



**Alexander Forbes Equity Holdings
(Proprietary) Limited**
Registration number: 2006/025226/07

Unaudited interim results for the six months ended
30 September 2009

- **Results show resilience in current challenging markets**
- **Income from operations down 4%**
- **Trading results up 5%**
- **High Yield Term Loan successfully restructured**

REVIEW OF ACTIVITIES

Alexander Forbes Equity Holdings (Proprietary) Limited (“AFEH”) is the ultimate holding company of the Alexander Forbes group of companies (“the group”) and its financial statements are made publically available solely for purposes of further informing the financial statements of Alexander Forbes Preference Share Investments Limited.

Income from operations decreased by 4% compared to the first six months of the previous financial year. However, the group’s trading result increased by 5% which is pleasing, given the challenging current trading environment and can be attributed largely to specific cost containment programs implemented during the latter half of the previous financial year and improved market conditions for our SA Financial Services and Investment Solutions divisions.

A brief commentary on the operating results of each of the main businesses appears below.

- *SA Risk & Insurance Services*

Income from operations was negatively impacted by the lower interest rate environment, affecting operational interest income, and in response to our clients needs to contain expenditure during the current economic downturn. Despite this pressure on organic growth, income from operations increased by 4% to R569 million for the 6 month period. Pleasing new business growth was achieved across all operating divisions during this period. The Guardrisk and Compensation Technology businesses were the main contributors to the increase in revenue.

Disciplined expense control continued across all operating divisions; the benefit of this is however offset by continued investment in a more substantial sales force as well as technical industry specific insurance skills. These investments remain focus areas for this business and have impacted expenses for the period under review.

Trading results remained consistent with the prior year at R166 million.

- *SA Financial Services*

Although assisted by improved market conditions a challenging six months for all areas of the SA Financial Services divisions resulted in income from operations decreasing by 3% from the prior year to R652 million for the six months.

The strategic focus on the retirement administration and consulting division is to provide our clients with comprehensive advice and effective solutions in order for their members to achieve financial security in retirement. The Retirement Funds division delivered a satisfactory result. The retail cluster has benefited from the improved market conditions and continued strong new business cash flows in the current period. The Healthcare division’s income from operations declined during the current period with the Health

Management Solutions division completing its restructure. Given the difficult trading conditions, a continued strong focus on expense control was achieved.

Trading results decreased by 3% to R110 million for the half year.

- *Africa Investment Solutions*

Income from operations increased for the period by 3% to R401 million. Overall investment performance continues to be pleasing with over 75% of portfolios performing above the median over a 3 year period. High client retention rates and improved equity markets assisted a 12% increase in closing assets under management to R140 billion at 30 September 2009. However, a noticeable decline in new business flows and an increase in benefit withdrawals were experienced as a result of a contracting economy. Including the international operations, global assets under management totalled R150 billion at 30 September 2009.

The above, combined with disciplined cost management in the 6 month period, gave rise to an increase in trading results of 18% to R138 million.

- *Afrinet (Africa excluding South Africa)*

Income from operations grew by 8% to R143 million. There was strong organic growth achieved, particularly in our Risk Services businesses in Tanzania, Uganda and Nigeria, while the Financial Services activities in Botswana continue to deliver strong performance. The pre-eminent African network extending over 12 countries, and a further 18 countries with correspondent relationships, is being further developed as part of the group's strategic efforts to expand into other African territories.

Trading result increased by 15% to R30 million for the 6 month period.

- *International Financial Services*

Income from operations improved marginally from prior year to GBP52.3 million for the half-year. The actuarial consulting business, Lane Clark & Peacock, reported pleasing year-on-year growth in income from operations of 6.5%. This was largely offset by an 11% decline from the UK based employee benefits Independent Financial Advisory (IFA) business, principally as a result of the continuing decline in the UK economy and more specifically the increasing levels of unemployment amongst small and medium size enterprises, which are its primary target market. The difficult trading conditions in the UK are expected to continue for the foreseeable future.

As a result of restructuring of the IFA business over the past 12 months and certain cost reduction programs, the trading profit for the half year of GBP2.8 million was 12% ahead of the comparable period of the prior year.

