Alexander Forbes Group Holdings Limited

Unaudited interim results announcement and cash dividend declaration

for the six months ended 30 September 2023

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Contents

Highlights

Operating income up **13%** to

↑ R1 911 million

Headline earnings per share from total operations up **96%** to

↑ 27.7 cents per share

33% increase in the interim dividend per share to

↑ 20 cents per share

Profit from operations (before non-trading and capital items) up **11%** to

↑ R394 million

Cash generated from continuing operations remains strong at

↑ R446 million

Total assets[1] **up 10%** year on year

↑ R455 billion

Headline earnings per share from continuing operations up **68%** to

↑ 27 cents per share

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

R1 774 million

The group cover ratio of 2.6 times is comfortably above the target solvency cover ratio of 1.2 times.

Average assets[2] **up 9%** year on year

↑ R464 billion

1 Total assets include closing assets under administration (AuA) and assets under management (AuM).
2 Average assets include average AuA and AuM.

Dawie de Villiers,

Chief executive officer, commented:

'We have continued to implement our strategy and are experiencing the results of disciplined execution as we focus increasingly on engaging with our members. Alexforbes is attracting new business alongside high retention rates and competitive investment returns affirming the appeal of our value proposition to the market. Our business is quickly adapting to the needs of our clients by embracing technological transformation to improve our client experience and by introducing further efficiencies into our environment. It's an exciting time for us as the business transforms into the future.'

Financial highlights

In millions of South African rands (Rm)	2023/2022 % change	Unaudited six months ended 30 September 2023	2022	2021
Continuing operations				
Operating income[1]	13	**1 911**	1 686	1 565
Profit from operations (before non-trading and capital items)	11	**394**	354	389
Cost-to-income ratio[2] (percentage)	40 bps	**79.4**	79.0	75.1
Profit for the period	66	**339**	204	240
Cash generated from operations	63	**446**	273	298
Basic earnings per share (cents)	68	**27.0**	16.1	18.8
Headline earnings per share (cents)	68	**27.0**	16.1	18.9
Discontinued operations				
Operating income[1]	(86)	**6**	42	7
(Loss) from operations (before non-trading and capital items)	(78)	**(5)**	(23)	(84)
Total group				
Basic earnings per share (cents)	96	**27.7**	14.1	12.6
Headline earnings per share (cents)	96	**27.7**	14.1	12.7
Normalised headline earnings per share (cents)	70	**26.4**	15.5	12.2
Interim dividend per share (cents)	33	**20.0**	15.0	12.0
Total closing assets[3] (in billions of South African rands)	10	**455**	412	423
Total members under administration and advised ('000)[4]	14	**1 526**	1 338	1 280

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

Overview

Alexforbes reports strong financial results for the six months ended 30 September 2023 (the period or current period), amid a persistently challenging operating environment, which is a result of the deliberate implementation of our strategy.

Operating income increased 13% to R1 911 million benefiting from acquisitions (acquisitive growth added 4% to the top-line growth), high levels of client retention and higher average asset balances.

Operating expenses of R1 559 million increased 15% and reflect the result of corporate activity within the group over the past 18 months. This increase includes the operating expenses from acquisitions that have been fully consolidated. Organic growth in operating expenses was 8% year on year, excluding the impact of stranded costs and lease adjustments.

Profit from operations (before non-trading and capital items) of R394 million increased 11%.

Profit for the period from continuing operations improved 66% to R339 million owing to:

- the trading performance of the continuing operations
- the increase in other income earned on interim support services provided to businesses disposed
- lower amortisation of intangible assets
- an improved result from our professional indemnity insurance cell
- an increase in investment income

The increase in profit for the period from total operations is also attributed to the base effects from the comparable period in the prior year, influenced by the performance of discontinued operations. In the prior comparable period the financial performance of the discontinued operations included losses incurred by Alexander Forbes Life due to reserving requirements.

The group balance sheet remains robust, supported by the strong cash flow generated from continuing operations, with a sound capital surplus above the regulatory capital requirement of R1 774 million and available cash of R863 million. Our regulatory capital is now measured in line with our single active linked investment life licence, which is commonly known as the solo-plus methodology.

An interim dividend of 20 cents per share has been declared, up 33% year on year.

On 1 June 2023 the group acquired a majority interest in TSA Administration, an independent provider of institutional group risk insurance administration services. The TSA business complements our existing binder business and adds scale, systems and additional experienced people to the business. This acquisition aligns with our strategic intent and will enable the group to expand its service offerings to intermediaries alongside our existing umbrella fund and investments value proposition.

On 8 November 2023 the group entered into a binding agreement with OUTsurance Holdings Limited to purchase 100% of the shares in OUTvest Proprietary Limited. OUTvest is an award-winning digital wealth platform launched in 2017 and was built to enable the distribution of a range of high-quality, simple and low-cost wealth products. The transaction will take effect once all conditions precedent have been fulfilled, including regulatory approvals. We expect completion by March 2024 with integration of the platform and people into our environment following thereafter.

The results for the period reflect the progress made in our stated strategy and growth trajectory.

We will continue to invest in our core strengths of consulting, administration and investments to gain further scale, efficiencies and operating advantages. Doing so creates a uniquely differentiated opportunity to impact the lives of clients and members.

Financial review

Consolidated operating income

Operating income

Rm	2023	%	2022
Retirement consulting	**556**	19	468
Healthcare consulting	**182**	5	174
Investments	**800**	12	716
Individual consulting	**209**	15	181
Multinational consulting	**164**	12	147
Total	**1 911**	**13**	**1 686**

Retirement consulting

Operating income from retirement consulting increased 19% to R556 million owing to both organic and acquisitive growth. The latter resulted from the consolidation of the EBS International acquisition and the TSA Administration (TSA) acquisition from June 2023. The migration of consenting funds continues from the acquisition of Sanlam's standalone retirement fund administration business. This represents over 119 000 additional members. Excluding acquisitions, the retirement consulting business delivered 6% growth year on year.

Our membership base is 20% higher year on year at 1 114 764 members underpinned by new business and acquisitions. This increase has contributed to the growth in recurring administration fee income driven by new business and underlying payroll increases within our client base. Fee income, however, remained relatively stable year on year.

Closing assets under management (AuM) in our umbrella fund increased 14% year on year to R117 billion owing to positive market returns and positive net cash inflows.

As the legislation on the two-component system for retirement savings (also called the two-pot system) has unfolded, Alexforbes established a two-pot programme structure and ways of working. This gives us a strong framework for operating under the new legislative environment, ensuring we are prepared for the changes ahead. We are supportive of the proposed legislation given the positive impact it is expected to have on the financial future of retirement fund members by increasing members' retirement savings over the longer term while enabling them to manage their more urgent and immediate financial needs.

On 21 November 2023 in Parliament the Standing Committee on Finance rejected National Treasury's proposal to change the implementation date from 1 March 2024 to 1 March 2025. This means that 1 March 2024 has become the more likely proposed effective date. However, final parliamentary approval and final legislation are still needed as part of the process.

Alexforbes has been diligently working on implementation plans based on draft legislation. However, our progress is contingent on the final legislation, which is still unavailable. Various processes with SARS and the FSCA also need to be finalised. We are therefore putting our best efforts towards being ready on the proposed effective date. Our consultants and administrators are assisting and engaging clients and will continue to do so as the legislative process unfolds.

Ultimately, our approach is to ensure the right outcomes for members within a safe and secure environment. It's important for all stakeholders to work together to ensure everything is in place to assist members within reasonable timelines. Whilst there are challenges in the short term, creating some uncertainty around the detail and the implementation date itself, we ultimately look forward to ensuring that the two-pot system works well for our clients by delivering an enhanced client experience using our digital channels.

Healthcare consulting

Healthcare consulting delivered a 5% increase in operating income to R182 million.

Medical aid broking income, which is recurring, reported muted growth supported by the increase in the medical aid cap commission and several new business wins which were partially offset by the loss of a single large client.

The health management solutions (HMS) business reported solid growth owing to inflationary increases on client contracts offset by some payroll reductions seen within client base.

The healthcare industry features consistently on the agenda of government. Regulatory changes like the National Health Insurance are likely to continue. Alexforbes supports the government's initiative to roll out improved healthcare to all South Africans. These regulatory changes present opportunities for us to provide the best advice to employers and alternative products to clients so that members' healthcare needs remain well covered. We will keep on adapting our business model and product proposition accordingly.

Investments

Investments reported a 12% increase in operating income to R800 million in line with higher average assets over the period, an improvement in margin and strong market performance. The cumulative blended market return achieved across our portfolios was 12.8% for the 12 months ending 30 September 2023. This compares to the annual return from the JSE capped SWIX index of 8.4% over the same period.

New institutional business inflows for the period amounted to R2 billion, mainly into our multi-manager product offering. While the rand value of new business is lower than the comparable period in previous years, the number of new business clients has increased. Several large new business wins, both into our platform and multi-manager product offerings, have been signed after the current period and are expected to flow during the second half of financial year 2024.

