



Alexander Forbes Group Holdings Limited

Annual results announcement and cash dividend declaration

for the year ended 31 March 2023

alexforbes
insight · advice · impact

Highlights

Operating income
up 8% at
↑ R3 478 million

Profit from operations (before
non-trading and capital items) up 9% to
↑ R786 million

Headline earnings per share from
continuing operations up 22% to
↑ 45.5 cents per share

Headline earnings per share from
total operations up 44% to
↑ 47.7 cents per share

Cash generated from continuing
operations remains strong, up 33% to
↑ R1 076 million

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

R1 516 million

The group cover ratio of 2.1 times is comfortably
above the target solvency cover ratio of 1.2 times

35% increase in the final dividend
per share to

↑ 27 cents per share,
taking the **annual dividend to 42 cents per share**
(up 31% year on year)

Total assets¹ up 4% from
31 March 2022

↑ R454 billion

¹ Total assets include assets under administration
and assets under management

Chief executive officer,
Dawie de Villiers,
commented:

'This year was eventful for Alexforbes across all aspects of our business as we begun the implementation of the respective transactions, drove organic new business growth and sparked innovation across our digital estate. It has been an environment with significant challenges for all participants, but I am confident that Alexforbes is exceptionally well positioned relative to competitors to continue its growth trajectory. The business has proven itself to be resilient, our people are engaged towards our vision, and I look forward to unlocking value from the incredible work done over the past year.'

Contents

- 1 Highlights
- 2 Financial highlights
- 3 Overview
- 4 Financial review
- 9 Financial position
- 9 Final dividend declaration
- 10 Prospects
- 11 Change in directorate
- 11 Corporate governance
- 12 Condensed consolidated financial statements
- 13 Independent auditors review report
- 41 Corporate information

Financial highlights

In millions of South African rands (Rm)	2023/2022 % change	Twelve months ended 31 March		
		2023 Reviewed	2022 Audited	2021 ¹ Audited
Continuing operations				
Operating income ²	8	3 478	3 221	3 013
Profit from operations (before non-trading and capital items)	9	786	720	659
Cost-to-income ratio ³ (percentage)	(20) bps	77.4	77.6	78.1
Profit for the year	16	553	478	416
Cash generated from operations	33	1 076	809	951
Basic earnings per share (cents)	19	44.0	37.0	30.8
Headline earnings per share (cents)	22	45.5	37.2	31.2
Discontinued operations				
Operating income ²	18	133	113	189
Profit/(loss) from operations (before non-trading and capital items)	>100	25	(51)	(12)
Total group				
Basic earnings per share (cents)	45	57.1	39.3	14.3
Headline earnings per share (cents)	44	47.7	33.2	12.7
Normalised headline earnings per share (cents)	31	42.9	32.7	12.0
Interim dividend per share (cents)	25	15	12	13
Final dividend per share (cents)	35	27	20	9
Annual dividend per share (cents)	31	42	32	22
Closing AuA and AuM (in billions of South African rands)	4	454	435	401
Total members under administration and advised (000) ⁴	17	1 503	1 281	1 254

¹ Restated for the effect of discontinued operations.

² Operating income represents revenue net of direct expenses.

³ Cost-to-income ratio is calculated as a percentage of operating expenses (before non-trading and capital items) and adjusted for other income, over operating income.

⁴ Includes total number of active members across standalone and umbrella funds, medical scheme membership and individual consulting clients.

Overview

Alexforbes has delivered a solid set of financial results under persistently challenging operating conditions. This performance demonstrates the resilience of the business and is the result of successful execution of strategic objectives, a compelling vertically integrated value proposition to clients and a stronger presence in the market.

The five-year vision set out in 2022 has resonated with our stakeholders and the business is oriented to deliver on our stated ambitions. The awards and accolades that we have won are testament to our drive to innovate and provide best advice solutions and services to our customers.

We take our role as an active corporate citizen seriously. Alexforbes continues to engage with government, regulatory and industry bodies to drive real impact for our stakeholders and to foster change and innovation in the broader financial services industry.

The business is positioned to succeed in the current turbulent economic environment and challenging market conditions. Low economic growth and high unemployment have been persistent problems in South Africa, both of which impact our ability to grow. Investment markets performed below expectations with increased volatile market conditions resulting from both local and global factors.

The group reported strong revenue growth for the year which is a result of the deliberate implementation of our strategy and the positive impact of new business wins, with important transactions and acquisitions having been concluded during the year.

Operating income increased 8% to R3 478 million comprising strong growth from the retirement consulting and healthcare businesses. The performance of the investments and individual consulting segments is in line with growth in average assets. Acquisitive growth contributed 2% of the top-line growth of 8%.

Operating expenses of R2 752 million increased 8% and reflects the growth in capacity and inflationary pressure prevalent in the current market environment. This increase includes the operating expenses from acquisitions that have been fully consolidated. Operating expenses also benefited from the conclusion of our property strategy. We are committed to continuous improvement in automation as well as enhancing our customer experience.

Profit from operations (before non-trading and capital items) of R786 million increased 9%.

Profit for the year from total operations improved 41% to R714 million owing to the trading performance of the continuing operations, the improved financial performance of the discontinued operations and the profit realised on the sale of the group's individual client administration business (the AFICA group).

The group balance sheet remains robust, supported by the strong cash flow generated from continuing operations, with a sound regulatory surplus position of R1 516 million and available cash of R933 million.

A final dividend of 27 cents per share has been declared, up 35% year on year. This brings the total annual dividend per share to 42 cents per share (2022: 32 cents per share).

Inorganic growth is a key focus area, which extends our member base, improves economies of scale and increases distribution and types of advisory opportunities. This also allows us to drive efficiencies in digitalisation, cybersecurity and regulatory implementation. We completed a number of corporate transactions during the year, that are important drivers of our growth into the future:

- the acquisition of EBS International
- the acquisition of Sanlam's large standalone retirement fund administration business operations
- the sale of the AFICA group to Sanlam-owned Glacier
- the acquisition of Bidvest Wealth and Employee Benefits

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 (AF Insured Solutions) 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.

The results for the year reflect the progress made in our stated strategy and growth trajectory. We have built a solid base for growth into the future and both management and the board remain confident in the prospects of the group.

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

Year ended 31 March	2023 Reviewed	%	2022 Audited
Retirement consulting	978	15	849
Healthcare consulting	356	15	309
Investments	1 468	3	1 424
Individual consulting	369	4	355
Multinational consulting	307	8	284
Total	3 478	8	3 221

Retirement consulting

Operating income from retirement consulting increased 15% to R978 million owing to both organic and acquisitive growth, the latter mainly resulting from the consolidation of the EBS International (EBS) acquisition from July 2022. Excluding EBS, the retirement consulting business delivered 8% growth year on year attributable to the annualised impact of new business wins into our standalone and umbrella fund offering in the prior year as well as sustained new business wins in the current year.

The migration of consenting funds from the acquisition of Sanlam's large standalone retirement fund administration business commenced in the second half of the year, with the full impact on revenue growth expected to flow in the 2024 and 2025 financial years.

In line with our group strategy, we continue to focus on our core strengths to enhance our customer experience and to amplify the impact that we have on people's lives. The continued improvement in our service offering in retirement administration, coupled with our advice-led integrated value proposition, continues to yield results.

Our membership base now exceeds one million members at 1 088 050 members, up 26% year on year, with the increase in membership driven by new business and acquisitions. We have continued to see a reduction in retrenchments and fewer business closures within our membership base as well as growth in the underlying payrolls within our client base, all of which have contributed to the growth in recurring administration fees. Fee income from our consulting and actuarial services grew above inflation owing to a combination of new business appointments and additional work done for existing clients.