- *International Investment Solutions*

Income from operations for the half-year of GBP3.4 million decreased marginally from prior year. Assets under management increased by GBP0.2 billion over the period assisted mainly due to the improved equity markets, ending on GBP1.2 billion as at 30 September 2009

The trading loss for the half-year of GBP0.6 million is a marginal improvement over prior year.

Prospects

The directors are satisfied with the resilient performance of the group in the current challenging environment which can partly be ascribed to the group's diversified revenue streams and disciplined expense control. Our core focus on delivering innovative products to our client base, and investing in top quality staff continues and will ensure that we are well positioned to take advantage of opportunities in a recovering economy.

High yield term loan restructure

On the 2nd of June 2009, the company along with its private equity consortium shareholders successfully concluded the purchase of the EURO159 million High Yield Term Loan from an international consortium of funders at a discount to par value. A portion of the funding of the transaction was from the inherent value of the cross currency hedge in place at the time of the transaction. As part of the debt buy back changes were negotiated to certain conditions of the loan to better suit the financial needs of the company. These changes include changing the denomination of the loan from Euro to Rand thereby eliminating currency risk. More significantly, the terms of the loan were changed such that the semi-annual cash interest service is no longer compulsory but dependent upon the financial position and strategic financial needs of the group. This will give the group the financial flexibility to continue its strategic development even in current difficult market conditions.

Contingent liabilities

Reference is made to disclosure regarding contingent liabilities contained in note 44 to the annual financial statements for the year ended 31 March 2009 and in particular the matter referred to as the Lifecare matter. While the board continues to work towards finding a resolution to this matter, in the opinion of the directors, the assessment of the financial liability remains unchanged at the present time.

Change in directorate

We are pleased to announce that Edward Kieswetter has been appointed CEO of the Alexander Forbes Group with effect from January 2010. Mr Kieswetter is currently SARS Deputy Commissioner and is highly experienced in strategic leadership. In line with the group's stated commitment to transformation, our present CEO Bruce Campbell will be stepping down at the end of this year. The board expresses its appreciation for the valuable contribution and commitment to the group by Mr Campbell since stepping in as CEO two years ago. Andrew Claerhout resigned as a director and was replaced by his alternate Lori Hall-Kimm with effect from 8 September 2009. Jean-Charles Douin was appointed as Ms Hall-Kimm's alternate director from the same date.

M S Moloko

Chairman

27 November 2009

B Campbell

Group chief executive

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2009

	Notes	30 Sep 2009 Rm	30 Sep 2008 Rm	12 months 31 Mar 2009 Rm
Continued operations				
Income	3	2 472	2 585	5 361
Operating expenses		(2 000)	(2 137)	(4 385)
Trading results from continuing operations		472	448	976
Professional indemnity insurance cell		4	6	(11)
Amortisation of intangible assets arising from business combination		(95)	(95)	(190)
Non-recurring items		(22)	(17)	48
Impairment losses and other capital items	4	36	(354)	(347)
Operating profit / (loss)		395	(12)	476
Finance income		49	40	132
Finance costs	5	(412)	(403)	(874)
Share of net (loss)/profit of associates (net of income tax)		(1)	1	1
Profit/(Loss) before taxation		31	(374)	(265)
Income tax expense		(113)	(71)	(156)
Loss for the period from continuing operations		(82)	(445)	(421)
Discontinued operations				
(Loss)/Profit of discontinued operations (net of income tax)	6	(5)	6	8
Accumulated loss for the period		(87)	(439)	(413)
<i>Loss attributable to:</i>				
Equity holders		(109)	(463)	(464)
Non-controlling interests		22	24	51
Loss for the period		(87)	(439)	(413)
Headline loss per ordinary share (cents)	7	(38)	(29)	(31)
Basic loss per ordinary share (cents)	7	(29)	(123)	(123)
Number of ordinary shares (million)				
Issued		377	377	377
Weighted average (from effective date)		377	377	377