The institutional blended margin improved to 28.9 bps (2022: 27.8 bps) owing to strategies implemented within the portfolios as well as conversion of certain existing platform clients to our multi-manager offering. The retail blended margin continued to reduce year on year, which is in line with our strategy relating to product mix and making retail products available to our individual customers at institutional pricing.

Total closing assets under management and administration (AuM and AuA) increased 10% year on year to R455 billion as at 30 September 2023. The platform administration business remains attractive to clients and is an area of growth for us as we leverage our leading in-house administration system and capabilities to clients, though at lower margins than our traditional business.

Total closing assets are segregated as follows:

	30 September 2023			30 September 2022		
R billions	Institutional	Retail	Total	Institutional	Retail	Total
Assets under administration (AuA)	**62.9**	**6.9**	**69.8**	58.7	6.3	65.0
Assets under management (AuM)	**306.7**	**79.0**	**385.7**	277.4	70.0	347.4
Total AuA and AuM	**369.6**	**85.9**	**455.5**	**336.1**	**76.3**	**412.4**

A summary of the cash flows for the six months to 30 September 2023 is shown below.

	30 September 2023			30 September 2022		
R billions	Institutional	Retail	Total	Institutional	Retail	Total
Controllable (product)	**(0.1)**	**-**	**(0.1)**	(2.7)	-	(2.7)
New business	**1.8**	**-**	**1.8**	1.4	-	1.4
Outflows owing to client losses	**(1.9)**	**-**	**(1.9)**	(4.1)	-	(4.1)
Controllable (platform)	**(0.2)**	**-**	**(0.2)**	4.4	-	4.4
New business	**0.2**	**-**	**0.2**	5.0	-	5.0
Outflows owing to client losses	**(0.4)**	**-**	**(0.4)**	(0.6)	-	(0.6)
Uncontrollable	**(6.8)**	**(1.3)**	**(8.1)**	(3.9)	(1.0)	(4.9)
Ongoing contributions	**18.9**	**4.3**	**23.2**	19.0	4.0	23.0
Withdrawals for benefit payments	**(25.7)**	**(5.6)**	**(31.3)**	(22.9)	(5.0)	(27.9)
Net cash flows	**(7.1)**	**(1.3)**	**(8.4)**	**(2.2)**	**(1.0)**	**(3.2)**

The institutional business reported a year-on-year decrease in the net position from controllable cash flows. Client terminations in the institutional product business were lower than the comparable period in the prior year and resulted mainly from corporate activity within the client base, competitive pressure and some client liquidations. The low cash inflows from institutional new business during the period have been impacted by the timing of landing new business with several new business mandates, both into our platform and product offerings, signed after the current period.

We have seen an increase in net outflows during the current period. Contributions from active members of retirement funds remain flat year on year. This is attributable to the ongoing weak South African economy resulting in muted changes to contribution levels and wage increases to members of institutional clients. Withdrawals by members of institutional clients, however, have increased year on year owing to a higher fund credit value being withdrawn resulting from the positive market growth over the rolling twelve-month period to 30 September 2023.

Individual consulting

Individual consulting reported a 15% increase in operating income to R209 million, supported by higher average asset balances over the period, increased new business and asset retention from improved member engagement.

Closing assets under advisement increased by 10% year on year to R91 billion as at 30 September 2023.

New business of R9.9 billion increased 34% year on year, supported by an increase in both the number of new clients and asset retention from member engagement.

Our individualisation strategy is transforming the way we connect with members of our retirement funds at significant stages of their financial journeys. We are expanding our advice efforts – instead of focusing mainly on the post-retirement segment of our retirement fund members we are now providing best advice to individuals throughout their lifetime.

- We have enhanced member engagements and connections due to various strategic initiatives launched in the reporting period. These include engaging with members when they join an employer, during their membership and at key events such as resignation and retirement – all with the intent to increase asset consolidation, retention and improvement in member financial outcomes. This, together with digital capabilities to connect with more members, is resulting in improved financial outcomes for members.
- Member engagement within the reporting period exceeded the total engagements for the prior financial year, following implementation of these key initiatives. Engagements with members are flexible with virtual, face-to-face and digital engagement options possible. This ensures our offering matches differing member needs, makes financial advice accessible and allows us to scale engagement and influence better financial outcomes for more members.
- Our efforts to grow our adviser pool are yielding results with a net increase of 15 advisers recruited since 31 March 2023, taking the total number of advisers to 239.

Our default preservation solutions showed strong growth in the period. Closing AuA in AFRIS increased by 35% year on year to R21 billion as at 30 September 2023. This growth was underpinned by an increase in new institutional clients joining as well as an increase in members taking up the solution.

Multinational consulting

Multinational consulting includes business operations where we have physical offices in Botswana, Channel Islands, Namibia and Nigeria and where we are able to provide consulting advice to clients outside South Africa through the Arrive solution.

Operating income increased 12% to R164 million, with growth reported across all countries. Botswana delivered strong growth of 17% led by new business and inflationary growth particularly in administration and trust fee income. Namibia reported growth of 5% delivered through an increase in investment income and growth in administration fees. The Channel Islands business delivered an increase of 6% due to the exchange rate movement; however, the business reported a 10% decrease year on year in local currency resulting from challenging market conditions that have led to lower-than-expected new business flows in our wealth management services and higher withdrawals.

Our multinational consulting business delivers health, wealth and career solutions to multinational clients throughout Africa and is aligned to our advice-led framework. This business continues to grow, showing strong year-on-year growth led by client wins in our health and consulting solution offerings. We keep seeing the benefits of a coordinated consulting and service approach across Africa, with sustained growth in the year. There has also been significant growth in our short-term insurance (trustee indemnity commission) offering with numerous new appointments in the period. 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 increased 62% to R42 million owing to service charges for interim support services rendered to external third parties. This increase partially offsets the stranded costs which are inherent in our shared service costs as a result of the disposal of our LISP administration business (the AFICA group) in the prior year.

Operating expenses

Operating expense of R1 559 million increased by 15% due to corporate transactions in the group, inflationary pressures within our cost base, the negative impact of exchange rates and the continued investment in growth initiatives.

Personnel costs increased as we needed to bolster the client servicing teams to ensure that we can continue to render services to our existing clients. The acquisition of new businesses also contributed to the year-on-year growth in personnel costs. Personnel costs contribute 62% of the total operating expenses and increased 15% year on year with business-as-usual growth contributing 12% and acquisitions accounting for 3% of the total growth.

Technology costs have also increased by 8% year on year due to unfavourable exchange rates, an increase in software maintenance and higher software licensing fees, including outsourced services. Contractor services, however, have reduced due to a targeted initiative to replace contractors with permanent employees to build in-house technology skills.

The property lease modifications (and restructure of the Sandton head office lease) have led to a 6% year-on-year reduction in property costs. The full impact of the cost savings will materialise in financial year 2026.

We maintain focus on managing cost growth within a higher inflationary environment through structural changes and efficiencies, automation and an enhanced customer experience.

Items below profit from operations

Non-trading and capital items

The expense in non-trading and capital items decreased to R13 million (2022: R75 million) largely attributable to:

- the performance of the insurance cell-captive facility that reported a reduced loss of R7 million (2022: R33 million loss). The results of the cell-captive insurance entity are consolidated into operating profit and reflect the movement in provisions and payments for all error and omissions insurance claims registered by the group as part of our self-insured layer. The results captured are expected to average towards a zero profit over the medium to long term.
- lower amortisation costs of intangible assets to R7 million (2022: R21 million). These intangible assets arose from the private equity transaction in 2007 and are nearing end of life.

The accounting for the amortisation of intangible assets and the results of the cell-captive facility are excluded when calculating the group's normalised earnings. The details of the normalised adjustments can be found in the segmental income and profit analysis on pages 20 to 23.

Investment income

Investment income increased 85% year on year to R111 million (2022: R60 million) owing to higher interest rates. Interest income is earned from the regulatory capital and surplus cash position of the group.

In addition, an investment profit of R8 million (2022: R10 million loss) relating 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 of R29 million remain flat year on year. The reduction in the finance costs associated with the lease liabilities was offset by the increase in the interest paid on borrowings. As at 30 September 2023 the total amount outstanding under borrowings across the group stood at R324 million. Refer to note 13.

Profit before and after tax

After non-trading and capital items, finance charges and the effect of the policyholder investments, the group reported a 57% increase in profit before taxation from continuing operations to R470 million (2022: R299 million).

The effective tax rate of 26.6%, excluding the policyholder tax, 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 non-deductible expenses. However, the improvements made through our legal structure and efficiencies gained will result in the historical tax losses being realised in future years.

Profit from continuing operations increased 66% to R339 million (2022: R204 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 in the 2019 financial year. The sale and transfer of the policies within the AF Life business were concluded on 31 March 2022 (effective date).

In the comparable prior year period, the attributable loss from this discontinued business included losses incurred from reserving requirements resulting from ongoing clean-up and finalisation of claims as part of the transaction implementation.