Total umbrella fund assets under management (AuM) increased 7% year on year to R116 billion, owing to positive market returns and positive net cash inflows.

Healthcare consulting

Healthcare consulting delivered a 15% increase in operating income to R356 million.

Medical aid broking income, which is recurring in nature, increased 12% attributable to:

- increase in the medical aid commission cap
- full impact of a significant new healthcare broking mandate signed in the second half of the prior year
- new business wins as well as higher demand for low-cost benefit solutions

The health management solutions (HMS) business also reported strong performance in the year owing to:

- growth from the existing business underpinned by service excellence and greater use of our product offering, supported by its distinct market solutions for employee assistance programmes
- the year-on-year impact of a significant client mandate signed in the second half of the prior year

In September 2022, the Council for Medical Schemes extended the low-cost benefit exemption until 31 March 2024 and released a low-cost benefit option framework for public comment. The framework recognises that there are existing products in the market which it considers continuing under the Medical Schemes Act, or under the Demarcation Regulations. The document further states that the intention is to ensure a fair and regulated environment where financial risk protection is enhanced, access to universal healthcare is expanded and consumers are protected. Alexforbes continues to support our South African journey to enhance primary healthcare accessibility to lower income groups and accelerate progress towards universal healthcare coverage.

Investments

Investments reported a 3% increase in operating income to R1 468 million in line with a higher average assets for the year. Cash flows from new business, a slight improvement in both the uncontrollable cash outflows and margin were partially offset by weak market performance in the first half the year.

Our portfolios remain well positioned, employing a diverse set of investment strategies to which we apply our multi-management approach for enhanced returns at reduced risk. The investment philosophy applied within our portfolios, including diversification and exposure to alternatives, has largely delivered much-needed capital protection over this volatile period.

The cumulative market return achieved across our portfolios was 6.5% for the year ending 31 March 2023. This compares to the annual return from the JSE all-share index of positive 0.8% over the same period.

New institutional business flows for the year amounted to R10.9 billion (including R5.9 billion in platform assets). The increase in new business flows coupled with lower client terminations resulted in a net positive cash flow position for the institutional business for the year under review.

The institutional blended margin improved marginally to 27.9 bps (2022: 27.7 bps) owing to strategies implemented within the portfolios as well as conversion of some clients from platform to our multi-manager offering. The retail blended margin continued to reduce in line with our strategy relating to product mix and making retail products available to our clients at institutional pricing.

Closing assets under management and administration (AuM and AuA) increased 4% year on year to R454 billion. The platform administration business is an area of growth for the business, with AuA increasing 6% year on year as we leverage our leading in-house administration system to clients for regulatory reporting, unitisation and risk mitigation, albeit at lower margins than our traditional business.

Total closing assets are segregated as follows:

R billions	31 March 2023			31 March 2022		
	Institutional	Retail	Total	Institutional	Retail	Total
Assets under administration (AuA)	63.6	6.7	70.3	59.7	6.4	66.1
Assets under management (AuM)	306.1	77.1	383.2	293.9	74.7	368.6
Total AuA and AuM	369.7	83.8	453.5	353.6	81.1	434.7

Our flagship portfolio, Performer, has delivered consistent and competitive performance over time, delivering improved long-term investment outcomes for clients. Performer AuM surpassed the R200 billion mark, with positive net cash inflows reported in the current financial year underpinned by positive return growth of 6.5% for the year.

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

A summary of the cash flows for the twelve months to 31 March 2023 is shown below.

R billions	31 March 2023			31 March 2022		
	Institutional	Retail	Total	Institutional	Retail	Total
Controllable (product)	(1.2)	-	(1.2)	(3.7)	-	(3.7)
New business	5.0	-	5.0	5.4	-	5.4
Outflows owing to client losses	(6.2)	-	(6.2)	(9.1)	-	(9.1)
Controllable (platform)	5.2	-	5.2	4.0	-	4.0
New business	5.9	-	5.9	4.0	-	4.0
Outflows owing to client losses	(0.7)	-	(0.7)	-	-	-
Uncontrollable	(9.5)	(1.4)	(10.9)	(12.8)	(0.7)	(13.5)
Ongoing contributions	39.7	8.1	47.8	35.1	8.7	43.8
Withdrawals for benefit payments	(49.2)	(9.5)	(58.7)	(47.9)	(9.4)	(57.3)
Net cash flows	(5.5)	(1.4)	(6.9)	(12.5)	(0.7)	(13.2)

The institutional business reported a year-on-year improvement in the positive net position from controllable cash flows with new business asset inflows of R10.9 billion exceeding outflows from client losses, being R6.9 billion. Client terminations in the institutional business were lower than the prior year and resulted mainly from corporate activity within the client base, competitive pressure and some client liquidations.

While the business is experiencing a reduction in the net outflows from the institutional uncontrollable cash flows, this continues to be negative, influenced by the ongoing weak South African economy. This is indicative of the success of our preservation strategies.

Contributions from active members of retirement funds continued to increase, up 13% year on year due to a combination of:

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

Responsible stewardship

We released our inaugural stewardship report during the year, which highlights key insights and findings from our responsible investment (RI) engagements with the asset management community. Ultimately, as custodians of multi-managed assets, we aim to create a clearer understanding of how environmental, social and governance (ESG) integration is practised from the research phase to the portfolio construction stage. This allows us to better understand how asset managers approach RI, how they have implemented their investment strategy and aligned it with RI practices, and what their high-level outcomes have been.

Of the critical themes that asset managers categorised as a priority, social factors featured strongly at 39% of responses, followed by environmental at 35% and governance at 26%. Under environmental, the critical sub-themes were climate change, carbon exposure, climate reporting, just energy transition, water scarcity and biodiversity. The themes stated within these categories include net-zero emissions data, sustainable development goals (SDG) and the looming shift to cleaner energy generation.

We are pleased with achieving an average score of 93% for the year by the Principles of Responsible Investing (PRI). The average global median score was 60%, demonstrating our commitment to responsible investing. The PRI encourage the continuation of all responsible investing efforts and have continued to provide research and guidance through their communication and websites and physical engagement with signatories, to which we adhere to.

Individual consulting

Operating income increased 4% year on year to R369 million owing to higher average assets supported by sustained new business and asset retention from improved customer engagement.

Closing assets under advisement increased 4% year on year to R90 billion as at 31 March 2023.

Total new business flows increased 9% year on year to R16.7 billion supported by an increase in the number of new clients, the progress of our individualisation strategy and engagement with members of employer funds either joining, leaving or retiring through a mix of face-to-face and virtual engagements.

Traditionally our advice efforts have focused on the post retirement segment of our retirement fund members but is expanding to provide best advice to individuals throughout their lifetime. We aim to revolutionise retirement funding experiences by empowering individuals to make better financial choices. This journey includes growing our advisory force, broadening our advice capabilities, and enhancing our technological tools to connect members with our advisers. During the year we increased the number of advisers by 14% to 224.

In addition to face-to-face interactions and virtual engagement sessions, we have further developed digital member engagement for life stage interactions. This evolution allows us to scale engagement and influence better financial outcomes for members. Our individualisation strategy has also led to the re-engineering of the exit process to support member and asset retention when they leave their employer. The onboarding process for new fund members to increase member engagement is also being developed.

Our individualisation strategy is designed to improve member outcomes and is also expected to increase the number of new clients and maintain or improve client retention. Most of our members rely on retirement savings as the single biggest source of long-term savings. Since improved preservation rates affect long-term outcomes for members, we continue to pay close attention to this key metric.

We continue to report a decline in the preservation rate¹ to 52% (2022: 56%), resulting from the continued economic pressures being experienced by most of our members. The effectiveness of our active engagement initiatives with members, however, remains stable. The drop in the net retention rate² to 26% (2022: 27%) is driven by lower preservation during the current year.

