



## Unaudited interim results for the six months ended 30 September 2011

### Alexander Forbes Preference Share Investments Limited

- Investment income increases by 17% to R174 million
- Headline earnings per linked unit increases by 9% to 63 cents per linked unit for the six month period
- Equity accounted loss from Alexander Forbes Equity Holdings totals R23 million

## REVIEW OF ACTIVITIES

### Introduction

Alexander Forbes Preference Share Investments Limited ("AF Pref") was incorporated on 10 October 2006. The sole purpose of the company is to incorporate the special purpose vehicle through which certain existing shareholders of Alexander Forbes Limited could remain invested following the private equity buyout of the Alexander Forbes group with effect 26 July 2007.

AF Pref holds 26.5% of the issued ordinary shares in Alexander Forbes Equity Holdings Proprietary Limited ("AFEH") and also holds 31,8% of the preference shares in AFEH. In addition, AF Pref holds 100% of the Pay-in-Kind ("PIK") debentures issued by a subsidiary of AFEH, Alexander Forbes PIK Funding Proprietary Limited ("AF PIK"), as well as 26.5% of the High-yield Term Loan and relevant assets ("HYTL") issued by Alexander Forbes Funding Proprietary Limited ("AF Funding").

### Results for the six month period

This announcement should be read in conjunction with the announcement made available by AFEH which provides an overview of the results of the AFEH group for the six month period ended 30 September 2011. In summary, AFEH's revenue from continuing operations, net of direct product cost, increased by 10% to over R2 billion and profit from continuing operations before non-trading items increased by 14% to R484 million.

Investment income for the six month period of R174 million is 17% higher than the first six months of the previous financial year. This income is largely offset by the corresponding finance cost payable to debenture holders (linked unit holders) of R169 million.

The loss attributable to AFEH equity holders (i.e. after finance cost related to the funding structure and after tax) increased by 18% to R85 million from a loss of R72 million for the first half of the previous financial year. AF Pref's share of this net loss amounts to R23 million which is equity accounted in these financial statements and is the main contributor to the loss reported by AF Pref for the six months ended 30 September 2011 of R19 million.

In addition to the investment in the equity of AFEH, AF Pref also owns certain debt instruments issued by the group as described above. Investment income increased by 17% to R174 million as the six months' interest income is recognised following the acquisition of 26.5% of the HYTL issued by Alexander Forbes Funding Proprietary Limited following a rights offer during the previous financial year. This investment income is largely mirrored in the interest expense on the debentures issued in turn by AF Pref and which form part of the linked unit in issue.

This results announcement should be read in conjunction with the results announcement made available to AF Pref preference shareholders by AFEH.

On behalf of the board of directors:

**JRP Doidge**  
Chairman

**TJ Fearnhead**  
Director

Johannesburg  
28 November 2011

**STATEMENT OF COMPREHENSIVE INCOME**  
for the six months ended 30 September 2011

	Notes	30 Sep 2011 Rm	30 Sep 2010 Rm	12 months 31 Mar 2011 Rm
Investment income	2	174	149	311
Operating expenses		(1)	(2)	(3)
Finance costs	3	(169)	(142)	(298)
Share of net loss of associates (net of income tax)	4	(23)	(19)	(18)
<b>Loss before taxation</b>		<b>(19)</b>	<b>(14)</b>	<b>(8)</b>
Income tax expense		-	-	-
<b>Loss for the period</b>		<b>(19)</b>	<b>(14)</b>	<b>(8)</b>
<i>Loss attributable to:</i>				
- Equity holders	5	-	-	-
- Preference shareholders	5	(19)	(14)	(8)
		<b>(19)</b>	<b>(14)</b>	<b>(8)</b>
<b>Headline earnings /(loss) (cents)</b>				
- per ordinary share	6	-	-	-
- per preference share	6	(8)	(6)	(0)
- per debenture		71	64	125
<b>- per linked unit</b>	6	<b>63</b>	<b>58</b>	<b>125</b>
<b>Basic earnings /(loss) (cents)</b>				
- per ordinary share	6	-	-	-
- per preference share	6	(8)	(6)	(3)
- per debenture		71	64	125
<b>- per linked unit</b>	6	<b>63</b>	<b>58</b>	<b>122</b>
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME</b> for the six months ended 30 September 2011				
<b>Loss for the period</b>		<b>(19)</b>	<b>(14)</b>	<b>(8)</b>
Share of other comprehensive income/(loss) of associates		20	(4)	13
<b>Other comprehensive income/(loss) for the period (net of income tax)</b>		<b>20</b>	<b>(4)</b>	<b>13</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>1</b>	<b>(18)</b>	<b>5</b>
<i>Total comprehensive income/(loss) attributable to:</i>				
- Equity holders		-	-	-
- Preference shareholders		1	(18)	5
<b>Total comprehensive income/(loss) for the period</b>		<b>1</b>	<b>(18)</b>	<b>5</b>

