Alexander Forbes Group Holdings Limited

Unaudited interim results announcement and cash dividend declaration

for the six months ended 30 September 2022

Contents

Highlights

Operating income from continuing operations

R1 686 million

up 8% year on year benefiting from new business across core business lines, client retention and higher average assets.

The group achieved new business of R86 million in annualised revenue, across our core businesses:

- R5.2 billion in new business flows within the individual consulting segment
- R2.4 billion in new business into AFRIS, our flagship default solution
- Two notable admin mandates that will further expand our member base by over 37 000 members
- R6.4 billion (including R5 billion in platform assets) in new institutional assets in our investments business, with an additional R2.5 billion pending regulatory approvals

Profit from operations (before non-trading and capital items)

R354 million

down 9% year on year owing to lower-than-expected market performance and higher operating expenses. The increase in operating expenses is driven, in part, by the need to build capacity across our core businesses.

Headline earnings per share from continuing operations

16.1 cents

down 15% year on year owing to the decrease in profit from operations and an increase in non-trading and capital items.

Headline earnings per share from total operations

14.1 cents

up 11% year on year due to the improved financial performance of the discontinued operations.

25% increase in the interim dividend per share to

15 cents

Our capital position remains strong

with a surplus of own funds over regulatory capital of

R1 206 million

8% lower than year-end due to the full-year dividend payment in July 2022. The group cover ratio of 1.9 times remains well above our policy solvency capital requirements (SCR) cover ratio of 1.2 times.

Total assets[1] down 5% from 31 March 2022

R412 billion

impacted by market performance during the period.

Average assets up 3% year on year

R425 billion

1 *Total assets include assets under administration and assets under management*

Dawie de Villiers,

Chief executive officer, commented:

'This is a credible performance by our business in the face of volatile markets and demonstrates the stability of our core businesses. I am pleased to note the positive impact of new business on our top line and expect further contributions from our organic and inorganic growth plans. I have full confidence that our investment portfolios are well positioned despite the short-term challenges experienced across the market over the past six months. We are committed to our strategy and have made meaningful strides towards becoming the most impactful provider of financial advice to individuals and institutions.'

Financial highlights

In millions of South African rands (Rm)	2022/2021 % change	Unaudited six months ended 30 September 2022	2021	2020
Continuing operations				
Operating income[1]	8	**1 686**	1 565	1 475
Profit from operations (before non-trading and capital items)	(9)	**354**	389	371
Cost-to-income ratio[2] (percentage)	5	**79.0**	75.1	74.8
Profit for the period	(15)	**204**	240	243
Cash generated from operations	(8)	**273**	298	324
Basic earnings per share (cents)	(14)	**16.1**	18.8	17.8
Headline earnings per share (cents)	(15)	**16.1**	18.9	18.2
Closing total assets[3] (in billions of South African rands)	(3)	**412**	423	353
Total members under administration and advised[4] (000)	5	**1 338**	1 280	1 284
Discontinued operations				
Operating income[1]	>100	**42**	7	133
(Loss)/profit from operations (before non-trading and capital items)	73	**(23)**	(84)	28
Total group				
Basic earnings per share (cents)	12	**14.1**	12.6	14.1
Headline earnings per share (cents)	11	**14.1**	12.7	14.5
Normalised headline earnings per share (cents)	27	**15.5**	12.2	13.9
Interim dividend per share (cents)	25	**15.0**	12.0	13.0

1 Operating income represents revenue net of direct expenses.
2 Cost-to-income ratio is calculated as a percentage of operating expenses (before non-trading and capital items) and adjusted for other income, over operating income.
3 Total assets include assets under administration and assets under management.
4 Includes total number of active members across standalone and umbrella funds, medical scheme membership and individual consulting clients.

Executive summary

Alexforbes reports financial results for the six months ended 30 September 2022 (the period or current period), with operating income up 8% benefiting from new business, client retention across its core business lines and higher average assets.

Our performance over this period occurred within the context of challenging trading conditions and general negative market performance.

Investment markets performed below expectations, the JSE all-share index produced a negative 13.7% return for the six months to September 2022 coupled with increased volatility due to global geopolitics and local electricity supply disruptions. The cumulative blended market return across our portfolios was negative 4.1% over the same period. While we anticipate these headwinds to persist for the remainder of the financial year, we also expect to benefit when markets normalise.

Although the reality of volatile markets will always be present, through our multi-manager investment strategy we can manage risk more effectively. This strategy aims to diversify asset management styles and investments across a broad opportunity set of traditional and alternative assets, both locally and globally. We are confident in our investment strategy over the medium and long term, with our multi-management approach providing enhanced returns at reduced risk.

Operating income increased 8% year on year, comprising 11% growth from the retirements business and 17% from healthcare consulting. The performance of the investments business (up 4% year on year) is in line with higher average assets. The growth in operating income was underpinned by the benefits of new business from the prior financial year fully materialising in the top line, higher average assets over the period, client retention and protection of margin.

Management efforts to win new business and improve top-line growth continue to be effective. The group achieved new business of R86 million in annualised revenue during the period.

Profit from operations (before non-trading and capital items) of R354 million decreased 9% year on year attributable to lower-than-expected investment market performance and higher operating expenses during the period.

Operating expenses of R1 358 million increased 14% year on year. The increase in operating expenses is in line with our plan for the period and reflects both the growth in capacity and inflationary pressure prevalent in the current market environment. The increase in personnel costs aligns with approved vacancies being filled and the earlier inflationary increase. In addition, technology costs were higher year on year owing to unfavourable exchange rates, increased depreciation on software deployed and increased development costs in line with our investment in re-engineering.

The growth in operating expenses for continuing operations over the last three years compounds to 7% including the absorbed stranded costs[2]. Excluding the impact of stranded costs, growth in operating expenses compounds to 5% over the same period. We remain committed to our target for organic growth in expenses over the medium to long term to between 6% and 8% per year.

Significant progress was made on our largest lease contract for the Sandton head office, which has two years remaining. The impact of a smaller footprint together with lower market-related rental rates is expected to reduce our premises costs from the current level by approximately R150 million and should translate to a 350bps reduction in our cost-to-income ratio. The full effect of this cost reduction will materialise in financial year 2026.

Profit for the period from continuing operations of R204 million is 15% lower year on year. The year-on-year decrease includes the performance of the insurance cell-captive facility that reported a loss of R33 million (2021: R19 million profit) and an increase in costs relating to corporate transactions. The results of the insurance cell-captive facility are excluded when calculating the group's normalised earnings.

2 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).

Attributable earnings from total operations for the period improved 11% year on year to R179 million. The discontinued operations reported a reduced loss for the period of R25 million (2021: R79 million loss) due to the:

- reduction in the loss for the period from the group risk business in runoff to R45 million (2021: R85 million loss)
- improved profit for the period from the AFICA business to R20 million (2021: R6 million)

We are pleased to report progress made on the corporate transactions currently under way:

- We completed the acquisition of EBS International Proprietary Limited (EBS) and the transaction took effect on 10 June 2022. The acquisition of EBS accelerates growth by expanding and diversifying our service offering into adjacent segments of the South African and African retirement funding markets.
- In addition, we concluded the acquisition of Sanlam's large standalone retirement fund administration business operations and the transaction took effect on 1 November 2022. This transaction is in line with our strategy and accelerates our growth in a mature industry segment and will increase the number of active members under administration.
- The group also entered into a sale and purchase agreement with the shareholders of Bidvest Wealth and Employee Benefits Proprietary Limited (BWEB) for 100% of the issued share capital in BWEB. On 8 November 2022 all the conditions precedent to the transaction were fulfilled. The transaction took effect on 1 December 2022.
- The sale of the AFICA group is well advanced, we received approval from the Competition Commission and we are progressing with the remaining conditions precedent to the transaction. We anticipate closing this transaction in the final quarter of this financial year.

The group balance sheet remains financially robust, supported by the sustained cash flow generated from continuing operations, with a strong regulatory surplus position of R1 206 million and available cash of R589 million.

To further optimise the balance sheet the group entered into a loan facility agreement with The Standard Bank of South Africa Limited to finance acquisitions. The total funding available under this facility is R600 million. In June 2022, R108 million was drawn down to finance the purchase of EBS. The repayments over the five-year term of the loan comprise interest, while the principal is payable at maturity.

An interim dividend of 15 cents per share has been declared, up 25% year on year. The interim dividend is in line with the group's dividend policy.

The results for the period reflect the progress made in our stated strategy and growth trajectory. Despite the market impact on our operating income and cost pressure both management and the board remain confident in the prospects of the company.

- We remain focused on supporting our clients by providing advice on managing their employee benefit needs and navigating the complex regulatory environment. Our improved service offering in retirement administration coupled with our advice-led integrated value proposition continue to yield results.
- Our multi-management approach is central to the Alexforbes investment philosophy and is centred on a practical risk management framework that allows us to carefully consider all potential outcomes and manage identified risks that might arise in the process. Our portfolios remain well positioned, employing a diverse set of investment strategies to which we apply our multi-management approach for enhanced returns at reduced risk.
- In line with our stated ambition to become the most impactful provider of financial advice to individual customers, we have renewed our focus on engaging with members to deliver on their overall financial needs, with employee benefits provided through a member's employer forming a central component.
- Our financial planning consultants (FPC) individual advice efforts have led to an increase in the number of advised customers from within our retirement fund base.

Financial review

Consolidated operating income

Rm	2022	%	2021
Retirement consulting	**468**	11	421
Healthcare consulting	**174**	17	149
Investments	**716**	4	689
Individual consulting	**181**	6	171
Multinational	**147**	9	135
Total	**1 686**	**8**	**1 565**

Retirement consulting

Operating income from retirement consulting increased 11% year on year to R468 million. The increase of R47 million comprises both organic (R30 million) and acquisitive growth (R17 million) following the consolidation of EBS in July 2022. Excluding EBS, the retirement consulting business delivered 7% year-on-year growth owing to new business wins, a year-on-year reduction in retrenchments and fewer business closures.

We remain focused on supporting our clients by providing advice on managing their employee benefit needs and navigating the complex regulatory environment. Our improved service offering in retirement administration coupled with our advice-led integrated value proposition continue to yield results.

Our administration business continues to grow and was successful in securing two notable mandates expected to expand our base by a further 37 000 members. The new business appointments are due to commence in the second half of the financial year, resulting in the full impact of revenue growth to flow through in the 2024 financial year.

