions)	10	1 223	1 245	1 237

[1] *Restated for the effects of discontinued operations and IFRS 16 Leases. Refer to notes 2 and 9.*

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2019

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018[1]	Twelve months 31 Mar 2019[1]
Profit/(loss) for the period	**342**	**(40)**	**390**
Other comprehensive income:			
Foreign currency translation differences – foreign operations	(3)	45	44
Foreign currency translation reserve reclassified to profit or loss on loss of control	–	–	(17)
Cash flow hedge	(3)	43	40
Other comprehensive income that may be reclassified to profit or loss[2]	**(6)**	**88**	**67**
Total comprehensive income for the period	**336**	**48**	**457**
Total comprehensive income attributable to:			
Owners of the company	290	38	396
Non-controlling interest	46	10	61
Total comprehensive income for the period	**336**	**48**	**457**

[1] *Restated for the effects of discontinued operations and IFRS 16 Leases. Refer to notes 2 and 9.*

[2] *Net of related taxes.*

Condensed consolidated statement of financial position

At 30 September 2019

Rm	Notes	30 Sep 2019	30 Sep 2018[1]	31 Mar 2019[1]
Assets				
Financial assets held under multi-manager investment contracts	11	302 179	307 400	299 852
Financial assets of insurance cell-captive facilities		–	392	–
Property and equipment		686	830	731
Purchased and developed computer software		179	134	151
Goodwill		2 537	3 038	2 537
Intangible assets		289	356	323
Investment in associates	9	–	–	24
Deferred tax assets		246	218	238
Financial assets	12	108	119	108
Insurance receivables		–	1 423	–
Trade and other receivables		471	363	419
Cash and cash equivalents		4 896	5 884	5 041
Assets of disposal group classified as held for sale	9	3 748	86	3 520
Total assets		**315 339**	**320 243**	**312 944**
Equity and liabilities				
Owners of the company		5 413	5 531	5 645
Non-controlling interest		273	283	299
Total equity		**5 686**	**5 814**	**5 944**
Financial liabilities held under multi-manager investment contracts	11	302 208	307 439	299 885
Financial liabilities of insurance cell-captive facilities		–	392	–
Borrowings		719	719	719
Employee benefits		162	172	154
Deferred tax liabilities		105	117	113
Provisions		365	410	369
Lease liabilities		882	1 011	933
Insurance payables		2 026	3 523	1 689
Trade and other payables		505	630	631
Liabilities of disposal group classified as held for sale	9	2 681	16	2 507
Total liabilities		**309 653**	**314 429**	**307 000**
Total equity and liabilities		**315 339**	**320 243**	**312 944**

[1] *Restated for the retrospective application of IFRS 16 Leases. Refer to note 2.*

Condensed consolidated statement of cash flows

For the six months ended 30 September 2019

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018[1]	Twelve months 31 Mar 2019[1]
Cash flows from operating activities			
Cash generated from operations	489	485	1 003
Net interest received	5	14	28
Interest received	77	76	189
Finance costs paid on property leases	(38)	(31)	(72)
Finance costs paid on revolving credit facility and other	(34)	(31)	(89)
Net cash flows received from/(paid to) insurance and policyholder contracts	275	(115)	(215)
Net cash flows received from/(paid to) policyholder investment contracts	578	(132)	(2 121)
Taxation paid	(156)	(234)	(383)
Dividends paid	(526)	(307)	(531)
Dividends paid to non-controlling interests	(72)	(10)	(11)
Cash flows from operating activities – discontinued operations	78	103	296
Net cash inflow/(outflow) from operating activities	**671**	**(196)**	**(1 934)**
Cash flows from investing activities			
Net cash inflow on financial assets	2	354	336
Payments for capital expenditure incurred on property, equipment and computer software	(84)	(55)	(113)
Proceeds from sale of subsidiaries and businesses	–	–	15
Cash flows from investing activities – discontinued operations	(29)	(1)	(29)
Net cash (outflow)/ inflow from investing activities	**(111)**	**298**	**209**

[1] *Restated for the effects of discontinued operations and IFRS 16 Leases. Refer to notes 2 and 9.*

Condensed consolidated statement of cash flows continued

For the six months ended 30 September 2019

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018[1]	Twelve months 31 Mar 2019[1]
Cash flows from financing activities			
Purchase of shares in terms of share buy-back transaction and share incentive schemes	(22)	(91)	(151)
Payments of lease liabilities	(52)	(108)	(157)
Net proceeds from sale of treasury shares held by policyholder investment contracts	10	8	26
Purchase of treasury shares held under policyholder investment contracts	(4)	(4)	(17)
Proceeds from disposal of treasury shares held under investment contracts	14	12	43
Cash flows from financing activities – discontinued operations	(4)	(4)	(8)
Net cash outflow from financing activities	**(68)**	**(195)**	**(290)**
Increase/(decrease) in cash and cash equivalents	492	(93)	(2 015)
Cash and cash equivalents at the beginning of the period	11 751	13 702	13 702
Effects of exchange rate changes on cash and cash equivalents	(3)	62	64
Cash and cash equivalents at the end of the period	**12 240**	**13 671**	**11 751**
Analysed as follows:			
Cash and cash equivalents of continuing operations	4 896	5 884	5 041
Cash held under multi-manager investment contracts	6 360	7 755	5 772
Cash held under insurance cell-captive contracts	–	14	–
Cash and cash equivalents of disposal group classified as held for sale	984	18	938
	12 240	**13 671**	**11 751**

[1] *Restated for the effects of discontinued operations and IFRS 16 Leases. Refer to notes 2 and 9.*

