Alexander Forbes Group Holdings Limited

Annual results announcement and cash dividend declaration

for the year ended 31 March 2022

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Contents

Executive summary

Alexforbes has delivered a pleasing set of results owing to disciplined strategic execution, a transformed organisational culture, sound corporate governance and focused innovation. The strategy set out in 2019 has proven to be resilient to the impact of the Covid-19 pandemic as it created the foundation for accelerated growth. The resolve to execute on the strategy has served the business well and there has been clear and demonstrable delivery across our strategic objectives.

The business is now in a strong position to forge a greater connection with the people who we ultimately serve resulting in a refreshed vision, purpose and overarching customer value proposition. This change is reflected by the launch of the Alexforbes brand in March 2022 that represents who we are, why we exist and how we add value, which is to **pioneer insight to deliver advice and solutions that impact people's lives.**

We have had a productive year

- Our customer satisfaction score has improved for a third consecutive year.
- Our culture metrics have shown that employee engagement, morale and trust in leadership remain high.
- Continued momentum in winning new business, representing R148 million in annualised revenue.
  - New business asset flows of R11.6 billion achieved in the individual consulting business, up 23% year on year.
  - R9.4 billion in new institutional business assets under management (AuM), with an additional R4 billion pending regulatory approvals.
  - Significant administration mandates won with membership within client funds ranging from 7 000 to 60 000 members per fund.
  - Notable wins in both the healthcare broking and healthcare management solutions businesses.
- Continued our digital transformation as well as our member engagement and individualisation strategy, in line with our growth ambitions.
- Embedded environmental, social and governance (ESG) principles into our investment process and within our investment portfolios.
- Successfully implemented changes to the Performer portfolio bringing in new thinking and new managers. These changes aim to maintain a well-structured, diversified portfolio solution and accelerate our transformation objectives to advance a more inclusive asset management industry.

Accelerating our journey to become the most impactful provider of financial advice to institutional clients and individual customers

- Completed the sale and transfer of the group risk and retail life businesses to Sanlam Life.
- The group announced three corporate transactions in line with its growth strategy.
- Launched our refreshed vision, purpose, customer value proposition and brand.
- Improved the utilisation of our digital tools across individual customers.
- Delivered the Alexforbes Member Insights research, now augmented by non-retirement fund data.

We have built a solid foundation for our business to grow

- Strong governance principles supported by an active board.
- Modernised fund administration with further innovation imminent.
- Leading consulting across retirements and healthcare with opportunity to compete in a mature market.
- Stable retail advice with opportunity to extend reach into pre-retirement and discretionary markets.
- Further scale being created in fund administration through organic and acquisitive means.
- A culture of diversity, integrity, collaboration and leadership.
- A hybrid work environment where productivity is measured by output centered on our clients' needs.

Operating income up 7% year on year at

R3 221 million,

underpinned by new business wins, higher average assets and market performance.

Operating expenses remain well managed at

R2 540 million,

an **increase of 5%** year on year.

Profit from operations (before non-trading and capital items) **increased 9%** year on year to

R720 million.

Headline earnings per share from continuing operations up

19% year on year to

37.2 cents per share.

Cash generated from continuing operations remains strong at

R809 million

(2021: R951 million).

Our **capital position remains sound** with a regulatory surplus of

R1 308 million.

The group **cover ratio of 1.8 times is comfortably above the target** solvency cover ratio of 1.2 times.

Final dividend declared of

20 cents per share

(2021: 9 cents per share), taking the **annual dividend to 32** cents per share, **up 45%** year on year.

8% increase in assets under administration (AuA) and assets under management (AuM) to

R435 billion.

Chief executive officer,
Dawie de Villiers, commented:

'Alexforbes's results reflect the hard work of the team over the past three years in implementing our turnaround strategy. Our leaders have driven disciplined execution across the business and have cemented the positioning of our advice-led, integrated value proposition resulting in continued momentum of new business wins. We are building on this strong foundation by refreshing our vision to become the most impactful provider of financial advice to institutional clients and individual customers. Both the board and management are excited by the interest expressed in our business by the largest insurer in the United States, Prudential Financial, through the potential change in shareholding transaction announced in March 2022. We look forward to unlocking the prospective strategic benefits of this relationship.'

Financial highlights

In millions of South African rands (Rm)	2022/2021 % change	Twelve months ended 31 March 2022	Restated 2021[1]	Restated 2020[1]
Continuing operations				
Operating income[2]	7	**3 221**	3 013	3 026
Profit from operations (before non-trading and capital items)	9	**720**	659	756
Cost-to-income ratio[3] (percentage)	n/a	**77.6**	78.1	75.0
Profit/(loss) for the year	15	**478**	416	(763)
Cash generated from operations	(15)	**809**	951	929
Basic earnings/(loss) per share (cents)	20	**37.0**	30.8	(67.1)
Headline earnings per share (cents)	19	**37.2**	31.2	32.2
Discontinued operations				
Operating income[2]	(40)	**113**	189	675
(Loss)/profit from operations (before non-trading and capital items)	>100	**(51)**	(12)	142
Total group				
Basic earnings/(loss) per share (cents)	>100	**39.3**	14.3	(11.8)
Headline earnings per share (cents)	>100	**33.2**	12.7	35.4
Normalised headline earnings per share (cents)	>100	**32.7**	12.0	38.7
Interim dividend per share (cents)	(8)	**12.0**	13.0	18.0
Final dividend per share (cents)	>100	**20.0**	9.0	12.0
Annual dividend per share (cents)	45	**32.0**	22.0	30.0
Special dividend per share (cents)	n/a	**–**	–	50.0
Closing AuA and AuM (in billions of South African rands)	8	**435**	401	310
Total members under administration and advised ('000)[4]	2	**1 281**	1 254	1 296

1 *Restated for the effect of discontinued operations. Refer to note 8 of the summary consolidated financial statements.*
2 *Operating income represents revenue net of direct expenses.*
3 *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.*
4 *Includes total number of active members across standalone and umbrella funds, medical scheme membership and individual consulting clients.*

Overview

Alexforbes has delivered a pleasing set of results due to disciplined strategic execution, a transformed organisational culture, sound corporate governance and focused innovation.

The core business has been reconfigured, is focused, and working well which provides a solid foundation for building on growth in terms of new business and acquisitions.

From Alexander Forbes to Alexforbes

The business is in a strong position to forge a greater connection with the people who we ultimately serve resulting in a refreshed vision, purpose and overarching customer value proposition.

Our new vision is **to be the most impactful provider of financial advice serving both institutional clients and individual customers by:**

- extending leading positions across administration, retirements, healthcare and investments businesses
- transforming into the most inclusive retail financial advice firm in South Africa obtaining scale by advising customers sourced from our institutional clients and beyond
- growing our investment consulting footprint with a focus on ESG, alternatives and impact investing capabilities
- growing the multinational consulting business model into Africa by enhancing distribution and automation of advice
- expanding our advisory capabilities into adjacent lines using our wealth of data
- demonstrating a meaningfully positive impact on the stakeholders that we serve

As such, our core purpose, which also serves as our customer value proposition to support the achievement of this vision is to pioneer **insight** to deliver **advice** and solutions that **impact** people's lives. This statement pragmatically represents who we are, why we exist and how we add value.

In March 2022, we successfully relaunched our brand as Alexforbes to present a fresher, inclusive and accessible positioning to the market that supports our customer value proposition. The evolution of the Alexforbes brand directly aligns with our strategic objectives as it further supports our transformation towards becoming a member-orientated financial services provider by enabling us to better connect with individuals.

Our business has immense potential to help people but our efforts to connect with customers have been dampened by a general lack of awareness and understanding of how we can change their lives. The brand refresh is one of many initiatives that we are implementing to broaden and deepen this connection so that we may fulfil our purpose. Our brand campaign therefore plays a critical role in creating such awareness and is intended to spark interest and curiosity in how Alexforbes can impact their lives so that they are able to benefit from our pioneering insight and informed financial advice.

Our financial performance

Our clients are experiencing the benefits of our advice-led model and the modernised retirement fund and investment administration platform. We are excited about having won new business of R148 million in annualised revenue.

Operating income increased 7% year on year to R3 221 million, comprising 11% growth from the investments business off the back of improved average assets and market performance for the year and 13% growth from the individual consulting business that benefitted from new business wins, good asset retention and market performance. The performance of the retirement consulting segment remained flat year on year, impacted by the base effect of retrenchments in the prior year, offset by new business wins.

The 5% increase in operating expenses includes the impact of increased incentives resulting from improved profitability as well as the increase in VAT apportionment expenses owing to a change in the shared services cost allocation methodology.

Our cash flow generation remains strong and we continue to convert operating profit to cash flow at a high velocity supporting our strong balance sheet. Our solvency remains sound with a regulatory surplus of R1 308 million. This results in a regulatory capital cover of 1.8 times well above the group cover ratio of 1.2 times.