Our institutional umbrella fund offering includes the flagship Alexander Forbes Retirement Fund (AFRF) and Alexander Forbes Access (AF Access). Closing assets under management (AuM) for our institutional umbrella funds (included in the investments business segment) stood at R103 billion as at 30 September 2022, up 1% year on year owing to marginally positive market returns and positive net cash flows into the umbrella funds over the period.

The total number of active members increased 5% year on year (up 8% from 31 March 2022) to 927 976 with the growth in membership underpinned by new client mandates.

Recurring administration fee income increased by 5% year on year, due to the growth in membership and from our client base increasing underlying payrolls. Fee income from our consulting and actuarial services continued to grow in line with inflation. Efforts to drive efficiencies through re-engineering projects in our administration are starting to show an improvement in the underlying cost per member per month.

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

Healthcare consulting

Healthcare consulting delivered strong growth, reporting a 17% year-on-year increase in operating income to R174 million owing to new business and the increase in the medical scheme commission cap. For the full year, moderate growth in operating income is anticipated, given that a portion of the revenue from new business is attributable to the year-on-year impact of two significant mandates signed in the second half of the previous financial year.

Medical aid broking income, which is recurring, increased 11% year on year largely as a result of:

- the increase in the medical aid commission cap
- the full impact of a significant new healthcare broking mandate signed in the second half of the previous financial year

The health management solutions (HMS) business also reported strong performance in the current period as a result of:

- growth from the existing business underpinned by service excellence and greater use of our product offering
- the year-on-year impact of a significant client mandate signed in the second half of the previous financial year

HMS continues to offer distinct market solutions in the management of absenteeism, incapacity and employee assistance programmes.

Investments

Investments reported a 4% year-on-year increase in operating income to R716 million, in line with a higher average asset balance over the period. Cash flows from new business and a slight improvement in margin were partially offset by volatile market conditions and negative returns resulting from both local and global factors. The cumulative blended market return across our portfolios was negative 4.1% over the period to 30 September 2022. This compares to the negative return from the JSE all-share index of negative 13.7% over the same period.

Our portfolios remain well positioned, employing a diverse set of investment strategies to which we apply our multi-management approach for enhanced returns at reduced risk. Our multi-management approach is centred on a practical risk management framework that allows us to carefully consider all potential outcomes and manage identified risks that might arise in the process. This is particularly needed in these volatile times and can be demonstrated by the performance across our portfolios.

New institutional business inflows continued in the period with total assets of R6.4 billion (including R5 billion in platform administration assets). The new business flows achieved against the backdrop of lacklustre market performance during the period demonstrates the benefits of our value proposition, implementation of best advice for our clients and, importantly, the strength of our client relationships.

The institutional blended margin improved slightly to 27.8 bps (2021: 27.6 bps) owing to strategies implemented within the portfolios as well as conversion of some clients from platform to our multimanager offering. The retail blended margin is lower year on year, which is in line with our strategy relating to product mix and making retail products available to our individual customers at institutional pricing.

Total closing assets are segregated as follows:

	30 September 2022			30 September 2021		
R billion	Institutional	Retail	Total	Institutional	Retail	Total
Assets under administration (AuA)	58.7	6.3	65.0	56.9	6.7	63.6
Assets under management (AuM)	277.4	70.0	347.4	287.0	72.3	359.3
Total AuA and AuM	336.1	76.3	412.4	343.9	79.0	422.9

A summary of the cash flows for the six months to 30 September 2022 is shown below:

	30 September 2022			30 September 2021		
R billion	Institutional	Retail	Total	Institutional	Retail	Total
Controllable (product)	(2.7)	-	(2.7)	0.5	-	0.5
New business	1.4	-	1.4	4.2	-	4.2
Outflows owing to client losses	(4.1)	-	(4.1)	(3.7)	-	(3.7)
Controllable (platform)	4.4	-	4.4	3.6	-	3.6
New business	5.0	-	5.0	3.7	-	3.7
Outflows owing to client losses	(0.6)	-	(0.6)	(0.1)	-	(0.1)
Uncontrollable	(3.9)	(1.0)	(4.9)	(6.0)	(0.2)	(6.2)
Ongoing contributions	19.0	4.0	23.0	17.2	4.4	21.6
Withdrawals for benefit payments	(22.9)	(5.0)	(27.9)	(23.2)	(4.6)	(27.8)
Net cash flows	(2.2)	(1.0)	(3.2)	(1.9)	(0.2)	(2.1)

The institutional business reported a positive net position from controllable cash flows for the current period, although lower than the previous comparable period, with new business asset inflows of R6.4 billion exceeding outflows from client losses of R4.7 billion. Client terminations in the institutional business were higher than the previous comparable period and arose mostly from competitive pressures.

The platform administration business continues to be attractive to clients and is an area of growth for us as we leverage our leading in-house administration system and capabilities to clients, albeit at lower margins than our traditional business.

While the business is experiencing a slowdown in the net outflows from the institutional uncontrollable cash flows from the high levels reported in the past few years, this continues to be negative, influenced by factors prevalent across the retirement fund industry. Contributions from active members of retirement funds increased 10% year on year, due to a combination of:

- changes to contribution levels
- wage increases to members of institutional clients
- expanding membership base from new business and within our existing client base

Individual consulting

Operating income increased 6% year on year to R181 million, owing to higher average assets under advisement supported by new business asset inflows of R5.2 billion achieved by our financial planning consultants (FPC).

Closing assets under advisement remain unchanged year on year at R83 billion as at 30 September 2022.

In line with our stated ambition to become the most impactful provider of financial advice to individual customers, we have renewed our focus on engaging with members to deliver on their overall financial needs, with employee benefits provided through a member's employer forming a central component. By implementing best advice directed by fund-approved default options and supported by our enhanced retirement benefit counselling (eRBC) services, we can connect with more members to ensure they achieve better retirement outcomes.

This service continues to demonstrate value to members and produce measurable benefits for the financial outcomes.

- 94% of members said they understood their retirement benefits and options better after receiving counselling
- 95% of members said they felt more confident about making retirement fund decisions after receiving counselling

Our FPC individual advice efforts have led to an increase in the number of advised customers from within our retirement fund base. These efforts have historically been focused on the post-retirement segment of our retirement fund members but is expanding to provide best advice to individuals throughout their lifetime.

In line with our best-advice philosophy, we continue to deliver value for our customers by:

- advising on:
  - compulsory retirement savings as members leave retirement funds
  - discretionary savings
- engaging with them so that assets:
  - remain invested when they leave their employer or retire
  - are consolidated when they join a new fund

As we progress with our individualisation strategy, we are starting to measure the value of in-fund retail flows (this includes in-fund preservation, annuitisation and consolidation).

AFRIS continues to deliver on its value proposition as a flagship default solution for retirement fund clients and employers in line with default regulations, in addition to being a competitive solution for members' compulsory retirement savings. We will also continue to explore ways to evolve the solution to grow asset inflows into AFRIS to a broader market set and widen the eligibility criteria.

Closing assets under administration (AuA) in AFRIS increased 26% year on year to R15.3 billion as at 30 September 2022, with a total of 224 corporate clients and over 7 600 members. We continue to win new business into AFRIS with new asset inflows up 14% year on year to R2.4 billion.

The ultimate aim of our member engagement strategy is to improve overall financial outcomes for our members. Most of our members rely on retirement savings as the single biggest source of long-term savings. Since improved preservation rates affect long-term outcomes for members, we continue to pay close attention to this key metric.

We have seen a slight drop in the preservation rate[3] to 55% (2021: 56%), resulting from the continued economic pressures being experienced by most of our members. The effectiveness of our active engagement initiatives with members, however, remained stable. The reduction in the net retention rate[4] to 24% (2021: 25%) is driven by lower preservation during the current period.

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

4 The percentage value of fund assets that remain with Alexforbes over total exits.

Multinational

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

Operating income increased 9% year on year to R147 million, attributable to growth from Botswana, Namibia and multinational consulting. Botswana reported strong growth of 14% led by new client mandates signed in the asset consulting business in the second half of the prior financial year. Recurring administration fee income from clients in Botswana and Namibia grew above inflation mainly from the recovery within our client base, as they increased underlying payrolls as well as number of members. Channel Islands business growth remained flat owing to weak market conditions experienced both locally and globally.

Our multinational consulting business delivers health, wealth and risk solutions to multinational clients throughout Africa and is aligned to our advice-led framework. This business continues to grow, showing strong year-on-year growth led by client wins in our health solution offerings. We continue to see the benefits of a coordinated consulting and service approach across Africa, and we have added 18 new clients year on year, taking the total number of corporate clients to 89. We continue with our partnership with Mercer and are also forming new partnerships with other global market leaders to align our broking services to multinational companies.

Other income

Other income comprises income earned from information technology services provided to entities that previously formed part of the group and sublease arrangements to external parties. The group reported other income of R26 million, of which R17 million relates to rental income generated from sub-leasing additional office space.

Operating expenses

Operating expenses of R1 358 million increased 14% year on year. The increase in operating expenses is in line with our plan for the period and reflects both the growth in capacity and inflationary pressure prevalent in the current market environment.

Since commencement of our strategic reset in March 2019, we have been successful in improving our administration offering. We have achieved this improvement through deliberate efforts to drive operational excellence and efficiency as well as managing controllable administration expenses by ensuring the right skills and capacity are aligned to our client experience commitments.

Our strategy also incorporates plans to address inefficiencies through simplification, automation and process improvement. We have retained existing clients and won significant administration appointments, which indicates a strong level of confidence in our retirement administration. The growth in operating expenses for continuing operations over the last three years compounds to 7% including the absorbed stranded costs[5]. Excluding the impact of stranded costs, growth in operating expenses compounds to 5% over the same period.

Personnel costs (about 62% of total operating expenses) increased 12% year on year, and aligns with approved vacancies being filled and the earlier inflationary increase. The Covid-19 pandemic also required a conscious effort to reduce personnel costs through limited replacement appointments following the decision at the onset of the pandemic to implement a headcount freeze.

Technology costs were 26% higher year on year owing to unfavourable exchange rates, increased depreciation on software deployed and increased development costs in line with our investment in re-engineering.

During the current period, significant progress was made on our largest lease contract for the Sandton head office, which has two years remaining. We concluded additional sublease rental arrangements that will marginally reduce our expense in the second half of the current financial year. In addition, we have also renegotiated and extended the Sandton lease contract for a further four years at reduced rental. The new lease arrangement will take effect in October 2024. The impact of a smaller footprint together with lower market-related rental rates is expected to reduce our premises costs from the current level by approximately R150 million and should translate to a 350 bps reduction in our cost-to-income ratio. The full effect of this cost reduction will materialise in financial year 2026.