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2019

Rm	Share capital	Treasury shares	Other reserves	Accumulated profit/(loss)	Total	Non-controlling interest	Total equity
At 31 March 2018 (restated)[1]	**6 192**	**(392)**	**41**	**61**	**5 902**	**287**	**6 189**
IFRS 9 transition adjustments[2]	–	–	–	(36)	(36)	(4)	(40)
Adjusted balance 1 April 2018	**6 192**	**(392)**	**41**	**25**	**5 866**	**283**	**6 149**
Total comprehensive income	–	–	81	(43)	38	10	48
(Loss)/profit for the period	–	–	–	(43)	(43)	3	(40)
Other comprehensive income	–	–	81	–	81	7	88
Total transactions with owners	–	(79)	13	(307)	(373)	(10)	(383)
Shares purchased in terms of share buyback programme and share incentive schemes[3]	–	(91)	–	–	(91)	–	(91)
Settlement of share incentive schemes[4]	–	4	(4)	–	–	–	–
Movement of treasury shares in policyholder assets	–	8	–	–	8	–	8
Dividends paid	–	–	–	(307)	(307)	(10)	(317)
Movement in share-based payment reserve	–	–	17	–	17	–	17
At 30 September 2018	**6 192**	**(471)**	**135**	**(325)**	**5 531**	**283**	**5 814**

[1] *Refer to note 2.*

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

[3] *The group purchased Alexander Forbes Group Holdings Limited (AFH) shares to the value of R91 million during the period, at an average price of R5.27 per share, in a general buy-back approved by shareholders. In addition, shares to the value of R65 million (12.5 million shares) were transferred from treasury shares to the shareholder-approved share incentive schemes.*

[4] *Shares amounting to R4 million relating to the 2015 tranche of the forfeitable share scheme were settled.*

Condensed consolidated statement of changes in equity continued

For the six months ended 30 September 2019

Rm	Share capital	Treasury shares	Other reserves	Accumulated profit/(loss)	Total	Non-controlling interest	Total equity
Total comprehensive income	–	–	(21)	379	358	51	409
Profit for the period	–	–	–	379	379	51	430
Other comprehensive income	–	–	(21)	–	(21)	–	(21)
Total transactions with owners	–	(26)	6	(224)	(244)	(35)	(279)
Shares purchased in terms of share buyback programme[1]	–	(60)	–	–	(60)	–	(60)
Settlement of share incentive schemes[2]	–	16	(16)	–	–	–	–
Movement of treasury shares in policyholder assets	–	18	–	–	18	–	18
Dividends paid	–	–	–	(224)	(224)	(1)	(225)
Movement in share-based payment reserve	–	–	22	–	22	–	22
Other movements in non-controlling interest[3]	–	–	–	–	–	(34)	(34)
At 31 March 2019	**6 192**	**(497)**	**120**	**(170)**	**5 645**	**299**	**5 944**

[1] *AFH shares to the value of R60 million were purchased during the period, at an average price of R4.90 per share, in a general buy-back approved by shareholders.*

[2] *Shares amounting to R16 million relating to the 2018 tranche of the retention share scheme were settled.*

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

Condensed consolidated statement of changes in equity continued

For the six months ended 30 September 2019

Rm	Share capital	Treasury shares	Other reserves	Accumulated profit/(loss)	Total	Non-controlling interest	Total equity
Total comprehensive income	–	–	(6)	296	290	46	336
Profit for the period	–	–	–	296	296	46	342
Other comprehensive income	–	–	(6)	–	(6)	–	(6)
Total transactions with owners	(318)	320	2	(526)	(522)	(72)	(594)
Share cancellation[1]	(318)	318	–	–	–	–	–
Shares purchased in terms of share incentive schemes	–	(22)	–	–	(22)	–	(22)
Settlement of share incentive schemes[2]	–	14	(14)	–	–	–	–
Movement of treasury shares in policyholder assets	–	10	–	–	10	–	10
Dividends paid	–	–	–	(526)	(526)	(72)	(598)
Movement in share-based payment reserve	–	–	16	–	16	–	16
At 30 September 2019	**5 874**	**(177)**	**116**	**(400)**	**5 413**	**273**	**5 686**

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

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

Condensed consolidated group segmental income and profit analysis

For the six months ended 30 September 2019

Rm	Retirements consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Total consulting		IP&E		CSBO		Group Total		%
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
Fee and commission revenue	**467**	478	**144**	129	**957**	977	**320**	325	**135**	130	**2 023**	2 039	**–**	–	**5**	7	**2 028**	2 046	
Fee and commission expenses	**(7)**	(7)	**–**	–	**(323)**	(347)	**(98)**	(108)	**(12)**	(13)	**(440)**	(475)	**–**	–	**–**	–	**(440)**	(475)	
Operating income net of direct expenses	**460**	471	**144**	129	**634**	630	**222**	217	**123**	117	**1 583**	1 564	**–**	–	**5**	7	**1 588**	1 571	1
Operating expenses	**(108)**	(104)	**(57)**	(54)	**(45)**	(32)	**(92)**	(102)	**(89)**	(87)	**(391)**	(379)	**(64)**	(49)	**(817)**	(877)	**(1 272)**	(1 305)	
Trading profit[1]	**352**	**367**	**87**	**75**	**589**	**598**	**130**	**115**	**34**	**30**	**1 192**	**1 185**	**(64)**	**(49)**	**(812)**	**(870)**	**316**	**266**	19
Recoveries from Investments, Products & Enablement (IP&E)	**(7)**	(7)	**(6)**	(4)	**(42)**	(32)	**(7)**	(4)	**(2)**	(2)	**(64)**	(49)	**64**	49	**–**	–	**–**	–	
Recoveries from Client Services & Business Optimisation (CSBO)	**(317)**	(325)	**(53)**	(51)	**(318)**	(369)	**(103)**	(102)	**(21)**	(20)	**(812)**	(867)	**–**	–	**812**	867	**–**	–	
Recoveries from discontinued operations	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	87	**54**	87	
Normalised profit from operations before non-trading and capital items	**28**	**35**	**28**	**20**	**229**	**197**	**20**	**9**	**11**	**8**	**316**	**269**	**–**	**–**	**54**	**84**	**370**	**353**	
Accounting for share scheme costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(3)**	–	**(3)**	–	
Accounting for property leases	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**36**	38	**36**	38	
Profit from operations before non-trading and capital items	**28**	**35**	**28**	**20**	**229**	**197**	**20**	**9**	**11**	**8**	**316**	**269**	**–**	**–**	**87**	**122**	**403**	**391**	3
Non-trading and capital items	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	(1)	**(1)**	**(1)**	**–**	–	**(41)**	(246)	**(42)**	**(247)**	
Operating profit	**28**	**35**	**28**	**20**	**229**	**197**	**20**	**9**	**10**	**7**	**315**	**268**	**–**	–	**46**	**(124)**	**361**	**144**	
Investment income	**4**	3	**1**	1	**4**	**7**	**5**	4	**1**	1	**15**	**16**	**–**	2	**69**	75	**84**	**93**	
Finance costs	**–**	–	**(17)**	(17)	**–**	–	**(8)**	(8)	**–**	–	**(25)**	**(25)**	**–**	–	**(47)**	(42)	**(72)**	**(67)**	
Reported (loss)/profit arising from accounting for policyholder investments in treasury shares	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	**–**	**–**	–	**(6)**	20	**(6)**	**20**	
Profit before taxation	**32**	**38**	**12**	**4**	**233**	**204**	**17**	5	**11**	8	**305**	**259**	**–**	**2**	**62**	**(71)**	**367**	**190**	