We have built a solid base for growth into the future and both management and the board remain confident in the prospects of the company. In recognition of this cash generation ability and the confidence in the company's prospects, the board resolved to improve the dividend cover range to between 1.0 and 1.5 times, from between 1.5 and 2.0 times earnings.

Our people and culture

Our people bring our strategy and business model to life and were central to the strong performance in the year under review. Our people's ability to effectively contribute to the success of the business is underpinned by a culture of excellence and our commitment to creating a diverse and inclusive environment where we work together.

Over the past year, we have invested in our holistic people strategy to ensure that we attract and retain the best talent in the industry across critical functions. We have implemented a balanced scorecard methodology throughout the organisation to align all incentives with the strategic objectives of the company and are maturing our performance management processes to lift the collective efforts of all employees.

We have also made considerable strides to understand and address the needs and priorities of our employees on an ongoing basis.

Delivering on our capital light and growth strategy

In line with our strategic principles of an advice-led and capital-light model, we concluded the exit of the group risk and retail life businesses (AF Life) during the year. The transfer of AF Life to Sanlam Life Limited was effective on 31 March 2022 and will further improve our capital position. As a result of the nature of the sale, we anticipate that the capital held within the life licence business will be released within 12 to 18 months after the effective date.

We also announced three corporate transactions in the second half of the financial year that are aimed at diversifying our client base and rapidly transforming Alexforbes towards becoming a member-oriented financial services provider.

- We received approval from the South African competition authority for the acquisition of EBS International and anticipate all other conditions closing out by mid-June 2022.
- The competition commission filings and regulatory applications have been submitted for the purchase of the Sanlam large standalone retirement fund administration business and the sale of the AFICA group to Sanlam. There are several additional conditional agreements which are being finalised for these transactions and we anticipate their conclusion in the first half of the 2023 financial year.

Our focus turns to the successful implementation of these transactions so that value may be unlocked in our core lines of business. We remain alert to the opportunity to explore such acquisitive prospects across these core lines and will also diversify our exploration to adjacent segments in the market that directly complement our integrated advice-led proposition to employers, retirement funds and individuals.

Potential change in shareholding

On 18 March 2022, the group announced on the JSE Stock Exchange News Service (SENS) that Prudential Financial, Inc., a company listed on the NYSE (Prudential Financial) has entered into an agreement (Sale Agreement) with Mercer Africa Ltd (Mercer) to acquire 200 800 000 Alexforbes shares (representing 14.8% of the issued share capital or 15.1% net of treasury shares at that time) held by Mercer, subject to receipt of regulatory approvals and other customary closing conditions.

Prudential Financial intends to further expand its strategic minority ownership stake in Alexforbes through a partial offer to all shareholders such that its resulting shareholding is up to 33% of the issued shares of the company.

The interest expressed in our business by the largest insurer in the USA, Prudential Financial, combined with the continued support of ARC acts as an affirmation of the confidence that these large investors have in the strategic vision, competitive positioning and quality of our organisation.

Making an impact

Our vision is to become the most impactful provider of financial advice to institutional clients and individual customers. A key element of achieving this aspiration is to meaningfully demonstrate a positive impact on the stakeholders that we serve by applying our market influence as a force for good.

As a business that is trusted across South Africa and beyond, the group's aim is to lead as a model of corporate citizenship. Our governance framework is informed by principles of ethical trade, transparency, accountability and sustainability. We maintain the highest standards of corporate governance and ethical leadership to deliver confidence to our stakeholders.

We are committed to making a positive impact in the lives of our stakeholders and play an active role in shaping regulatory developments through research, engagements with regulators and by participating in industry working groups. As one of Southern Africa's leading financial services firms, we have the duty to treat our customers fairly and have strengthened our internal control environment in risk management and compliance monitoring through world-class tools and investment into digital platforms to do so.

Alexforbes is the largest investments multi-manager in South Africa and therefore bears both the influence and responsibility to impact transformative change in the industry. As such, specific transformation and ESG criteria form a critical part of our multi-manager due diligence, engagement and selection process with all asset managers. We have continued our efforts to embed ESG considerations across the group in our respective roles as a corporate citizen, investment consultant to retirement funds and as an investments multi-manager.

Financial review

Our operating model is designed to connect our clients to their aspirations by integrating our consulting, solution and administration platforms to present a holistic 'one company' experience to our clients.

Our Consulting platform incorporates all client-facing business units and is segmented, based on the advice needs of our clients. These business units include retirements, healthcare, investments, individual and multinational consulting. The consulting platform houses the revenue for the group as well as the costs for this platform.

The Investments, Products & Enablement (IP&E) platform includes the investment management team, research & best practice academy, product management and other 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.

The Client Services & Business Optimisation (CSBO) 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.

Consolidated operating income and operating expenses

Operating income

Year ended 31 March	2022	%	2021
Retirement consulting	**849**	-	848
Healthcare consulting	**309**	5	293
Investments	**1 424**	11	1 282
Individual consulting	**355**	13	315
Multinational consulting	**284**	3	275
Total	**3 221**	**7**	**3 013**

Operating income increased 7% to R3 221 million underpinned by sustained new business wins across all our business segments coupled with strong market performance. The new business wins demonstrate the ongoing development of our advice-led model bearing fruit as well as our leading administration abilities in retirement consulting and investments. Many of the new business wins across the group comprise large client wins in a highly competitive market that landed in the second half of the current financial year with the full benefit to flow through the topline expected in the 2023 financial year.

Retirement consulting

Operating income from retirement consulting remained stable at R849 million for a third consecutive period. This is underpinned by substantial new business wins into our standalone and umbrella fund offering. While we have seen growth in the payroll of our existing client base, this is offset by a reduction in members as a result of Covid-19 related retrenchments in the prior year. Recurring administration fee income from clients reduced marginally owing to the decrease in the average active member base. Fee income from our consulting and actuarial services, however, increased year on year.

Retirement consulting had a strong new business year with the development of our advice-led model bearing fruit in areas of technical actuarial work and consulting. Where appropriate, clients are advised of the efficiency that can be derived from a move to an umbrella fund and several clients have elected to simplify their structures and take advantage of the scale and efficiencies of an umbrella fund.

Our retirements business was successful in securing four significant wins with membership within client funds ranging from 7 000 to 60 000 members per fund. Alexforbes won these mandates in highly competitive processes with independent consultants assisting the boards of trustees to evaluate the strengths of the potential providers. Their shared confidence in the Alexforbes client value proposition and our administration is an affirmation of the work done over the three years to stabilise our core administration function and modernise it through the Khulisa program. Notably two of the appointments have been awarded by clients who had (until this point) performed the fund administration function in-house. Two of the new business appointments commenced in the second half of the financial year with the remaining two due to commence in the next financial year, resulting in the full impact of revenue growth to flow through in the 2023 financial year.

Our client base continued to experience retrenchments coupled with some business closures during the year under review but at reduced levels from the previous year. Retrenchments within our client base reduced from 30 326 to 13 119 members.

The total number of active member records stood at 861 219 as at 31 March 2022, relatively stable year on year. New business wins added 87 clients (and 27 819 members) which was offset by some client losses (27 clients with 5 995 members), business closures (18 clients with 7 097 members) and retrenchments within the client base. The net number of participating employers increased 3% in the year to 1 714 at 31 March 2022.

Closing AuM for our umbrella funds (included in the investments business segment) increased 12% year on year to R108 billion owing to positive market growth, partially offset by a small negative net cash flow out of the umbrella funds in the year.

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

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

Healthcare consulting

Healthcare consulting reported a 5% year on year increase in operating income to R309 million owing to new business wins in healthcare broking and health management solutions.

Medical aid broking income, which is recurring, increased 7% year on year underpinned by new business wins (15 new client appointments and an additional 32 138 healthcare members). During the year, we were appointed to assist with the amalgamation between a large private medical aid scheme and an open scheme, followed by the appointment of Alexforbes as the broker to over 20 000 healthcare members. This appointment commenced in the last quarter of the current financial year with the full benefit of revenue growth to flow through in the 2023 financial year.

The health management solutions business reported a 19% increase in operating income year on year, owing to stable existing business after the Covid-19 pandemic and a large new business win in the last quarter of the current financial year. This new business win was a re-tender of services to a parastatal to be one of four appointed health risk managers to approximately one million employees. Not only did Alexforbes retain the appointment to the regions in which we were supporting, but we were also appointed to two additional regional sites. This is a significant milestone in the continued development of our distinct market solution that has us competing as market leaders.

Healthcare membership grew 11% year on year to 247 701 members. New business wins were partially offset by some client losses, comprising a total membership loss of 11 304 mainly from two large clients. Our healthcare client base offers a degree of diversification as it continues to be less susceptible than our retirement consulting client base to the weak South African economy. We have seen an increase in the membership of our existing client base of 2 884 members in the year from new hires, existing employees joining private medical schemes and corporate activity.