Our stated strategic objective of transforming into the most inclusive retail financial advice firm means diversification in the retail financial advice segmentation beyond our traditional post-retirement market. This journey includes scaling up our financial planning consultants (FPC) division. Building skills, innovating and ensuring value is delivered require that we invest in our employees.

As previously indicated further investment will still be required in areas of our business where efficiencies and operational excellence are critical and to strengthen our talent pool in anticipation of future growth. We will balance our need to invest with affordability constraints over time.

5 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).

We remain committed to the target for organic growth in expenses over the medium to long term of between 6% and 8% per year. Management remains resolute in its efforts to continue the journey towards becoming a highly automated, digitised and simplified business geared towards the future needs of our clients.

Items below profit from operations

Non-trading and capital items

The expense in non-trading and capital items increased to R75 million (2021: R17 million) owing to the performance of the insurance cell-captive facility that reported a loss of R33 million (2021: R19 million profit) resulting from increased reserves provided for during the period and an increase in costs relating to corporate transactions. Non-trading and capital items also include the amortisation of intangible assets amounting to R21 million (2021: R28 million).

The accounting for the amortisation of intangible assets and the results of the cell-captive facility are excluded when calculating the group's normalised earnings. The details of the normalised adjustments are contained on page 23.

Investment income

Investment income of R60 million (2021: R40 million), includes interest earned from the regulatory capital and surplus cash position of the company, increased 50% owing to a higher interest rate earned on positive cash balances during the period. In addition, an investment loss of R10 million (2021: R14 million profit) related to individual policyholder investments is recorded in the consolidated income statement. An equal tax credit 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

Total finance costs decreased 12% to R29 million (2021: R33 million) due to a reduction in the finance cost associated with lease liabilities. Interest of R2 million was incurred on the term debt drawn-down to fund the EBS acquisition.

Profit before tax

Profit before taxation from continuing operations of R299 million is down 24% due to the decrease in profit from operations and an increase in non-trading and capital items. The effective tax rate, excluding the policyholder tax, of 34% remains high due to unutilised tax losses that have not been raised as deferred tax assets during the period and foreign withholding taxes. The group is progressing with a strategic initiative to restructure our financial services business to improve profitability and the related tax position.

Discontinued operations

Discontinued operations include the operating results of:

- **The group risk and retail life business operations:** The sale and transfer of these businesses was concluded in the previous financial year. The attributable loss from this discontinued business was R45 million (2021: R85 million loss). The loss includes reserving requirements resulting from ongoing clean-up and finalisation of claims as part of the transaction implementation.
- **The AFICA group:** The sale of the AFICA group was announced on 6 December 2021 as part of a transaction with Sanlam Life Insurance Limited. The AFICA group reported a profit for the period of R20 million (2021: R6 million).

After finance charges and taxes, the loss for the period from discontinued operations was R25 million (2021: R79 million).

The details of the operating results of discontinued operations are included in note 8.

Headline earnings

Headline earnings from continuing operations of R199 million is 17% lower year on year. Headline earnings per share for continuing operations is 16.1 cents per share (2021: 18.9 cents per share) down 15% year on year. Headline earnings from total operations of R174 million improved 8% year on year owing to the improved financial performance of the discontinued operations.

Normalised earnings

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

Financial position and dividends

Financial position

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

All regulated entities within the group comply with current liquidity and regulatory solvency capital requirements (SCR).

At 30 September 2022 the consolidated regulatory capital requirement of the group amounted to R1 379 million, 12% lower from year-end. Using the measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards implemented during 2018, the group has a regulatory surplus capital of R1 206 million. The current regulatory capital cover of 1.9 times is well above the group policy cover ratio of 1.2 times.

The group continues to finalise and settle the outstanding claims under the AF Life insurance policies which are now in runoff. This process is expected to take at least another 12 months. Our capital requirements will be impacted on closing of this insurance entity given that the group designation as an insurer will be changed, We will continue to refine our capital position to ensure an optimal outcome.

The group's cash flows remain strong with cash generated from continuing operations of R273 million. The group continues to maintain a high conversion of profit from operations to cash.

On 23 September 2022, the group cancelled 26 501 838 shares that were acquired as part of the share buyback programme and these shares were subsequently withdrawn from the JSE, which reduced the issued share capital of the company.

Interim dividend declaration

Alexforbes's dividend policy is set at a target range of 1.0 to 1.5 times earnings cover. The dividend is set with reference to normalised headline earnings.

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

The board has declared an interim gross cash dividend of 15 cents (12 cents net of dividend withholding tax) per ordinary share for the six months ended 30 September 2022 (2021: 12 cents per ordinary share).

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

The issued number of shares at the date of declaration is 1 327 582 154.

The directors have satisfied the solvency and liquidity test as required in terms of section 4(1) of the Companies Act 71 of 2008.

The salient dates for the dividend will be as follows:

Declaration date	Monday 5 December 2022
Last day of trade to receive a dividend	Tuesday 3 January 2023
Shares commence trading 'ex' dividend	Wednesday 4 January 2023
Record date	Friday 6 January 2023
Payment date	Monday 9 January 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 January 2023 and Friday, 6 January 2023, both days inclusive.

Prospects

Management continues to focus on the implementation of the corporate transactions with a view to ensuring a smooth transition experience for clients in the short term and to unlock the value of increased scale into the future.

The business model has been distilled and we will consider further acquisition opportunities to expand our core businesses of consulting, administration and investments. We will look to raise capital-efficient funding as part of any anticipated acquisition.

Opportunities for acquisitions will be considered where they:

- increase membership of administered funds
- increase consulting footprint or scale up retail advice business
- add advisory or advisory support capabilities
- supplement revenue across core lines

The business is making significant progress towards becoming a member-oriented financial services company by creating the necessary focus and alignment across the enterprise to pivot towards the retail market. Alexforbes's stated intention is to double the size of the retail investments book within the next five years by leveraging regulatory change, digital transformation, its foothold at institutional clients and scaling up its retail advice. We anticipate that a number of key developments will be implemented during the remainder of the year moving us towards this vision.

We expect an operationally stable year where profit growth may be hampered by persistent market headwinds. In addition, we will continue to invest in our capacity for growth. Building skills, innovating and ensuring value is delivered in all service and advice requires that we invest in our employees. We will balance our need to invest with affordability constraints over time.

Management remains resolute in its efforts to continue the journey towards becoming a highly automated, digitised and simplified business geared towards the future needs of our clients.

Sustainability is a key focus area across the business, which has mobilised to act as a force for good through our actions as a corporate citizen, allocator of assets and, ultimately, as a trusted adviser to clients.

Change in directorate

The following changes to the board were announced through the period: Ms Marinda Dippenaar and Messrs Pavan Dhamija and Gary Herbert were appointed as non-executive directors effective 26 August 2022. Mr Herbert was also appointed to the remuneration, nomination and mergers and acquisitions committees.

Corporate governance

The company's application of the principles contained in the King IV Report on Corporate Governance™ for South Africa is disclosed in the 2022 financial year ESG 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

AD Mminele
Non-executive chair

DJ de Villiers
Chief executive officer

5 December 2022

Condensed consolidated financial statements

The Alexander Forbes Group Holdings Limited (the group) condensed consolidated interim results for the period ended 30 September 2022 (interim results) are prepared in accordance with:

- International Financial Reporting Standards (IFRS) including the information required by IAS 34 Interim Financial Reporting
- the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee
- Financial Pronouncements as issued by the Financial Reporting Standards Council
- the JSE Limited (JSE) Listings Requirements; and the requirements of the South African Companies Act No. 71 of 2008 applicable to condensed consolidated financial statements

The condensed consolidated interim results of the group for the period ended 30 September 2022 include the:

- condensed consolidated income statement
- condensed consolidated statement of other comprehensive income
- condensed consolidated statement of financial position
- condensed consolidated statement of cash flows
- condensed consolidated statement of changes in equity
- notes to the 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 interim results are consistent with the accounting policies applied in the preparation of the group's previous audited consolidated annual financial statements and corresponding interim results.

Additionally, these interim results have not been audited, reviewed or reported on by the group's external auditors.

The group's 2022 annual financial information has been extracted from the underlying audited consolidated annual financial statements for the year ended 31 March 2022. These condensed consolidated financial statements were compiled under the supervision of Mr BP Bydawell (Chief financial officer), CA (SA), CFA.

The board of directors of Alexander Forbes Group Holdings Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

The results were made publicly available on 5 December 2022 on our website: **https://investors.alexforbes.com/financial-results**

Condensed consolidated income statement

For the six months ended 30 September 2022

Rm	Notes	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Continuing operations				
Fee and commission revenue	2	**2 167**	2 047	4 198
Fee and commission expenses		**(481)**	(482)	(977)
Operating income net of direct expenses		**1 686**	**1 565**	**3 221**
Other income	3	**26**	18	39
Operating expenses		**(1 358)**	(1 194)	(2 540)
Profit from operations before non-trading and capital items		**354**	**389**	**720**
Non-trading and capital items	4	**(75)**	(17)	(63)
Operating profit		**279**	**372**	**657**
Investment income	5	**50**	54	123
Finance costs	6	**(29)**	(33)	(63)
Reported loss arising from accounting for policyholder investments as treasury shares		**(1)**	(2)	(4)
Profit before taxation		**299**	**391**	**713**
Income tax expense	7	**(95)**	(151)	(235)
Income tax expense relating to group profits		**(105)**	(137)	(213)
Income tax credit/(expense) relating to policyholder investment returns		**10**	(14)	(22)
Profit for the period from continuing operations		**204**	**240**	**478**
Discontinued operations				
(Loss)/profit from discontinued operations (net of tax)	8	**(25)**	(79)	29
Profit for the period		**179**	**161**	**507**
Profit attributable to:				
Owners of the company		**174**	159	495
Non-controlling interest		**5**	2	12
		179	**161**	**507**
Basic earnings per share (cents)		**14.1**	12.6	39.3
Diluted earnings per share (cents)		**13.2**	11.8	36.5

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2022

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Profit for the period	**179**	**161**	**507**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss[1]	**13**	**(2)**	**(16)**
Foreign currency translation differences – foreign operations	**13**	(2)	(16)
Other comprehensive income for the period that will not be reclassified to profit or loss[1]	**31**	**–**	**3**
Remeasurement of post-employment benefit obligations	**31**	–	3
Total comprehensive income for the period	**223**	**159**	**494**
Total comprehensive income attributable to:			
Owners of the company	**218**	157	482
Non-controlling interest	**5**	2	12
Total comprehensive income for the period	**223**	**159**	**494**