Rm	Group Total 2019	Group Total 2018	%
Profit from operations before non-trading and capital items	**403**	391	3
Adjusted for:			
Accounting for property leases	**(36)**	(38)	
Normalised profit before non-trading items	**367**	353	4
Non-trading and capital items[2]	**(5)**	(179)	
Investment income (excluding policyholder investment income)	**79**	80	
Finance costs (excluding finance cost on property leases)	**(34)**	(36)	
Normalised profit before tax	**407**	218	87
Normalised income tax expense	**(122)**	(141)	
Normalised profit after tax	**285**	77	>100
Profit/(loss) from discontinued operations	**92**	(93)	
Normalised profit/(loss) for the period	**377**	(16)	>100
Normalised headline earnings per share (cents)	**27.2**	19.0	43

[1] *Trading profit represents normalised profit from operations before non-trading and capital items prior to recoveries from IP&E, CSBO and discontinued operations.*

[2] *Excluding professional indemnity insurance cell-captive results and amortisation of PPA intangible assets.*

Condensed consolidated group segmental income and profit analysis continued

For the six months ended 30 September 2019

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

The change in the operating structure and the reallocation of certain business lines have resulted in the restatement of the prior period's figures comparative figures.

The segmental analysis above reflects the operating structure under which management currently reports.

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

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

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

Consulting:
- this includes:

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

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

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

Condensed consolidated group segmental income and profit analysis continued

For the six months ended 30 September 2019

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

Client Services & Business Optimisation
– this includes our operations, technology and shared services units. The costs of this platform are allocated to the segmented business units above in the group's segmental reporting.

Each reportable segment includes the direct operating expenses related to the segment. The direct operating expenses for the IP&E and CSBO platforms are allocated to reportable segments using various allocation methods specific to the actual costs:

Direct recoveries include:

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

Apportioned recoveries based on trading profit include:

- IP&E costs related to product enablement, research and development.
- Other shared services functions including HR, Finance, Compliance, Internal audit, Legal, Marketing and Corporate.

Normalised segmental results

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

Amortisation of intangible assets arising from business combination – Non-trading and capital items include the ongoing accounting amortisation of intangible assets amounting to R34 million for the six months ended 30 September 2019 (2018: R34 million). The capitalisation of intangible assets and the related amortisation resulted from the required accounting treatment at the time of the private equity acquisition of the group in 2007. The amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group.

Condensed consolidated group segmental income and profit analysis continued

For the six months ended 30 September 2019

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 loss of R3 million for the six months ended September 2019 (2018: R34 million) which are recorded in the non-trading and capital items.

Accounting for property lease – The group previously isolated and removed the accounting impact, under IAS 17, for property leases from the normalised results to afford a better comparison and to reflect the true premises cost over the long term. The introduction of new leases standard, IFRS 16, results in the recognition of a a right-of-use asset as well as lease liabilities resulting in depreciation and finance costs being recognised in the income statement. In order to ensure comparability and to again reflect the true premises cost, similar adjustments amounting to R36 million (2018: R38 million) have been affected to profit before non-trading and capital items in addition to finance costs of R38 million (2018: R31 million) resulting in a net adjustment of R2 million (2018: R7 million) to profit before tax. The group has applied IFRS 16 retrospectively.

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

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

Summary notes

For the six months ended 30 September 2019

1. Basis of preparation

The condensed consolidated interim results of Alexander Forbes Group Holdings Limited (the group) for the six months ended 30 September 2019 include the:

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

These results are prepared in accordance with:

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

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

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

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

Summary notes continued

For the six months ended 30 September 2019

1. Basis of preparation continued

The group has, as permitted by IFRS 16, elected to restate its comparative financial statements. The impact of adopting IFRS 16 has been applied using the full retrospective approach with an adjustment to the group's 30 September 2018 and 31 March 2019 previously reported results.

These interim results have not been audited or independently reviewed by the group's external auditors. The group's 2019 annual financial information has been correctly extracted from the underlying audited consolidated annual financial statements for the year ended 31 March 2019.

These condensed consolidated financial statements were compiled under the supervision of Mr BP Bydawell, CA(SA), CFA, chief financial officer of the group. 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.

2. Changes in significant accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior years. The changes in accounting policies are also expected to be reflected in the group's consolidated financial statements for the year ending 31 March 2020. The effect of initially applying this standard has resulted in an increase in property and equipment and liabilities at 1 April 2019. The full impact of adopting this standard is reflected below.