Headline earnings

Headline earnings from total operations increased 95% to R340 million (2022: R174 million). The weighted average number of shares reduced marginally to 1 226 million (2022: 1 230 million). Headline earnings per share increased 96% to 27.7 cents per share (2022: 14.1 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 condensed consolidated income statement).

Financial position

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

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

At 30 September 2023 the consolidated regulatory capital requirement of the group stood at R1 087 million, a decrease of 21% year on year. Our regulatory capital is now measured in line with our single active linked investment life licence known as the solo-plus methodology. This decrease resulted mainly from a reduction in required capital for unregulated solo-plus entities. Using measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards, the group has a regulatory surplus of R1 774 million. The current regulatory capital cover of 2.6 times is well above the group policy cover ratio of 1.2 times.

The group continues to finalise and settle the outstanding claims under the AF Life insurance policies which are now in run-off. This process is expected to take another 12 months.

Our capital requirements will be impacted on closing of this insurance entity, given that the group designation as an insurer will be changed. We will continue to refine our capital position to ensure an optimal outcome.

In June 2022 Alexander Forbes Limited, a wholly owned subsidiary of the group, entered into a loan facility agreement to finance acquisitions. The total funding available under this facility is R600 million and may be drawn at any time, in whole or in part during the availability period of five years. As at 30 September 2023 the amount owing under the term loan facility stood at R302 million.

Our cash flow generation remains strong and we continue to maintain a high conversion of operating profit from continuing operations to cash which supports our strong balance sheet. Cash flow from continuing operations of R446 million is 63% higher, with available cash up 47% year on year to R863 million.

Interim cash dividend declaration

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

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

The board has declared an interim gross cash dividend of 20 cents per ordinary share (16 cents net of dividend withholding tax) for the six months ended 30 September 2023 (2022: 15 cents per ordinary share). The board believes the surplus cash and capital position, after the payment of the interim dividend, will still provide sufficient liquidity and capital strength.

The interim dividend has been declared from income reserves. A dividend withholding tax of 20% will apply to all shareholders who are not exempt from the dividend withholding tax, or who are entitled to a reduced rate in terms of the applicable double taxation agreement.

The issued number of shares at the date of declaration is 1 327 582 154. The tax reference number of Alexander Forbes Group Holdings Limited is 9404921158.

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

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

Declaration date	Monday 4 December 2023
Last day of trade to receive a dividend	Tuesday 2 January 2024
Shares commence trading 'ex' dividend	Wednesday 3 January 2024
Record date	Friday 5 January 2024
Payment date	Monday 8 January 2024

Share certificates may not be dematerialised or rematerialised between Wednesday 3 January 2024 and Friday 5 January 2024, both days inclusive.

Prospects

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

Two-pot system preparation and impact

The implementation of the two-component (also known as the two-pot) system is anticipated to have a positive net impact on group revenue over the long term due to compulsory preservation of the retirement pot, increasing the pool of assets within our base. In addition, greater engagement is required to counsel members on their decisions, creating further opportunities to retain assets.

Integration of OUTvest into our environment

The integration of the OUTvest digital wealth management capability is expected to accelerate significant efficiencies for Alexforbes financial advisers and retail clients. The platform unlocks the ability to provide goals-based advice and servicing journeys at scale across our entire client base.

Launch of DFM to diversify revenue streams

As part of our diversification into the independent financial adviser (IFA) market, we are launching a discretionary fund management (DFM) capability in the latter half of the financial year. Our DFM is built from the group's existing investment management platform. This represents an opportunity to participate in the growth of the DFM market off a stable existing base at marginal additional cost.

Automation and technological transformation

Our engineering team has implemented automation within our core administration processes and our focus is now on client adoption and use to deliver efficiencies. Our robotic process automation has saved the business substantial time and enhanced our competitiveness and client service. We continue to explore further case studies to this end.

Benefiting from the strong new business pipeline that we have built

A number of clients won in the 2023 financial year are only starting to reflect in the current financial year flows due to the lag between acceptance and implementation. Several large umbrella fund quotes and standalone funds are 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 keep on winning market share from our competitors.

Consolidation into our umbrella fund

Consolidation into umbrella fund structures continues to be a trend in the retirements segment. Alexforbes is well positioned to benefit from conversions within our existing standalone administration base and it offers opportunities outside the business.

Our unique position as an advice-led umbrella fund is a differentiator relative to the large insurer-sponsored umbrella funds as we have the mandate to act in members' interests by building quality solutions. Clients seeking objectivity, simplicity and performance are finding the Alexforbes umbrella proposition to be compelling.

Individualisation within institutional retirement funds

Significant development has been delivered over the prior period to accelerate digital engagement and modernise our retail advice to serve more retirement fund members across a range of investment needs. 82% of retirement fund stakeholders surveyed indicated that the individualisation of the member's experience of retirement funding is the biggest opportunity to make an impact on people's lives by educating, informing and engaging them to make better financial choices. Alexforbes is geared towards enabling this priority among our clients. The implementation of the two-pot system currently scheduled for 1 March 2024 presents a significant opportunity for us to drive engagement and connection with members as Alexforbes.

Being a force for good

Alexforbes has the responsibility to act as a force for good by harnessing our best advice, access to data, and client reach to consult with retirement funds and employers on sustainability matters. During the period meaningful strides were made to deliver on this promise, including designing the retirement fund of the future™, as well as formalising both a group and investments climate policy.

Change in directorate

The following changes to the board were announced during the period:

- Mr KD Dlamini was appointed as independent non-executive director and chair of the board, including nominations committee and member of the mergers and acquisitions, and remuneration committees effective 1 July 2023.
- Ms MK Dippenaar was appointed to the mergers and acquisitions committee effective 4 September 2023.

Corporate governance

The company's application of the principles contained in the King IV Report on Corporate Governance™ for South Africa is disclosed in the FY2023 integrated annual report available on the company's website. No material changes in application have occurred since the publication of that report.

On behalf of the board of directors

K Dlamini
Chair

DJ de Villiers
Chief executive officer

4 December 2023

Condensed consolidated financial statements

Condensed consolidated financial statements

The Alexander Forbes Group Holdings Limited (the group) condensed consolidated interim results for the period ended 30 September 2023 (interim results) are prepared in accordance with:

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

The condensed consolidated interim results of the group for the period ended 30 September 2023 include the:

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

The group's interim 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 condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the preparation of previous consolidated annual financial statements, except for the adoption of new standards at the beginning of the 2024 financial year.

Additionally, these interim results have not been audited or reviewed by the group's external auditors. The group's 2023 annual financial information has been extracted from the underlying audited consolidated annual financial statements for the year ended 31 March 2023. These condensed consolidated interim results were compiled under the supervision of Mr BP Bydawell (Chief financial officer), CA (SA), CFA.

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

The results were made publicly available on 4 December 2023 on our website: **https://investors.alexforbes.com/financial-results/**

Condensed consolidated income statement

For the six months ended 30 September 2023

Rm	Notes	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Continuing operations				
Fee and commission revenue	2	**2 475**	2 167	4 487
Fee and commission expenses		**(564)**	(481)	(1 009)
Operating income net of direct expenses		**1 911**	**1 686**	**3 478**
Other income	3	**42**	26	60
Operating expenses		**(1 559)**	(1 358)	(2 752)
Profit from operations before non-trading and capital items		**394**	**354**	**786**
Non-trading and capital items	4	**(13)**	(75)	(99)
Operating profit		**381**	**279**	**687**
Investment income	5	**119**	50	162
Finance costs	6	**(29)**	(29)	(58)
Reported loss arising from accounting for policyholder investments as treasury shares		**(1)**	(1)	(1)
Profit before taxation		**470**	**299**	**790**
Income tax expense	7	**(131)**	(95)	(237)
Income tax expense relating to group profits		**(123)**	(105)	(224)
Income tax (expense)/credit relating to policyholder investment returns		**(8)**	10	(13)
Profit for the period from continuing operations		**339**	**204**	**553**
Discontinued operations				
Profit/(loss) from discontinued operations (net of tax)	8	**9**	(25)	161
Profit for the period		**348**	**179**	**714**
Profit attributable to:				
Owners of the company		**340**	174	704
Non-controlling interest		**8**	5	10
		348	**179**	**714**
Basic earnings per share (cents)	9	**27.7**	14.1	57.1
Diluted earnings per share (cents)	9	**26.5**	13.2	53.5
Weighted average number of shares in issue (net of treasury shares) (millions)	9	**1 226**	1 230	1 232

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2023

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Profit for the period	**348**	**179**	**714**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss[1]	**15**	**13**	**37**
Foreign currency translation differences – foreign operations	**15**	13	37
Other comprehensive income for the period that will not be reclassified to profit or loss[1]	**–**	**31**	**34**
Remeasurement of post-employment benefit obligations	**–**	31	34
Total comprehensive income for the period	**363**	**223**	**785**
Total comprehensive income attributable to:			
Owners of the company	**355**	218	775
Non-controlling interest	**8**	5	10
Total comprehensive income for the period	**363**	**223**	**785**