Investments

Investments reported an 11% increase in operating income to R1 424 million amid continued volatile market conditions resulting from both local and global factors and benefitting from higher average assets coupled with positive market returns. Lower economic growth prospects, rising inflation and interest rate hikes in the last quarter of the financial year led investors to reduce allocations to risk assets and increased market volatility for equity assets. Despite this volatility, we achieved strong market performance with the net blended return across our portfolios in line with the growth in operating income.

New institutional business flows continued in the year with 77 appointments comprising assets of R9.4 billion (including R4.0 billion in platform assets). The increase in new business flows coupled with lower client terminations resulted in a net positive cash flow position for the institutional business in the current year.

Both institutional and retail blended margins continue to reduce. The institutional blended margin reduced to 27.7 bps (2021: 29.4 bps), which is reflective of broader industry pressure on investment fees as well as new business wins into lower margin portfolios and products (our platform offering). While the blended margin has reduced, operating income has increased in both institutional and retail benefitting from the net cash flow position.

Financial review continued

Closing AuA and AuM increased 8% year on year to R435 billion attributable to strong market growth as well as the positioning of our portfolios which employ a diverse set of investment strategies managed with our multi-management approach providing enhanced returns at reduced risk. The platform administration business continues to represent an area of growth for us increasing 11% year on year as we leverage our leading in-house administration system to clients for regulatory reporting, unitisation and risk mitigation, albeit at lower margins than our traditional business.

Total closing assets are segregated as follows:

	31 March 2022			31 March 2021		
R billions	**Institutional**	**Retail**	**Total**	Institutional	Retail	Total
Assets under administration (AuA)	**59.7**	**6.4**	**66.1**	53.2	6.5	59.7
Assets under management (AuM)	**293.9**	**74.7**	**368.6**	272.5	68.7	341.2
Total AuA and AuM	**353.6**	**81.1**	**434.7**	**325.7**	**75.2**	**400.9**

Our flagship portfolio, Performer, has delivered consistent and competitive performance over time, delivering improved long-term investment outcomes for clients. Performer AuM increased 16% to R192 billion with positive net cash inflows reported in the current financial year underpinned by positive return growth of 13.7% for the year.

Performer consistently ranks in the first quartile of the Alexforbes Manager Watch Survey™ over the medium to long term and remains well positioned in these volatile markets to continue to achieve enhanced returns on a risk-adjusted basis.

We successfully implemented changes to the Performer portfolio during the year with the inclusion of value-adding asset managers. These changes aim to maintain a well-structured, diversified portfolio solution and accelerate our core transformation objectives to grow and advance a more inclusive asset management industry.

The institutional business reported a positive net position from controllable cash flows for the year with new business asset inflows of R9.4 billion exceeding outflows from client losses of R9.1 billion. Client terminations in the institutional business were lower than the previous year and arose mostly from corporate activity within the client base and competitive pressure with some client liquidations. In addition to the R9.4 billion in new business AuM inflow for the year, a further R4.0 billion new business AuM was landed in the financial year, pending regulatory approval, and will flow in the 2023 financial year.

A summary of the cash flows for the twelve months to 31 March 2022 is shown below.

	31 March 2022			31 March 2021		
R billions	**Institutional**	**Retail**	**Total**	Institutional	Retail	Total
Controllable (product)	**(3.7)**	**-**	**(3.7)**	0.2	-	0.2
New business	**5.4**	**-**	**5.4**	9.8	-	9.8
Outflows owing to client losses	**(9.1)**	**-**	**(9.1)**	(9.6)	-	(9.6)
Controllable (platform)	**4.0**	**-**	**4.0**	18.6	-	18.6
New business	**4.0**	**-**	**4.0**	20.0	-	20.0
Outflows owing to client losses	**-**	**-**	**-**	(1.4)	-	(1.4)
Uncontrollable	**(12.8)**	**(0.7)**	**(13.5)**	(14.6)	(1.5)	(16.1)
Ongoing contributions	**35.1**	**8.7**	**43.8**	34.2	8.4	42.6
Withdrawals for benefit payments	**(47.9)**	**(9.4)**	**(57.3)**	(48.8)	(9.9)	(58.7)
Net cash flows	**(12.5)**	**(0.7)**	**(13.2)**	**4.2**	**(1.5)**	**2.7**

While the business is seeing a slowdown in the net outflows from the institutional uncontrollable cash flows, this continues to be negative, influenced by factors prevalent across the retirement fund industry. Contributions from active members of retirement funds increased 3% year on year, due to a combination of changes to contribution levels and wage increase to members of institutional clients and expanding membership base from new business and within our existing client base. Uncontrollable cash outflows, representing withdrawals by members of institutional clients, reduced by 2% year on year with a significant decrease in the second half of the year.

Individual consulting

Individual consulting reported a 13% increase in operating income to R355 million, owing to new business wins, asset retention from improved customer engagement and strong market performance in the year. This demonstrates the growing success of our individualisation strategy.

New business flows grew 23% year on year to R11.6 billion, supported by an increase in the number of new clients to 4 525 as well as an increase in the proportion of financial reviews held face to face.

We are seeing good asset retention from a higher value of preservation by customers and from strategic initiatives implemented for member engagement including digital exits. Our aim during the current financial year was to increase the scale and reach of engagement with joiners, leavers and retirements and ensure that engagements are meaningful for members. This was achieved by increasing the number of members engaged year on year (up 77%), through a mix of face-to-face and virtual engagements.

In addition, the number of corporate clients that have signed up to our enhanced retirement benefit counselling (eRBC) services more than doubled during the year to 860. This service continues to demonstrate value to customers with a 152% increase in the number of eRBC members engaged. Feedback from customers receiving our eRBC and education services has been that it is meaningful, with a score of 9.1 out of 10 from client satisfaction surveys.

The implementation of our digital exit strategy in the year has shown positive member outcomes, with higher preservation rates and an increase in the number of customers who made an active preservation decision, as opposed to the default solution.

The ultimate impact of our individual member engagement strategy is to see improved member behavior in saving for the long term, with improved preservation rates amongst members. The preservation rate[1] improved to 56% from 49% in the previous financial year owing to progress made on our member engagement strategy with member access to counselling, access to information, utilisation of platforms like digital exits, all of which help with better decision making, as well as some relief from continued economic pressure faced by our members with retrenchment withdrawals halving year on year. The retention rate[2] improved to 27% (2021: 23%) owing to the improved active engagement initiatives with our members, which has resulted in better success at other exit events such as retirements.

Closing assets under advisement increased 9% year on year to R86.5 billion, while average assets under advisement increased by 14%. We have continued to see a preference from our clients for fixed-term pensions at retirement (as opposed to guaranteed and flexible pensions) as they seek greater certainty on financial outcomes in these turbulent times.

Annuity payments increased slightly year on year, impacted by inflationary pressures within our client base. Lost business reduced year on year both in asset value and number of clients.

Our flagship default solution, the Alexander Forbes Retirements Income Solution (AFRIS), continues to deliver on its value proposition as a default solution for retirement fund clients and employers in line with default regulations. The eligibility criteria for right of access to AFRIS has been widened beyond a default solution only for retirement fund clients, resulting in an additional 29 new employers joining during the financial year.

Closing AuA in AFRIS increased 41% year on year to R14.4 billion as at 31 March 2022, with 206 corporate clients and a 48% increase in active membership to 6 970 members. We continue to win new business into AFRIS with new asset inflows up 26% year on year to R4.7 billion. This solution, together with eRBC services, continues to demonstrate measurable benefits for clients.

Multinational consulting

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

Operating income increased by 3% year on year to R284 million, attributable to sustained performance from Botswana and Channel Islands. The Botswana business received a licence to provide medical aid broking services, a new revenue stream. The retirement administration business in Namibia grew by 6% with marginal growth in active retirement fund members.

The Arrive platform delivers health, wealth and career solutions to multinational clients throughout Africa and is aligned to our advice-led framework. We continue to see the benefits of a coordinated consulting and service approach across Africa. The Arrive solution continued

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

to achieve sustained growth supported by client retention and an increase in new appointments, with 15 new clients added in the year, taking the total number of Arrive clients to 79. A new initiative launched in the year to provide advice to retirement fund clients in broking their fidelity insurance has shown good traction with 80 new clients contracting our services. These are mainly within our existing client base in South Africa with greater penetration possible as well as extending this service beyond the existing base.

Other income

Other income comprises income earned from information technology services and sublease arrangements provided to entities that previously formed part of the group and other external parties. The group reported other income of R39 million, down 48% year on year, owing to the conclusion of the transitional services agreement relating to the sale of the South African short-term insurance business.