1 Net of related taxes.

Condensed consolidated statement of financial position

At 30 September 2022

Rm	Notes	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Assets				
Financial assets held under multi-manager investment contracts	10	**345 081**	351 739	363 816
Goodwill	12	**1 425**	1 392	1 392
Intangible assets		**162**	161	129
Property and equipment		**429**	478	472
Purchased and developed computer software		**200**	136	165
Deferred tax assets		**169**	189	187
Financial assets	11	**347**	671	522
Insurance receivables		**330**	1 046	698
Tax assets		**43**	27	49
Trade and other receivables	13	**487**	296	285
Cash and cash equivalents		**2 689**	2 374	2 732
Assets of disposal group classified as held for sale	8	**31**	1 024	37
Total assets		**351 393**	**359 533**	**370 484**
Equity and liabilities				
Owners of the company		**4 068**	3 978	4 073
Non-controlling interest		**33**	35	33
Total equity		**4 101**	**4 013**	**4 106**
Financial liabilities held under multi-manager investment contracts	10	**345 085**	351 756	363 827
Borrowings	14	**133**	27	26
Employee benefits		**148**	155	136
Deferred tax liabilities		**71**	88	79
Provisions	15	**229**	332	199
Lease liabilities		**498**	620	581
Insurance payables		**433**	1 053	843
Trade and other payables		**656**	482	654
Tax liabilities		**27**	7	21
Liabilities of disposal group classified as held for sale	8	**12**	1 000	12
Total liabilities		**347 292**	**355 520**	**366 378**
Total equity and liabilities		**351 393**	**359 533**	**370 484**

Condensed consolidated statement of cash flows

For the six months ended 30 September 2022

Rm	Notes	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Cash flows from operating activities				
Cash generated from operations		**273**	298	809
Interest received		**54**	35	84
Interest paid		**(29)**	(33)	(63)
Net cash flows received from insurance and policyholder contracts		**14**	10	15
Net cash flows received from policyholder investment contracts		**249**	567	1 182
Taxation paid		**(92)**	(128)	(235)
Dividends paid		**(263)**	(119)	(275)
Payments made to non-controlling interests		**(5)**	(4)	(9)
Cash flows from operating activities – discontinued operations		**(54)**	(149)	44
Net cash inflow from operating activities		**147**	**477**	**1 552**
Cash flows from investing activities				
Additions to financial assets		**(33)**	(122)	(234)
Proceeds from disposal of financial assets		**214**	498	771
Payments for capital expenditure incurred on property, equipment and computer software		**(53)**	(32)	(115)
Payment for acquisition of subsidiary (net of cash acquired)	12	**(84)**	–	–
Proceeds from sale of subsidiaries and businesses		**–**	–	50
Cash flows from investing activities – discontinued operations		**–**	–	(257)
Net cash inflow from investing activities		**44**	**344**	**215**
Cash flows from financing activities				
Repayment of borrowings		**(1)**	(2)	(3)
Borrowings raised	14	**108**	–	–
Payments of lease liabilities		**(87)**	(73)	(157)
Purchase of shares in terms of share buy-back and share-incentive schemes		**(20)**	(90)	(223)
Net proceeds from sale of treasury shares held by policyholder investments		**8**	–	8
Purchase of treasury shares held by policyholder investments		**–**	(6)	(6)
Disposal of treasury shares held by policyholder investments		**8**	6	14
Net cash inflow/(outflow) from financing activities		**8**	**(165)**	**(375)**
Increase in cash and cash equivalents		**199**	656	1 392
Cash and cash equivalents at the beginning of the period		**9 073**	7 699	7 699
Effects of exchange rate changes on cash and cash equivalents		**14**	(3)	(18)
Cash and cash equivalents at the end of the period		**9 286**	**8 352**	**9 073**
Analysed as follows:				
Cash and cash equivalents of continuing operations		**2 689**	**2 374**	**2 732**
Cash held under multi-manager investment contracts[1]		**6 568**	**5 688**	**6 311**
Cash and cash equivalents of disposal group classified as held for sale		**29**	**290**	**30**
		9 286	**8 352**	**9 073**

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

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2022

Rm	Share capital	Treasury shares	Other reserves	Accumulated loss	Total equity holders' funds	Non-controlling interest	Total equity
At 31 March 2021	**6 277**	**(445)**	**211**	**(2 052)**	**3 991**	**37**	**4 028**
Total comprehensive income	–	–	(2)	159	157	2	159
Profit for the period	–	–	–	159	159	2	161
Other comprehensive income	–	–	(2)	–	(2)	–	(2)
Total transactions with owners of the company	–	(51)	–	(119)	(170)	(4)	(174)
Shares purchased in terms of share buy-back programme and share incentive schemes[1]	–	(90)	–	–	(90)	–	(90)
Settlement of share incentive schemes[2]	–	39	(39)	–	–	–	–
Movement of treasury shares in policyholder assets	–	–	–	–	–	–	–
Dividends paid	–	–	–	(119)	(119)	(4)	(123)
Movement in share-based payment reserve	–	–	39	–	39	–	39
At 30 September 2021	**6 277**	**(496)**	**209**	**(2 012)**	**3 978**	**35**	**4 013**
Total comprehensive income	–	–	(14)	339	325	10	335
Profit for the period	–	–	–	336	336	10	346
Other comprehensive income	–	–	(14)	3	(11)	–	(11)
Total transactions with owners of the company	(180)	69	37	(156)	(230)	(12)	(242)
Share cancellation[3]	(180)	180	–	–	–	–	–
Shares purchased in terms of share buy-back programme and share incentive schemes[4]	–	(133)	–	–	(133)	–	(133)
Settlement of share incentive schemes[5]	–	14	(14)	–	–	–	–
Movement of treasury shares in policyholder assets	–	8	–	–	8	–	8
Dividends paid	–	–	–	(156)	(156)	(5)	(161)
Movement in share-based payment reserve	–	–	51	–	51	–	51
Other movements in non-controlling interest[6]	–	–	–	–	–	(7)	(7)
At 31 March 2022	**6 097**	**(427)**	**232**	**(1 829)**	**4 073**	**33**	**4 106**
Total comprehensive income	**–**	**–**	**13**	**205**	**218**	**5**	**223**
Profit for the period	**–**	**–**	**–**	**174**	**174**	**5**	**179**
Other comprehensive income	**–**	**–**	**13**	**31**	**44**	**–**	**44**
Total transactions with owners of the company	**(117)**	**158**	**(1)**	**(263)**	**(223)**	**(5)**	**(228)**
Share cancellation[7]	**(117)**	**117**	**–**	**–**	**–**	**–**	**–**
Shares purchased in terms of share incentive schemes[8]	**–**	**(20)**	**–**	**–**	**(20)**	**–**	**(20)**
Settlement of share incentive schemes[9]	**–**	**53**	**(53)**	**–**	**–**	**–**	**–**
Movement of treasury shares in policyholder assets	**–**	**8**	**–**	**–**	**8**	**–**	**8**
Dividends paid	**–**	**–**	**–**	**(263)**	**(263)**	**(5)**	**(268)**
Movement in share-based payment reserve	**–**	**–**	**52**	**–**	**52**	**–**	**52**
At 30 September 2022	**5 980**	**(269)**	**244**	**(1 887)**	**4 068**	**33**	**4 101**

1 The group purchased AFH shares to the value of R60 million, at an average price of R3.93 per share (15 253 382 shares), in a general buyback approved by shareholders. In addition, shares to the value of R30 million were purchased for shareholder-approved share incentive schemes.
2 Shares amounting to R39 million relating to the forfeitable share scheme were settled.
3 The group cancelled 47 457 417 shares which were withdrawn on the JSE on 11 November 2021.
4 The group purchased AFH shares to the value of R100 million, at an average price of R4.49 per share (22 247 902 shares), in a general buyback approved by shareholders. In addition, shares to the value of R33 million were purchased for shareholder-approved share incentive schemes.
5 Shares amounting to R14 million relating to the 2017 tranche of the forfeitable share scheme were settled.
6 This amount relates to changes in non-controlling interests following the disposal of the group's shareholding in the short-term insurance operation in Namibia.
7 The group cancelled 26 501 838 shares which were withdrawn on the JSE on 23 September 2022.
8 Shares to the value of R20 million were purchased for shareholder-approved share incentive schemes.
9 The group settled shares amounting to R32 million relating to the forfeitable share scheme. In addition, shares amounting to R21 million relating to the conditional share scheme were settled.

