

Alexander Forbes Group Holdings Limited

(Incorporated in the Republic of South Africa)

Registration Number: 2006/025226/06

JSE Share Code: AFH and ISIN: ZAE000191516

(Alexander Forbes or the Company or the Group)

**TRADING STATEMENT FOR THE TWELVE MONTHS ENDED 31 MARCH 2021**

Alexander Forbes is in the process of finalising its full year financial results for the twelve months ended 31 March 2021 (the current year) which will be released on the Stock Exchange News Service and on the Company's website at www.alexanderforbes.co.za on 14 June 2021.

The 2021 financial year began a few weeks after the appearance of Covid-19 in South Africa and the first set of lockdown measures resulting in a challenging operating environment throughout the reporting period. We have been resolute in our commitment to the well-being of our employees and clients and rapidly adapted our operating model to stay relevant under these difficult trading conditions. Covid-19 tested the resilience of our integrated strategy and we are pleased to note that our business has remained stable and is now better geared for growth. The advice-led 'ONE' Alexander Forbes strategy is working well for our business with Covid-19 acting as a galvanising force sharpening our ability to connect with and impact on our clients.

Profit from continuing operations before non-trading and capital items for the current year is expected to be between R643 million and R719 million, 5% to 15% lower than the R757 million reported for the twelve months ended 31 March 2020 (the prior year). This reflects resilience in operating income coupled with good expense management. Despite meaningful progress made through focused cost containment, the growth in expenses year on year continues to be impacted by the reduced earnings base resulting from the sale of the short-term insurance business in the prior year.

Based on the information currently available to the Company, shareholders are advised that the financial results for the current period are expected to be:

For the period ended	As reported	Expected	Estimated range change*
	March 2020 (cents)	March 2021 (cents)	
Total operations			
Headline earnings per share	35.4	12.4 to 15.9	-65% to -55%
Basic (loss)/earnings per share	(11.8)	13.6 to 14.8	215% to 225%
Continuing operations			
Headline earnings per share	32.2	32.2 to 35.4	0% to 10%
Basic (loss)/earnings per share	(67.1)	30.2 to 36.9	145% to 155%

* Percentages calculated based on rounded figures

The main areas affecting earnings include the following items that have been previously announced. The prior year results reflect:

- The one-off goodwill write off amounting to R1 145 million and a related impairment of intangible assets of R47 million, included in non-trading and capital items. The goodwill write-off and intangible asset impairment is adjusted for in the calculation of headline earnings.
- The Group also reported a profit on sale of the South African short-term insurance business of R861 million in the prior year. The profit on sale is excluded from the calculation of headline earnings.
- Ten months of earnings from the South African short-term insurance business.

Attributable earnings for the current year have been influenced by the financial performance of the discontinued operations that mostly include the impact of the enhanced transfer value (ETV) liability matter which has been disclosed in previous reporting periods.

The ETV liability matter relates to a legacy United Kingdom (UK) domiciled subsidiary of the Group, Alexander Forbes Consultants and Actuaries Limited (AFCA), that was sold in 2012 to Jardine Lloyd Thompson Group, subsequently acquired by Marsh & McLennan Companies, inclusive of certain warranties and a limitation of liability. The ETV liability arises from redress payments being ordered, to the industry as a whole, by the Financial Conduct Authority, the UK regulator, in respect of certain thematic errors in historical advice.

The calculated value of the total liability for redress payments including the costs related to this process has increased significantly in the current year. The full value of the liability currently estimated is GBP 61.9 million (2020: GBP 12.3 million). The Alexander Forbes insurance programme (which also covered AFCA at the time) provides cover for claims of this nature and is sufficient for the quantum calculated. There are seven insurance layers in the insurance programme, which in total provide cover for GBP140 million above our self-insured excess. To date, settlement amounts have been paid from the group's self-insured provision and from the primary layer of insurance.

As the liability has increased through the year, management approached insurers for each increasing layer in the insurance programme to obtain confirmation from the insurance underwriters confirming that the event is covered in terms of the policy. We have confirmed cover for the second and third excess layers, however at 31 March 2021, the insurer in the first excess layer and the insurer for the fourth excess layer have not confirmed cover, sighting their disagreement with the application of the excess payable under the claim. Management has obtained senior counsel legal opinion on the dispute and remains confident that the position taken by the dissenting insurers is incorrect. The Group will continue to pursue legal action on the matter.

As a result of the material increase in liability and the value of insurance that is being challenged by the insurers, the indemnities provided by Alexander Forbes in the original sale and purchase agreement (SPA) of AFCA to JLT will be invoked. Alexander Forbes has a limitation of liability included in the SPA, determined by the proceeds received on the AFCA disposal and excludes the amounts recovered from insurers. The Group has settled claims through its cell-captive insurance facility, which reduced the potential future liability to approximately GBP 13.4 million at year end.

As a result of the insurer's not confirming cover to the extent of the liability, Alexander Forbes has provided fully for the potential liability of the ETV matter in the amount of R274 million. The impact to the Group's income statement in the amount of R250 million for the current period is reflected under discontinued operations. The recovery of insurance in the future will result in the income being recognised at the time.

This trading statement is issued in accordance with paragraph 3.4(b) of the JSE Limited Listings Requirements. The financial information on which it is based has not been reviewed and reported on by the Group's external auditors.

Carina Wessels

Executive: Governance, Legal and Compliance (Company Secretary)

1 June 2021

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Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)