Operating expenses

The increase in operating expenses was contained to 5% year on year with focused expense management efforts providing savings in premises operating costs, information technology, insurance, reduction in the number of errors and omissions (E&O) claims. The increase in operating expenses includes the impact of increased incentives resulting from improved profitability as well as the increase to the VAT apportionment expenses of R20 million, taking the total VAT apportionment expense to R68 million attributable to a change in the shared services cost allocation methodology.

Technology costs were down 2% year on year owing to more favourable exchange rates, rationalisation of applications, and some business project costs landing later than anticipated.

We have made good progress in our automation efforts in our operations space and have delivered on the three major digital initiatives, which we are rolling out to clients, in a staggered approach. This provides us with the visibility required to monitor productivity and service level standards and will simplify the way clients provide us with information and provide clients with real time reporting. We will continue to enhance these solutions, based on both internal and external user feedback, to ensure ongoing adoption, value-add to our clients and efficiencies.

We have won significant administration appointments during the last financial year, which indicates a strong level of confidence in our administrative capability and the improvements that have been made from our efforts around standardisation and automation. These successes add scale to our business and present the opportunity to benefit from the efficiencies gained through technology modernisation.

Items below profit from operations

Non-trading and capital items

Non-trading and capital items increased 21% to R63 million (2021: R52 million) owing to an increase in costs associated to the corporate transactions announced during the year.

The remainder of the non-trading and capital items include, among others, the recurring amortisation costs of intangible assets amounting to R56 million (2021: R56 million) and the consolidation of the group's insurance cell-captive, which returned a profit of R22 million (2021: R22 million) in the current financial year.

Investment income

Investment income of R101 million (2021: R100 million) remained in line with the prior year and is earned from the regulatory capital and surplus cash position of the company.

In addition, an investment profit of R22 million (2021: R33 million) relates to individual policyholder investments is recorded in the consolidated income statement. An equal tax expense is raised for this investment profit. The policyholder profit (and related tax expense) is excluded from our normalised earnings when assessing the group's own investment income.

Finance costs

Finance costs decreased 15% to R63 million (2021: R74 million) largely due to a reduction in the finance costs associated with the lease liabilities that amounted to R55 million (2021: R64 million).

Profit before and after tax

After non-trading and capital items, finance charges and the effect of the policyholder investments, the group reported a 5% increase in profit before taxation from continuing operations to R713 million (2021: R679 million).

The normalised effective tax rate to 30.8% reduced from the prior year as a result of the strategic changes and legal entity rationalisation. The effective tax rate continues to remain above the corporate tax rate due to unutilised tax losses which have not been raised as deferred tax assets in the current year.

Profit from continuing operations increased 15% to R478 million (2021: R416 million).

Discontinued operations

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

Discontinued operations include the operating results of:

- The group risk and retail life business operations (AF Life) that were classified as discontinued previously. The results of the group risk and retail life business (AF Life) for the current year have been influenced by the Covid-19 pandemic which saw significant death claims in the first half of the current year. This impact was reflected in the interim results for the six months ended 30 September 2021. The sale and transfer of the policies within the AF Life business were concluded on 31 March 2022 (effective date) and as a result the profit on sale from this disposal of R80 million offsets the losses incurred. The profit on sale is excluded from headline earnings.
- The sale of the AFICA group was announced on 6 December 2022 as part of a separate transaction with Sanlam Life Insurance Limited. The AFICA group reported a profit for the period of R38 million (2021: R28 million).

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

Headline earnings

Headline earnings from total operations increased significantly to R419 million (2021: R164 million). The weighted average number of shares reduced to 1 259 million (2021: 1 297 million) due to the general share buy-back programme, approved by shareholders at the 2021 annual general meeting. Headline earnings per share increased to 33.2 cents per share (2021: 12.7 cents per share).

Normalised segmental results

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

Financial position

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

At 31 March 2022, the consolidated regulatory capital requirement of the group stood at R1 529 million, an increase of 6% year on year. This increase was mainly driven by growth in expenses in regulated entities. Using measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards, the group has a regulatory surplus of R1 308 million. This results in a regulatory capital cover of 1.8 times, which is well above the group cover ratio of 1.2 times.

Our cash flow generation remains strong and we continue to convert operating profit to cash flow at a high velocity supporting our strong balance sheet. Cash flow from continuing operations of R809 million was 15% lower due to payments made of R235 million associated with the ETV liability matter. Excluding this impact, cash flow from continuing operations would have increased by 10%. We anticipate recoveries from this insurer on finalisation of the legal proceedings instituted by Alexforbes, which will return cash to the business.

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

Prospects

The core business has been reconfigured, is focused, and working well which provides a solid foundation for building on growth in terms of new business and acquisitions. The business is now in a strong position to forge a greater connection with the people who we ultimately serve resulting in a refreshed vision, purpose and overarching customer value proposition.

Benefitting from the strong new business pipeline that we have built

A number of clients won in the 2022 financial year will only reflect in the 2023 financial year flows due to the lag between acceptance and implementation. There are several large umbrella fund quotes and standalone funds under review. Our recent track record places us in a position of strength to compete aggressively for such appointments. We are confident in our ability to continue to win market share from our competitors.

Scaling the launch of the refreshed Alexforbes brand

This will drive greater connection with the institutional clients and individual customers we serve. We have a structured plan to amplify and maintain awareness of our brand to influence more clients and customers to ultimately choose Alexforbes as their financial adviser. Our purpose aligns directly with our refreshed customer value proposition which is to pioneer **insight** to deliver **advice** and solutions that **impact** people's lives. This is reflected in our refreshed brand so that the active positioning of Insight, Advice and Impact is displayed prominently to create resonance to this offer. We have simplified our communication, collateral and new business pitches using the customer value proposition as the unifying framework across the business to amplify how we show up to the market as 'One Alexforbes'.

Diversifying the retail financial advice segmentation beyond our traditional post-retirement market

We aim to extend our reach into the pre-retirement lifestage (ages 50 and upwards) to assist with holistic financial planning and consolidation of assets. Furthermore, we wish to connect with younger retail customers within our base by scaling up our financial consultants division to reach more individuals aged 30 to 50 and support them with a holistic range of financial planning capabilities with a focus on discretionary investments.

Modernising the customer experience delivered to retirement fund members

We are refreshing our digital ecosystem in a manner that makes our customers feel connected to and confident in their financial decisions. The launch of our adviser tools platform (Adviser Connect) will further support the delivery of our best-advice framework to members.

Experiencing the effect of more member engagement appointments in the coming years

We have experienced a marked increase in these appointments. The opportunity exists to optimise the interaction between the member, employer, fund and Alexforbes to connect seamlessly to our counselling and advice. Doing so will create the runway for greater individualisation and the opportunity to serve individual financial needs.

Refreshing the Alexforbes umbrella fund solution to leverage our scale and differentiated offering

Our aim is to compete aggressively against participants who focus on their umbrella funds as their primary line of business. Given the trend of consolidation in the standalone fund industry, Alexforbes is uniquely positioned to offer funds and employers a professionalised integrated solution that is independent where it matters most as we are separate from all insurers and asset managers. This means that we are free to act exclusively in the interests of members without any conflicts of interest. This feature is becoming increasingly attractive to independent employee benefits consultants who see the value in partnering with the Alexforbes Access umbrella solution to provide such confidence to their clients. The Alexforbes Access umbrella fund has experienced exponential growth in recent years due to increased support from the market with the year ahead promising to be one of its biggest yet.

Updating our consulting model for the integrated Alexander Forbes Retirement Fund umbrella solution

Our focus in boardroom conversations is how best to impact members' lives. This is anticipated to draw on our deep understanding of the dynamics of members gained through the Alexforbes Member Insights research supported by a first-of-its-kind Alexforbes Member Impact report. Decision-makers will be able to explore and track the various actions available to measurably change the lives of members.

Continued automation of our fund administration

This strengthens our core and provides opportunities to increase efficiencies and reduce the risks of errors. We have achieved substantial progress over the past year and will continue to implement further innovations. We anticipate that value will be unlocked as clients begin to adopt and use the range of technology capabilities now available to them to manage their experience of our administration.

Implementing the acquisitions

This is intended to accelerate growth as we diversify our market segments, increase scale and modernise our advice capabilities. The acquisition of EBS International has been approved by the Competition Commission. We aim to explore synergies in our respective businesses as well as opportunities to deliver self-administration capabilities to very large, self-administered funds previously inaccessible to Alexforbes.

Measuring our success

We believe that the work that we are doing to positively impact our client services will drive new business and improved retention. We are confident in our growth story. As a result, management has revaluated the previous targets and consider it appropriate to reaffirm our ambition to achieve the following targets within the next four years: **cost to income ratio of 70% and a return on equity of 14.5%**.

Final dividend declaration

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

Alexforbes has built a solid base for growth into the future and both management and the board remain confident in the prospects of the company. In recognition of this cash generation ability and the confidence in the company's prospects, the board resolved to improve the dividend cover range to between 1.0 and 1.5 times, from between 1.5 and 2.0 times earnings.