Condensed consolidated segmental income and profit analysis

For the six months ended 30 September 2022

Rm	Retirement consulting 2022	Retirement consulting 2021	Healthcare consulting 2022	Healthcare consulting 2021	Investments 2022	Investments 2021	Individual consulting 2022	Individual consulting 2021	Multinational 2022	Multinational 2021	Total consulting 2022	Total consulting 2021	Investments, Products & Enablement (IP&E) 2022	Investments, Products & Enablement (IP&E) 2021	Client Services & Business Optimisation (CSBO) 2022	Client Services & Business Optimisation (CSBO) 2021	Group total 2022	Group total 2021
Continuing operations																		
Fee and commission revenue	**479**	431	**174**	149	**1 065**	1 033	**290**	288	**159**	146	**2 167**	2 047	**–**	–	**–**	–	**2 167**	2 047
Fee and commission expenses	**(11)**	(10)	**–**	–	**(349)**	(344)	**(109)**	(117)	**(12)**	(11)	**(481)**	(482)	**–**	–	**–**	–	**(481)**	(482)
Operating income net of direct expenses	**468**	**421**	**174**	**149**	**716**	**689**	**181**	**171**	**147**	**135**	**1 686**	**1 565**	**–**	**–**	**–**	**–**	**1 686**	**1 565**
Other income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**26**	18	**26**	18
Operating expenses	**(445)**	(415)	**(140)**	(118)	**(507)**	(428)	**(163)**	(151)	**(141)**	(131)	**(1 396)**	(1 243)	**–**	–	**(17)**	–	**(1 413)**	(1 243)
Operating expenses before recoveries	**(107)**	(108)	**(60)**	(51)	**(42)**	(41)	**(84)**	(56)	**(120)**	(109)	**(413)**	(365)	**(103)**	(100)	**(929)**	(824)	**(1 445)**	(1 289)
Recoveries from IP&E	**(10)**	(2)	**(12)**	(8)	**(73)**	(79)	**(6)**	(6)	**(2)**	(2)	**(103)**	(97)	**103**	97	**–**	–	**–**	–
Recoveries from CSBO	**(328)**	(305)	**(68)**	(59)	**(392)**	(308)	**(73)**	(92)	**(19)**	(20)	**(880)**	(784)	**–**	–	**880**	784	**–**	–
Recoveries from discontinued operations	**–**	–	**–**	–	**–**	–	**–**	3	**–**	–	**–**	3	**–**	3	**32**	40	**32**	46
Normalised profit from operations before non-trading and capital items	**23**	**6**	**34**	**31**	**209**	**261**	**18**	**20**	**6**	**4**	**290**	**322**	**–**	**–**	**9**	**18**	**299**	**340**
Normalised non-trading and capital items	**(2)**	–	**–**	–	**–**	–	**–**	–	**(1)**	–	**(3)**	–	**–**	–	**(18)**	(8)	**(21)**	(8)
Normalised operating profit	**21**	**6**	**34**	**31**	**209**	**261**	**18**	**20**	**5**	**4**	**287**	**322**	**–**	**–**	**(9)**	**10**	**278**	**332**
Normalised investment income	**–**	–	**1**	–	**1**	1	**2**	2	**1**	1	**5**	4	**–**	–	**56**	36	**61**	40
Normalised finance cost	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(6)**	(3)	**(6)**	(3)
Normalised profit before taxation	**21**	**6**	**35**	**31**	**210**	**262**	**20**	**22**	**6**	**5**	**292**	**326**	**–**	**–**	**41**	**43**	**333**	**369**
Normalised income tax expense	**(7)**	(2)	**(12)**	(11)	**(70)**	(96)	**(7)**	(8)	**(2)**	(2)	**(98)**	(119)	**–**	–	**(14)**	(16)	**(112)**	(135)
Normalised profit for the period from continuing operations	**14**	**4**	**23**	**20**	**140**	**166**	**13**	**14**	**4**	**3**	**194**	**207**	**–**	**–**	**27**	**27**	**221**	**234**
Normalised profit from discontinued operations (net of tax)	**–**	–	**–**	–	**–**	–	**–**	(3)	**–**	–	**–**	(3)	**–**	–	**(25)**	(76)	**(25)**	(79)
Normalised profit for the period	**14**	**4**	**23**	**20**	**140**	**166**	**13**	**11**	**4**	**3**	**194**	**204**	**–**	**–**	**2**	**(49)**	**196**	**155**
Normalised adjustments	**–**	–	**–**	–	**–**	–	**–**	–	**(2)**	(1)	**(2)**	(1)	**–**	–	**(15)**	7	**(17)**	6
Accounting for property leases	**–**	–	**–**	–	**–**	–	**–**	–	**(2)**	(1)	**(2)**	(1)	**–**	–	**33**	20	**31**	19
Amortisation of intangible assets arising from the 2007 private equity business combination	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(21)**	(28)	**(21)**	(28)
Professional indemnity insurance cell-captive result	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(33)**	19	**(33)**	19
Reported profit arising from accounting for policyholder investments in treasury shares	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	(2)	**(1)**	(2)
Investment income on behalf of policyholders	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(10)**	14	**(10)**	14
Tax effects on normalised adjustments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17**	(16)	**17**	(16)
Profit for the period	**14**	**4**	**23**	**20**	**140**	**166**	**13**	**11**	**2**	**2**	**192**	**203**	**–**	**–**	**(13)**	**(42)**	**179**	**161**
Normalised basic earnings per share (cents)																	**15.5**	12.0
Normalised headline earnings per share (cents)																	**15.5**	12.2
Normalised weighted average number of shares in issue (millions)																	**1 231**	1 271

Condensed consolidated segmental income and profit analysis continued

For the six months ended 30 September 2022

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

1. A client-facing team under the consulting platform,
2. A hub for innovative solutions and product enablement under the investments, products & enablement (IP&E) platform and
3. A joint platform for services, including fund administration and shared services under the client services & business optimisation (CSBO) platform.

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

Consulting – this includes:

- **Retirement consulting** – 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 for administration services as well as technology services fees earned by EBS recognised from July 2022.
- **Healthcare consulting** – includes corporate health consulting, actuarial and technical advisory services and health management solutions.
- **Investments** – includes both individual and institutional offerings of financial advice, administration and management of investments.
- **Individual consulting** – incorporates financial planning consultants (FPC).
- **Multinational** – comprises business operations where we have physical offices in areas outside South Africa (Botswana, Namibia, Nigeria and the Channel Islands) and consulting advice provided outside South Africa through the multinational consulting offering.

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

Investments, Product & Enablement (IP&E)

This platform includes the investment management team, research & best practice academy, product management and other enabling units such as the chief economist's office, analytics and technical marketing. The costs of this platform are allocated to the segmented business units, within the consulting platform in our segmental reporting.

Client Services & Business Optimisation (CSBO)

This platform includes our administration operations, technology and shared services units. The costs of this platform are allocated to the segmented business units above in our segmental reporting.

Cost allocation methodology

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

Direct recoveries include:

- Cost for administration services for administering funds in the retirement consulting business.
- IT costs directly attributable to the segments, including software licence fees, hardware and depreciation. Part of these costs have been allocated based on headcount.
- IP&E costs related to product enablement, research and development. The allocation of these costs is based on the segment's contribution to operating profit.
- Other shared services functions, including human resources, finance, premises and facilities management, compliance, internal audit, legal, marketing and corporate. These costs are allocated based on the segmental contribution to gross revenue.

Normalised segmental results

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

Amortisation of intangible assets arising from the 2007 private equity business combination

– Non-trading and capital items include the ongoing accounting amortisation of these intangible assets. The capitalisation of these intangible assets resulted from the required accounting treatment at the time of the private equity acquisition of the group in 2007. The amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group.

Professional indemnity insurance cell-captive results

– The profits and losses of the facility are a result of the premiums paid, claims experienced and the changes made to the provision for expected future claims. The recorded profits and losses of the cell-captive facility should trend to zero over the longer term. The annual premiums paid for this insurance are included in the operating expenses of each segment. The group is required to consolidate the financial results of the cell-captive amounting to a loss of R33 million for the period ended 30 September 2022 (2021: R19 million profit) which are recorded in the non-trading and capital items.

Accounting for property lease

– The group previously isolated and removed the accounting impact, under IAS 17, for property leases from the normalised results to afford a better comparison and to reflect the true premises cost over the long term. IFRS 16 requires an on-balance sheet recognition and measurement model for lessees, which includes the recognition of right-of-use assets as well as lease liabilities resulting in depreciation and finance costs being recognised in the income statement. These costs replace rental expenses which were recognised on a straight-line basis under IAS 17. In order to ensure comparability and to again reflect the true premises cost, adjustments amounting to R55 million (2021: R49 million) have been effected to profit before non-trading and capital items in addition to finance costs of R24 million (2021: R30 million), resulting in a net adjustment of R31 million (2021: R19 million) to profit before tax.

Reported profit or loss arising from accounting for policyholder investment in treasury shares

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

Investment income and taxation payable on behalf of policyholders

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

Condensed notes

For the six months ended 30 September 2022

1. Basis of preparation

The condensed consolidated interim results of Alexander Forbes Group Holdings Limited (the group) for the six months ended 30 September 2022 include the condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity.

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

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

2. Fee and commission revenue

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

Disaggregation of revenue

	Retirement consulting		Healthcare consulting		Investments		Individual consulting		Multinational		Group total	
Rm	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenue by type												
Consulting and advice fees	**101**	91	**38**	24	**17**	5	**289**	288	**67**	60	**512**	468
Administration fees	**309**	295	**-**	-	**-**	-	**1**	-	**71**	66	**381**	361
Commission	**48**	45	**136**	125	**-**	-	**-**	-	**6**	5	**190**	175
Investment management fees	**-**	-	**-**	-	**1 048**	1 028	**-**	-	**15**	15	**1 063**	1 043
Technology services fees	**21**	-	**-**	-	**-**	-	**-**	-	**-**	-	**21**	-
Total	**479**	**431**	**174**	**149**	**1 065**	**1 033**	**290**	**288**	**159**	**146**	**2 167**	**2 047**
Revenue by region												
South Africa	**476**	431	**174**	149	**1 065**	1 033	**290**	288	**-**	-	**2 005**	1 901
Namibia	**1**	-	**-**	-	**-**	-	**-**	-	**57**	53	**58**	53
Botswana	**-**	-	**-**	-	**-**	-	**-**	-	**63**	55	**63**	55
Jersey and Channel Islands	**-**	-	**-**	-	**-**	-	**-**	-	**32**	32	**32**	32
Other	**2**	-	**-**	-	**-**	-	**-**	-	**7**	6	**9**	6
Total	**479**	**431**	**174**	**149**	**1 065**	**1 033**	**290**	**288**	**159**	**146**	**2 167**	**2 047**
Timing of revenue recognition												
Products transferred at a point in time	**16**	9	**2**	2	**-**	-	**23**	25	**1**	2	**42**	38
Services transferred over time	**463**	422	**172**	147	**1 065**	1 033	**267**	263	**158**	144	**2 125**	2 009
Total	**479**	**431**	**174**	**149**	**1 065**	**1 033**	**290**	**288**	**159**	**146**	**2 167**	**2 047**

Condensed notes continued

For the six months ended 30 September 2022

3. Other income

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Sub-rental income	**17**	14	31
Technology fees	**9**	4	8
Total other income[1]	**26**	**18**	**39**

1 *The increase in other income relates to additional office space taken up by a new sublease tenant and technology fees billed on the conclusion of the transitional services agreement relating to the sale of insurance policies held by Alexander Forbes Life Limited.*

4. Non-trading and capital items

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Professional indemnity insurance cell-captive result	**(33)**	19	22
Amortisation of intangible assets arising from business combination[1]	**(21)**	(28)	(56)
Professional costs for corporate transactions	**(21)**	(6)	(21)
Loss on disposal of property and equipment	**-**	(2)	-
Software in development written off	**-**	-	(2)
Other	**-**	-	(6)
Total non-trading and capital items	**(75)**	**(17)**	**(63)**

1 *Amortisation of intangible assets arising from the 2007 private equity business combination.*

5. Investment income

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Interest income	**52**	40	83
Investment and dividend income	**8**	-	18
	60	**40**	**101**
Multi-manager operations			
Investment returns linked to policyholder tax expense	**(10)**	14	22
Total investment income	**50**	**54**	**123**
Investment income is derived from the following categories of financial assets:			
Amortised cost	**52**	41	83
Financial assets at fair value	**(2)**	13	40
Total investment income	**50**	**54**	**123**