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2009

	Notes	30 Sep 2009 Rm	30 Sep 2008 Rm	12 months 31 Mar 2009 Rm
Loss for the period		(87)	(439)	(413)
Foreign currency translation differences of foreign operations		(112)	(66)	(108)
Changes in fair value of cash flow hedges		(90)	(17)	(94)
Portion of fair value hedge recycled to profit or loss		(24)	-	(47)
Other comprehensive loss for the period (net of income tax)		(226)	(83)	(249)
Total comprehensive loss for the period		(313)	(522)	(662)
<i>Total comprehensive loss attributable to:</i>				
Equity holders		(319)	(540)	(713)
Non-controlling interests		6	18	51
Total comprehensive loss for the period (net of income tax)		(313)	(522)	(662)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 September 2009

	Notes	30 Sep 2009 Rm	30 Sep 2008 Rm	31 Mar 2009 Rm
ASSETS				
Financial assets held under multi-manager investment contracts		150 518	135 495	134 718
Financial assets of cell captive insurance facilities		7 530	7 169	7 498
Housing loans secured by retirement fund assets		750	750	750
Property and equipment		201	212	208
Purchased and developed computer software		198	222	210
Goodwill	8	5 335	5 512	5 335
Intangible assets		2 005	2 178	2 091
Investments in associates	9	5	12	7
Deferred tax assets		146	140	148
Financial assets		401	365	365
Insurance receivables		422	290	330
Trade and other receivables		988	1 764	1 778
Cash and cash equivalents		2 344	2 408	2 495
Total assets		170 843	156 517	155 933
EQUITY AND LIABILITIES				
Equity holders' funds		2 259	2 751	2 578
Non-controlling interest		178	224	205
Total equity		2 437	2 975	2 783
Financial liabilities held under multi-manager investment contracts		150 474	135 465	134 686
Liabilities of cell captive insurance facilities		7 530	7 169	7 498
Securitisation funding for housing loans		750	750	750
Borrowings		5 414	5 933	5 857
Deferred consideration for acquisitions		7	5	8
Retirement benefit obligations		160	90	155
Deferred tax liabilities		703	810	719
Provisions		565	692	608
Deferred income		246	283	263
Insurance payables		1 458	1 366	1 379
Trade and other payables		1 099	979	1 227
Total liabilities		168 406	153 542	153 150
Total equity and liabilities		170 843	156 517	155 933
Total equity per above		2 437	2 975	2 783
Number of ordinary share in issue (millions)		377	377	377
Net asset value per ordinary share (cents)		646	789	738

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2009

	30 Sep 2009 Rm	30 Sep 2008 Rm	12 months 31 Mar 2009 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	426	482	1 132
Net finance costs requiring servicing	(107)	(235)	(502)
Cash settlement of cash management and retirement benefit commitments	(19)	(52)	(91)
Taxation paid	(130)	(123)	(281)
Operating cash flows	170	72	258
Movement in working capital	(53)	(263)	(56)
Movement in insurance balances	(15)	(642)	(669)
Net cash inflow/(outflow) from operating activities	102	(833)	(467)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in subsidiaries and businesses disposed/(acquired)	34	(13)	(18)
Net movement in financial assets	(26)	(13)	(63)
Proceeds from close out of foreign exchange hedge	374	-	-
Proceeds from sale of other financial assets	1	-	58
Proceeds on disposal of property and equipment	-	-	10
Capital expenditure for the period	(45)	(51)	(102)
Net cash inflow /(outflow) from investing activities	338	(77)	(115)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings (repaid)/advanced	(449)	20	(64)
Payments to non-controlling interest	(22)	(26)	(84)
Net cash outflow from financing activities	(471)	(6)	(148)
Net cash (outflow)/inflow from discontinued operations	(4)	10	16
Net movement in cash and cash equivalents	(35)	(906)	(714)
Cash and cash equivalents at beginning of period	2 495	3 322	3 322
Cash balances of subsidiaries and businesses disposed/acquired	(6)	(1)	(1)
Foreign subsidiaries translation adjustment	(110)	(7)	(112)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2 344	2 408	2 495