The group's dividend is set taking cognisance of the need to:

- Maintain regulatory capital solvency with an appropriate margin which anticipates regulatory developments and economic and market volatility;
- Ensure the legislative requirements with regards to solvency, liquidity and good corporate governance; and
- Retain earnings and cash flows to support capital investments and future growth.

The board has declared a final gross cash dividend of 20.0 cents per ordinary share (16.0 cents net of dividend withholding tax) for the year ended 31 March 2022.

The board believes the surplus cash and capital position, after the payment of the final dividend, will still provide sufficient liquidity and capital strength.

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

The directors have satisfied the solvency and liquidity test as required in terms of section 4(1) of the Companies Act 71 of 2008. The issued number of shares at the date of declaration is 1 354 083 992.

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

Last day of trade to receive a dividend	**Tuesday 5 July 2022**
Shares commence trading 'ex' dividend	**Wednesday 6 July 2022**
Record date	**Friday 8 July 2022**
Payment date	**Monday 11 July 2022**

Share certificates may not be dematerialised or rematerialised between Wednesday 6 July 2022 and Friday 8 July 2022, both days inclusive.

Change in directorate

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

- Ms BJ Memela-Khambula retired as independent non-executive director and as chair of the social, ethics and transformation committee (Setco) effective 3 September 2021. Mr AM Mazwai succeeded Ms Memela-Khambula as Setco chair on 18 November 2021.
- Mr AD Mminele was appointed as an independent non-executive director on 1 January 2022 and after serving as board chair designate, succeeded Ms M Ramplin as board chair on her retirement effective 1 April 2022. He also succeeded her as nominations committee chair on the same day and served as member of the nominations committee and remuneration committee since his initial appointment date of 1 January 2022.
- Ms ZJ Matlala was appointed effective 15 February 2022 and resigned as an independent non-executive director and member of the audit and risk committee with effect from 29 April 2022.

Corporate governance

The company's application of the principles contained in the King IV Report on Corporate Governance for South Africa (King IV™) is disclosed in the FY2021 governance report available on the company's website. No material changes in application have occurred since the publication of that report. Disclosure for the current reporting period will be available no later than 31 July 2022.

On behalf of the board of directors

AD Mminele
Chair

DJ de Villiers
Chief executive officer

6 June 2022

Summary consolidated financial statements

The Alexander Forbes Group Holdings Limited (Alexforbes or the group) summary consolidated financial statements for the year ended 31 March 2022 (results) are prepared in accordance with:

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

The summary consolidated results of the group for the year ended 31 March 2022 include the:

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

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

The accounting policies applied in the preparation of the consolidated financial statements from which the results have been derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous audited consolidated annual financial statements, except for the mandatory adoption of amendments to IFRS effective on or after 1 January 2021.

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

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

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

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

The results were made publicly available on 6 June 2022 on our website:
www.alexforbes.com/investorrelations/financial-results.

pwc

Independent auditor's report on the summary consolidated financial statements

To the shareholders of Alexander Forbes Group Holdings Limited

Opinion

The summary consolidated financial statements of Alexander Forbes Group Holdings Limited, contained in the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 31 March 2022, the summary consolidated statement of comprehensive income, the summary consolidated income statement, summary consolidated changes in equity and the summary consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Alexander Forbes Group Holdings Limited for the year ended 31 March 2022.

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

Summary consolidated financial statements

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

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 6 June 2022. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's responsibility for the summary consolidated financial statements

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

Auditor's responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Alsue Du Preez
Registered Auditor
Cape Town, South Africa
6 June 2022

PricewaterhouseCoopers Inc.,
5 Silo Square, V&A Waterfront, Cape Town 8002, P O Box 2799, Cape Town 8001
T: +27 (0) 21 529 2000, F: +27 (0) 21 814 2000, www.pwc.co.za

Summary consolidated income statement

For the year ended 31 March 2022

Rm	Notes	2022	Restated 2021[1]
Continuing operations			
Fee and commission revenue	2	4 198	3 895
Fee and commission expenses		(977)	(882)
Operating income net of direct expenses		3 221	3 013
Other income	3	39	75
Operating expenses		(2 540)	(2 429)
Profit from operations before non-trading and capital items		720	659
Non-trading and capital items	4	(63)	(52)
Operating profit		657	607
Investment income	5	123	133
Finance costs	6	(63)	(74)
Reported (loss)/profit arising from accounting for policyholder investments as treasury shares		(4)	13
Profit before taxation		713	679
Income tax expense	7	(235)	(263)
Income tax expense relating to group profits		(213)	(230)
Income tax expense relating to policyholder investment returns		(22)	(33)
Profit for the year from continuing operations		478	416
Discontinued operations			
Profit/(loss) from discontinued operations (net of tax)	8	29	(213)
Profit for the year		507	203
Profit attributable to:			
Owners of the company		495	185
Non-controlling interest		12	18
		507	203
Basic earnings per share (cents)		39.3	14.3
Diluted earnings per share (cents)		36.5	13.7
Weighted average number of shares in issue (net of treasury shares) (millions)		1 259	1 297

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

Summary consolidated statement of comprehensive income

For the year ended 31 March 2022

Rm	2022	2021
Profit for the year	507	203
Other comprehensive income		
Other comprehensive income for the year that may be reclassified to profit or loss[1]	(16)	(19)
Foreign currency translation differences – foreign operations	(16)	(20)
Cash flow hedge	–	1
Other comprehensive income that will not be reclassified to profit or loss[1]	3	(14)
Remeasurement of post-employment benefit obligations	3	(14)
Total comprehensive income for the year	494	170
Total comprehensive income attributable to:		
Owners of the company	482	152
Non-controlling interest	12	18
Total comprehensive income for the year	494	170

1 Net of related taxes.

Summary consolidated statement of financial position

At 31 March 2022

Rm	Notes	2022	2021
Assets			
Financial assets held under multi-manager investment contracts	10	363 816	333 217
Goodwill		1 392	1 392
Intangible assets		129	192
Property and equipment		472	544
Purchased and developed computer software		165	125
Deferred tax assets		187	203
Financial assets	11	522	1 042
Insurance receivables		698	726
Tax assets		49	31
Trade and other receivables		285	250
Cash and cash equivalents		2 732	2 288
Assets of disposal group classified as held for sale	8	37	907
Total assets		370 484	340 917
Equity and liabilities			
Owners of the company		4 073	3 991
Non-controlling interest		33	37
Total equity		4 106	4 028
Financial liabilities held under multi-manager investment contracts	10	363 827	333 232
Borrowings		26	29
Employee benefits		136	147
Deferred tax liabilities		79	87
Provisions	12	199	445
Lease liabilities		581	690
Insurance payables		843	779
Trade and other payables		654	570
Tax liabilities		21	3
Liabilities of disposal group classified as held for sale	8	12	907
Total liabilities		366 378	336 889
Total equity and liabilities		370 484	340 917

Summary consolidated statement of cash flows

For the year ended 31 March 2022

Rm	2022	Restated 2021[1]
Cash flows from operating activities		
Cash generated from operations	809	951
Interest received	84	96
Interest paid	(63)	(74)
Net cash flows received from/(paid to) insurance and policyholder contracts	15	(5)
Net cash flows received from/(paid to) policyholder investment contracts	1 182	(805)
Taxation paid	(235)	(282)
Dividends paid	(275)	(1 021)
Payments made to non-controlling interests	(9)	(11)
Cash flows from operating activities – discontinued operations	44	17
Net cash inflow/(outflow) from operating activities	1 552	(1 134)
Cash flows from investing activities		
Additions to financial assets	(234)	(981)
Proceeds from disposal of financial assets	771	38
Payments for capital expenditure incurred on property, equipment and computer software	(115)	(107)
Acquisition of subsidiary (net of cash acquired)	–	(15)
Proceeds from sale of subsidiaries and businesses	50	40
Cash flows from investing activities – discontinued operations	(257)	–
Net cash inflow/(outflow) from investing activities	215	(1 025)
Cash flows from financing activities		
Repayment of borrowings	(3)	(100)
Borrowings raised	–	28
Payments of lease liabilities	(157)	(136)
Purchase of shares in terms of share buy-back and share-incentive schemes	(223)	(284)
Net proceeds from sale of treasury shares held by policyholder investments	8	(1)
Purchase of treasury shares held by policyholder investments	(6)	(13)
Disposal of treasury shares held by policyholder investments	14	12
Net cash outflow from financing activities	(375)	(493)
Increase/(decrease) in cash and cash equivalents	1 392	(2 652)
Cash and cash equivalents at the beginning of the year	7 699	10 376
Effects of exchange rate changes on cash and cash equivalents	(18)	(25)
Cash and cash equivalents at the end of the year	9 073	7 699
Analysed as follows:		
Cash and cash equivalents of continuing operations	2 732	2 288
Cash held under multi-manager investment contracts[2]	6 311	5 121
Cash and cash equivalents of disposal group classified as held for sale	30	290
	9 073	7 699

1 Restated for the effects of discontinued operations, refer to note 8.
2 This amount relates to cash and cash equivalents held for short-term commitments within the multi-manager investment portfolios.