6. Finance costs

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Interest on lease liabilities	**(24)**	(30)	(55)
Interest on borrowings	**(2)**	-	(2)
Net hedging costs	**-**	(2)	(2)
Other interest	**(3)**	(1)	(4)
Total finance costs	**(29)**	**(33)**	**(63)**

7. Income tax expense

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
South African income tax			
Current tax	**(95)**	(123)	(199)
Current year	**(95)**	(123)	(199)
Prior years	**-**	-	-
Deferred tax	**2**	(9)	6
Current year	**1**	(9)	12
Prior years	**1**	-	1
Rate change adjustment[1]	**-**	-	(7)
Foreign income tax	**(8)**	**(3)**	**(15)**
Current tax	**(5)**	(3)	(10)
Deferred tax	**(3)**	-	(5)
Foreign withholding tax	**(4)**	**(2)**	**(5)**
Income tax expense relating to corporate profits	**(105)**	(137)	(213)
Income tax expense on policyholder investment returns	**10**	(14)	(22)
Current tax - current year	**(4)**	(7)	(14)
Deferred tax - current year	**14**	(7)	(8)
Income tax expense	**(95)**	**(151)**	**(235)**

1 *The Finance Minister's budget speech indicated the lowering of the corporate tax rate from 28% to 27% for years of assessment commencing on or after 1 April 2022. As such, deferred tax assets and liabilities have been calculated at the future corporate tax rate of 27%.*

Condensed notes continued

For the six months ended 30 September 2022

8. Discontinued operations

The group risk and retail life operations were classified as discontinued operations in March 2019. The AFICA group, comprising Alexander Forbes Individual Client Administration Proprietary Limited and its two wholly owned subsidiaries, Alexander Forbes Retail Client Administration Proprietary Limited and Alexander Forbes Nominees Proprietary Limited, was classified as discontinued in the previous financial year. The results of operations of the discontinued entities are reported separately in the income statement.

Group risk and retail life operations (AF Life)

In the previous financial year, the group finalised the sale and transfer of the insurance policies held by AF Life, as well as all related liabilities and the reserves created for these policies to Sanlam Life Limited, a subsidiary of Sanlam Limited. The disposal transaction took effect on 31 March 2022. The proceeds from the first 50% of the purchase consideration of R100 million have been received in cash. The remaining 50% will be deferred in two equal payments, 12 and 24 months, from the effective date subject to the achievement of agreed metrics.

From the effective date, the revenue earning activities of the discontinued operation have ceased while the remaining insurance receivables and insurance payables balances are in run off (refer to notes 16 and 26 respectively of the FY2022 annual financial statements).

Alexander Forbes individual client administration business (AFICA group)

The sale of the AFICA group was announced on 6 December 2021 as part of a transaction with Sanlam Life Insurance Limited. The total purchase consideration amounting to R200 million will be settled in cash, consisting of an upfront amount of R160 million payable on the closing date of the transaction and a deferred amount of R40 million.

The disposal is subject to customary terms and conditions for transactions of this nature. The group anticipates the sale to conclude in the final quarter of the 2023 financial year.

8.1 Net profit of business units discontinued

Rm	Notes	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Total net revenue		42	612	513
Net claims, commissions, fees and withdrawals		-	(605)	(400)
Operating income net of direct expenses	8.2	**42**	**7**	**113**
Operating expenses		(65)	(91)	(164)
Loss from operations before non-trading and capital items		**(23)**	**(84)**	**(51)**
Non-trading and capital items		(1)	(1)	-
Operating loss		**(24)**	**(85)**	**(51)**
Investment income		6	9	8
Loss before tax		**(18)**	**(76)**	**(43)**
Income tax expense		(7)	(3)	(8)
Loss for the period from discontinued operations	8.2	**(25)**	**(79)**	**(51)**
Profit on disposal of subsidiaries and businesses[1]		-	-	80
Total (loss)/profit from discontinued operations		**(25)**	**(79)**	**29**
(Loss)/profit attributable to:				
Owners of the company		(25)	(79)	29
		(25)	**(79)**	**29**

1 Profit on disposal of businesses relates to the sale and transfer of the insurance policies held by AF Life.

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

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

Rm	Notes	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Group risk and retail life operations		(34)	(70)	(41)
AFICA group		76	77	154
Operating income net of direct expenses		**42**	**7**	**113**
Group risk and retail life operations	8.2.1	(45)	(85)	(89)
AFICA group		20	6	38
Loss for the period from discontinued operations		**(25)**	**(79)**	**(51)**

8.2.1 Group risk and retail life operations

The loss includes reserving requirements resulting from ongoing clean-up and finalisation of claims as part of the transaction implementation.

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

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Long-term assets	1	31	1
Deferred tax asset	1	-	1
Insurance receivables	-	700	-
Trade and other receivables	-	3	5
Cash and cash equivalents	29	290	30
Total assets	**31**	**1 024**	**37**
Insurance payables	-	988	-
Provisions - non-current	1	-	1
Taxation payables	4	-	1
Trade and other payables	7	12	10
Total liabilities	**12**	**1 000**	**12**
Total equity	**19**	**24**	**25**

Condensed notes continued
For the six months ended 30 September 2022

9. Earnings per share

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

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

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

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

9.5 Number of shares

Millions	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Weighted average number of shares	**1 354**	1 402	1 386
Weighted average shares held by policyholders classified as treasury shares	**(1)**	(4)	(4)
Weighted average treasury shares	**(123)**	(131)	(123)
Weighted average number of shares in issue (net of treasury shares)	**1 230**	1 267	1 259
Dilutive shares	**90**	82	98
Diluted weighted average number of shares	**1 320**	**1 349**	**1 357**
Actual number of shares in issue	**1 328**	1 402	1 354
Actual treasury shares	**(92)**	(148)	(126)
Share buy-back programme	**-**	(58)	(33)
Forfeitable share plan (FSP)	**(52)**	(47)	(52)
Employee share option plan (ESOP)	**(39)**	(39)	(39)
Policyholder investment in treasury shares	**(1)**	(4)	(2)
Shares in issue net of treasury shares	**1 236**	**1 254**	**1 228**
Normalised number of shares			
Weighted average number of shares in issue	**1 230**	1 267	1 259
Shares held by policyholders classified as treasury shares	**1**	4	4
Normalised number of shares in issue	**1 231**	**1 271**	**1 263**

9.6 Calculation of basic and headline earnings from total operations

Rm		Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Profit attributable to owners of the company		**174**	159	495
Adjusting items:				
Loss on disposal of property and equipment - continuing operations		**-**	2	2
Software written off - continuing operations		**-**	-	2
Profit on disposal of subsidiaries - discontinued operations		**-**	-	(80)
Headline earnings for the period		**174**	**161**	**419**
Earnings per share from total operations[1]				
Basic earnings per share	(cents)	**14.1**	12.6	39.3
Headline earnings per share	(cents)	**14.1**	12.7	33.2
Diluted basic earnings per share	(cents)	**13.2**	11.8	36.5
Diluted headline earnings per share	(cents)	**13.2**	11.9	30.9

1 *Amounts computed using unrounded numbers.*

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

9.7 Calculation of normalised earnings from total operations

Rm		Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Normalised profit for the period per the group segmental income and profit analysis		**196**	155	501
Less: profit attributable to non-controlling interests		**(5)**	(2)	(12)
Normalised profit attributable to owners of the company		**191**	**153**	**489**
Adjusting items:				
Loss on disposal of property and equipment - continuing operations		**-**	2	2
Software written off - continuing operations		**-**	-	2
Profit on disposal of subsidiaries - discontinued operations		**-**	-	(80)
Normalised headline earnings for the period		**191**	**155**	**413**
Normalised earnings per share[1]				
Normalised basic earnings per share	(cents)	**15.5**	12.0	39.8
Normalised headline earnings per share	(cents)	**15.5**	12.2	32.7

1 *Amounts computed using unrounded numbers.*

Condensed notes continued

For the six months ended 30 September 2022

9. Earnings per share continued

9.8 Calculation of basic and headline earnings from continuing operations

Rm		Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Profit after tax from continuing operations		**204**	240	478
Less: profit attributable to non-controlling interests		**(5)**	(2)	(12)
Profit attributable to owners of the company		**199**	**238**	**466**
Adjusting items:				
Loss on disposal of property and equipment		**-**	2	2
Software written off		**-**	-	2
Headline earnings from continuing operations		**199**	**240**	**470**
Earnings per share from continuing operations[1]				
Basic earnings per share from continuing operations	(cents)	**16.1**	18.8	37.0
Headline earnings per share from continuing operations	(cents)	**16.1**	18.9	37.2
Diluted basic earnings per share from continuing operations	(cents)	**15.1**	17.6	34.3
Diluted headline earnings per share from continuing operations	(cents)	**15.1**	17.8	34.7

1 *Amounts computed using unrounded numbers.*

9.9 Calculation of basic and headline earnings from discontinued operations

Rm		Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
(Loss)/profit after tax from discontinued operations		**(25)**	(79)	29
(Loss)/profit from discontinued operations attributable to owners of the company		**(25)**	(79)	29
Adjusting items:				
Profit on disposal of subsidiaries		**-**	-	(80)
Headline loss from discontinued operations		**(25)**	**(79)**	**(51)**
Earnings per share from discontinued operations[1]				
Basic loss per share from discontinued operations	(cents)	**(2.0)**	(6.2)	2.3
Headline loss per share from discontinued operations	(cents)	**(2.0)**	(6.2)	(4.0)
Diluted basic loss per share from discontinued operations	(cents)	**(2.0)**	(6.2)	2.2
Diluted headline loss per share from discontinued operations	(cents)	**(2.0)**	(6.2)	(4.0)

1 *Amounts computed using unrounded numbers.*

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

As a result of the group being listed, the investments by underlying asset managers in the Alexander Forbes Group Holdings' listed shares are recognised as treasury shares and all fair value adjustments recognised on these treasury shares are reversed, while the corresponding fair value adjustments on the financial liability continue to be recognised in the income statement. The impact on profit in the current year was a loss of R1 million (2021: R2 million loss) and has been disclosed separately on the face of the income statement. This treatment also affects the number of shares in issue, the impact of which is disclosed in note 9.5.