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2009

	Share capital and premium Rm	Non-distributable reserve Rm	Accumulated loss Rm	Ordinary shareholders' equity Rm	Non-controlling interest Rm	Total equity Rm
At 31 March 2008	3 261	200	(170)	3 291	238	3 529
Loss for the period	-	-	(463)	(463)	24	(439)
Other comprehensive loss	-	(77)	-	(77)	(6)	(83)
Total comprehensive loss	-	(77)	(463)	(540)	18	(522)
Other movements in non-controlling interest	-	-	-	-	(32)	(32)
At 30 September 2008	3 261	123	(633)	2 751	224	2 975
Loss for the period	-	-	(1)	(1)	27	26
Other comprehensive loss	-	(172)	-	(172)	6	(166)
Total comprehensive loss	-	(172)	(1)	(173)	33	(140)
Movement in contingency reserve for short-term insurance company	-	2	(2)	-	-	-
Other movements in non-controlling interest	-	-	-	-	(52)	(52)
At 31 March 2009	3 261	(47)	(636)	2 578	205	2 783
Loss for the period	-	-	(109)	(109)	22	(87)
Other comprehensive loss	-	(210)	-	(210)	(16)	(226)
Total comprehensive loss	-	(210)	(109)	(319)	6	(313)
Movement in contingency reserve for short-term insurance company	-	3	(3)	-	-	-
Other movements in non-controlling interest	-	-	-	-	(33)	(33)
At 30 September 2009	3 261	(254)	(748)	2 259	178	2 437

SEGMENTAL RESULTS

for the six months ended 30 September 2009

	Income from operations			Trading results of operations		
	30 Sep 2009	Var. %	30 Sep 2008	30 Sep 2009	Var. %	30 Sep 2008
Africa (Rm)						
SA Risk & Insurance Services	569	4%	546	166	-	166
SA Financial Services	652	(3%)	674	110	(3%)	113
Investment Solutions	401	3%	391	138	18%	117
Afrinet (Africa excluding-South Africa)	143	8%	133	30	15%	26
Total Africa (Rm)	1 765	1%	1 744	444	5%	422
International (£m)						
Financial Services	52.3	-	52.1	2.8	12%	2.5
Investment Solutions	3.4	(8%)	3.7	(0.6)	14%	(0.7)
Total International (£m)	55.7	-	55.8	2.2	22%	1.8
Total International (Rm)	707	(16%)	841	28	8%	26
Total Group (Rm)	2 472	(4%)	2 585	472	5%	448

	Depreciation & Amortisation			Assets		
	30 Sep 2009	Var. %	30 Sep 2008	30 Sep 2009	Var. %	30 Sep 2008
Africa (Rm)						
SA Risk & Insurance Services	8	33%	6	9 738	3%	9 442
SA Financial Services	8	(11%)	9	19 730	22%	16 222
Investment Solutions	1	-	1	139 218	15%	121 325
Afrinet (Africa excluding-South Africa)	3	-	3	1 546	16%	1 330
Total Africa (Rm)	20	5%	19	170 232	15%	148 319
International (£m)						
Financial Services	0.8	11%	0.9	95.2	(4%)	99.4
Investment Solutions	-	-	-	969.2	8%	901.1
Total International (£m)	0.8	11%	0.9	1 064.4	6%	1 000.5
Total International (Rm)	10	(29%)	14	12 511	(16%)	14 938
Unallocated:						
Corporate Services	15	(7%)	16	584	9%	536
Goodwill				5 335	(3%)	5 512
Consolidation elimination				(17 819)	39%	(12 788)
Total Group (Rm)	45	(8%)	49	170 843	9%	156 517

NOTES

for the six months ended 30 September 2009

1. Basis of preparation

These interim results have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), including IAS 34 (*Interim Financial Reporting*) and the South African Companies Act No 61 of 1973, as amended.

The accounting policies applied in the preparation of these interim results are consistent with those detailed in the financial statements issued by Alexander Forbes Equity Holdings (Proprietary) Limited for the year ended 31 March 2009, except for the changes required by IAS 1 (*Presentation of Financial Statements*), IFRS 8 (*Operating Segments*) and Circular 3/2009 (*Headline Earnings*).