On 1 March 2023 the group completed the sale of the AFICA group to Glacier by Sanlam, a wholly owned subsidiary of Sanlam Life Insurance Limited and leading investment platform in South Africa. This transaction and partnership enables the acceleration of the modernisation of the digital experience delivered to Alexforbes's financial advisers and clients through improved administration and user functionality provided by the best-in-class technological capability of the Glacier system.

Multinational consulting

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

Operating income increased 8% year on year to R307 million owing to growth from Botswana, Namibia and multinational consulting. Botswana delivered strong growth of 13% led by new business and inflationary growth, particularly in administration and trust fee income. Namibia reported growth of 7% attributable to an increase in consulting and actuarial services and growth in administration fees. The Channel Islands business reflected a decrease of 3% due to the challenging market conditions which resulted in lower-than-expected new business flows in our wealth management services.

Our multinational consulting business delivers health, wealth and risk solutions to multinational clients throughout Africa and is aligned to our advice-led framework. This business continues to grow, showing strong year-on-year growth led by client wins in our health solution offerings. We continue to see the benefits of a coordinated consulting and service approach across Africa, with continued 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 year. 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 54% to R60 million owing to higher technology service fees earned for IT support services provided to entities that previously formed part of the group as well as service charges for interim support services rendered to external third parties.

¹ The percentage value of fund assets that are transferred to preservation or retirement solutions after an employee resigns or retires from a company

² The percentage value of fund assets that remain with Alexforbes over total exits

Operating expenses

Operating expenses of R2 752 million increased 8% and reflects the growth in capacity and inflationary pressure prevalent in the current market environment. This increase also includes the operating expenses from acquisitions that have been fully consolidated. There is a continued focus to manage cost growth within a higher inflationary environment through structural changes and efficiencies. We are committed to continuous improvement in automation as well as enhancing our customer experience.

Personnel costs (64% of total operating expenses) increased 10% driven by personnel costs acquired through our transactions and the investment in our client servicing capacity. Technology costs were 21% higher year on year owing to unfavourable exchange rates, increased depreciation and amortisation as well as an increase in outsourced contractors.

During the year we finalised the restructuring of our largest lease contract for the Sandton head office. We also concluded additional sublease rental arrangements. The new Sandton lease arrangement will take effect in October 2024. The impact of a smaller footprint, together with lower market-related rental rates, is expected to reduce our premises costs from the current level by approximately R150 million and should translate to a 350 bps reduction in our cost-to-income ratio. In line with IFRS 16 the impact of certain contractual changes are recognised in the current year, however the full effect of this cost reduction will materialise in financial year 2026.

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

Items below profit from operations

Non-trading and capital items

The expense in non-trading and capital items increased to R99 million (2022: R63 million) largely attributable to the performance of the insurance cell-captive facility that reported a loss of R31 million (2022: R22 million profit) resulting from increased reserves provided for during the year. 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. In addition, software development costs of R18 million were impaired in the current year (2022: R2 million).

Non-trading and capital items also include the amortisation costs of intangible assets of R29 million (2022: R56 million) and professional costs relating to corporate transactions of R16 million (2022: R21 million).

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

Investment income

Investment income increased 48% year on year to R149 million (2022: R101 million) as a result of higher interest rates during the year and is earned from the regulatory capital and surplus cash position of the company.

In addition, an investment profit of R13 million (2022: R22 million) 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 decreased 8% to R58 million (2022: R63 million) with the reduction in the finance costs associated with the lease liabilities partially offset by the increase in the interest paid on borrowings. As at 31 March 2023 the amount outstanding under the term loan facility stood at R204 million bearing interest at JIBAR plus 1.65% compounded quarterly. Refer to note 14.

Profit before and after tax

After non-trading and capital items, finance charges and the effect of the policyholder investments, the group reported an 11% increase in profit before taxation from continuing operations to R790 million (2022: R713 million).

The effective tax rate of 28.9%, 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 16% to R553 million (2022: R478 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 prior year. The sale and transfer of the policies within the AF Life business were concluded on 31 March 2022 (effective date). In the prior year the financial performance of the discontinued operations included losses incurred due to insurance claims and reserves relating to the Covid-19 pandemic. These losses were partially offset by the R80 million profit on sale of the discontinued life insurance business.
- The AFICA group - In the current year, earnings have been influenced by the improved financial performance of the discontinued operations and the profit realised on the sale of the group's individual client administration business (AFICA disposal). On 1 March 2023, the group announced the completion of the AFICA disposal to Sanlam Life Insurance Limited. As a result of the AFICA disposal, the group has recognised a profit on sale of R153 million.
- Seniors' Finance - The group completed the sale of Seniors' Finance and disposed of its 76.45% interest in the company on 1 March 2023. The sale of this business 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.

Headline earnings

Headline earnings from total operations increased 40% to R588 million (2022: R419 million). The weighted average number of shares reduced to 1 232 million (2022: 1 259 million) due to the general share buy-back programme, approved by shareholders at the 2022 annual general meeting. Headline earnings per share increased to 47.7 cents per share (2022: 33.2 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, continues to place Alexforbes in a strong financial position.

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

At 31 March 2023, the consolidated regulatory capital requirement of the group stood at R1 428 million, a decrease of 7% year on year. This decrease was mainly driven by reduced expenses in regulated entities and disposed entities during the year. Using measures and interpretations under the Insurance Act 18 of 2017 and Prudential Standards, the group has a regulatory surplus of R1 516 million. The current regulatory capital cover of 2.1 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 6 to 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 (AFL), 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 31 March 2023 the amount owing under the term loan facility stood at R204 million bearing interest at JIBAR plus 1.65% compounded quarterly.

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 R1 076 million was 33% higher than the prior year, with available cash up 63% to R933 million. In the prior year the cash flows were impacted by payments made in respect of the ETV liability matter amounting to R235 million. The insurance recovery for this liability remains unpaid and Alexforbes has entered an arbitration process for the recovery of this claim.

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

Final 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.

A final 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 a final gross cash dividend of 27.0 cents per ordinary share (21.6 cents net of dividend withholding tax) for the year ended 31 March 2023 (2022: 20.0 cents per ordinary share). The board believes the surplus cash and capital position, after the payment of the final dividend, will still provide sufficient liquidity and capital strength.

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

Last day of trade to receive a dividend	Tuesday 4 July 2023
Shares commence trading 'ex' dividend	Wednesday 5 July 2023
Record date	Friday 7 July 2023
Payment date	Monday 10 July 2023

Share certificates may not be dematerialised or rematerialised between Wednesday 5 July 2023 and Friday 7 July 2023, both days inclusive.

Prospects

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

Benefitting from the new business pipeline that we have built

A number of clients won in the 2023 financial year will only reflect in the 2024 financial year flows due to the lag between acceptance and implementation. There are several large umbrella fund quotes and standalone funds under review. Our recent track record places us in a position of strength to compete aggressively for such appointments. We are confident in our ability to continue to win market share from our competitors.

Consolidation into our umbrella fund

Consolidation into umbrella fund structures continues to be a trend in the retirements segment with Alexforbes well positioned to benefit from such conversions arising from within and outside our standalone administration base. 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.

Expanding our reach into the intermediary segment

Alexforbes has been expanding relationships with intermediaries to position and promote our advice-led solutions ranging from the Alexander Forbes Access Umbrella Fund to the Alexander Forbes Retirement Income Solution (AFRIS). There is substantial runway to broaden and deepen these partnerships to expand the distribution of our existing solution set and to develop new services that appeal to this segment.

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 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.