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

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Total financial assets held under multi-manager investment contracts (per statement of financial position)	**345 081**	**351 739**	**363 816**
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	**26**	42	34
Financial effects of accounting for policyholder investments as treasury shares – prior year	**(23)**	(27)	(27)
Financial effects of accounting for policyholder investments as treasury shares – current year	**1**	2	4
Total financial liabilities held for policyholders under multi-manager investment contracts	**345 085**	**351 756**	**363 827**

11. Financial assets

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Non-current financial assets	**47**	47	47
Current financial assets	**300**	624	475
Total financial assets	**347**	**671**	**522**
Financial assets designated at fair value through profit and loss	**300**	624	475
Financial assets classified at amortised cost	**34**	34	34
Financial assets designated as fair value through other comprehensive income	**13**	13	13
Total financial assets	**347**	**671**	**522**

Condensed notes continued
For the six months ended 30 September 2022

12. Acquisition of EBS International Proprietary Limited
On 10 June 2022 the group acquired 100% of the issued share capital in EBS International Proprietary Limited (EBS), a private company in South Africa.

EBS, through its various subsidiaries, provides a multi-service financial services offering to the South African and international markets. These services include hosted administration platforms, 13B administration services, technology services, consulting services, disaster recovery/business continuity services and business analytics.

The details of the purchase consideration are as follows:

Rm	Six months 30 Sep 2022
Cash	**108**
Contingent consideration[1]	**31**
Fair value of the consideration transferred	**139**

1 The group has agreed to pay additional consideration to the seller of two equal payments of R10 million subject to the seller meeting pre-agreed commitments and a final payment of R14.2 million made 12 months from the effective date on condition of no warranty and indemnity claims. The group has recognised R31 million as contingent consideration which represents the fair value at the date of acquisition using net present value method. The discount rate used for the valuation of the contingent consideration is the prime interest rate at acquisition date.

The fair values of the assets acquired and liabilities assumed at the date of acquisition are as follows:

Rm	Six months 30 Sep 2022
Intangible assets	**58**
Property and equipment	**7**
Purchased and developed computer software	**32**
Deferred tax asset	**4**
Trade and other receivables	**28**
Cash and cash equivalents	**24**
Total assets	**153**
Lease liabilities	**(4)**
Deferred tax liability	**(16)**
Trade and other payables	**(25)**
Tax liabilities	**(2)**
Total liabilities	**(47)**
Total net identifiable assets acquired	**106**
Goodwill	**33**
Net assets acquired	**139**

Identifiable net assets
Intangible assets consist of a customer list acquired at a fair value of R58 million.

The fair value of trade and other receivables acquired amounted to R28 million, with the gross contractual balance amounting to R30 million.

Goodwill recognised at acquisition relates to the growth and cost synergies expected to be achieved from integrating EBS into the group's retirement funding business. Goodwill is not deductible for tax purposes.

The net present value method was used to value the customer contracts, whereby the contractual cash flows per revenue stream for each underlying entity within EBS were valued over a term of 1, 2 and 5 years at a discount rate based on the government bond yield rate with a corresponding term and the applicable risk premium.

The group incurred acquisition-related costs of R6 million on legal fees and due diligence costs which have been included in non-trading and capital items in the condensed consolidated income statement.

12. Acquisition of EBS International Proprietary Limited continued

EBS's contribution to the group results
EBS incurred a loss of R361 000 for the period from acquisition date to 30 September 2022. Revenue for the three months to 30 September 2022 was R21 million.

If the acquisition had occurred on 1 April 2022, the consolidated revenue and profit for the group for the six months ended 30 September 2022 would have been R2 187 million and R180 million respectively.

13. Trade and other receivables

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Financial assets			
Trade receivables[1]	**176**	140	131
Other receivables	**156**	50	85
Total financial assets	**332**	**190**	**216**
Non-financial assets			
Accrued and not billed balances	**31**	28	29
Prepayments	**124**	78	40
Total trade and other receivables	**487**	**296**	**285**

1 Included in trade and other receivables is a loss allowance on trade receivables of R26.2 million (2021: R27.5 million).

14. Borrowings

14.1 Analysis of borrowings

Rm	Notes	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Term loan facility	14.4	**108**	-	-
Senior debt facility	14.5	**25**	27	26
Total		**133**	**27**	**26**

14.2 Reconciliation of movement in borrowings

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Opening balance	**26**	29	29
Movements for the year:			
Borrowings raised	**108**	-	-
Interest accrued	**2**	-	2
Interest paid	**(2)**	(1)	(2)
Borrowings repaid	**(1)**	(1)	(3)
Closing balance	**133**	**27**	**26**

14.3 Discounted maturity analysis of borrowings

Rm	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Due within one year	**3**	3	3

Condensed notes continued

For the six months ended 30 September 2022

14. Borrowings continued

14.4 Term loan facility

In June 2022 Alexander Forbes Limited (AFL), a wholly owned subsidiary of the group, entered into a loan facility agreement with The Standard Bank of South Africa Limited (Standard Bank) to finance acquisitions. The total funding available under this facility is R600 million. The holding company of AFL, Alexander Forbes Acquisition Proprietary Limited, has provided a guarantee to Standard Bank for this facility.

An unsecured facility of R107.8 million bearing interest at JIBAR plus 1.65% compounded quarterly was drawn down to fund the purchase of EBS. The repayments over the term of the loan will comprise of interest, whilst the principal is payable at maturity.

14.5 Senior debt facility

In December 2020 Alexander Forbes Namibia Holdings Proprietary Limited (AF Namibia Holdings) obtained a senior debt facility (SDF) of N$28 million dollars to finance the capital expenditure on the refurbishment of the Namibia Head office. The SDF is an unsecured five year term loan facility. Alexander Forbes Financial Services Namibia Proprietary Limited has provided a guarantee to the lender for this obligation.

The facility is unsecured and bears interest at the Namibian prime lending rate plus 1.20% margin per annum compounded daily. The facility is repayable over five years in ten equal instalments of principal (N$1.4 million) and interest, both paid semi-annually in arrears. The outstanding principal of N$14 million and outstanding interest are payable at maturity.

15. Provisions

Rm	Notes	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Provisions for errors and omissions claims		**66**	31	36
Provisions for client settlements – enhanced transfer value	15.1	**41**	171	39
Proposed client settlements		**122**	127	124
Other		**–**	3	–
Total		**229**	**332**	**199**

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

The enhanced transfer value (ETV) liability matter that has been disclosed in prior years relates to a legacy United Kingdom (UK) domiciled subsidiary, Alexander Forbes Consultants and Actuaries Limited (AFCA), that was sold in 2012 to Jardine Lloyd Thompson Group (JLT), now part of the Mercer Group inclusive of certain warranties and a limitation of liability of GBP 18.5 million. The ETV liability arises from redress payments being ordered, to the industry as a whole, by the Financial Conduct Authority, the UK regulator for thematic errors in historical advice. The potential liability for redress payments arising from advice given by AFCA in the UK, to participants of ETV schemes between 2008 and 2011, is calculated using certain assumptions based on a sample of the total number of cases that may require redress.

The group has an insurance programme to manage the risk of potential claims that arise from conducting activities of its business. There are seven insurance layers which in total provide cover for GBP 140 million above our self-insured excess under the error and omissions insurance programme. At 30 September, one insurer amounting to GPB 11.4 million in the fourth excess layer has not confirmed cover and is investigating an interpretation of the excess applied through the policy in the claim.

Alexforbes has a limitation of GBP 18.5 million on the liability which is stipulated in the sale and purchase agreement. The limitation of liability excludes the amounts recovered from insurers. The group has fully provided for the potential liability up to the limitation in prior years and has paid GBP 16.5 million on the claim (including the excess funded through its cell-captive insurance facility), with the remaining liability at approximately GBP 2 million (R41 million) at the end of the period (31 March 2022: R39 million). The impact to the group's income statement for the current period was nil. For the avoidance of doubt, due to the limitation of liability, there is therefore no risk of any further increases to this liability or risk of new ETV-related liabilities.

Management have obtained senior legal opinion on the disputed aggregation and remains confident that the positions taken by the final remaining insurer is incorrect and will continue to pursue legal action on the matter. The recovery of insurance in the future will result in the income being recognised at the time.

Analysis and reconciliation of movement in provisions

Rm	Provisions for errors and omissions claims	Provision for client settlements – ETV	Proposed client settlements	Other	Total
Balance at 31 March 2021	**42**	**274**	**129**	**–**	**445**
Movement during the period:					
Net (decrease)/increase in provision	(10)	–	1	3	(6)
Payment made	(1)	(101)	(3)	–	(105)
Foreign subsidiaries' exchange differences	–	(2)	–	–	(2)
Balance at 30 September 2021	**31**	**171**	**127**	**3**	**332**
Movement during the period:					
Net increase/(decrease) in provision	9	–	1	(3)	7
Payments made	(2)	(134)	(4)	–	(140)
Foreign subsidiaries' exchange differences	(2)	2	–	–	–
Balance at 31 March 2022	**36**	**39**	**124**	**–**	**199**
Movement during the period:					
Net increase in provision	**29**	**–**	**3**	**–**	**32**
Payments made	**(1)**	**–**	**(5)**	**–**	**(6)**
Foreign subsidiaries' exchange differences	**2**	**2**	**–**	**–**	**4**
Balance at 30 September 2022	**66**	**41**	**122**	**–**	**229**

16. Financial risk management and financial instruments

16.1 Financial risk factors

The group's activities expose it to various financial risks arising from its financial assets and liabilities. Financial risks comprise credit risk, liquidity risk and market risk. The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and this disclosure should be read in conjunction with the group's annual financial statements as at 31 March 2022.

There have been no material changes in the risk management or in any risk management policies since the year ended 31 March 2022.

16.2 Liquidity risk

Compared to the 31 March 2022 year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

16.3 Exchange rate risk

Certain transactions of the group occur in foreign currencies. In the current period the most significant foreign currency is the British pound (GBP). These transactions have been translated using the exchange rates in the table below. Other less material foreign subsidiaries have been translated to rand in line with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, using the weighted average rates for income statement items and the closing rates for items in the statement of financial position.