2.1 IFRS 16 *Leases*

This standard replaces IAS 17 and sets out the principles for the recognition measurement, presentation and disclosure of leases. The main principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, as was required by IAS 17, and introduces a single lessee accounting model, where a right-of-use asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as a lessor are not different from those under IAS 17.

Summary notes continued

For the six months ended 30 September 2019

2. Changes in significant accounting policies continued

2.1 IFRS 16 *Leases* continued

The group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 April 2019. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as office equipment and office furniture), the group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within operating expenses in the consolidated income statement and amounts to R4 million for the current period (September 2018: R4 million).

This standard is mandatory for accounting periods beginning on 1 January 2019 and the group has adopted it under the full retrospective approach, using the practical expedient to not separate contracts into lease and non-lease components. Accordingly, the information presented for prior periods have been restated. The adoption of IFRS 16 has resulted in an increase in total assets of R591 million at September 2019 (2018: R708 million accompanied with an increase in total liabilities of R702 million at September 2019 (2018: R809 million). The IAS 17 straight-lining balance of R202 million, as well as the accompanying deferred tax of R56 million, at September 2018 has been restated.

Previously under IAS 17 the group classified lease payments as cash generated from operations in operating activities. With the adoption IFRS 16 the group has recognised lease payments as financing activities for the capital portion and operating activities for the interest portion. This results in an increase in cash generated from operations of R90 million for the period ending September 2019 (2018: R88 million) which has been reclassified to additional interest paid in operating activities and lease payments in financing activities amounting to R38 million (2018: R31 million) and R52 million (2018: R57 million) respectively.

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

Summary notes continued

For the six months ended 30 September 2019

2. Changes in significant accounting policies continued

2.1 Impact on the condensed consolidated income statement for the period ended 31 March 2019 and 30 September 2018

Rm	Notes	Restated 31 Mar 2019	IFRS 16 Adjust-ment	Discon-tinued operations[1]	Previously reported 31 Mar 2019	Restated 30 Sep 2018	IFRS 16 Adjust-ment	Discon-tinued operations[1]	Previously reported 30 Sep 2018
Operating income net of direct expenses		**3 136**	**–**	**–**	**3 136**	**1 571**	**–**	**(337)**	**1 908**
Operating expenses		(2 382)	76	–	(2 458)	(1 180)	43	243	(1 466)
Rent expense reversal		178	178	–	–	88	88	–	–
Lease modification		6	6	–	–	6	6	–	–
Depreciation		(111)	(111)	–	–	(56)	(56)	–	–
Straightlining reversal		3	3	–	–	5	5	–	–
Operating expenses excluding IFRS 16		(2 458)	–	–	(2 458)	(1 223)	–	243	(1 466)
Profit from operations before non-trading and capital items		**754**	**76**	**–**	**678**	**391**	**43**	**(94)**	**442**
Non-trading and capital items	5	(231)	–	–	(231)	(247)	–	138	(385)
Operating profit		**523**	**76**	**–**	**447**	**144**	**43**	**44**	**57**
Investment income	6	213	–	–	213	93	–	(7)	100
Finance costs	7	(161)	(72)	–	(89)	(67)	(33)	2	(36)
Reported profit arising from accounting for policyholder investments in treasury shares	11	8	–	–	8	20	–	–	20
Share of loss of associates (net of income tax)		–	–	4	(4)	–	–	–	–
Profit before tax		**583**	**4**	**4**	**575**	**190**	**10**	**39**	**141**
Income tax expense	8	(240)	(2)	–	(238)	(124)	(3)	52	(173)
Income tax expense related to policyholder investments		(21)	–	–	(21)	(13)	–	–	(13)
Profit for the period from continuing operations		**322**	**2**	**4**	**316**	**53**	**7**	**91**	**(45)**
Discontinued operations									
Profit/ (loss) on discontinued operations (net of tax)		68	–	(4)	72	(93)	–	(91)	(2)
Accumulated profit for the period		**390**	**2**	**–**	**388**	**(40)**	**7**	**–**	**(47)**

[1] *Refer to note 9.*

Summary notes continued

For the six months ended 30 September 2019

2. Changes in significant accounting policies continued

2.2 Impact on the condensed consolidated statement of financial position at 31 March 2019 and 30 September 2018

Rm	Notes	Restated 31 Mar 2019	IFRS 16 Adjustment	Previously reported 31 Mar 2019	Restated 30 Sep 2018	IFRS 16 Adjustment	Previously reported 30 Sep 2018
Assets							
Property and equipment		731	592	139	830	670	160
Deferred tax assets		238	38[1]	200	218	38[1]	180
Assets of disposal groups classified as held for sale	9	3 520	20	3 500	86	–	86
Other assets		308 455	–	308 455	319 109	–	319 109
Total assets		**312 944**	**650**	**312 294**	**320 243**	**708**	**319 535**
Equity and liabilities							
Owners of the company		5 645	(106)	5 751	5 531	(101)	5 632
Non-controlling interest		299	–	299	283	–	283
Total equity		**5 944**	**(106)**	**6 050**	**5 814**	**(101)**	**5 915**
Lease liabilities		933	933	–	1 011	1 011	–
Operating lease liabilities		–	(199)	199	–	(202)	202
Liabilities of disposal group classified as held for sale	9	2 507	22	2 485	16	–	16
Other liabilities		303 560	–	303 560	313 402	–	313 402
Total liabilities		**307 000**	**756**	**306 244**	**314 429**	**809**	**313 620**
Total equity and liabilities		**312 944**	**650**	**312 294**	**320 243**	**708**	**319 535**

[1] *Comprises of the recognition of R94 million deferred tax assets in relation to right-of-use assets and lease liabilities, as well as the reversal of deferred tax assets amounting to R56 million on operating lease liabilities.*