Change in directorate

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

- Ms ZJ Matlala resigned as an independent non-executive director and member of the audit and risk committee with effect from 29 April 2022.
- Mr NG Payne retired as an independent non-executive director, including chair of the audit and risk committee, member of the mergers and acquisitions, nominations and remuneration committees at the company's annual general meeting on 2 September 2022.
- Ms N Medupe was appointed as independent non-executive director and member of the audit and risk committee with effect from 8 June 2022 and as a member of the sustainability, ethics and transformation committee effective 26 August 2022.
- Ms CWN Molope was appointed as independent non-executive director and member of the audit and risk committee with effect from 1 July 2022 and succeeded Mr Payne as audit and risk committee chair effective 2 September 2022.
- Ms MK Dippenaar and Messrs P Dhamija and GW Herbert were appointed as non-executive directors from 26 August 2022. Mr Herbert was also appointed to the remuneration, nomination and mergers and acquisitions committees.
- Mr AD Mminele resigned as independent non-executive director and board chair from 30 April 2023. Mr T Dloti was elected as interim board chair effective 1 May 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 FY2022 environment, social and governance report available on the company's website. No material changes in application have occurred since the publication of that report. Disclosure for the current reporting period will be available no later than 31 July 2023.

On behalf of the board of directors

T Dloti
Interim Chair
9 June 2023

DJ de Villiers
Chief Executive Officer



Condensed consolidated financial statements



Independent auditor's review report on condensed consolidated financial statements

To the Shareholders of Alexander Forbes Group Holdings Limited

We have reviewed the condensed consolidated financial statements of Alexander Forbes Group Holdings Limited contained in the accompanying provisional report set out on pages 14 to 39, which comprise the condensed consolidated statement of financial position as at 31 March 2023 and the condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 of the condensed consolidated financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require condensed consolidated financial statements contained in a provisional report to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Other matters

The consolidated financial statements of Alexander Forbes Group Holdings Limited for the year ended 31 March 2022, was audited by another auditor who expressed an unmodified opinion on those statements on 06 June 2022.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Alexander Forbes Group Holdings Limited for the year ended 31 March 2023 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 of the condensed consolidated financial statements, and the requirements of the Companies Act of South Africa.

DocuSigned by:

 9DB26C948FB0413

Deloitte & Touche
 Per: Dinesh Munu
 Registered Auditor
 Partner

09 June 2023

Condensed consolidated income statement

For the year ended 31 March 2023

Rm	Notes	2023 Reviewed	2022 Audited
Continuing operations			
Fee and commission revenue	2	4 487	4 198
Fee and commission expenses		(1 009)	(977)
Operating income net of direct expenses		3 478	3 221
Other income	3	60	39
Operating expenses		(2 752)	(2 540)
Profit from operations before non-trading and capital items		786	720
Non-trading and capital items	4	(99)	(63)
Operating profit		687	657
Investment income	5	162	123
Finance costs	6	(58)	(63)
Reported loss arising from accounting for policyholder investments as treasury shares		(1)	(4)
Profit before taxation		790	713
Income tax expense	7	(237)	(235)
Income tax expense relating to group profits		(224)	(213)
Income tax expense relating to policyholder investment returns		(13)	(22)
Profit for the year from continuing operations		553	478
Discontinued operations			
Profit from discontinued operations (net of tax)	8	161	29
Profit for the year		714	507
<i>Profit attributable to:</i>			
Owners of the company		704	495
Non-controlling interest		10	12
		714	507
Basic earnings per share (cents)	9	57.1	39.3
Diluted earnings per share (cents)	9	53.5	36.5
Weighted average number of shares in issue (net of treasury shares) (millions)	9	1 232	1 259

Condensed consolidated statement of comprehensive income

For the year ended 31 March 2023

Rm	2023 Reviewed	2022 Audited
Profit for the year	714	507
<i>Other comprehensive income:</i>		
Other comprehensive income for the year that may be reclassified to profit or loss¹	37	(16)
Foreign currency translation differences – foreign operations	37	(16)
Other comprehensive income that will not be reclassified to profit or loss¹	34	3
Remeasurement of post-employment benefit obligations	34	3
Total comprehensive income for the year	785	494
<i>Total comprehensive income attributable to:</i>		
Owners of the company	775	482
Non-controlling interest	10	12
Total comprehensive income for the year	785	494

¹ Net of related taxes.

Condensed consolidated statement of financial position

At 31 March 2023

Rm	Notes	2023 Reviewed	2022 Audited
Assets			
Financial assets held under multi-manager investment contracts	10	379 714	363 816
Goodwill		1 425	1 392
Intangible assets	12	264	129
Property and equipment		387	472
Purchased and developed computer software		210	165
Deferred tax assets		159	187
Financial assets	11	696	522
Insurance receivables		116	698
Tax assets		27	49
Trade and other receivables	13	449	285
Cash and cash equivalents		2 818	2 732
Assets of disposal group classified as held for sale	8	-	37
Total assets		386 265	370 484
Equity and liabilities			
Owners of the company		4 455	4 073
Non-controlling interest		24	33
Total equity		4 479	4 106
Financial liabilities held under multi-manager investment contracts	10	379 718	363 827
Borrowings	14	227	26
Employee benefits		143	136
Deferred tax liabilities		87	79
Provisions		216	199
Lease liabilities		336	581
Insurance payables		191	843
Trade and other payables	15	848	654
Tax liabilities		20	21
Liabilities of disposal group classified as held for sale	8	-	12
Total liabilities		381 786	366 378
Total equity and liabilities		386 265	370 484

Condensed consolidated statement of cash flows

For the year ended 31 March 2023

Rm	Notes	2023 Reviewed	2022 Audited
Cash flows from operating activities			
Cash generated from operations		1 076	809
Interest received		125	84
Interest paid		(56)	(63)
Net cash flows received from insurance and policyholder contracts		29	15
Net cash flows (paid to)/received from policyholder investment contracts		(159)	1 182
Taxation paid		(209)	(235)
Dividends paid		(449)	(275)
Payments made to non-controlling interests		(9)	(9)
Cash (outflow)/inflow from operating activities - discontinued operations		(68)	44
Net cash inflow from operating activities		280	1 552
Cash flows from investing activities			
Purchase of financial assets		(442)	(234)
Proceeds from disposal of financial assets		274	771
Payments for capital expenditure incurred on property, equipment and computer software		(142)	(115)
Purchase of customer relationships		(98)	-
Acquisition of subsidiary (net of cash acquired)	16	(94)	-
Proceeds from sale of subsidiaries and businesses		185	50
Cash outflow from investing activities - discontinued operations		(55)	(257)
Net cash (outflow)/inflow from investing activities		(372)	215
Cash flows from financing activities			
Repayment of borrowings		(3)	(3)
Borrowings raised		202	-
Payments of lease liabilities		(178)	(157)
Purchase of shares in terms of share buyback and share incentive schemes		(82)	(223)
Net proceeds from sale of treasury shares held by policyholder investments		8	8
Purchase of treasury shares held by policyholder investments		(1)	(6)
Disposal of treasury shares held by policyholder investments		9	14
Net cash outflow from financing activities		(53)	(375)
(Decrease)/increase in cash and cash equivalents		(145)	1 392
Cash and cash equivalents at the beginning of the year		9 073	7 699
Effects of exchange rate changes on cash and cash equivalents		50	(18)
Cash and cash equivalents at the end of the year		8 978	9 073
<i>Analysed as follows:</i>			
Cash and cash equivalents of continuing operations		2 818	2 732
Cash held under multi-manager investment contracts¹		6 160	6 311
Cash and cash equivalents of disposal group classified as held for sale		-	30
		8 978	9 073