	Six months 30 Sep 2022	Six months 30 Sep 2021	Twelve months 31 Mar 2022
Weighted average rate (rand:sterling)	**19.8**	20.1	19.9
Closing rate (rand:sterling)	**20.1**	20.3	19.2

Condensed notes continued
For the six months ended 30 September 2022

16. Financial risk management and financial instruments continued
16.4 Fair value hierarchy
The group classifies financial instruments measured at fair value in the statement of financial position using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

Rm	Level 1	Level 2	Level 3	Total
30 September 2022				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts[1]	**207 180**	**125 172**	**12 729**	**345 081**
General operations	**–**	**300**	**13**	**313**
Total financial assets measured at fair value	**207 180**	**125 472**	**12 742**	**345 394**
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	**–**	**345 085**	**–**	**345 085**
Contingent consideration	**–**	**–**	**31**	**31**
Total financial liabilities measured at fair value	**–**	**345 085**	**31**	**345 116**
31 March 2022				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts[2]	223 204	128 538	12 074	363 816
General operations	–	475	13	488
Total financial assets measured at fair value	223 204	129 013	12 087	364 304
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	363 827	–	363 827
Contingent consideration	–	–	10	10
Total financial liabilities measured at fair value	–	363 827	10	363 837

1 *Included in the level 2 balance are cash and cash equivalents amounting to R627 million measured at amortised cost. Amortised cost is considered a reasonable estimate of fair value due to the short-term nature of cash and cash equivalents.*

2 *Included in the level 2 balance are cash and cash equivalents amounting to R495 million measured at amortised cost. Amortised cost is considered a reasonable estimate of fair value due to the short-term nature of cash and cash equivalents.*

Transfers between Levels 1 and 2

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

Level 3 reconciliation

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

16. Financial risk management and financial instruments continued
16.4 Fair value hierarchy continued
Sensitivity analysis for Level 3 financial assets

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

Instrument	Valuation techniques	Significant inputs
Suspended listed equities	Peer valuation multiples	Last exchange traded price and liquidity discounts
Community property company assets	Discounted cash flow model	Capitalisation rates and discount rates
Infrastructure and development assets	Equity Distribution discount model, cost, mark to market, price-earnings multiple and liquidation value	Equity Interest rates and exchange traded prices
	Debt Discounted cash flow model	Debt Fixed and floating interest rates

16.5 Valuation methods and assumptions for valuation techniques
There have been no changes in the valuation methods and assumptions for valuation techniques since 31 March 2022. 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 2022.

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

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

Condensed notes continued

For the six months ended 30 September 2022

17. Contingencies

In the conduct of its ordinary course of business the group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims eventuating, that the group has adequate insurance programmes and provisions in place to meet such claims.

17.1 Client settlements arising from historical business practices – bulking

The bulking matter has been disclosed in prior years and reference can be made to previously published financial statements. As of the date of these financial statements most clients and past clients have accepted settlement offers and the necessary payments have been made. The group continues to make progress with settlement payments to remaining parties, namely for members and participating employers in respect of closed and liquidated funds.

17.2 Penalties for the late submission of fund annual financial statements

The group operates in a regulatory environment and is subject to the required timeframes that are set out in those regulations. In certain instances delays in administrative processes may give rise to regulatory fines if these timeframes are not met, specifically if there are no extenuating circumstances that give rise to the delay.

In particular, the group may be subject to fines for late submissions of fund valuations, financial statements and for delays in processing section 14 transfers between funds. The group is committed to compliance with applicable laws and regulations, but there are a number of late submissions which largely relate to closing and liquidating funds. Significant progress has been made in resolving these outstanding submissions and to improving the workflow processes to achieve full compliance. To date no fines have been levied by the regulator.

18. Related party disclosure

On 10 June 2022 the group completed the acquisition of EBS, a private company in South Africa for a consideration of R142 million (refer to note 12). 25% of the issued share capital of EBS was acquired from ARC Financial Services Investments Proprietary Limited (ARC), a related party to Alexforbes. ARC is a material shareholder of the group, holding 42.3% of the issued share capital of Alexforbes and therefore transaction is deemed a small related party transaction in terms of the JSE Limited Listings Requirements. The remaining 75% shareholding in EBS was acquired from each of the remaining EBS shareholders. Moore Advisory Jhb Proprietary Limited (Moore) was appointed as the independent professional expert and provided the board with a fairness opinion regarding the transaction (Fairness Opinion) in which Moore advised the board that they believe that the terms thereof are fair to shareholders. The Fairness Opinion was approved by the JSE.

Through its investments business the group is party to strategic partnerships and contracts for the sharing of intellectual capital with affiliates and subsidiaries of Mercer LLC (the Mercer group) including Mercer Africa Limited and Mercer Global Investments Europe Limited (Mercer Global Investments). On 15 July 2022 Mercer disposed of its 14.8% shareholding in Alexander Forbes Group Holdings Limited (Alexforbes) to New Veld LLC (New Veld). Following the sale of Alexforbes shares to New Veld, Mercer is no longer a shareholder in Alexforbes.

Mercer Global Investments earns an asset management fee on the assets it manages, which is paid by clients directly to Mercer Global Investments. The transactions during the period resulted in Alexforbes allocating 20% of its assets under management (AuM) as at July 2022 to Mercer Global Investments amounting to R82.0 billion (March 2022: R76.6 billion). Mercer Global Investments earned an asset manager fee of R27.5 million (March 2022: R78.2 million) over the same period. In addition the group, through a broking agreement, paid total commission of R0.5 million to the Mercer group over the same period (31 March 2022: R1.8 million).

Other than the aforementioned, the nature of the related party transactions of the group remains unchanged from those disclosed in the annual financial statements for the year ended 31 March 2022.

19. Events occurring after the reporting period

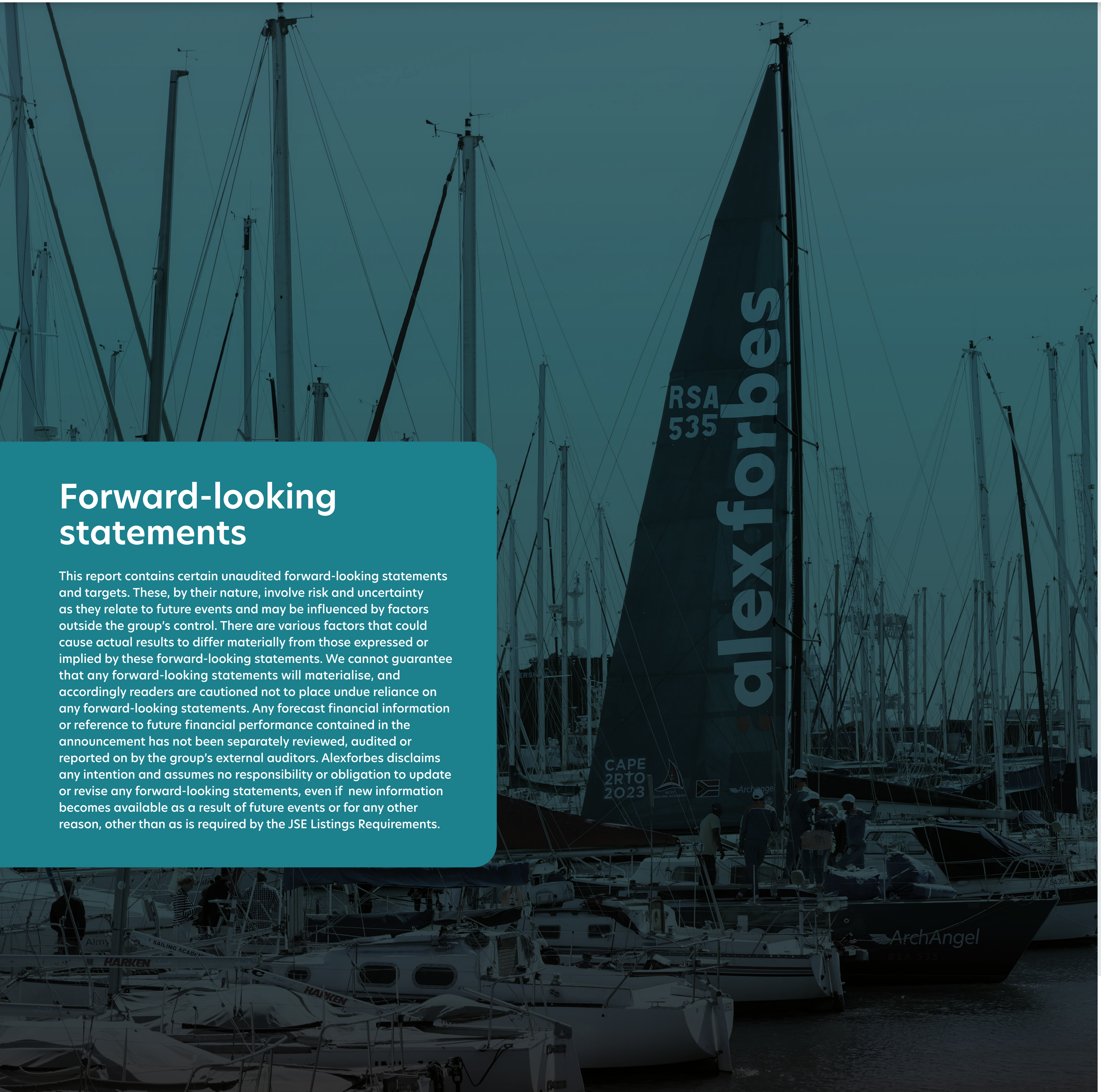
Acquisition of Sanlam's EB standalone administration business

The group finalised the purchase of the large standalone retirement fund administration operations (the EB standalone administration business) from Sanlam Life Limited (Sanlam) on 31 October 2022. The acquisition took effect from 1 November 2022 with an amount of R82 million representing 80% of the purchase consideration for the first tranche of clients who have consented. The remaining 20% is due once the clients have been successfully onboarded. The purchase consideration has been funded by a term loan facility bearing interest at JIBAR plus 1.65%.

Further tranches are anticipated on a quarterly basis as the client consent process and on boarding continues.

Acquisition of Bidvest Wealth and Employee Benefits Proprietary Limited

On 30 October 2022 the group entered into a sale and purchase agreement with the shareholders of Bidvest Wealth and Employee Benefits Proprietary Limited in terms of which it will acquire 100% of the issued share capital in Bidvest (Proposed Transaction) for a total cash consideration of R8 million. All the conditions precedent to the transaction were fulfilled on 8 November and the transaction took effect on 1 December 2022.



Forward-looking statements

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

Corporate information

Alexander Forbes Group Holdings Limited

Registration number: 2006/025226/06
Tax reference number: 9404/921/15/8
JSE share code: AFH
ISIN: ZAE000191516
(Incorporated in the Republic of South Africa)

Independent non-executive directors

Daniel Mminele (Chair), Thabo Dloti, Bob Head, Andile Mazwai, Ndumi Medupe and Nosipho Molope

Non-executive directors

Pavan Dhamija, Marinda Dippenaar, Gary Herbert, Refiloe Nkadimeng

Executive directors

Dawie de Villiers (Chief executive officer)
Bruce Bydawell (Chief financial officer)

Executive: Governance, legal and compliance and sustainability (Company secretary)

Carina Wessels

Investor relations

Zakira Amra

Registered office

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Transfer secretaries

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Sponsor

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