Summary consolidated statement of changes in equity

For the year ended 31 March 2022

Rm	Share capital	Treasury shares	Other reserves	Accumulated loss	Total equity holders' funds	Non-controlling interest	Total equity
At 31 March 2020	5 874	(196)	179	(1 051)	4 806	297	5 103
Total comprehensive income	–	–	(19)	171	152	18	170
Profit for the year	–	–	–	185	185	18	203
Other comprehensive income	–	–	(19)	(14)	(33)	–	(33)
Total transactions with owners of the company	403	(249)	51	(1 172)	(967)	(278)	(1 245)
Empowerment partner flip-up transaction[1]	403	20	(5)	(151)	267	(267)	–
Shares purchased in terms of share buyback programme and share incentive schemes[2]	–	(284)	–	–	(284)	–	(284)
Settlement of share incentive schemes[3]	–	16	(16)	–	–	–	–
Movement of treasury shares in policyholder assets	–	(1)	–	–	(1)	–	(1)
Dividends paid	–	–	–	(1 021)	(1 021)	(7)	(1 028)
Movement in share-based payment reserve	–	–	72	–	72	–	72
Other movements in non-controlling interest[4]	–	–	–	–	–	(4)	(4)
At 31 March 2021	6 277	(445)	211	(2 052)	3 991	37	4 028
Total comprehensive income	–	–	(16)	498	482	12	494
Profit for the year	–	–	–	495	495	12	507
Other comprehensive income	–	–	(16)	3	(13)	–	(13)
Total transactions with owners of the company	(180)	18	37	(275)	(400)	(16)	(416)
Shares cancellation[5]	(180)	180	–	–	–	–	–
Shares purchased in terms of share buyback programme and share incentive schemes[6]	–	(223)	–	–	(223)	–	(223)
Settlement of share incentive schemes[7]	–	53	(53)	–	–	–	–
Movement of treasury shares in policyholder assets	–	8	–	–	8	–	8
Dividends paid	–	–	–	(275)	(275)	(9)	(284)
Movement in share-based payment reserve	–	–	90	–	90	–	90
Other movements in non-controlling interest[4]	–	–	–	–	–	(7)	(7)
At 31 March 2022	6 097	(427)	232	(1 829)	4 073	33	4 106

1 The group issued 118 019 747 ordinary shares to African Rainbow Capital (ARC), comprising 4 336 492 treasury shares and a new listing of 113 683 255 ordinary shares on 13 May 2020. This transaction was concluded pursuant to an agreement between Alexander Forbes Group Holdings Limited, Alexander Forbes Limited and ARC on 28 September 2016 in terms of which ARC would exchange its 10% shareholding in a subsidiary company, Alexander Forbes Limited, for shares in Alexander Forbes Group Holdings Limited. This transaction was approved by shareholders on 20 January 2017.
2 The group purchased AFH shares to the value of R160 million, at an average price of R3.77 per share (42 457 971 shares), in a general buyback approved by shareholders. In addition, shares to the value of R124 million were purchased for shareholder-approved share incentive schemes.
3 Shares amounting to R16 million relating to the forfeitable share scheme were settled.
4 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.
5 The group cancelled 47 457 417 shares which were withdrawn on the JSE on 11 November 2021.
6 The group purchased AFH shares to the value of R160 million, at an average price of R4.27 per share (37 501 284 shares), in a general buyback approved by shareholders. In addition, shares to the value of R63 million were purchased for shareholder-approved share incentive schemes.
7 Shares amounting to R53 million relating to the forfeitable share scheme were settled.

Summary consolidated segmental income and profit analysis

For the year ended 31 March 2022

	Retirement consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Total consulting		Investments, Products & Enablement (IP&E)		Client Services & Business Optimisation (CSBO)		Group total	
Rm	**2022[1]**	2021	**2022[1]**	2021	**2022[1]**	2021	**2022[1]**	2021[2]	**2022[1]**	2021	**2022[1]**	2021[2]	**2022[1]**	2021	**2022[1]**	2021	**2022[1]**	2021[2]
Continuing operations																		
Fee and commission revenue	866	861	309	293	2 142	1 932	572	515	309	294	4 198	3 895	–	–	–	–	4 198	3 895
Fee and commission expenses	(17)	(13)	–	–	(718)	(650)	(217)	(200)	(25)	(19)	(977)	(882)	–	–	–	–	(977)	(882)
Operating income net of direct expenses	849	848	309	293	1 424	1 282	355	315	284	275	3 221	3 013	–	–	–	–	3 221	3 013
Other income	–	–	–	–	–	–	–	–	–	–	–	–	–	–	39	75	39	75
Operating expenses	(803)	(845)	(247)	(243)	(1 008)	(884)	(313)	(292)	(271)	(268)	(2 642)	(2 532)	–	–	–	13	(2 642)	(2 519)
Operating expenses before recoveries	(244)	(215)	(108)	(101)	(82)	(81)	(161)	(157)	(226)	(226)	(821)	(780)	(195)	(163)	(1 703)	(1 670)	(2 719)	(2 613)
Recoveries from IP&E	(16)	(1)	(21)	(17)	(139)	(134)	(14)	(8)	(5)	(3)	(195)	(163)	195	163	–	–	–	–
Recoveries from CSBO	(543)	(629)	(118)	(125)	(787)	(669)	(138)	(127)	(40)	(39)	(1 626)	(1 589)	–	–	1 626	1 589	–	–
Recoveries from discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	77	94	77	94
Normalised profit from operations before non-trading and capital items	46	3	62	50	416	398	42	23	13	7	579	481	–	–	39	88	618	569
Normalised non-trading and capital items	–	–	–	–	–	–	–	–	(1)	34	(1)	34	–	–	(28)	(52)	(29)	(18)
Normalised operating profit	46	3	62	50	416	398	42	23	12	41	578	515	–	–	11	36	589	551
Normalised investment income	–	–	1	1	1	–	3	4	1	2	6	7	–	–	95	93	101	100
Normalised finance cost	–	–	–	–	–	–	–	–	(2)	–	(2)	–	–	–	(6)	(10)	(8)	(10)
Normalised profit before taxation	46	3	63	51	417	398	45	27	11	43	582	522	–	–	100	119	682	641
Normalised income tax expense	(14)	(1)	(19)	(18)	(128)	(139)	(14)	(15)	(3)	(15)	(178)	(188)	–	–	(32)	(45)	(210)	(233)
Normalised profit for the year from continuing operations	32	2	44	33	289	259	31	12	8	28	404	334	–	–	68	74	472	408
Normalised profit from discontinued operations (net of tax)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	29	(213)	29	(213)
Normalised profit for the year	32	2	44	33	289	259	31	12	8	28	404	334	–	–	97	(139)	501	195
Normalised adjustments	–	–	–	–	–	–	–	–	(2)	–	(2)	–	–	–	8	8	6	8
Accounting for property leases	–	–	–	–	–	–	–	–	(2)	–	(2)	–	–	–	49	26	47	26
Amortisation of intangible assets arising from the 2007 private equity business combination	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(56)	(56)	(56)	(56)
Professional indemnity insurance cell-captive result	–	–	–	–	–	–	–	–	–	–	–	–	–	–	22	22	22	22
Reported profit arising from accounting for policyholder investments in treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4)	13	(4)	13
Investment income on behalf of policyholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	22	33	22	33
Tax effects on normalised adjustments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(25)	(30)	(25)	(30)
Profit for the year	32	2	44	33	289	259	31	12	6	28	402	334	–	–	105	(131)	507	203
Normalised basic earnings per share (cents)																	38.8	13.6
Normalised headline earnings per share (cents)																	32.7	12.0
Normalised weighted average number of shares in issue (millions)																	1 263	1 303

1 During the current year we simplified our allocation methodology and reassessed our use allocation of property costs based on the new flexible working environment. This resulted in an increased portion of the the premises costs being allocated to Investments.
2 Restated for the effects of discontinued operations, refer to note 8.

Summary consolidated segmental income and profit analysis continued

For the year ended 31 March 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 based on administration services.
- Healthcare consulting – includes healthcare, actuarial, consulting 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) and AF Preservation Fund.
- Multinational consulting – comprises business operations where we have physical offices in areas outside South Africa (Botswana, Namibia, Nigeria and the Channel Islands) and the consulting advice provided through the Arrive solution.

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

Investments, 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.

As a result of the change in allocation methodology, premises costs have increased in revenue generating segments. Administration costs in retirement consulting have decreased in line with this adoption.