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

Condensed consolidated statement of changes in equity

For the year ended 31 March 2023

Rm	Share capital	Treasury shares	Other reserves	Accumulated loss	Total equity holders' funds	Non-controlling interest	Total equity
At 31 March 2021 (Audited)	6 277	(445)	211	(2 052)	3 991	37	4 028
Total comprehensive income	-	-	(16)	498	482	12	494
Profit for the year	-	-	-	495	495	12	507
Other comprehensive income	-	-	(16)	3	(13)	-	(13)
Total transactions with owners of the company	(180)	18	37	(275)	(400)	(16)	(416)
Shares cancellation ¹	(180)	180	-	-	-	-	-
Shares purchased in terms of share buyback programme and share incentive schemes ²	-	(223)	-	-	(223)	-	(223)
Settlement of share incentive schemes ³	-	53	(53)	-	-	-	-
Movement of treasury shares in policyholder assets	-	8	-	-	8	-	8
Dividends paid	-	-	-	(275)	(275)	(9)	(284)
Movement in share-based payment reserve	-	-	90	-	90	-	90
Other movements in non-controlling interest ⁴	-	-	-	-	-	(7)	(7)
At 31 March 2022 (Audited)	6 097	(427)	232	(1 829)	4 073	33	4 106
Total comprehensive income	-	-	37	738	775	10	785
Profit for the year	-	-	-	704	704	10	714
Other comprehensive income	-	-	37	34	71	-	71
Total transactions with owners of the company	(117)	105	68	(449)	(393)	(19)	(412)
Shares cancellation ⁵	(117)	117	-	-	-	-	-
Shares purchased in terms of share buyback programme and share incentive schemes ⁶	-	(82)	-	-	(82)	-	(82)
Settlement of share incentive schemes	-	62	(62)	-	-	-	-
Movement of treasury shares in policyholder assets	-	8	-	-	8	-	8
Dividends paid	-	-	-	(449)	(449)	(9)	(458)
Movement in share-based payment reserve	-	-	130	-	130	-	130
Other movements in non-controlling interest ⁴	-	-	-	-	-	(10)	(10)
At 31 March 2023 (Reviewed)	5 980	(322)	337	(1 540)	4 455	24	4 479

¹ The group cancelled 47 457 417 shares which were withdrawn on the JSE on 11 November 2021.

² The group purchased AFH shares to the value of R160 million, at an average price of R4.27 per share (37 501 284 shares), in a general buyback approved by shareholders. In addition, shares to the value of R63 million were purchased for share incentive schemes.

³ Shares amounting to R53 million relating to the forfeitable share scheme were settled.

⁴ This amount relates to changes in non-controlling interests following the disposal of the group's shareholding in the short-term insurance operation in Namibia in the prior years as well as the sale of Seniors' Finance in the current year.

⁵ The group cancelled 26 501 838 shares which were withdrawn on the JSE on 23 September 2022.

⁶ The group purchased AFH shares to the value of R21 million, at an average price of R4.82 per share (4 251 514 shares), in a general buyback approved by shareholders. In addition, shares to the value of R61 million were purchased for share incentive schemes.

Condensed consolidated segmental income and profit analysis

For the year ended 31 March 2023

Rm	Retirement consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Total consulting		Solutions & Enablement (S&E)		Client Services & Business Optimisation (CSBO)		Group total		
	2023 Reviewed	2022 ¹ Audited	2023 Reviewed	2022 ¹ Audited	2023 Reviewed	2022 ¹ Audited	2023 Reviewed	2022 ¹ Audited	2023 Reviewed	2022 ¹ Audited	2023 Reviewed	2022 ¹ Audited	2023 Reviewed	2022 ¹ Audited	2023 Reviewed	2022 ¹ Audited	2023 Reviewed	2022 ¹ Audited	
Continuing operations																			
Fee and commission revenue	1 026	866	356	309	2 169	2 142	594	572	342	309	4 487	4 198	-	-	-	-	4 487	4 198	
Fee and commission expenses	(48)	(17)	-	-	(701)	(718)	(225)	(217)	(35)	(25)	(1 009)	(977)	-	-	-	-	(1 009)	(977)	
Operating income net of direct expenses	978	849	356	309	1 468	1 424	369	355	307	284	3 478	3 221	-	-	-	-	3 478	3 221	
Other income	1	-	38	-	-	-	-	-	3	-	42	-	-	-	18	39	60	39	
Operating expenses	(944)	(803)	(327)	(247)	(1 066)	(1 008)	(336)	(313)	(295)	(271)	(2 968)	(2 642)	-	-	36	-	(2 932)	(2 642)	
Operating expenses before recoveries	(285)	(246)	(167)	(108)	(134)	(148)	(177)	(163)	(245)	(227)	(1 008)	(892)	(184)	(169)	(1 794)	(1 658)	(2 986)	(2 719)	
Recoveries from S&E	(12)	(13)	(22)	(18)	(134)	(86)	(11)	(11)	(5)	(5)	(184)	(133)	184	133	-	-	-	-	
Recoveries from CSBO	(647)	(544)	(138)	(121)	(798)	(774)	(148)	(139)	(45)	(39)	(1 776)	(1 617)	-	36	1 776	1 581	-	-	
Recoveries from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54	77	54	77	
Normalised profit from operations before non-trading and capital items	35	46	67	62	402	416	33	42	15	13	552	579	-	-	54	39	606	618	
Normalised non-trading and capital items	(2)	-	-	-	-	-	-	-	(1)	(1)	(3)	(1)	-	-	(36)	(28)	(39)	(29)	
Normalised operating profit	33	46	67	62	402	416	33	42	14	12	549	578	-	-	18	11	567	589	
Normalised investment income	1	-	2	1	1	1	5	3	3	1	12	6	-	-	137	95	149	101	
Normalised finance cost	(3)	-	-	-	-	-	-	-	(3)	(2)	(6)	(2)	-	-	(14)	(6)	(20)	(8)	
Normalised profit before taxation	31	46	69	63	403	417	38	45	14	11	555	582	-	-	141	100	696	682	
Normalised income tax expense	(9)	(14)	(20)	(19)	(117)	(128)	(11)	(14)	(4)	(3)	(161)	(178)	-	-	(41)	(32)	(202)	(210)	
Normalised profit for the year from continuing operations	22	32	49	44	286	289	27	31	10	8	394	404	-	-	100	68	494	472	
Normalised profit from discontinued operations (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161	29	161	29	
Normalised profit for the year	22	32	49	44	286	289	27	31	10	8	394	404	-	-	261	97	655	501	
Normalised adjustments	-	-	-	-	-	-	-	-	(1)	(2)	(1)	(2)	-	-	60	8	59	6	
Accounting for property leases	-	-	-	-	-	-	-	-	(1)	(2)	(1)	(2)	-	-	143	49	142	47	
Amortisation of intangible assets arising from the 2007 private equity business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(29)	(56)	(29)	(56)	
Professional indemnity insurance cell-captive result	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31)	22	(31)	22	
Reported profit arising from accounting for policyholder investments in treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(4)	(1)	(4)	
Investment income on behalf of policyholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13	22	13	22	
Tax effects on normalised adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35)	(25)	(35)	(25)	
Profit for the year	22	32	49	44	286	289	27	31	9	6	393	402	-	-	321	105	714	507	
Normalised basic earnings per share (cents)																	52.3	38.8	
Normalised headline earnings per share (cents)																	42.9	32.7	
Normalised weighted average number of shares in issue (millions)																	1 233	1 263	

¹ During the current 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. These changes had an impact on the prior year between operating expenses and recoveries.

Condensed consolidated segmental income and profit analysis *continued*

For the year ended 31 March 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 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 for 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 relate 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 including 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 in which we manage the business, and during the 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. There have been numerous changes which have taken place in the market and our business, accordingly we have amended 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 reflect 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 R31 million for the year ended 31 March 2023 (2022: profit of R22 million) which is recorded in non-trading and capital items.