Summary notes continued

For the six months ended 30 September 2019

2. Changes in significant accounting policies continued

2.3 Impact on the condensed statement of cash flows for the period ended 31 March 2019 and 30 September 2018

	Restated 31 Mar 2019	IFRS 16 Adjust-ment	Discon-tinued operations[1]	Previously reported 31 Mar 2019	Restated 30 Sep 2018	IFRS 16 Adjust-ment	Discon-tinued operations[1]	Prior year adjustment[2]	Previously reported 30 Sep 2018
Cash flows from operating activities									
Cash generated from operations	1 003	178	4	821	485	88	(95)	–	492
Interest received	189	–	–	189	76	–	(7)	–	83
Finance costs paid on property leases	(72)	(72)	–	–	(31)	(31)	–	–	–
Finance costs paid on revolving credit facility and other	(89)	–	–	(89)	(31)	–	2	–	(33)
Net cash flows paid to policyholder investment contracts	(2 121)	–	–	(2 121)	(132)	–	–	(8)	(124)
Dividends paid to non-controlling interests	(11)	–	–	(11)	(10)	–	–	(10)	–
Cash flows from operating activities – discontinued operations	296	8	(4)	292	103	4	100	–	(1)
Other cash flows from operating activities	(1 129)	–	–	(1 129)	(656)	–	–	–	(656)
Net cash (outflow)/inflow from operating activities	(1 934)	114	–	(2 048)	(196)	61	–	(18)	(239)
Cash flows from investing activities									
Payments to investment in associate	–	–	23	(23)	–	–	–	–	–
Payments for capital expenditure incurred on property, equipment and computer software	(113)	–	–	(113)	(55)	–	1	–	(56)
Cash flows from investing activities – discontinued operations	(29)	–	(23)	(6)	(1)	–	(1)	–	–
Other cash flows from investing activities	351	–	–	351	354	–	–	–	354
Net cash inflow from investing activities	209	–	–	209	298	–	–	–	298
Cash flows from financing activities									
Payments of lease liabilities	(157)	(106)	–	(51)	(108)	(57)	–	–	(51)
Net proceeds from sale of treasury shares held by policyholder investment contracts	26	–	–	26	8	–	–	8	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	10	(10)
Cash flows from financing activities – discontinued operations	(8)	(8)	–	–	(4)	(4)	–	–	–
Other cash flows from financing activities	(151)	–	–	(151)	(91)	–	–	–	(91)
Net cash outflow from financing activities	(290)	(114)	–	(176)	(195)	(61)	–	18	(152)
Decrease in cash and cash equivalents	(2 015)	–	–	(2 015)	(93)	–	–	–	(93)

[1] *Refer to note 9.*

[2] *At March 2019, management had identified two classification errors on the 2018 statement of cash flows that required restatement. The first related to dividends paid to non-controlling interest (NCI) which were previously classified under cash flows from financing activities while dividends to shareholders were classified under cash flows from operating activities. These classification errors are also applicable to the statement of cash flows for the six months ended 30 September 2019, which has accordingly been restated.*

Summary notes continued

For the six months ended 30 September 2019

3. Exchange rates

Certain transactions of the group occur in foreign currencies. In the current year the most significant foreign currency is the British pound (GBP). The GBP transactions and balance have been translated using the exchange rates below. Other less material foreign transactions and balances have been translated to rand using appropriate weighted average rates and closing rates respectively.	Six months 30 Sep 2019	Six months 30 Sep 2018	Twelve months 31 Mar 2019
Weighted average R:GBP rate	18.4	18.3	18.5
Closing R:GBP rate	18.7	18.5	18.8

4. Fee and commission revenue

The group's operations and main revenue streams are those described in the last annual financial statements. The group's revenue is derived from contracts with customers.

Disaggregation of revenue

	Retirements consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Other		Total	
Rm	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018[1]
Revenue by type														
Consulting and advice fees	80	79	25	25	14	14	245	244	53	51	5	6	422	419
Administration fees	344	358	–	–	–	–	72	77	65	61	–	1	481	497
Commission	43	41	119	104	–	–	3	4	4	4	–	–	169	153
Investment management fees	–	–	–	–	943	963	–	–	13	14	–	–	956	977
Total	**467**	**478**	**144**	**129**	**957**	**977**	**320**	**325**	**135**	**130**	**5**	**7**	**2 028**	**2 046**
Revenue by region														
South Africa	467	478	144	129	957	977	320	325	3	1	5	7	1 896	1 917
Namibia	–	–	–	–	–	–	–	–	53	54	–	–	53	54
Botswana	–	–	–	–	–	–	–	–	48	44	–	–	48	44
Jersey and Channel Islands	–	–	–	–	–	–	–	–	29	28	–	–	29	28
Other	–	–	–	–	–	–	–	–	2	3	–	–	2	3
Total	**467**	**478**	**144**	**129**	**957**	**977**	**320**	**325**	**135**	**130**	**5**	**7**	**2 028**	**2 046**
Timing of revenue recognition														
Products transferred at a point in time	6	7	2	2	–	–	28	25	1	1	1	2	38	37
Services transferred over time	461	471	142	127	957	977	292	300	134	129	4	5	1 990	2 009
Total	**467**	**478**	**144**	**129**	**957**	**977**	**320**	**325**	**135**	**130**	**5**	**7**	**2 028**	**2 046**

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

Summary notes continued

For the six months ended 30 September 2019

5. Non-trading and capital items

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018[1]	Twelve months 31 Mar 2019
Non-trading:			
Professional indemnity insurance cell-captive result	(3)	(34)	36
Amortisation of intangible assets arising from business combination	(34)	(34)	(67)
Costs relating to strategic consulting engagement	(1)	(28)	(34)
Software written off	(4)	(147)	(150)
Software written off	(4)	(287)	(290)
Software written off – reclassified to discontinued operations	–	140	140
Other	–	(4)	(16)
Total non-trading and capital items	**(42)**	**(247)**	**(231)**