Normalised segmental results

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

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

Professional indemnity insurance cell-captive results

The profits and losses of the facility are a result of the premiums paid, claims experienced and the changes made to the provision for expected future claims. The recorded profits and losses of the cell-captive facility should trend to zero over the longer term. The annual premiums paid for this insurance are included in the operating expenses of each segment. The group is required to consolidate the financial results of the cell-captive amounting to a profit of R22 million for the year ended 31 March 2022 (2021: R22 million) which are recorded in the non-trading and capital items.

Accounting for property lease

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 the previous IAS 17. 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. In order to ensure comparability and to again reflect the true premises cost, adjustments amounting to R102 million (2021: R90 million) have been effected to profit before non-trading and capital items in addition to finance costs of R55 million (2021: R64 million), resulting in a net adjustment of R47 million (2021: R26 million) to profit before tax.

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

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

Investment income and taxation payable on behalf of policyholders

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

Summary notes

For the year ended 31 March 2022

1. Basis of preparation

The summary consolidated results of Alexander Forbes Group Holdings Limited (the group) for the year ended 31 March 2022 include the summary consolidated income statement, summary consolidated statement of other comprehensive income, summary consolidated statement of financial position, summary consolidated statement of cash flows and the summary consolidated statement of changes in equity.

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

The accounting policies applied in the preparation of these summary consolidated financial results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous audited consolidated annual financial statements.

Summary notes continued
For the year ended 31 March 2022

2. Fee and commission revenue

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

Disaggregation of revenue

	Retirement consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Group total	
Rm	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021[1]	**2022**	2021	**2022**	2021[1]
Revenue by type												
Consulting and advice fees	182	170	56	50	38	36	568	510	133	123	977	889
Administration fees	597	605	3	3	–	–	4	5	135	132	739	745
Commission	87	86	250	240	–	–	–	–	11	12	348	338
Investment management fees	–	–	–	–	2 104	1 896	–	–	30	27	2 134	1 923
Total	866	861	309	293	2 142	1 932	572	515	309	294	4 198	3 895
Revenue by region												
South Africa	866	861	309	293	2 142	1 932	572	515	–	–	3 889	3 601
Namibia	–	–	–	–	–	–	–	–	110	103	110	103
Botswana	–	–	–	–	–	–	–	–	118	115	118	115
Jersey and Channel Islands	–	–	–	–	–	–	–	–	63	61	63	61
Other	–	–	–	–	–	–	–	–	18	15	18	15
Total	866	861	309	293	2 142	1 932	572	515	309	294	4 198	3 895
Timing of revenue recognition												
Products transferred at a point in time	20	18	6	6	–	–	50	57	4	2	80	83
Services transferred over time	846	843	303	287	2 142	1 932	522	458	305	292	4 118	3 812
Total	866	861	309	293	2 142	1 932	572	515	309	294	4 198	3 895

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

3. Other income

Rm	**2022**	2021
Sub-rental income	31	45
Technology fees	8	30
Total other income	39	75

The group subleases additional office space to external parties. Further details on these subleases are included in note 29.2 of the FY2022 annual financial statements. Technology fees relate to IT support services rendered to an external third party.

Summary notes continued
For the year ended 31 March 2022

4. Non-trading and capital items

Rm	2022	2021
Professional indemnity insurance cell-captive result	22	22
Amortisation of intangible assets arising from business combination	(56)	(56)
Professional costs for corporate transactions	(21)	(8)
Software in development written off	(2)	(5)
Other	(6)	(5)
Total non-trading and capital items	(63)	(52)

5. Investment income

Rm	2022	Restated 2021[1]
Interest income	83	85
Investment and dividend income	18	15
	101	100
Multi-manager operations		
Investment returns linked to policyholder tax expense	22	33
Total investment income	123	133
Investment income is derived from the following categories of financial assets:		
Amortised cost	83	85
Financial assets at fair value	40	48
Total investment income	123	133

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

6. Finance costs

Rm	2022	2021
Interest on lease liabilities	(55)	(64)
Interest on borrowings	(2)	(1)
Cost of hedging	(2)	(4)
Other interest	(4)	(5)
Total finance costs	(63)	(74)

7. Income tax expense

Rm	2022	Restated 2021[1]
South African income tax		
Current tax	(199)	(227)
Current year	(199)	(222)
Prior years	–	(5)
Deferred tax	6	13
Current year	12	12
Prior years	1	1
Rate change adjustment[2]	(7)	–
Foreign income tax	(15)	(13)
Current tax	(10)	(2)
Deferred tax	(5)	(11)
Foreign withholding tax	(5)	(3)
Income tax expense relating to corporate profits	(213)	(230)
Income tax expense on policyholder investment returns	(22)	(33)
Current tax – current year	(14)	(11)
Deferred tax – current year	(8)	(22)
Income tax expense	(235)	(263)

1 *Restated for the effects of discontinued operations, refer to note 8.*
2 *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%.*

Summary notes continued
For the year ended 31 March 2022

8. Discontinued operations

The group risk and retail life operations (AF Life) 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 current financial year. The results of operations of the discontinued entities are reported separately in the income statement.

Group risk and retail life operations

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, under section 50 of the Insurance Act 18 of 2017. The disposal transaction took effect on 31 March 2022. The proceeds from the first 50 per cent of the total purchase consideration of R100 million have been received in cash. The remaining 50 per cent 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 will cease whilst the remaining insurance receivables and insurance payables balances will be run down accordingly (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 for the disposal amounts to R200 million, and 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 represents the group's decision to exit the linked investment service provider (LISP) business and is subject to customary terms and conditions for transactions of this nature, along with certain conditions being fulfilled, including approval from the South African Competition Authorities; regulatory approvals, including the Prudential Authority; and the conclusion of certain ancillary agreements. This represents the disposal of a major line of business and accordingly meets the requirements for a discontinued operation. The proposed disposal will take effect on the date on which all conditions precedent have been fulfilled. The group anticipates the sale to conclude within the 2023 financial year.

8.1 Net profit of business units discontinued

Rm	Notes	2022	2021[1]
Total net revenue		513	670
Net claims, commissions, fees and withdrawals		(400)	(481)
Operating income net of direct expenses		113	189
Operating expenses		(164)	(201)
Loss from operations before non-trading and capital items		(51)	(12)
Non-trading and capital items	8.2	–	(250)
Operating loss		(51)	(262)
Investment income		8	33
Loss before tax		(43)	(229)
Income tax expense		(8)	(10)
Loss for the year from discontinued operations		(51)	(239)
Profit on disposal of subsidiaries and businesses[2]		80	26
Total profit/(loss) from discontinued operations		29	(213)
Profit/(loss) attributable to:			
Owners of the company		29	(215)
Non-controlling interest		–	2
		29	(213)

1 Restated to include the AFICA group.
2 Profit on disposal of businesses relates to the sale and transfer of the insurance policies held by AF Life whilst the prior year included the profit on disposal of short-term insurance business in Namibia.

8.2 Non-trading and capital items

Rm	2022	2021
Costs related to proposed client settlement – enhanced transfer value (ETV)	–	(250)

The enhanced transfer value (ETV) liability matter, relates to a legacy United Kingdom (UK) domiciled subsidiary of the group, that was sold in 2012 inclusive of certain warranties and a limitation of liability. The ETV liability arises from redress payments being ordered, to the industry as a whole, by the Financial Conduct Authority, the UK regulator, in respect of certain thematic errors in historical advice. Alexforbes has a limitation of GBP 18.5 million on the liability. This limitation of liability excludes the amounts recovered from insurers. An amount of R250 million was provided for the ETV liability in the prior year. No additional provision was required during the current year as the liability is limited to a cap, with the maximum potential loss fully provided for in the prior year. Refer to note 25.3 of the FY2022 annual financial statements.

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

Rm	2022	2021
Long-term assets	1	–
Deferred tax asset	1	–
Insurance receivables	–	617
Trade and other receivables	5	–
Cash and cash equivalents	30	290
Total assets	37	907
Insurance payables	–	907
Provisions – non-current	1	–
Taxation payables	1	–
Trade and other payables	10	–
Total liabilities	12	907
Total equity	25	–

Summary notes continued
For the year ended 31 March 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 year.

9.2 Headline earnings per ordinary share

Headline earnings per share is calculated by excluding applicable non-trading and capital gains and losses from the profit attributable to ordinary shareholders and dividing the resultant headline earnings by the weighted average number of ordinary shares in issue during the year. Headline earnings is defined in Circular 1/2021 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 year attributable to owners of the company per the group segmental income and profit analysis by the weighted average number of shares in issue, adjusted for shares held by policyholders classified as treasury shares.