Accounting for property lease

IFRS 16 requires an on-balance sheet recognition and measurement model for lessees, which includes the recognition of right-of-use assets as well as lease liabilities resulting in depreciation and finance costs being recognised in the income statement. These costs replace rental expenses which were recognised on a straight-line basis under the previous IAS 17. The group previously isolated and removed the accounting impact, under IAS 17, for property leases from the normalised results to afford a better comparison and to reflect the true premises cost over the long term. In order to ensure comparability and to again reflect the true premises cost, adjustments amounting to R100 million (2022: R102 million) have been effected to profit before non-trading and capital items in addition to finance costs of R38 million (2022: R55 million). A further adjustment of R80 million was made relating to the gain on lease modification, resulting in a net adjustment of R142 million (2022: R47 million) to profit before tax.

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

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

Investment income and taxation payable on behalf of policyholders

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

Notes to the condensed consolidated financial statements

For the year ended 31 March 2023

1. Basis of preparation

The Alexander Forbes Group Holdings Limited (Alexforbes or the group) condensed consolidated financial statements for the year ended 31 March 2023 (the results) 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, the condensed consolidated statement of changes in equity and the notes to the condensed consolidated financial statements.

The results 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, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

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

The 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 the results.

The accounting policies applied in the preparation of the results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's FY2022 audited annual consolidated financial statements.

The condensed consolidated financial statements for the year ended 31 March 2023 have been reviewed by the group's external auditors, Deloitte & Touche, who expressed an unmodified review conclusion thereon. A copy of the auditor's review conclusion is included on page 13 of this annual results announcement (results announcement) and is available for inspection at the company's registered office, together with the results announcement.

The auditor's report does not necessarily report on all the information contained in this results announcement. Shareholders and investors are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement they should they should obtain a copy of the auditor's report together with the accompanying results from the company's registered office.

The results were made publicly available on 12 June 2023 on our website: <https://investors.alexforbes.com/financial-results>.

2. Fee and commission revenue

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

Disaggregation of revenue

Rm	Retirement consulting		Healthcare consulting		Investments		Individual consulting		Multinational consulting		Group total	
	2023 Reviewed	2022 Audited	2023 Reviewed	2022 Audited	2023 Reviewed	2022 Audited	2023 Reviewed	2022 Audited	2023 Reviewed	2022 Audited	2023 Reviewed	2022 Audited
Revenue by type												
Consulting and advice fees	168	182	78	56	40	38	589	568	152	133	1 027	977
Administration fees	694	597	3	3	-	-	5	4	144	135	846	739
Commission	93	87	275	250	-	-	-	-	14	11	382	348
Investment management fees	-	-	-	-	2 129	2 104	-	-	32	30	2 161	2 134
Technology services fees	71	-	-	-	-	-	-	-	-	-	71	-
Total	1 026	866	356	309	2 169	2 142	594	572	342	309	4 487	4 198
Revenue by region												
South Africa	1 015	866	356	309	2 169	2 142	594	572	-	-	4 134	3 889
Namibia	3	-	-	-	-	-	-	-	118	110	121	110
Botswana	-	-	-	-	-	-	-	-	134	118	134	118
Jersey and Channel Islands	-	-	-	-	-	-	-	-	64	63	64	63
Other	8	-	-	-	-	-	-	-	26	18	34	18
Total	1 026	866	356	309	2 169	2 142	594	572	342	309	4 487	4 198
Timing of revenue recognition												
Products transferred at a point in time	28	20	7	6	-	-	48	50	5	4	88	80
Services transferred over time	998	846	349	303	2 169	2 142	546	522	337	305	4 399	4 118
Total	1 026	866	356	309	2 169	2 142	594	572	342	309	4 487	4 198

Notes to the condensed consolidated financial statements *continued*
For the year ended 31 March 2023

3. Other income

Rm	2023 Reviewed	2022 Audited
Sub-rental income	33	31
Technology fees	17	8
Other fees	10	-
Total other income	60	39

The group subleases additional office space to external parties. Technology fees relate to IT support services rendered to an external third party.

Other fees mainly relate to service charges for interim support services rendered to external third parties.

4. Non-trading and capital items

Rm	2023 Reviewed	2022 Audited
Professional indemnity insurance cell-captive result	(31)	22
Amortisation of intangible assets arising from the 2007 private equity transaction	(29)	(56)
Professional costs for corporate transactions	(16)	(21)
Software written off	(18)	(2)
Other	(5)	(6)
Total non-trading and capital items	(99)	(63)

5. Investment income

Rm	2023 Reviewed	2022 Audited
Interest income	131	83
Investment and dividend income	18	18
	149	101
Multi-manager operations		
Investment returns linked to policyholder tax expense	13	22
Total investment income	162	123
Investment income is derived from the following categories of financial assets:		
Amortised cost	131	83
Financial assets at fair value	31	40
Total investment income	162	123

6. Finance costs

Rm	2023 Reviewed	2022 Audited
Interest on lease liabilities	(38)	(55)
Interest on borrowings	(13)	(2)
Net hedging costs	-	(2)
Other interest	(7)	(4)
Total finance costs	(58)	(63)

7. Income tax expense

Rm	2023 Reviewed	2022 Audited
South African income tax		
Current tax	(193)	(199)
Current year	(195)	(199)
Prior years	2	-
Deferred tax	(7)	6
Current year	(11)	12
Prior years	4	1
Rate change adjustment ¹	-	(7)
Foreign income tax	(13)	(15)
Current tax	(10)	(10)
Deferred tax	(3)	(5)
Foreign withholding tax	(11)	(5)
Income tax expense relating to corporate profits	(224)	(213)
Income tax expense on policyholder investment returns	(13)	(22)
Current tax - current year	(9)	(14)
Deferred tax - current year	(4)	(8)
Income tax expense	(237)	(235)

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

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 prior 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 have been received in cash. 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 - 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 will be 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.

Notes to the condensed consolidated financial statements *continued*
For the year ended 31 March 2023

8. Discontinued operations *continued*

8.1 Net profit of business units discontinued

Rm	2023 Reviewed	2022 Audited
Total net revenue	148	513
Net claims, commissions, fees and withdrawals	(15)	(400)
Operating income net of direct expenses	133	113
Other income	5	-
Operating expenses	(113)	(164)
Profit/(loss) from operations before non-trading and capital items	25	(51)
Non-trading and capital items	3	-
Operating profit/(loss)	28	(51)
Investment income	14	8
Profit/(loss) before tax	42	(43)
Income tax expense	(15)	(8)
Profit/(loss) for the year from discontinued operations	27	(51)
Profit on disposal of subsidiaries and businesses ¹	134	80
Total profit from discontinued operations	161	29
<i>Profit attributable to:</i>		
Owners of the company	161	29

¹ Profit on disposal of subsidiaries in the current year comprises R153 million relating to disposal of the AFICA group and the loss of R19 million on disposal of the interest in Seniors' Finance, whilst the prior year relates to the sale and transfer of the insurance policies held by AF Life.