6. Investment income

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018[1]	Twelve months 31 Mar 2019
Interest income	73	76	178
Investment and dividend income	6	3	14
Foreign exchange gains on intergroup loans	–	1	–
Investment income from general operations	79	80	192
Investment returns linked to policyholder tax expense	5	13	21
Total investment income	**84**	**93**	**213**

7. Finance costs

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018[1]	Twelve months 31 Mar 2019
Interest on revolving credit facility	(30)	(29)	(59)
Finance costs on lease liabilities	(38)	(31)	(72)
Other interest	(4)	(7)	(30)
Total finance costs	**(72)**	**(67)**	**(161)**

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

Summary notes continued

For the six months ended 30 September 2019

8. Income tax expense

Rm	Six months 30 Sep 2019	Six months 30 Sep[1] 2018	Twelve months 31 Mar 2019
South African income tax			
Current tax	**(112)**	**(143)**	**(281)**
Current year	(114)	(143)	(281)
Prior year	2	–	–
Deferred tax	**14**	**28**	**67**
Current year	14	25	66
Prior year	–	3	1
Foreign income tax	**(8)**	**(6)**	**(14)**
Current year	(8)	(6)	(14)
Foreign withholding tax	**(2)**	**(2)**	**(4)**
Securities transfer tax	**(4)**	**(1)**	**(8)**
Income tax expense relating to corporate profits	**(112)**	**(124)**	**(240)**
Income tax expense on policyholder investment returns	**(5)**	**(13)**	**(21)**
Current tax – current year	(4)	(6)	(7)
Deferred tax – current year	(1)	(7)	(14)
Income tax expense	**(117)**	**(137)**	**(261)**

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

Summary notes continued

For the six months ended 30 September 2019

9. Discontinued operations

In March 2019, the group announced a revised strategy that entailed exiting the insurance business and revising our Africa strategy to refocus our business on what we do best: providing advice-led integrated retirement solutions and holistic wealth management.

As part of the group's revised strategy, certain entities have been discontinued and disposed of. The assets and liabilities of these entities are presented as assets and liabilities of disposal group classified as held for sale at the date of discontinuance. The results of operations of the discontinued entity are reported separately in the income statement with the prior period also being restated to take this into effect.

The Insurance operations, including Group risk, was classified as discontinued operations during the prior year. During the current period management decided to exit the associate arrangement with KIN digital (this is a fintech startup aimed at providing social interface directed at cost sharing arrangements). The assets and liabilities of these operations were classified as assets and liabilities of disposal group classified as held for sale.

The Alexander Forbes East Africa (East Africa) business unit which was classified as a discontinued operation in prior years was disposed of in the second half of the previous financial year of resulting in a profit of R56 million (see note 9.3).

Summary notes continued

For the six months ended 30 September 2019

9. Discontinued operations continued

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

The following represents the trading profit/ (loss) for the discontinued operations. Prior-period figures have been restated accordingly.

Rm	Notes	Six months 30 Sep 2019	Six months 30 Sep 2018	Twelve months 31 Mar 2019
Fee and commission revenue		8	45	79
Insurance revenue		1 445	1 282	2 716
Interest revenue – effective interest method		38	24	53
Total revenue		**1 491**	**1 351**	**2 848**
Fee and commission expenses		(53)	(53)	(103)
Insurance claims, commissions and withdrawals		(943)	(918)	(1 859)
Net expenses from reinsurance contracts		(115)	(43)	(159)
Operating income net of direct expenses		**380**	**337**	**727**
Operating expenses		(238)	(245)	(497)
Less: Operating expenses from previously discontinued operations		–	–	7
Profit from operations before non-trading and capital items		**142**	**92**	**237**
Add: Loss from previously discontinued operations		–	–	(7)
Non-trading and capital items	9.2	(19)	(138)	(149)
Operating profit/(loss)		**123**	**(46)**	**81**
Investment income		22	7	18
Finance costs		(3)	(2)	(2)
Share of net loss of associate (net of income tax)		(5)	–	(4)
Profit/(loss) before tax		**137**	**(41)**	**93**
Income tax expense		(45)	(52)	(81)
Profit /(loss) for the period from discontinued operations		**92**	**(93)**	**12**
Profit on disposal of subsidiary and associate		–	–	56
Total profit/(loss) from discontinued operations		**92**	**(93)**	**68**
Profit attributable to:				
Owners of the company		82	(78)	63
Non-controlling interest		10	(15)	5
		92	**(93)**	**68**

Summary notes continued

For the six months ended 30 September 2019

9. Discontinued operations continued

9.2 Non-trading and capital items

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018	Twelve months 31 Mar 2019
Software written off	–	(140)	(140)
Costs relating to the sale transaction for the short-term insurance business	(17)	–	–
Costs related to proposed client settlement – enhanced transfer values[1]	18	–	(122)
Reimbursement related to historical client settlement –- enhanced transfer values[1]	(18)	–	122
Other	(2)	2	(9)
	(19)	**(138)**	**(149)**

[1] *In the prior year we referred to a specific matter which was being reviewed by a foreign regulator in respect of a legacy subsidiary business that had been sold inclusive of certain warrantees. The group is adequately insured for claims as a result of such errors and omission. In addition, management have obtained confirmation from the insurance underwriters, indicating that the event is covered in terms of the policy. Consequently it has become virtually certain that an inflow of economic benefits will arise, and as a result, the insurance asset and related income are recognised in these financial statements. Accordingly, there is a nil impact to the group's income statement.*

9.3 Disposal of subsidiary and associate

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018	Twelve months 31 Mar 2019
Carrying value of net assets sold	–	–	(70)
Non-controlling interest	–	–	34
Foreign currency translation reserve of disposed entities	–	–	21
Carrying value disposed of	–	–	(15)
Proceeds on disposal	–	–	74
Capital gains tax	–	–	(3)
Profit on disposal of subsidiary	**–**	**–**	**56**
Net proceeds on disposal	–	–	71
Less: Proceeds receivable	–	–	(41)
Net consideration received in cash	–	–	30
Cash and cash equivalents disposed of	–	–	(15)
Net cash inflow	**–**	**–**	**15**