	30 Sep 2009	30 Sep 2008	31 Mar 2009
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2. Exchange rates

The income statements and balance sheets of significant foreign subsidiaries have been translated to Rands as follows:

Weighted average R:GBP rate	12.7	15.1	14.3
Closing R:GBP rate	11.8	14.9	13.8

	30 Sep 2009 Rm	30 Sep 2008 Rm	12 months 31 Mar 2009 Rm
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3. Income

Fee and commission income	2 221	2 288	4 858
Operational interest income	20	26	50
Interest and other finance income from finance operations	51	74	142
less: directly related interest expense	(33)	(45)	(91)
Net premium and investment income from insurance operations	533	556	1 059
less: net claims and transfers to policyholder funds	(320)	(314)	(657)
Total income	2 472	2 585	5 361

4. Impairment losses and other capital items

Impairment of goodwill arising on acquisition of the Alexander Forbes group (see note 7)	-	(353)	(354)
Profit on sale of business	34	-	-
Other	2	(1)	7
Total impairment losses and other capital items	36	(354)	(347)

	30 Sep 2009 Rm	30 Sep 2008 Rm	12 months 31 Mar 2009 Rm
5. Finance costs			
Finance costs requiring servicing	(156)	(275)	(634)
Accrued interest not requiring servicing	(256)	(128)	(240)
	(412)	(403)	(874)
6. Discontinued operation			
<p>In May 2009 the group sold Chambers Townsend Consultancy (CTC), a business based in the UK. The CTC business unit was not disclosed as a discontinued operation or classified as held for sale as at 30 September 2008 and 31 March 2009. The comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.</p>			
7. Calculation of headline loss per share			
7.1 Basic loss per preference share			
<p>Basic loss per share is calculated by dividing the loss for the year attributable to equity holders by the weighted average number of preference shares in issue during the period.</p>			
7.2 Headline loss per preference share			
<p>Headline loss per share is calculated by excluding all impairment charges and capital gains and losses from the loss attributable to shareholders and dividing the resultant headline earnings by the weighted average number of preference shares in issue during the period. Headline earnings are defined in Circular 3/2009 issued by the South African Institute of Chartered Accountants.</p>			
7.3 Calculation of headline loss per share			
Loss attributable to ordinary shareholders (IAS 33 earnings)	(109)	(463)	(464)
Adjusting items			
- Impairment losses and other capital items	(36)	354	347
- Tax effect on above adjustment	-	-	-
Headline attributable loss for the period	(145)	(109)	(117)
Weighted average number of shares (from effective date)	377	377	377
Basic losses per share (cents)	(29)	(123)	(123)
Headline losses per share (cents)	(38)	(29)	(31)
8. Goodwill			
<p>The goodwill balance arises primarily from the acquisition of the Alexander Forbes group effective 26 July 2007. In line with the relevant accounting policy of the group, goodwill is assessed annually for impairment in March of each year. An early impairment review is performed during the year only in the event that there is a significant indication of impairment in the value of a specific cash generating unit within the group. There has been no indication of impairment in the goodwill balances for the six months ended 30 September 2009.</p>			
9. Investments in associates			
Carrying value in balance sheet	5	12	7
Directors' valuation of associates	17	18	17

	30 Sep 2009 Rm	30 Sep 2008 Rm	12 months 31 Mar 2009 Rm
10. Capital expenditure for the period	45	51	102
Operating lease commitments			
Due within one year	127	164	148
Thereafter	412	486	357
	539	650	505

Capital expenditure and commitments will be funded from internal cash resources.

Directors:

Independent directors: D Konar, V R Ngalwana

Non-executive directors: A C De Beer (Alternate), J E Douin (Alternate)
L Hall-Kimm, N C Kolbe (Alternate), K A Mills (Alternate), P G Nkadameng,
M C Ramaphosa, A Roux, P Schmid, J A van Wyk

Executive directors: M S Moloko (Chairman), B Campbell (Group chief executive),
D M Viljoen (Group finance director)

Company secretary & Investor relations: J E Salvado

Registered office: Alexander Forbes Place, 61 Katherine Street, Sandown, Sandton, 2196

Transfer secretaries: Computershare Investor Services (Pty) Limited.
Ground Floor, 70 Marshall Street, Johannesburg.
PO Box 61051, Marshalltown, 2107

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