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

Rm	2023 Reviewed	2022 Audited
Long-term assets	-	1
Deferred tax asset	-	1
Trade and other receivables	-	5
Cash and cash equivalents	-	30
Total assets	-	37
Provisions - non-current	-	1
Taxation payables	-	1
Trade and other payables	-	10
Total liabilities	-	12
Total equity	-	25

9. Earnings per share

9.1 Basic earnings per ordinary share

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

9.2 Headline earnings per ordinary share

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

9.3 Diluted earnings per ordinary share

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

9.4 Normalised earnings per share

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

9.5 Number of shares

Millions	2023 Reviewed	2022 Audited
Weighted average number of shares	1 341	1 386
Weighted average shares held by policyholders classified as treasury shares	(1)	(4)
Weighted average treasury shares	(108)	(123)
Weighted average number of shares in issue (net of treasury shares)	1 232	1 259
Dilutive shares	85	98
Diluted weighted average number of shares	1 317	1 357
Actual number of shares in issue	1 328	1 354
Actual treasury shares	(103)	(126)
Share buyback programme	(4)	(33)
Share incentive schemes	(59)	(52)
Employee share option plan (ESOP)	(39)	(39)
Policyholder investment in treasury shares	(1)	(2)
Shares in issue net of treasury shares	1 225	1 228
Normalised number of shares		
Weighted average number of shares in issue	1 232	1 259
Shares held by policyholders classified as treasury shares	1	4
Normalised number of shares in issue	1 233	1 263

9. Earnings per share *continued*

9.6 Calculation of basic and headline earnings from total operations

Rm		2023 Reviewed	2022 Audited
Profit attributable to owners of the company		704	495
<i>Adjusting items:</i>			
Profit on disposal of subsidiaries – discontinued operations		(134)	(80)
Software written off – continuing operations		18	2
Loss on disposal of property and equipment – continuing operations		-	2
Headline earnings for the year		588	419
Earnings per share from total operations¹			
Basic earnings per share	(cents)	57.1	39.3
Headline earnings per share	(cents)	47.7	33.2
Diluted basic earnings per share	(cents)	53.5	36.5
Diluted headline earnings per share	(cents)	44.6	30.9

¹ Amounts computed using unrounded numbers.

On 2 June 2022 the board approved a new non-schedule 14 share scheme, the Alexforbes LTIP 2022, that will govern all LTIP awards granted from 2022 and beyond. The Alexforbes LTIP 2022, which is not considered dilutive, replaces the 2019 Long-Term Incentive Plan (Alexforbes LTIP 2019 (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 which may result in dilution on both earnings per share and headline earnings per share, the use of treasury shares or the issue of new shares. 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 year in relation to the performance criteria on these historical tranches.

9.7 Calculation of normalised earnings from total operations

Rm		2023 Reviewed	2022 Audited
Normalised profit for the year per the group segmental income and profit analysis		655	501
Less: profit attributable to non-controlling interests		(10)	(12)
Normalised profit attributable to owners of the company		645	489
<i>Adjusting items:</i>			
Profit on disposal of subsidiaries – discontinued operations		(134)	(80)
Software written off – continuing operations		18	2
Loss on disposal of property and equipment – continuing operations		-	2
Normalised headline earnings for the year		529	413
Normalised earnings per share¹			
Normalised basic earnings per share	(cents)	52.3	38.8
Normalised headline earnings per share	(cents)	42.9	32.7

¹ Amounts computed using unrounded numbers.

9.8 Calculation of basic and headline earnings from continuing operations

Rm		2023 Reviewed	2022 Audited
Profit after tax from continuing operations		553	478
Profit attributable to owners of the company		543	466
<i>Adjusting items:</i>			
Software written off		18	2
Loss on disposal of property and equipment		-	2
Headline earnings from continuing operations		561	470
Earnings per share from continuing operations¹			
Basic earnings per share from continuing operations	(cents)	44.0	37.0
Headline earnings per share from continuing operations	(cents)	45.5	37.2
Diluted basic earnings per share from continuing operations	(cents)	41.2	34.3
Diluted headline earnings per share from continuing operations	(cents)	42.6	34.7

¹ Amounts computed using unrounded numbers.

9.9 Calculation of basic and headline earnings from discontinued operations

Rm		2023 Reviewed	2022 Audited
Profit after tax from discontinued operations		161	29
Profit from discontinued operations attributable to owners of the company		161	29
<i>Adjusting items:</i>			
Profit on disposal of subsidiaries		(134)	(80)
Headline earnings/(loss) from discontinued operations		27	(51)
Earnings per share from discontinued operations¹			
Basic earnings per share from discontinued operations	(cents)	13.1	2.3
Headline earnings/(loss) per share from discontinued operations	(cents)	2.2	(4.0)
Diluted basic earnings per share from discontinued operations	(cents)	12.3	2.2
Diluted headline earnings/(loss) per share from discontinued operations	(cents)	2.1	(4.0)

¹ Amounts computed using unrounded numbers.

Notes to the condensed consolidated financial statements *continued*
For the year ended 31 March 2023

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

As a result of the group being listed, the investments by underlying asset managers in the Alexander Forbes Group Holdings' listed shares are recognised as treasury shares and all fair value adjustments recognised on these treasury shares are reversed, while the corresponding fair value adjustments on the financial liability continue to be recognised in the income statement. The loss for the year of R1 million (2022: R4 million) has been disclosed separately on the face of the income statement. This treatment also affects the number of shares in issue, the impact of which is disclosed in note 9.

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

Rm	2023 Reviewed	2022 Audited
Total financial assets held under multi-manager investment contracts (per statement of financial position)	379 714	363 816
<i>Reversal of adjustments made under IFRS:</i>		
Alexander Forbes shares held as policyholder assets and reclassified in the group statement of financial position as treasury shares	26	34
Financial effects of accounting for policyholder investments as treasury shares		
- prior year	(23)	(27)
- current year	1	4
Total financial liabilities held for policyholders under multi-manager investment contracts	379 718	363 827

11. Financial assets

Rm	2023 Reviewed	2022 Audited
Non-current financial assets	30	47
Current financial assets	666	475
Total financial assets	696	522
Financial assets designated at fair value through profit and loss	666	475
Financial assets classified at amortised cost	17	34
Financial assets designated as fair value through other comprehensive income	13	13
Total financial assets	696	522

12. Intangible assets

Intangible assets comprise values attributed to customer relationships, customer contracts and market-related trade names. The intangible assets are non-current.

Rm	2023 Reviewed	2022 Audited
12.1 Carrying value		
Cost	1 148	972
Accumulated amortisation and impairment losses	(884)	(843)
Balance at 31 March	264	129
12.2 Analysis of intangible assets		
Customer lists	199	49
Trade names	65	80
	264	129
12.3 Reconciliation of movement in carrying value		
Opening balance	129	192
<i>Movement during the year:</i>		
Additions	176	-
Separately acquired	118	-
Acquired through business combination	58	-
Amortisation charge	(41)	(63)
Closing balance	264	129

Separately acquired intangible assets relate to purchases of customer contracts in relation to the large standalone retirement fund administration from Sanlam Life. The intangible assets acquired through business combination comprise customer contracts arising from the acquisition of EBS. Refer to note 16 for further details.

13. Trade and other receivables

Rm	2023 Reviewed	2022 Audited
Financial assets		
Trade receivables ¹	192	131
Other receivables ²	164	85
Total financial assets	356	216
Non-financial assets		
Contract assets	39	29
Prepayments	54	40
Total trade and other receivables	449	285

¹ Included in trade receivables is a loss allowance on trade receivables of R24 million (2022: R31.5 million).

² Other receivables in the current year include deferred consideration receivable for the sale of the AFICA group and for the sale and transfer of the insurance policies held by AF Life. In addition, the group has recognised a receivable in relation to the share of surplus on transfer of the defined benefit pension fund.

14. Borrowings

Rm	2023 Reviewed	2022 Audited
14.1 Analysis of borrowings		
Term loan facility	204	-
Senior debt facility	23	26
Total	227	26
14.2 Reconciliation of movement in borrowings		
Opening balance	26	29
<i>Movements for the year:</i>		
Borrowings raised	202	-
Interest accrued	13	2
Interest paid	(11)	(2)
Borrowings repaid	(3)	(3)
Closing balance	227	26
14.3 Discounted maturity analysis of borrowings		
Due within one year	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 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 group has drawn down a total of R202 million on the facility which bears 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.