1 Net of related taxes.

Condensed consolidated statement of financial position

At 30 September 2023

Rm	Notes	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Assets				
Financial assets held under multi-manager investment contracts	10	**383 789**	345 081	379 714
Goodwill		**1 461**	1 425	1 425
Intangible assets		**310**	162	264
Property and equipment		**398**	429	387
Purchased and developed computer software		**246**	200	210
Deferred tax assets		**150**	169	159
Financial assets	11	**575**	347	696
Insurance receivables		**94**	330	116
Tax assets		**18**	43	27
Trade and other receivables	12	**478**	487	449
Cash and cash equivalents		**2 662**	2 689	2 818
Assets of disposal group classified as held for sale	8	**-**	31	-
Total assets		**390 181**	**351 393**	**386 265**
Equity and liabilities				
Owners of the company		**4 387**	4 068	4 455
Non-controlling interest		**48**	33	24
Total equity		**4 435**	**4 101**	**4 479**
Financial liabilities held under multi-manager investment contracts	10	**383 792**	345 085	379 718
Borrowings	13	**324**	133	227
Employee benefits		**164**	148	143
Deferred tax liabilities		**105**	71	87
Provisions		**209**	229	216
Lease liabilities		**265**	498	336
Insurance payables		**135**	433	191
Trade and other payables	14	**744**	656	848
Tax liabilities		**8**	27	20
Liabilities of disposal group classified as held for sale	8	**-**	12	-
Total liabilities		**385 746**	**347 292**	**381 786**
Total equity and liabilities		**390 181**	**351 393**	**386 265**

Condensed consolidated statement of cash flows

For the six months ended 30 September 2023

Rm	Notes	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Cash flows from operating activities				
Cash generated from operations		**446**	273	1 076
Interest received		**88**	54	125
Interest paid		**(28)**	(29)	(56)
Net cash flows received from insurance and policyholder contracts		**2**	14	29
Net cash flows received from/(paid to) policyholder investment contracts		**976**	249	(159)
Taxation paid		**(118)**	(92)	(209)
Dividends paid		**(348)**	(263)	(449)
Payments made to non-controlling interests		**(8)**	(5)	(9)
Cash flows from operating activities – discontinued operations		**(31)**	(54)	(68)
Net cash inflow from operating activities		**979**	**147**	**280**
Cash flows from investing activities				
Purchase of financial assets	11	**(8)**	(33)	(442)
Proceeds from disposal of financial assets	11	**152**	214	274
Payments for capital expenditure incurred on property, equipment and computer software		**(111)**	(53)	(142)
Purchase of customer relationships		**(32)**	-	(98)
Payment for acquisition of subsidiary (net of cash acquired)[1]	15	**(82)**	(84)	(94)
Proceeds from sale of subsidiaries and businesses		**-**	-	185
Cash flows from investing activities – discontinued operations		**-**	-	(55)
Net cash (outflow)/inflow from investing activities		**(81)**	**44**	**(372)**
Cash flows from financing activities				
Repayment of borrowings	13	**(1)**	(1)	(3)
Borrowings raised	13	**97**	108	202
Payments of lease liabilities		**(88)**	(87)	(178)
Purchase of shares in terms of share buy-back and share-incentive schemes		**(106)**	(20)	(82)
Net proceeds from sale of treasury shares held by policyholder investments		**1**	8	8
Purchase of treasury shares held by policyholder investments		**(1)**	-	(1)
Disposal of treasury shares held by policyholder investments		**2**	8	9
Net cash (outflow)/inflow from financing activities		**(97)**	**8**	**(53)**
Increase/(decrease) in cash and cash equivalents		**801**	199	(145)
Cash and cash equivalents at the beginning of the period		**8 978**	9 073	9 073
Effects of exchange rate changes on cash and cash equivalents		**20**	14	50
Cash and cash equivalents at the end of the period		**9 799**	**9 286**	**8 978**
Analysed as follows:				
Cash and cash equivalents of continuing operations		**2 662**	2 689	2 818
Cash held under multi-manager investment contracts[2]		**7 137**	6 568	6 160
Cash and cash equivalents of disposal group classified as held for sale		**-**	29	-
		9 799	**9 286**	**8 978**

1 *Included in payment for acquisition of subsidiary in the current period is the settlement of deferred consideration amounting to R14 million relating to the acquisition of EBS International Proprietary Limited in the prior year.*
2 *This amount relates to cash and cash equivalents held for short-term commitments within the multi-manager investment portfolios.*

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2023

Rm	Share capital	Treasury shares	Other reserves	Accumulated loss	**Total equity holders' funds**	Non-controlling interest	**Total equity**
At 31 March 2022	**6 097**	**(427)**	**232**	**(1 829)**	**4 073**	**33**	**4 106**
Total comprehensive income	–	–	13	205	218	5	223
Profit for the period	–	–	–	174	174	5	179
Other comprehensive income	–	–	13	31	44	–	44
Total transactions with owners of the company	(117)	158	(1)	(263)	(223)	(5)	(228)
Share cancellation[1]	(117)	117	–	–	–	–	–
Shares purchased in terms of share buy-back programme[2]	–	(20)	–	–	(20)	–	(20)
Settlement of share incentive schemes[3]	–	53	(53)	–	–	–	–
Movement of treasury shares in policyholder assets	–	8	–	–	8	–	8
Dividends paid	–	–	–	(263)	(263)	(5)	(268)
Movement in share-based payment reserve	–	–	52	–	52	–	52
At 30 September 2022	**5 980**	**(269)**	**244**	**(1 887)**	**4 068**	**33**	**4 101**
Total comprehensive income	–	–	24	533	557	5	562
Profit for the period	–	–	–	530	530	5	535
Other comprehensive income	–	–	24	3	27	–	27
Total transactions with owners of the company	–	(53)	69	(186)	(170)	(14)	(184)
Shares purchased in terms of share buy-back programme and share incentive schemes[4]	–	(62)	–	–	(62)	–	(62)
Settlement of share incentive schemes	–	9	(9)	–	–	–	–
Dividends paid	–	–	–	(186)	(186)	(4)	(190)
Movement in share-based payment reserve	–	–	78	–	78	–	78
Other movements in non-controlling interest[5]	–	–	–	–	–	(10)	(10)
At 31 March 2023	**5 980**	**(322)**	**337**	**(1 540)**	**4 455**	**24**	**4 479**
Total comprehensive income	**–**	**–**	**15**	**340**	**355**	**8**	**363**
Profit for the period	**–**	**–**	**–**	**340**	**340**	**8**	**348**
Other comprehensive income	**–**	**–**	**15**	**–**	**15**	**–**	**15**
Total transactions with owners of the company	**–**	**43**	**(118)**	**(348)**	**(423)**	**16**	**(407)**
Shares purchased in terms of share incentive schemes[6]	**–**	**(106)**	**–**	**–**	**(106)**	**–**	**(106)**
Settlement of share incentive schemes[7]	**–**	**148**	**(148)**	**–**	**–**	**–**	**–**
Movement of treasury shares in policyholder assets	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Dividends paid	**–**	**–**	**–**	**(348)**	**(348)**	**(8)**	**(356)**
Movement in share-based payment reserve	**–**	**–**	**69**	**–**	**69**	**–**	**69**
Transactions with non-controlling interests[8]	**–**	**–**	**(39)**	**–**	**(39)**	**24**	**(15)**
At 30 September 2023	**5 980**	**(279)**	**234**	**(1 548)**	**4 387**	**48**	**4 435**

1 *The group cancelled 26 501 838 shares which were withdrawn on the JSE on 23 September 2022.*
2 *The group purchased AFH shares to the value of R20 million, at an average price of R4.81 per share (4 251 514 shares), in a general buyback approved by shareholders.*
3 *The group settled shares amounting to R32 million relating to the forfeitable share scheme. In addition, shares amounting to R21 million relating to the conditional share scheme were settled.*
4 *Shares to the value of R62 million were purchased for share incentive schemes.*
5 *This amount relates to changes in non-controlling interests following the sale of Seniors' Finance in the prior year.*
6 *Shares to the value of R106 million were purchased for share incentive schemes.*
7 *The group settled shares amounting to R53 million relating to the forfeitable share scheme. In addition, shares amounting to R95 million relating to the conditional share scheme were settled.*
8 *Transactions with non-controlling interests relate to the 40% non-controlling interest in TSA Administration Proprietary Limited (TSA) and include the 40% proportionate share of the net identifiable assets, amounting to R24 million, that were acquired as well as an option reserve, amounting to R39 million, relating to put options granted. Refer to note 15.*