Summary notes continued

For the six months ended 30 September 2019

9. Discontinued operations continued

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

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018	Twelve months 31 Mar 2019[1]
Assets of insurance cell-captives	623	–	555
Long-term assets	65	20	34
Goodwill	501	–	501
Deferred tax asset	9	1	6
Insurance receivables	1 532	–	1 464
Trade and other receivables	34	47	22
Cash and cash equivalents	984	18	938
Total assets	**3 748**	**86**	**3 520**
Liabilities of insurance cell-captives	623	–	555
Insurance payables	1 891	–	1 772
Deferred tax liability	1	–	1
Provisions – non-current	24	1	20
Lease liability	19	–	22
Taxation payables	14	–	21
Trade and other payables	109	15	116
Total liabilities	**2 681**	**16**	**2 507**
Total equity	**1 067**	**70**	**1 013**

[1] *Restated for the effects of IFRS 16 Leases. Refer to note 2.2.*

Summary notes continued

For the six months ended 30 September 2019

10. Earnings per share

10.1 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.

10.2 Headline earnings per ordinary share

Headline earnings per share is calculated by excluding applicable non-trading and capital gains and losses from the profit attributable to ordinary shareholders and dividing the resultant headline earnings by the weighted average number of ordinary shares in issue during the period. Headline earnings is defined in Circular 4/2018 issued by the South African Institute of Chartered Accountants.

10.3 Diluted earnings per ordinary share

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

10.4 Normalised earnings per share

Normalised earnings per share is calculated by dividing the normalised profit for the period attributable to owners of the company as 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.

Summary notes continued

For the six months ended 30 September 2019

10. Earnings per share continued

10.5 Number of shares (million)

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018	Twelve months 31 Mar 2019
Weighted average number of shares	1 333	1 341	1 341
Weighted average shares held by policyholders classified as treasury shares	(6)	(9)	(9)
Weighted average treasury shares	(104)	(87)	(95)
Weighted average number of shares in issue (net of treasury shares)	1 223	1 245	1 237
Dilutive shares	17	15	14
Diluted weighted average number of shares	1 240	1 260	1 251
Actual number of shares in issue	1 288	1 341	1 341
Actual treasury shares	(66)	(110)	(118)
Actual shares in issue net of treasury shares	1 222	1 231	1 223
Normalised number of shares			
Weighted average number of shares in issue	1 223	1 245	1 237
Shares held by policyholders classified as treasury shares	6	9	9
Normalised number of shares in issue	1 229	1 254	1 246

Summary notes continued

For the six months ended 30 September 2019

10. Earnings per share continued

10.6 Calculation of basic and headline earnings from total operations

Rm		Six months 30 Sep 2019	Six months 30 Sep 2018[2]	Twelve months 31 Mar 2019[2]
Profit attributable to owners of the company		296	(43)	336
Adjusting items (net of tax and non-controlling interest):				
Profit on disposal of subsidiary – discontinued operations		–	–	(50)
Software written off – continuing operations		3	132	135
Software written off – discontinued operations		–	126	126
Headline earnings for the period		**299**	**215**	**547**
Earnings per share from total operations[1]				
Basic earnings/(loss) per share	(cents)	24.2	(3.5)	27.2
Headline earnings per share	(cents)	24.5	17.3	44.2
Diluted basic earnings/(loss) per share	(cents)	23.9	(3.4)	26.9
Diluted headline earnings per share	(cents)	24.1	17.0	43.7

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

In addition, the company may issue shares to the empowerment shareholder in future in terms of the circular issued to shareholders on 2 December 2016. These shares have an immaterial anti-dilutive impact and are accordingly not included in the diluted number of shares above.

[1] *Amounts computed using unrounded numbers.*

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

Summary notes continued

For the six months ended 30 September 2019

10. Earnings per share continued

10.7 Calculation of normalised earnings from total operations

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018[2]	Twelve months 31 Mar 2019[2]
Normalised profit for the period from continuing operations as per the group segmental income and profit analysis	285	77	336
Add: Profit / (loss) from discontinued operations	92	(93)	68
Less: Profit attributable to non-controlling interests	(46)	(3)	(54)
Normalised profit attributable to owners of the company	331	(19)	350
Adjusting items (net of tax and non-controlling interest):			
Write-off of software – continued operations	3	132	135
Write-off of software – discontinued operations	–	126	126
Profit on disposal of subsidiary – discontined operations	–	–	(50)
Normalised headline earnings/loss for the period	334	239	561
Normalised earnings per share from total operations[1]			
Nomalised earnings/(loss) per share	26.9	(1.5)	28.1
Nomalised headline earnings per share	27.2	19.0	45.1

[1] *Amounts computed using unrounded numbers.*

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

Summary notes continued

For the six months ended 30 September 2019

10. Earnings per share continued

10.8 Calculation of basic and headline earnings from continuing operations

Rm		Six months 30 Sep 2019	Six months 30 Sep 2018[2]	Twelve months 31 Mar 2019[2]
Profit after tax from continuing operations		250	53	322
Less: Profit attributable to non-controlling interests		(36)	(18)	(49)
Profit attributable to owners of the company		214	35	273
Adjusting items (net of tax and non-controlling interest):				
Software written off		3	132	135
Headline earnings from continuing operations[1]		**217**	**167**	**408**
Basic earnings per share from continuing operations	(cents)	17.5	2.8	22.1
Headline earnings per share from continuing operations	(cents)	17.8	13.4	32.9
Diluted basic earnings per share from continuing operations	(cents)	17.3	2.8	21.9
Diluted headline earnings per share from continuing operations	(cents)	17.5	13.2	32.6

[1] Amounts computed using unrounded numbers.