Senior debt facility (SDF)

In December 2020 Alexander Forbes Namibia Holdings Proprietary Limited (AF Namibia Holdings) obtained a senior debt facility (SDF) of N\$28 million dollars (N\$) 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 year and none of the financial covenants was in breach as at 31 March 2023.

15. Trade and other payables

Rm	2023 Reviewed	2022 Audited
Financial liabilities		
Trade payables	203	206
Accrued expenses	191	156
Other payables ¹	264	119
	658	481
Non-financial liabilities		
Employee-based accruals	190	173
	848	654

¹ The increase in other payables largely relates to amounts due to Sanlam Life Limited in terms of the sale and transfer agreement to back the insurance reserves and the related reinsurance for assessed and admitted claims in AF Life.

16. Acquisition of EBS International Proprietary Limited

On 10 June 2022 the group acquired 100% of the issued share capital in EBS International Proprietary Limited (EBS), a private company in South Africa who through its subsidiaries provides services including hosted administration platforms, 13B administration services, technology services, consulting services, disaster recovery/business continuity services and business analytics.

The details of the purchase consideration are as follows:

Rm	2023 Reviewed
Cash	108
Contingent consideration ¹	31
Fair value of the consideration transferred	139

¹ The group has agreed to pay additional consideration to the seller of two equal payments of R10 million subject to the seller meeting pre-agreed commitments and a final payment of R14.2 million made 12 months from the effective date on condition of no warranty and indemnity claims. The group has recognised R31 million as contingent consideration which represents the fair value at the date of acquisition using the net present value method. The discount rate used for the valuation of the contingent consideration is the prime interest rate at acquisition date. As at 31 March 2023, the pre-agreed commitments were on target and additional consideration of R10 million had been paid.

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

Rm	2023 Reviewed
Intangible assets ¹	58
Property and equipment	7
Purchased and developed computer software	32
Deferred tax asset	4
Trade and other receivables ²	28
Cash and cash equivalents	24
Total assets	153
Lease liabilities	(4)
Deferred tax liability	(16)
Trade and other payables	(25)
Tax liabilities	(2)
Total liabilities	(47)
Total net identifiable assets acquired	106
Goodwill³	33
Net assets acquired	139

¹ Intangible assets consist of customer contracts with a fair value of R58 million. The net present value method was used to value the customer contracts, whereby the contractual cash flows per revenue stream for each underlying entity within EBS were valued over a term of 1, 2 and 5 years at a discount rate based on the government bond yield rate with a corresponding term and the applicable risk premium.

² The fair value of trade and other receivables acquired amounted to R28 million, with the gross contractual balance amounting to R30 million.

³ Goodwill recognised at acquisition relates to the growth and cost synergies expected to be achieved from integrating EBS into the group's retirement funding business. Goodwill is not deductible for tax purposes.

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

EBS's contribution to the group results

EBS incurred a profit of R9 million since acquisition. Revenue for the nine months ended 31 March 2023 was R71 million. If the acquisition had occurred on 1 April 2022, the consolidated revenue and profit for the Alexforbes group for the year ended 31 March 2023 would have been R4 507 million and R714 million respectively.

Notes to the condensed consolidated financial statements *continued*

For the year ended 31 March 2023

17. Financial risk management and financial instruments

17.1 Financial risk factors

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

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

17.2 Liquidity risk

The contractual undiscounted cash outflows for financial liabilities in the current year include an unsecured facility of R202 million bearing interest at JIBAR plus 1.65% compounded quarterly. Refer to note 14 for further details.

17.3 Exchange rate risk

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

	2023 Reviewed	2022 Audited
Weighted average rate (rand:sterling)	19.5	19.9
Closing rate (rand:sterling)	21.9	19.2

17.4 Fair value hierarchy

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

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

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

Rm	Level 1	Level 2	Level 3	Total
31 March 2023 (Reviewed)				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contracts	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
31 March 2022 (Audited)				
Financial assets measured at fair value				
Financial assets held under multi-manager investment contract ¹	223 988	129 728	10 100	363 816
General operations	-	475	13	488
Total financial assets measured at fair value	223 988	130 203	10 113	364 304
Financial liabilities measured at fair value				
Financial liabilities held under multi-manager investment contracts	-	363 827	-	363 827
Contingent consideration	-	-	10	10
Total financial liabilities measured at fair value	-	363 827	10	363 837

¹ An error was detected regarding the fair value hierarchy pertaining to financial assets held under multi-manager investment contracts. The underlying financial assets consisted of instruments for which quoted prices in an active market or observable inputs were available to measure the fair value. Consequently, Level 3 instruments to the value of R1 974 million were reclassified to Level 2 (R1 190 million) and Level 1 (R784 million).

Transfers between Levels 1 and 2

The financial assets held under multi-manager investment contracts are economically matched to the policyholder liabilities. Movements in financial assets associated with multi-manager investment contracts are directed by clients. These movements are a result of investments and withdrawals made. There were no transfers between Levels 1 and 2 during the year as a result of a change in valuation methodology.

Level 3 reconciliation

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

Sensitivity analysis for Level 3 financial assets

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

Instrument	Valuation techniques	Significant inputs
Suspended listed equities	Peer valuation multiples	Last exchange traded price and liquidity discounts
Community property company assets	Discounted cash flow model	Capitalisation rates and discount rates
Infrastructure and development assets	Equity 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

17.5 Valuation methods and assumptions for valuation techniques

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

17.6 Financial assets and liabilities at fair value

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.

Notes to the condensed consolidated financial statements *continued*

For the year ended 31 March 2023

18. 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.

18.1 Client settlements arising from historical business practices - bulking

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

18.2 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.

19. Events occurring after reporting period

19.1 Acquisition of TSA Administration Proprietary Limited

On 1 June 2023 the group acquired 60% of the issued share capital 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. A cash payment was made on the effective date, funded by the term loan facility.

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	45
Intangible assets - purchased and developed software	20
Property and equipment	1
Trade and other receivables	10
Cash and cash equivalents	8
Total assets	84
Deferred tax liability	(17)
Trade and other payables	(1)
Total liabilities	(18)
Total net identifiable assets acquired	66
Non-controlling interest ¹	26
Goodwill ²	32

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. The first put and second put options are exercisable 36 and 60 months from the effective date, respectively. The group recognises non-controlling interests within equity, and the put options are carried as liabilities within the acquiring subsidiary's statement of financial position.

² 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 expected to be 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.

Information not yet disclosed as not yet available

Should new information be obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition that indicates adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

19.2 Steinhoff recovery

The group has accepted the settlement offer in respect of its claim against the Steinhoff Recovery Foundation (SRF). The claim is based on the group's shareholding in Steinhoff through its financial assets held under multi-manager investment contracts within AF Investments and is a non-adjusting subsequent event for the year ended 31 March 2023. The group expects to receive the settlement proceeds from the SRF in the forthcoming financial year with partial payment having been received. The value of the full settlement proceeds is dependent on numerous factors which are unknown at this stage.

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: 9404921158
 JSE share code: AFH
 ISIN: ZAE000191516
 (Incorporated in the Republic of South Africa)

Independent directors

Thabo Dloti (Interim chair), Bob Head, Andile Mazwai, Ndumi Medupe and Nosipho Molope

Non-executive directors

Pavan Dhamija, Marinda Dippenaar, Gary Herbert, Refiloe Nkadimeng

Executive directors

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

Executive: Governance, legal and compliance (Company secretary)

CH Wessels

Investor relations

Z Amra

Registered office

Alexander Forbes Group Holdings Limited, 115 West Street, Sandown, 2196

Transfer secretaries

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

Sponsor

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