Condensed consolidated segmental income and profit analysis

For the six months ended 30 September 2023

Rm	Retirement consulting 2023	Retirement consulting 2022[1]	Healthcare consulting 2023	Healthcare consulting 2022[1]	Investments 2023	Investments 2022[1]	Individual consulting 2023	Individual consulting 2022[1]	Multinational consulting 2023	Multinational consulting 2022[1]	**Total consulting** 2023	**Total consulting** 2022[1]	Solutions & Enablement (S&E) 2023	Solutions & Enablement (S&E) 2022[1]	Client Services & Business Optimisation (CSBO) 2023	Client Services & Business Optimisation (CSBO) 2022[1]	**Group total** 2023	**Group total** 2022[1]
Continuing operations																		
Fee and commission revenue	**586**	479	**182**	174	**1 199**	1 065	**331**	290	**177**	159	**2 475**	2 167	**–**	–	**–**	–	**2 475**	2 167
Fee and commission expenses	**(30)**	(11)	**–**	–	**(399)**	(349)	**(122)**	(109)	**(13)**	(12)	**(564)**	(481)	**–**	–	**–**	–	**(564)**	(481)
Operating income net of direct expenses	**556**	**468**	**182**	**174**	**800**	**716**	**209**	**181**	**164**	**147**	**1 911**	**1 686**	**–**	**–**	**–**	**–**	**1 911**	**1 686**
Other income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**42**	26	**42**	26
Operating expenses	**(543)**	(445)	**(142)**	(140)	**(537)**	(507)	**(185)**	(163)	**(157)**	(141)	**(1 564)**	(1 396)	**–**	–	**(42)**	(17)	**(1 606)**	(1 413)
Operating expenses before recoveries	**(181)**	(110)	**(66)**	(61)	**(85)**	(87)	**(99)**	(85)	**(137)**	(121)	**(568)**	(464)	**(90)**	(86)	**(947)**	(895)	**(1 605)**	(1 445)
Recoveries from S&E	**(3)**	(9)	**(11)**	(10)	**(68)**	(61)	**(7)**	(5)	**(1)**	(1)	**(90)**	(86)	**90**	86	**–**	–	**–**	–
Recoveries from CSBO	**(359)**	(326)	**(65)**	(69)	**(384)**	(359)	**(79)**	(73)	**(19)**	(19)	**(906)**	(846)	**–**	–	**906**	846	**–**	–
Recoveries from discontinued operations	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	32	**(1)**	32
Normalised profit from operations before non-trading and capital items	**13**	**23**	**40**	**34**	**263**	**209**	**24**	**18**	**7**	**6**	**347**	**290**	**–**	**–**	**–**	**9**	**347**	**299**
Normalised non-trading and capital items	**–**	(2)	**–**	–	**–**	–	**–**	–	**–**	(1)	**–**	(3)	**–**	–	**1**	(18)	**1**	(21)
Normalised operating profit	**13**	**21**	**40**	**34**	**263**	**209**	**24**	**18**	**7**	**5**	**347**	**287**	**–**	**–**	**1**	**(9)**	**348**	**278**
Normalised investment income	**2**	–	**–**	1	**1**	1	**4**	2	**1**	1	**8**	5	**–**	–	**103**	56	**111**	61
Normalised finance cost	**(8)**	–	**–**	–	**–**	–	**–**	–	**(1)**	–	**(9)**	–	**–**	–	**(10)**	(6)	**(19)**	(6)
Normalised profit before taxation	**7**	**21**	**40**	**35**	**264**	**210**	**28**	**20**	**7**	**6**	**346**	**292**	**–**	**–**	**94**	**41**	**440**	**333**
Normalised income tax expense	**(2)**	(7)	**(11)**	(12)	**(71)**	(70)	**(7)**	(7)	**(2)**	(2)	**(93)**	(98)	**–**	–	**(24)**	(14)	**(117)**	(112)
Normalised profit for the period from continuing operations	**5**	**14**	**29**	**23**	**193**	**140**	**21**	**13**	**5**	**4**	**253**	**194**	**–**	**–**	**70**	**27**	**323**	**221**
Normalised profit from discontinued operations (net of tax)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**9**	(25)	**9**	(25)
Normalised profit for the period	**5**	**14**	**29**	**23**	**193**	**140**	**21**	**13**	**5**	**4**	**253**	**194**	**–**	**–**	**79**	**2**	**332**	**196**
Normalised adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(2)**	**(1)**	**(2)**	**–**	**–**	**17**	**(15)**	**16**	**(17)**
Accounting for property leases	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	(2)	**(1)**	(2)	**–**	–	**38**	33	**37**	31
Amortisation of intangible assets arising from the 2007 private equity business combination	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(7)**	(21)	**(7)**	(21)
Professional indemnity insurance cell-captive result	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(7)**	(33)	**(7)**	(33)
Reported profit arising from accounting for policyholder investments in treasury shares	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	(1)	**(1)**	(1)
Investment income on behalf of policyholders	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8**	(10)	**8**	(10)
Tax effects on normalised adjustments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(14)**	17	**(14)**	17
Profit for the period	**5**	**14**	**29**	**23**	**193**	**140**	**21**	**13**	**4**	**2**	**252**	**192**	**–**	**–**	**96**	**(13)**	**348**	**179**
Normalised basic earnings per share (cents)																	**26.4**	15.5
Normalised headline earnings per share (cents)																	**26.4**	15.5
Normalised weighted average number of shares in issue (millions)																	**1 227**	1 231

1 *During the prior year a portion of technology costs (included in recoveries from CSBO) that could be directly allocated to the segments was reclassified as part of operating expenses before recoveries and certain investments-related expenses were directly allocated to the Investments segment from S&E, refer to page 23 for further details.*

Summary consolidated segmental income and profit analysis continued
For the six months ended 30 September 2023

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. The consulting platform incorporates all client-facing business units and is arranged according to the advice needs of our clients.
2. A hub for innovative solutions and product enablement under the Solutions & Enablement (S&E) platform (previously Investments, Products & Enablement).
3. A joint platform for services, including fund administration, technology and shared services under the Client Services & Business Optimisation (CSBO) platform. The CSBO platform aims to embed operational excellence in administration, data quality and governance, automation and reporting to better service clients and to drive efficiencies to manage expenses.

The platforms are supported by the following enabling services: human capital and transformation, finance, risk and internal audit, governance, legal, compliance and sustainability and strategy and customer experience. These costs are allocated to the segmented business units above in our segmental reporting.

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

Consulting - this includes:

- **Retirement consulting -** includes actuarial consulting, fund administration, consulting to standalone retirement funds, fund administration and consulting to umbrella retirement funds and beneficiary funds. This also includes revenue earned from clients where we earn fees only for administration and binder services as well as technology services fees earned by EBS International recognised from July 2022.
- **Healthcare consulting -** includes healthcare broking, actuarial, consulting and healthcare management solutions.
- **Investments -** includes investment products and solutions for institutional clients and individual customers.
- **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 consulting advice provided outside South Africa through the multinational consulting offering.

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

Solutions & Enablement (S&E)

This platform includes the research & best practice academy, product management and other enabling units, analytics and technical marketing. This platform connects the dots between advice and solutions, providing technical and business support so that our consultants can continue to be recognised as the best in the industry, manages the range of solutions in line with our leading-edge principles and connects future thinking with today, bringing innovative ideas to life through our innovation process. In doing so, it helps develop solutions that meet the needs of institutional clients and individual customers. 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 S&E and CSBO platforms as well as for the enabling services functions are allocated to reportable segments using various allocation methods specific to the actual costs. Direct recoveries include:

- Cost of services for administering retirement funds in the retirement consulting business.
- IT costs directly attributable to the segments, including software licence fees, hardware and depreciation. Part of these costs has been allocated based on headcount. A portion of these costs has been allocated under operating expenses in each segment, while the remainder has been recorded under recoveries from CSBO.
- S&E costs relating to product enablement, research and development. The allocation of these costs is based on the segment's contribution to operating profit after taking administration services costs, CSBO costs and enabling services costs into consideration.
- Other shared services functions comprising human capital, premises and facilities management, finance, risk, internal audit, legal, compliance, marketing and corporate. These costs are allocated based on the segmental contribution to gross revenue and headcount.

It is our constant endeavour to improve and enhance on our segmental reporting and the way we manage the business, and in the prior year, the following changes were made:

- A portion of technology costs (included in recoveries from CSBO) that could be directly allocated to the segments was reclassified as part of operating expenses before recoveries.
- The change to the S&E platform from IP&E. Numerous changes have taken place in the market and our business, requiring the amendment to S&E. This change in reportable segments has resulted in investments-related expenses, including the investments management team and the chief economist's office, being directly allocated to Investments from the S&E segment. This change in reporting impacts prior year numbers between operating expenses and recoveries from S&E.

Normalised segmental results

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

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

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

Professional indemnity insurance cell-captive results

The profits and losses of the facility are a result of the premiums paid, claims experienced and the changes made to the provision for expected future claims. The recorded profits and losses of the cell-captive facility should trend to zero over the longer term. The annual premiums paid for this insurance are included in the operating expenses of each segment. The group is required to consolidate the financial results of the cell-captive amounting to a loss of R7 million for the period ended 30 September 2023 (2022: R33 million loss) which are recorded in the non-trading and capital items.