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

Summary notes continued

For the six months ended 30 September 2019

10. Earnings per share continued

10.9 Calculation of basic and headline earnings from discontinued operations

Rm		Six months 30 Sep 2019	Six months 30 Sep 2018[2]	Twelve months 31 Mar 2019[2]
Profit/(loss) after tax from discontinued operations		92	(93)	68
Less: Profit attributable to non-controlling interests		(10)	15	(5)
Profit/(loss) from discontinued operations attributable to owners of the company		82	(78)	63
Adjusting items (net of tax and non-controlling interest):				
Profit on disposal of subsidiary		–	–	(50)
Software written off		–	126	126
Headline earnings from discontinued operations[1]		**82**	**48**	**139**
Basic earnings/(loss) per share from discontinued operations	(cents)	6.7	(6.3)	5.1
Headline earnings per share from discontinued operations	(cents)	6.7	3.9	11.3
Diluted basic earnings/(loss) per share from discontinued operations	(cents)	6.6	(6.2)	5.0
Diluted headline earnings per share from discontinued operations	(cents)	6.6	3.8	11.1

[1] Amounts computed using unrounded numbers.

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

Summary notes continued

For the six months ended 30 September 2019

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

The policyholder assets held by the group's multi-manager investment subsidiary, AF Investments Limited, in South Africa and Namibia are recognised on the balance sheet in terms of IFRS. These assets are directly matched by linked obligations to policyholders.

As a result of the group being listed, the investments by underlying asset managers in the Alexander Forbes Group Holdings listed shares are recognised as treasury shares and all fair value adjustments recognised on these treasury shares are reversed, while the corresponding fair value adjustments on the financial liability continue to be recognised in the income statement. The resultant loss for the period of R6 million (2018: R20 million profit) has been disclosed separately on the face of the income statement. This treatment also affects the number of shares in issue, and is disclosed in note 10.

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

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018	Twelve months 31 Mar 2019
Total financial assets held under multi-manager investment contracts (as per statement of financial position)	302 179	307 400	299 852
Reversal of adjustments made under IFRS:			
Alexander Forbes shares held as policyholder assets and reclassified in the group statement of financial position as treasury shares	37	65	47
Financial effects of accounting for policyholder investments as treasury shares			
– prior year	(14)	(6)	(6)
– current year	6	(20)	(8)
Total financial liabilities held for policyholders under multi-manager investment contracts	302 208	307 439	299 885

Summary notes continued

For the six months ended 30 September 2019

12. Financial assets

Rm	Six months 30 Sep 2019	Six months 30 Sep 2018	Twelve months 31 Mar 2019
Non-current financial assets	49	67	49
Current financial assets	59	52	59
Total financial assets	**108**	**119**	**108**
Financial assets designated at fair value through profit and loss	58	68	59
Financial assets at amortised cost	36	51	36
Financial assets at fair value through other comprehensive income – designated	14	–	13
Total financial assets	**108**	**119**	**108**

13. Financial risk management and financial instruments

13.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The summary consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and this disclosure should be read in conjunction with the group's annual financial statements as at 31 March 2019.

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

13.2 Liquidity risk

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

Summary notes continued

For the six months ended 30 September 2019

13. Financial risk management and financial instruments continued

13.3 Fair value hierarchy

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

Rm	Level 1	Level 2	Level 3	Total
30 September 2019				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	177 317	117 509	7 353	302 179
General operations	–	779	14	793
Total financial assets measured at fair value	**177 317**	**118 288**	**7 367**	**302 972**
Financial liabilities designated at fair value				
Financial liabilities held under multi-manager investment contracts	–	295 086	7 122	302 208
Total financial liabilities designated at fair value	**–**	**295 086**	**7 122**	**302 208**
31 March 2019				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	180 190	112 475	7 187	299 852
General operations	–	701	13	714
Total financial assets measured at fair value	**180 190**	**113 176**	**7 200**	**300 566**
Financial liabilities designated at fair value				
Financial liabilities held under multi-manager investment contracts	–	292 841	7 044	299 885
Total financial liabilities designated at fair value	**–**	**292 841**	**7 044**	**299 885**

Summary notes continued

For the six months ended 30 September 2019

13. Financial risk management and financial instruments continued

13.3 Fair value hierarchy continued

Transfers between Levels 1 and 2

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

Level 3 reconciliation

Level 3 financial assets and liabilities comprise mainly policyholder and cell-owner assets and liabilities. Financial assets and financial liabilities in this level are insignificant in relation to total financial assets and financial liabilities respectively. In addition, the movements in Level 3 financial assets are directly linked to the movements in the linked investment liability. Any fair value gains and losses resulting from policyholder or cell-owner financial assets and financial liabilities have no impact on profit or loss. There was no change in the valuation methodology of Level 3 assets during the period under review.

Sensitivity analysis for Level 3 financial assets

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

Instrument	Valuation technique	Significant inputs
Suspended listed equities	Exchange trade price	Last exchange traded price
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

The group's overall profit or loss is not sensitive to the inputs of the models applied to derive fair value.

Summary notes continued

For the six months ended 30 September 2019

13. Financial risk management and financial instruments continued

13.4 Valuation methods and assumptions for valuation techniques

There have been no changes in the valuation methods and assumptions for valuation techniques since 31 March 2019. A detailed description of the valuation methods and assumptions for valuation techniques is available in our annual financial statements for the year ended 31 March 2019.

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

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

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

14. Events after reporting period

There are no events subsequent to the interim period end which require reporting.

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

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

Non-executive directors

DJ Anderson, WS O'Regan, NB Radebe (resigned effective 28 November 2019)

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
PO Box 61051, Marshalltown, 2107

Sponsor

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

Website

www.alexanderforbes.co.za

Date of issue: 9 December 2019

Alexander Forbes Group Holdings Limited
Tel +27 11 269 0000, 115 West Street, Sandown
PO Box 787240, Sandton, 2146, South Africa

www.alexanderforbes.co.za