9.5 Number of shares

Millions	2022	2021
Weighted average number of shares	1 386	1 388
Weighted average shares held by policyholders classified as treasury shares	(4)	(6)
Weighted average treasury shares	(123)	(85)
Weighted average number of shares in issue (net of treasury shares)	1 259	1 297
Dilutive shares	98	56
Diluted weighted average number of shares	1 357	1 353
Actual number of shares in issue	1 354	1 402
Actual treasury shares	(126)	(126)
Shares in issue net of treasury shares	1 228	1 276
Normalised number of shares		
Weighted average number of shares in issue	1 259	1 297
Shares held by policyholders classified as treasury shares	4	6
Normalised number of shares in issue	1 263	1 303

9.6 Calculation of basic and headline earnings from total operations

Rm		2022	2021
Profit attributable to owners of the company		495	185
Adjusting items:			
Loss on disposal of property and equipment – continuing operations		2	–
Software written off – continuing operations		2	5
Profit on disposal of subsidiaries – discontinued operations		(80)	(26)
Headline earnings for the year		419	164
Earnings per share from total operations[1]			
Basic earnings per share	(cents)	39.3	14.3
Headline earnings per share	(cents)	33.2	12.7
Diluted basic earnings per share	(cents)	36.5	13.7
Diluted headline earnings per share	(cents)	30.9	12.2

1 Amounts computed using unrounded numbers.

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

9.7 Calculation of normalised earnings from total operations

Rm		2022	2021[1]
Normalised profit for the year per the group segmental income and profit analysis		501	195
Less: profit attributable to non-controlling interests		(12)	(18)
Normalised profit attributable to owners of the company		489	177
Adjusting items:			
Loss on disposal of property and equipment – continuing operations		2	–
Software written off – continuing operations		2	5
Profit on disposal of subsidiary – discontinued operations		(80)	(26)
Normalised headline earnings for the year		413	156
Normalised earnings per share[2]			
Normalised basic earnings per share	(cents)	38.8	13.6
Normalised headline earnings per share	(cents)	32.7	12.0

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

Summary notes continued
For the year ended 31 March 2022

9.8 Calculation of basic and headline earnings from continuing operations

Rm		2022	2021[1]
Profit after tax from continuing operations		478	416
Less: profit attributable to non-controlling interests		(12)	(16)
Profit attributable to owners of the company		466	400
Adjusting items:			
Loss on disposal of property and equipment		2	–
Software written off		2	5
Headline earnings from continuing operations		470	405
Earnings per share from continuing operations[2]			
Basic earnings per share from continuing operations	(cents)	37.0	30.8
Headline earnings per share from continuing operations	(cents)	37.2	31.2
Diluted basic earnings per share from continuing operations	(cents)	34.3	29.6
Diluted headline earnings per share from continuing operations	(cents)	34.7	29.9

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

9.9 Calculation of basic and headline earnings from discontinued operations

Rm		2022	2021[1]
Profit/(loss) after tax from discontinued operations		29	(213)
Less: profit attributable to non-controlling interests		–	(2)
Profit/(loss) from discontinued operations attributable to owners of the company		29	(215)
Adjusting items:			
Profit on disposal of subsidiaries		(80)	(26)
Headline loss from discontinued operations		(51)	(241)
Earnings per share from discontinued operations[2]			
Basic earnings/(loss) per share from discontinued operations	(cents)	2.3	(16.5)
Headline loss per share from discontinued operations	(cents)	(4.0)	(18.5)
Diluted basic earnings/(loss) per share from discontinued operations	(cents)	2.2	(16.5)
Diluted headline loss per share from discontinued operations	(cents)	(4.0)	(18.5)

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

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

As a result of the group being listed, the investments by underlying asset managers in the Alexander Forbes Group Holdings' listed shares are recognised as treasury shares and all fair value adjustments recognised on these treasury shares are reversed, while the corresponding fair value adjustments on the financial liability continue to be recognised in the income statement. The loss for the year of R4 million (2021: profit of R13 million) and has been disclosed separately on the face of the income statement. This treatment also affects the number of shares in issue, the impact of which is disclosed in note 9.

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

Rm	2022	2021
Total financial assets held under multi-manager investment contracts (per statement of financial position)	363 816	333 217
Reversal of adjustments made under IFRS:		
Alexander Forbes shares held as policyholder assets and reclassified in the group statement of financial position as treasury shares	34	42
Financial effects of accounting for policyholder investments as treasury shares – prior year	(27)	(14)
– current year	4	(13)
Total financial liabilities held for policyholders under multi-manager investment contracts	363 827	333 232

11. Financial assets

Rm	2022	2021
Non-current financial assets	47	47
Current financial assets	475	913
Total financial assets	522	960
Financial assets designated at fair value through profit and loss	475	993
Financial assets classified at amortised cost	34	36
Financial assets designated as fair value through other comprehensive income	13	13
Total financial assets	522	1 042

Summary notes continued
For the year ended 31 March 2022

12. Provisions

Rm	Notes	2022	2021
Provisions for errors and omissions claims		36	42
Provisions for client settlements – enhanced transfer values (ETV)	12.1	39	274
Proposed client settlements		124	129
Total		199	445

12.1 Provision 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. As reported in previous periods, certain insurers did not confirm cover and were investigating an interpretation of the excess applied through the policy in the claim. As a result, the group fully provided for the liability up to the limitation of liability to the extent that insurers did not confirm cover.

All claims under investigation are approaching finality and the estimated value of the assessed liability, including costs, is GBP 62.6 million (2021: GBP 61.9 million). As at 31 March 2022, GBP 59.2 million of these claims and costs had been accepted and paid, GBP 3.4 million remains in the process of payment. Alexforbes has collected GBP 47.8 million to date from insurers and its cell-captive insurance facility, with an amount of GBP 11.4 million outstanding from one insurer in the fourth excess layer.

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.

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), which has the effect of reducing the liability to approximately GBP 2 million (R39 million) at year end. An amount of R250 million was provided for this liability in the prior year. The impact to the group's income statement for the current year 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.

12.2 Analysis and reconciliation of movement in provisions

Rm	Provisions for errors and omissions claims	Provision for client settlements - ETV	Proposed client settlements	Other	Total
Balance at 31 March 2020	56	273	129	3	461
Movement during the year:					
Net increase in provision	5	46	1	–	52
Payments made	(15)	(22)	(1)	(3)	(41)
Foreign subsidiaries' exchange differences	(4)	(23)	–	–	(27)
Balance at 31 March 2021	42	274	129	–	445
Movement during the year:					
Net (decrease)/increase in provision	(1)	–	2	–	1
Payments made	(3)	(235)	(7)	–	(245)
Foreign subsidiaries' exchange differences	(2)	–	–	–	(2)
Balance at 31 March 2022	36	39	124	–	199

13. Financial risk management and financial instruments

13.1 Financial risk factors

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

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

13.2 Liquidity risk

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

13.3 Exchange rate risk

Certain transactions of the group occur in foreign currencies. In the current year 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.

	2022	2021
Weighted average rate (rand: sterling)	19.9	21.3
Closing rate (rand:sterling)	19.2	20.4

13.4 Fair value hierarchy

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

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

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

Rm	Level 1	Level 2	Level 3	Total
31 March 2022				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	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
31 March 2021				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	203 253	119 951	10 013	333 217
General operations	–	993	13	1 006
Total financial assets measured at fair value	203 253	120 944	10 026	334 223
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	323 219	10 013	333 232
Contingent consideration	–	–	16	16
Total financial liabilities measured at fair value	–	323 219	10 029	333 248

Summary notes continued
For the year ended 31 March 2022

13.4 Fair value hierarchy continued

Transfers between Levels 1 and 2

The financial assets held under multi-manager investment contracts are economically matched to the policyholder liabilities. 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 year 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 year under review.

Sensitivity analysis for Level 3 financial assets

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

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

13.5 Valuation methods and assumptions for valuation techniques

There have been no changes in the valuation methods and assumptions for valuation techniques since 31 March 2021. A detailed description of the valuation methods and assumptions for valuation techniques is available in our annual financial statements for the year ended 31 March 2022.

13.6 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).

14. 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.

14.1 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.

14.2 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.

15. Events occurring after reporting period

Acquisition of EBS International Proprietary Limited

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

On 10 May 2022 the group received approval from the Competition Commission for the acquisition of EBS International. We anticipate all other conditions closing out by mid-June 2022. The initial payment of R107.8 million will be made on the effective date and will be funded by a term loan facility.

Term loan facility

On 2 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 (Standard Bank) to fund acquisitions. An unsecured five-year term loan of R107.8 million bearing interest at JIBAR plus 1.65% compounded quarterly was taken out to fund the purchase of EBS International. The repayments over the term of the loan will comprise of interest, whilst the principal is payable at maturity.

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. 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 directors

AD Mminele (Chair), RM Head, NG Payne, T Dloti, AM Mazwai

Non-executive directors

WS O'Regan, MR Nkadimeng

Executive directors

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

Executive: Governance, legal and compliance (Company secretary)

CH Wessels

Investor relations

Z Amra

Registered office

Alexander Forbes, 115 West Street, Sandown, 2196

Transfer secretaries

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

Sponsor

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

www.alexforbes.com

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