Accounting for property lease

The group previously isolated and removed the accounting impact, under IAS 17, for property leases from the normalised results to afford a better comparison and to reflect the true premises cost over the long term. IFRS 16 requires an on-balance sheet recognition and measurement model for lessees, which includes the recognition of right-of-use assets as well as lease liabilities resulting in depreciation and finance costs being recognised in the income statement. These costs replace rental expenses which were recognised on a straight-line basis under IAS 17. In order to ensure comparability and to again reflect the true premises cost, adjustments amounting to R47 million (2022: R55 million) inclusive of the gain on lease modification of R14 million have been effected to profit before non-trading and capital items. In addition finance costs of R10 million (2022: R24 million) have been adjusted resulting in a net adjustment of R37 million (2022: R31 million) to profit before tax.

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

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

Investment income and taxation payable on behalf of policyholders

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

Condensed notes

For the six months ended 30 September 2023

1. Basis of preparation

The condensed consolidated interim results of Alexander Forbes Group Holdings Limited (the group) for the six months ended 30 September 2023 include the condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity.

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements (Listings Requirements) and the requirements of the Companies Act No. 71 of 2008 of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also contain the information required by IAS 34 Interim Financial Reporting.

The group's interim 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 condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the preparation of previous consolidated annual financial statements, except for the adoption of new standards at the beginning of the 2024 financial year.

The adoption of new standards and amendments effective for annual reporting periods beginning 1 January 2023 do not have a material effect on the group's condensed consolidated interim results. For additional information on the impact of IFRS 17 *Insurance Contracts,* refer to note 18.

2. Fee and commission revenue

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

Disaggregation of revenue

	Retirement consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		**Group total**	
Rm	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Revenue by type												
Consulting and advice fees	**105**	84	**39**	38	**17**	17	**319**	289	**76**	67	**556**	495
Administration fees	**394**	326	**2**	–	**–**	–	**12**	1	**76**	71	**484**	398
Commission	**45**	48	**141**	136	**–**	–	**–**	–	**7**	6	**193**	190
Investment management fees	**–**	–	**–**	–	**1 182**	1 048	**–**	–	**18**	15	**1 200**	1 063
Technology services fees	**42**	21	**–**	–	**–**	–	**–**	–	**–**	–	**42**	21
Total	**586**	**479**	**182**	**174**	**1 199**	**1 065**	**331**	**290**	**177**	**159**	**2 475**	**2 167**
Revenue by region												
South Africa	**578**	477	**182**	174	**1 199**	1 065	**331**	290	**–**	–	**2 290**	2 006
Namibia	**2**	–	**–**	–	**–**	–	**–**	–	**60**	57	**62**	57
Botswana	**1**	–	**–**	–	**–**	–	**–**	–	**74**	63	**75**	63
Jersey and Channel Islands	**–**	–	**–**	–	**–**	–	**–**	–	**35**	32	**35**	32
Other	**5**	2	**–**	–	**–**	–	**–**	–	**8**	7	**13**	9
Total	**586**	**479**	**182**	**174**	**1 199**	**1 065**	**331**	**290**	**177**	**159**	**2 475**	**2 167**
Timing of revenue recognition												
Products transferred at a point in time	**17**	15	**2**	2	**–**	–	**27**	23	**–**	1	**46**	41
Services transferred over time	**569**	464	**180**	172	**1 199**	1 065	**304**	267	**177**	158	**2 429**	2 126
Total	**586**	**479**	**182**	**174**	**1 199**	**1 065**	**331**	**290**	**177**	**159**	**2 475**	**2 167**

Condensed notes continued
For the six months ended 30 September 2023

3. Other income

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Sub-rental income	16	17	33
Technology fees	6	9	17
Other fees[1]	20	–	10
Total other income	**42**	**26**	**60**

1 Included in other fees in the current period are service charges for interim support services billed to third parties in relation to the sale of the AFICA group, amounting to R19 million.

4. Non-trading and capital items

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Professional indemnity insurance cell-captive result	(7)	(33)	(31)
Amortisation of intangible assets arising from business combination[1]	(7)	(21)	(29)
Professional costs for corporate transactions and other	1	(21)	(21)
Software in development written off	–	–	(18)
Total non-trading and capital items	**(13)**	**(75)**	**(99)**

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

5. Investment income

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Interest income	109	52	131
Investment and dividend income	2	8	18
	111	**60**	**149**
Multi-manager operations			
Investment returns linked to policyholder tax expense	8	(10)	13
Total investment income	**119**	**50**	**162**
Investment income is derived from the following categories of financial assets:			
Amortised cost	109	52	131
Financial assets at fair value	10	(2)	31
Total investment income	**119**	**50**	**162**

6. Finance costs

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Interest on lease liabilities[1]	(10)	(24)	(38)
Interest on borrowings[2]	(14)	(2)	(13)
Other interest	(5)	(3)	(7)
Total finance costs	**(29)**	**(29)**	**(58)**

1 The decrease in interest on lease liabilities is attributable to the reduction in office space leased at the head office in the prior year.
2 The increase in the interest on borrowings relates to interest incurred on the unsecured term facility which has been drawn down to finance acquisitions. Refer to note 13.

7. Income tax expense

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
South African income tax			
Current tax	**(108)**	**(95)**	**(193)**
Current year	(108)	(95)	(195)
Prior years	–	–	2
Deferred tax	**(6)**	**2**	**(7)**
Current year	(6)	1	(11)
Prior years	–	1	4
Foreign income tax	**(7)**	**(8)**	**(13)**
Current tax	(6)	(5)	(10)
Deferred tax	(1)	(3)	(3)
Foreign withholding tax	**(2)**	**(4)**	**(11)**
Income tax expense relating to corporate profits	**(123)**	**(105)**	**(224)**
Income tax (expense)/credit on policyholder investment returns[1]	**(8)**	**10**	**(13)**
Current tax – current year	(6)	(4)	(9)
Deferred tax – current year	(2)	14	(4)
Income tax expense	**(131)**	**(95)**	**(237)**

1 Credit due to net release of unrealised gains.

Condensed notes continued

For the six months ended 30 September 2023

8. Discontinued operations

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 2022 financial year. The group risk and retail life operations were classified as discontinued operations in March 2019. The results of operations of the discontinued entities are reported separately in the income statement.

Alexander Forbes individual client administration business (AFICA group) – The group concluded the sale of the AFICA group to Sanlam Life Insurance Limited, a subsidiary of Sanlam Limited on 1 March 2023. The proceeds for the initial upfront payment of R160 million were received in cash in the prior year. The payment of the remaining amount of R40 million is deferred until the completion of the migration of the business.

Group risk and retail life operations (AF Life) – The group finalised the sale and transfer of the insurance policies held by Alexander Forbes Life Limited (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. From the effective date, the revenue-earning activities of the discontinued operation ceased, whilst the remaining insurance receivables and insurance payables balances are being run down accordingly.

Seniors' Finance Proprietary Limited – The group completed the sale of Seniors' Finance and disposed of its 76.45% interest in the company on 1 March 2023. This business is non-core to the group and the sale is in line with Alexforbes's strategy to exit non-core businesses and simplify the group with a clear focus on consulting, administration and investments.

8.1 Net profit or loss of business units discontinued

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Total net revenue	6	42	148
Net claims, commissions, fees and withdrawals	-	-	(15)
Operating income net of direct expenses	**6**	**42**	**133**
Other income	-	-	5
Operating expenses	(11)	(65)	(113)
(Loss)/profit from operations before non-trading and capital items	**(5)**	**(23)**	**25**
Non-trading and capital items	-	(1)	3
Operating (loss)/profit	**(5)**	**(24)**	**28**
Investment income	9	6	14
Profit/(loss) before tax	**4**	**(18)**	**42**
Income tax credit/(expense)	5	(7)	(15)
Profit/(loss) for the period from discontinued operations	**9**	**(25)**	**27**
Profit on disposal of subsidiaries and businesses[1]	-	-	134
Total profit/(loss) from discontinued operations	**9**	**(25)**	**161**
Profit/(loss) attributable to:			
Owners of the company	9	(25)	161

1 Profit on disposal of subsidiaries comprises R153 million relating to disposal of the AFICA group and the loss of R19 million on disposal of the interest in Seniors' Finance.

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

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Long-term assets	-	1	-
Deferred tax asset	-	1	-
Cash and cash equivalents	-	29	-
Total assets	**-**	**31**	**-**
Provisions – non-current	-	1	-
Taxation payables	-	4	-
Trade and other payables	-	7	-
Total liabilities	**-**	**12**	**-**
Total equity	**-**	**19**	**-**

9. Earnings per share

9.1 Basic earnings per ordinary share

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

9.2 Headline earnings per ordinary share

Headline earnings per share is calculated by excluding applicable non-trading and capital gains and losses from the profit attributable to ordinary shareholders and dividing the resultant headline earnings by the weighted average number of ordinary shares in issue during the year. Headline earnings is defined in Circular 1/2023 issued by the South African Institute of Chartered Accountants.

9.3 Diluted earnings per ordinary share

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

9.4 Normalised earnings per share

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

9.5 Number of shares

Millions	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Weighted average number of shares	**1 328**	1 354	1 341
Weighted average shares held by policyholders classified as treasury shares	**(1)**	(1)	(1)
Weighted average treasury shares	**(101)**	(123)	(108)
Weighted average number of shares in issue (net of treasury shares)	**1 226**	1 230	1 232
Dilutive shares	**59**	90	85
Diluted weighted average number of shares	**1 285**	**1 320**	**1 317**
Actual number of shares in issue	**1 328**	1 328	1 328
Actual treasury shares	**(93)**	(92)	(103)
Share buy-back programme	**(4)**	–	(4)
Forfeitable share plan (FSP)	**(49)**	(52)	(59)
Employee share option plan (ESOP)	**(39)**	(39)	(39)
Policyholder investment in treasury shares	**(1)**	(1)	(1)
Shares in issue net of treasury shares	**1 235**	**1 236**	**1 225**
Normalised number of shares			
Weighted average number of shares in issue	**1 226**	1 230	1 232
Shares held by policyholders classified as treasury shares	**1**	1	1
Normalised number of shares in issue	**1 227**	**1 231**	**1 233**

9.6 Calculation of basic and headline earnings from total operations

Rm		Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Profit attributable to owners of the company		**340**	174	704
Adjusting items:				
Profit on disposal of subsidiaries – discontinued operations		**–**	–	(134)
Software written off – continuing operations		**–**	–	18
Headline earnings for the period		**340**	**174**	**588**
Earnings per share from total operations[1]				
Basic earnings per share	(cents)	**27.7**	14.1	57.1
Headline earnings per share	(cents)	**27.7**	14.1	47.7
Diluted basic earnings per share	(cents)	**26.5**	13.2	53.5
Diluted headline earnings per share	(cents)	**26.5**	13.2	44.6

1 *Amounts computed using unrounded numbers.*

The Alexforbes LTIP 2022, a non-schedule 14 share scheme that governs all LTIP awards granted from 2022 onwards, is not considered dilutive and replaces the 2019 Long-Term Incentive Plan (old scheme).

The share-based awards allocated in terms of the old scheme were governed by rules as approved by shareholders and allowed for settlement through the purchase of shares in the open market, the use of treasury shares or the issue of new shares which may result in dilution on both earnings per share and headline earnings per share. The 2019 scheme rules will continue to govern tranches before 2022 until those shares vest or lapse.

The above dilutive effect is calculated based on the performance of the company in the current period in relation to the performance criteria.

9.7 Calculation of normalised earnings from total operations

Rm		Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Normalised profit for the period per the group segmental income and profit analysis		**332**	196	655
Less: profit attributable to non-controlling interests		**(8)**	(5)	(10)
Normalised profit attributable to owners of the company		**324**	**191**	**645**
Adjusting items:				
Profit on disposal of subsidiaries – discontinued operations		**–**	–	(134)
Software written off – continuing operations		**–**	–	18
Normalised headline earnings for the period		**324**	**191**	**529**
Normalised earnings per share from total operations[1]				
Normalised basic earnings per share	(cents)	**26.4**	15.5	52.3
Normalised headline earnings per share	(cents)	**26.4**	15.5	42.9

1 *Amounts computed using unrounded numbers.*

Condensed notes continued
For the six months ended 30 September 2023

9. Earnings per share continued

9.8 Calculation of basic and headline earnings from continuing operations

Rm		Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Profit after tax from continuing operations		339	204	553
Less: profit attributable to non-controlling interests		(8)	(5)	(10)
Profit attributable to owners of the company		**331**	**199**	**543**
Adjusting items:				
Software written off		–	–	18
Headline earnings from continuing operations		**331**	**199**	**561**
Earnings per share from continuing operations[1]				
Basic earnings per share	(cents)	27.0	16.1	44.0
Headline earnings per share	(cents)	27.0	16.1	45.5
Diluted basic earnings per share	(cents)	25.8	15.1	41.2
Diluted headline earnings per share	(cents)	25.8	15.1	42.6

1 *Amounts computed using unrounded numbers.*

9.9 Calculation of basic and headline earnings from discontinued operations

Rm		Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Profit/(loss) after tax from discontinued operations		9	(25)	161
Profit/(loss) from discontinued operations attributable to owners of the company		**9**	**(25)**	**161**
Adjusting items:				
Profit on disposal of subsidiaries		–	–	(134)
Headline profit/(loss) from discontinued operations		**9**	**(25)**	**27**
Earnings per share from discontinued operations[1]				
Basic earnings/(loss) per share	(cents)	0.7	(2.0)	13.1
Headline earnings/(loss) per share	(cents)	0.7	(2.0)	2.2
Diluted basic earnings/(loss) per share	(cents)	0.7	(2.0)	12.3
Diluted headline earnings/(loss) per share	(cents)	0.7	(2.0)	2.1

1 *Amounts computed using unrounded numbers.*

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

As a result of the group being listed, the investments by underlying asset managers in the Alexander Forbes Group Holdings' listed shares are recognised as treasury shares and all fair value adjustments recognised on these treasury shares are reversed, while the corresponding fair value adjustments on the financial liability continue to be recognised in the income statement. The impact on profit in the current year was a loss of R1 million (2022: R1 million loss) and has been disclosed separately on the face of the income statement. This treatment also affects the number of shares in issue, the impact of which is disclosed in note 9.5.

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

Rm		Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Total financial assets held under multi-manager investment contracts (per statement of financial position)		**383 789**	**345 081**	**379 714**
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		24	26	26
Financial effects of accounting for policyholder investments as treasury shares	– prior year	(22)	(23)	(23)
	– current year	1	1	1
Total financial liabilities held for policyholders under multi-manager investment contracts		**383 792**	**345 085**	**379 718**

11. Financial assets

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
11.1 Total financial assets			
Non-current financial assets	28	47	30
Current financial assets	547	300	666
Total financial assets	**575**	**347**	**696**
11.2 Analysis of financial assets			
Financial assets designated at fair value through profit and loss	547	300	666
Financial assets classified at amortised cost	15	34	17
Financial assets designated as fair value through other comprehensive income	13	13	13
Total financial assets	**575**	**347**	**696**
11.3 Reconciliation of movements in financial assets			
Opening balance	696	522	522
Movements for the period:			
Purchases	8	33	442
Withdrawals	(152)	(214)	(274)
Disposals[1]	–	–	(18)
Reinvested interest	23	6	24
Closing balance	**575**	**347**	**696**

1 *Disposals relate to assets transferred on sale of subsidiaries.*

Condensed notes continued

For the six months ended 30 September 2023

12. Trade and other receivables

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Financial assets			
Trade receivables[1]	**189**	176	192
Other receivables	**139**	156	164
Total financial assets	**328**	**332**	**356**
Non-financial assets			
Accrued and not billed balances	**39**	31	39
Prepayments	**111**	124	54
Total trade and other receivables	**478**	**487**	**449**

1 *Included in trade and other receivables is a loss allowance on trade receivables of R20.4 million (R24 million at March 2023).*

13. Borrowings

Rm	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
13.1 Analysis of borrowings			
Term loan facility	**302**	108	204
Senior debt facility	**22**	25	23
Total	**324**	**133**	**227**
13.2 Reconciliation of movement in borrowings			
Opening balance	**227**	26	26
Movements for the year:			
Borrowings raised	**97**	108	202
Interest accrued	**14**	2	13
Interest paid	**(13)**	(2)	(11)
Borrowings repaid	**(1)**	(1)	(3)
Closing balance	**324**	**133**	**227**
13.3 Discounted maturity analysis of borrowings			
Due within one year	**3**	3	3

Term loan facility

In June 2022 Alexander Forbes Limited (AFL), a wholly owned subsidiary of the group, entered into a loan facility agreement with a South African bank to finance acquisitions. The total funding available under this facility is R600 million and may be drawn at any time, in whole or in part during the availability period of five years. The holding company of AFL, Alexander Forbes Acquisition Proprietary Limited, has provided a guarantee to the bank for this facility.

The interest on the facility was revised from JIBAR plus 1.65% to JIBAR plus 1.70% compounded quarterly from June 2023. Drawdowns prior to June 2023 will continue to bear interest at JIBAR plus 1.65% compounded quarterly. The repayments over the term of the loan will comprise interest only, whilst the principal is payable at maturity in June 2027.

Senior debt facility

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

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

Financial covenants

There are financial covenants in favour of the lenders under the facilities which are assessed at each reporting date. For the term loan facility, the group is required to maintain an interest cover of less than 3.5 times and a senior debt net leverage ratio greater than 2.75 times, whereas AF Namibia Holdings is required to maintain a debt service cover ratio of less than 1.5 times and cash coverage above 1.2 times for the SDF. The group's ratios did not breach the stipulated thresholds during the period and none of the financial covenants were in breach as at 30 September 2023.

14. Trade and other payables

Rm	Notes	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Financial liabilities				
Trade payables		**140**	152	203
Accrued expenses		**173**	162	191
Other payables		**303**	259	264
Put option liability	14.1	**40**	-	-
		656	**573**	**658**
Non-financial liabilities				
Employee-based accruals		**88**	83	190
Total		**744**	**656**	**848**

14.1 Put option liability

The group has written put options over the non-controlling interests' shares which grant the minorities an irrevocable right to sell 100% of their interest in TSA Administration Proprietary Limited (TSA) to Alexander Forbes Financial Services Proprietary Limited, a subsidiary of the group. The first and second put options are exercisable 36 and 48 months from the effective date of the acquisition of TSA respectively. Refer to note 15.

The group recognises the value of the non-controlling interests put options, being the present value of the estimated future purchase price, as a financial liability. The unwinding on the present value of the put option liability is recognised as an interest expense in profit or loss using the effective interest rate method. Changes to the estimated cash flows are treated as a remeasurement of the financial liability and a gain or loss on remeasurement is recognised in profit or loss. The put option liability is remeasured at each reporting period.

15. Acquisition of TSA Administration Proprietary Limited

On 1 June 2023 the group acquired 60% of the issued share capital and the voting rights in TSA Administration Proprietary Limited (TSA), a private company in South Africa which provides institutional group risk insurance administration services for a purchase consideration of R72 million. The purchase was funded by the term loan facility. Refer to note 13.

The acquisition of TSA is expected to accelerate the group's growth by further diversifying and expanding the group's offering to clients.

The details of the purchase consideration are as follows:

Rm	
Cash	72
Fair value of the consideration transferred	**72**

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

Rm	
Intangible assets – customer relationships	51
Intangible assets – purchased and developed software	20
Trade and other receivables	25
Cash and cash equivalents	4
Total assets	**100**
Deferred tax liability	(17)
Trade and other payables	(23)
Total liabilities	**(40)**
Total net identifiable assets acquired	**60**
Non-controlling interests[1]	24
Goodwill	36

1 *The group has written put options over non-controlling interests' shares which grant the minorities an irrevocable right to sell 100% of their shares to the group. The first put and second put options are exercisable 36 and 48 months from the effective date respectively. The group recognises non-controlling interests within equity, and the put options are carried as financial liabilities measured at the present value of the estimated future purchase prices. Alexforbes has two call options exercisable in 36 and 60 months from the effective date respectively, valued using pre-agreed equity value formula. The group does not recognise the call options as no obligation exists to exercise them.*

Identifiable net assets

Intangible assets consist of customer relationships with a fair value of R45 million and developed software with a fair value of R17 million. The net present value method was used to value the customer relationships and software, where the contractual cash flows were valued over a term of 8 and 10 years respectively, at a discount rate based on the government bond yield rate with a corresponding term and the applicable risk premium.

The fair value of trade and other receivables acquired amounted to R25 million, with the gross contractual balance of the same amount.

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

The group incurred acquisition-related costs of R2 million on legal fees and due diligence costs which have been included in non-trading and capital items in the condensed consolidated income statement.

TSA's contribution to the group results

TSA generated a profit of R6 million for the period from acquisition date to 30 September 2023. Revenue for the four months to 30 September 2023 was R24 million.

If the acquisition had occurred on 1 April 2023, the consolidated revenue and profit for the group for the six months ended 30 September 2023 would have been R2 476 million and R349 million respectively.

16. Financial risk management and financial instruments

16.1 Financial risk factors

The group's activities expose it to various financial risks arising from its financial assets and liabilities. Financial risks comprise credit risk, liquidity risk and market risk. The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and this disclosure should be read in conjunction with the group's annual financial statements as at 31 March 2023.

There have been no material changes in the risk management or in any risk management policies since the year ended 31 March 2023.

16.2 Liquidity risk

Compared to the 31 March 2023 year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

16.3 Exchange rate risk

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

	Six months 30 Sep 2023	Six months 30 Sep 2022	Twelve months 31 Mar 2023
Weighted average rate (Rand:Sterling)	**23.2**	19.8	19.5
Closing rate (Rand:Sterling)	**23.1**	20.1	21.9

Condensed notes continued

For the six months ended 30 September 2023

16. Financial risk management and financial instruments continued

16.4 Fair value hierarchy

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

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

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

Rm	Level 1	Level 2	Level 3	Total
30 September 2023				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts[1]	**250 367**	**123 411**	**10 011**	**383 789**
General operations	**–**	**547**	**13**	**560**
Total financial assets measured at fair value	**250 367**	**123 958**	**10 024**	**384 349**
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	**–**	**383 792**	**–**	**383 792**
Contingent consideration	**–**	**–**	**9**	**9**
Total financial liabilities measured at fair value	**–**	**383 792**	**9**	**383 801**
31 March 2023				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts[2]	245 930	122 296	11 488	379 714
General operations	–	666	13	679
Total financial assets measured at fair value	**245 930**	**122 962**	**11 501**	**380 393**
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	–	379 718	–	379 718
Contingent consideration	–	–	22	22
Total financial liabilities measured at fair value	**–**	**379 718**	**22**	**379 740**

1 *Included in the level 2 balance are cash and cash equivalents amounting to R7 137 million measured at amortised cost. Amortised cost is considered a reasonable estimate of fair value due to the short-term nature of cash and cash equivalents.*

2 *Included in the level 2 balance are cash and cash equivalents amounting to R6 160 million measured at amortised cost. Amortised cost is considered a reasonable estimate of fair value due to the short-term nature of cash and cash equivalents.*

Transfers between Levels 1 and 2

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

Reconciliation of Level 3 instruments

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

Summary of changes in group Level 3 instruments are noted in the table below:

Rm	Financial assets held under multi-manager assets
Financial assets	
Opening balance at 1 April 2023	**11 488**
Total gains	**440**
Transfers of financial assets at FVTPL	**(2 117)**
Purchases	**346**
Disposals	**(146)**
Closing balance at 30 September 2023	**10 011**
Opening balance at 1 April 2022	10 100
Total gains	1 378
Transfers of financial assets at FVTPL	65
Purchases	728
Disposals	(783)
Closing balance at 31 March 2023	**11 488**

Sensitivity analysis for Level 3 financial assets

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

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

Condensed notes continued

For the six months ended 30 September 2023

16. Financial risk management and financial instruments continued

16.5 Valuation methods and assumptions for valuation techniques

There have been no changes in the valuation methods and assumptions for valuation techniques since 31 March 2023. 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 2023.

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

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

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

For financial assets and financial liabilities not measured at fair value, the amortised cost value approximates the fair value due to the short-term nature of the instruments.

17. Contingencies

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

17.1 Client settlements arising from historical business practices – bulking

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

17.2 Penalties for the late submission of fund annual financial statements

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

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

18. Adoption of new standards

The group adopted IFRS 17 Insurance Contracts from 1 April 2023, which supersedes IFRS 4 Insurance contracts. In line with the transitional requirements, the group applied IFRS 17 retrospectively as if it had always been applied, unless it was impracticable to do so, in which case, the modified retrospective approach or fair value approach was applied.

Impact of the adoption of IFRS 17

The group risk and retail life insurance policies as well as the relating liabilities and reserves were sold to Sanlam Life Limited, a subsidiary of Sanlam Limited, under section 50 of the Insurance Act 18 of 2017, effective 31 March 2022. The revenue earning activities of the operations ceased following the sale, however; the insurance reserves relating to disability notified and pending claims are being run down. The group is exposed to insurance risk due to its obligation to service claims payments with event dates prior to the sale transaction, and is ring-fenced to the measurement of the remaining insurance receivables and insurance payables balances.

The group applied the general measurement approach as it only has direct participating contracts. The adoption of IFRS 17 was considered immaterial and accordingly opening balances have not been restated. Furthermore, the group assessed that the adoption of IFRS 17 has no impact on the professional indemnity insurance cell-captive arrangement due to there being no transfer of significant insurance risk.

19. Events occurring after the reporting period

The group has concluded a binding agreement with OUTsurance Holdings Limited (OHL) for the acquisition of 100% of the shares in OUTvest Proprietary Limited (OUTvest), a wholly owned subsidiary of OHL, subject to certain conditions precedent which include regulatory approvals (the acquisition or transaction). The effective date of the acquisition will be dependent on the fulfilment of all conditions precedent and is expected to occur towards the end of March 2024.

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

Kuseni Dlamini (Chair), Thabo Dloti (Lead independent director), Bob Head, Andile Mazwai, Ndumi Medupe and Nosipho Molope

Non-executive directors

Pavan Dhamija, Marinda Dippenaar, Gary Herbert, Refiloe Nkadimeng

Executive directors

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

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

Carina Wessels

Investor relations

Zakira Amra

Registered office

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Transfer secretaries

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Sponsor

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