**STATEMENT OF FINANCIAL POSITION**  
**at 30 September 2011**

	Notes	30 Sep 2011 Rm	30 Sep 2010 Rm	31 Mar 2011 Rm
<b>ASSETS</b>				
Investment in associate	7	707	692	711
Financial assets	8	1 961	1 653	1 787
Other receivables		1	1	1
Cash and cash equivalents		6	9	7
<b>Total assets</b>		<b>2 675</b>	<b>2 355</b>	<b>2 506</b>
<b>EQUITY AND LIABILITIES</b>				
Ordinary shareholders' equity		-	-	-
Preference shareholders' interest - component of linked units		1 037	1 037	1 037
Non-distributable reserve		(85)	(122)	(105)
Accumulated loss		(214)	(201)	(195)
<b>Total equity</b>		<b>738</b>	<b>714</b>	<b>737</b>
Debentures - component of linked units		1 937	1 641	1 769
<b>Total liabilities</b>		<b>1 937</b>	<b>1 641</b>	<b>1 769</b>
<b>Total equity and liabilities</b>		<b>2 675</b>	<b>2 355</b>	<b>2 506</b>
Total equity attributable to ordinary shareholders		0	0	0
Number of ordinary shares in issue ('000s)		1	1	1
<b>Net asset value per ordinary share (cents per share)</b>		<b>0</b>	<b>0</b>	<b>0</b>
Total equity attributable to preference shareholders		738	714	737
Number of preference shares in issue (million)		237	237	237
<b>Net asset value per preference share (cents per share)</b>		<b>3.1</b>	<b>3.0</b>	<b>3.1</b>
Total equity attributable to linked unit holders		738	714	737
Number of linked units in issue (million)		237	221	237
<b>Net asset value per linked units (cents per unit)</b>		<b>3.1</b>	<b>3.2</b>	<b>3.1</b>

**STATEMENT OF CASH FLOWS**  
**for the six months ended 30 September 2011**

	<b>30 Sep</b>	30 Sep	12 months
	<b>2011</b>	2010	31 Mar
	<b>Rm</b>	Rm	Rm
<b>Cash flow from operating activities</b>			
Cash utilised from operations	(1)	(2)	(2)
Taxation paid	-	-	-
<b>Net cash outflow from operating activities</b>	<b>(1)</b>	<b>(2)</b>	<b>(2)</b>
<b>Cash flows from investing activities</b>			
Repayment of loan from associate	-	(5)	(6)
Interest received on High-yield term loan	-	-	27
<b>Net cash inflow/(outflow) from investing activities</b>	<b>-</b>	<b>(5)</b>	<b>21</b>
<b>Cash flows from financing activities</b>			
Payment of interest on debentures	-	-	(28)
<b>Net cash outflow from financing activities</b>	<b>-</b>	<b>-</b>	<b>(28)</b>
Net movement in cash and cash equivalents	(1)	(7)	(9)
Cash and cash equivalents at beginning of period	7	16	16
<b>Cash and cash equivalents at end of period</b>	<b>6</b>	<b>9</b>	<b>7</b>

**STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 30 September 2011

	Ordinary share- holders' equity Rm	Preference share- holders' interest Rm	Non- distributable reserve Rm	Accumu- lated loss Rm	Total equity Rm
<b>At 31 March 2010</b>	-	1 037	(118)	(187)	732
Loss for the period	-	-	-	(14)	(14)
Other comprehensive loss	-	-	(4)	-	(4)
<b>Total comprehensive loss</b>	-	-	(4)	(14)	(18)
<b>At 30 September 2010</b>	-	1 037	(122)	(201)	714
Profit for the period	-	-	-	6	6
Other comprehensive income	-	-	17	-	17
<b>Total comprehensive income</b>	-	-	17	6	23
<b>At 31 March 2011</b>	-	1 037	(105)	(195)	737
Loss for the period	-	-	-	(19)	(19)
Other comprehensive loss	-	-	20	-	20
<b>Total comprehensive income</b>	-	-	20	(19)	1
<b>At 30 September 2011</b>	-	1 037	(85)	(214)	738

## NOTES

### 1. Basis of preparation

These results have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), and comply with IAS 34 *Interim Financial Reporting*, the listing requirements of the JSE Limited and the South African Companies Act No 71 of 2008.

The accounting policies applied in the preparation of these results are consistent with those applied in the annual financial statements for the year ended 31 March 2011.

These financial statements were compiled under the supervision of Deon Viljoen, CA(SA), the Group Chief Financial Officer of AFEH.

	30 Sep 2011 Rm	30 Sep 2010 Rm	12 months 31 Mar 2011 Rm
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### 2. Investment income

Interest and investment income on held-to-maturity financial assets:

- PIK Debentures	117	99	207
- High Yield term loan	49	43	88
- Put & call option agreement	7	7	14
- Amendment fee	1	-	1
Interest on cash balances	-	-	1
	<b>174</b>	<b>149</b>	<b>311</b>

### 3. Finance costs

Interest cost on financial liability held at amortised cost (debentures)

	<b>(169)</b>	<b>(142)</b>	<b>(298)</b>
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### 4. Share of net loss of associate (net of income tax)

Net (loss)/profit of associate for the period:

- Continuing operations	<b>(28)</b>	<b>(25)</b>	<b>(26)</b>
- Discontinued operations	<b>5</b>	<b>6</b>	<b>8</b>
	<b>(23)</b>	<b>(19)</b>	<b>(18)</b>

### 5. Loss attributable to equity holders and preference shareholders

The economic rights to return of capital and dividends for equity holders, preference shareholders and debenture holders are detailed in section 5 of the pre-listing statement issued by AF Pref on 10 July 2007 and in the published annual financial statements.

## 6. Earnings per share

The preference shareholders have the economic rights to return of capital and dividends and as such earnings and headline earnings per share are all attributable to preference shareholders and are nil for ordinary shareholders. Basic and headline earnings per share for ordinary shareholders is therefore not provided.

### 6.1 Basic loss per preference share

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.

### 6.2 Headline loss per preference share

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.

### 6.3 Calculation of earnings per share

		30 Sep 2011	30 Sep 2010	12 months 31 Mar 2011
Loss for the period (R million)	(a)	(19)	(14)	(8)
Earnings attributable to debenture holders (R million)	(b)	169	142	298
<i>Headline adjusting items:</i>				
Share of impairment charge and other capital items of associate	(c)	-	-	6
Weighted average number of preference shares in issue (millions)	(d)	237	237	237
Weighted average number of linked units in issue (millions)	(e)	237	221	237
Basic loss per preference share (cents)	(a)/(d)	(8)	(6)	(3)
Headline loss per preference share (cents)	(a+c)/(d)	(8)	(6)	(0)
Basic earnings per linked unit (cents)	(a+b)/(e)	63	58	122
Headline earnings per linked unit (cents)	(a+b+c)/(e)	63	58	125

	<b>30 Sep 2011 Rm</b>	30 Sep 2010 Rm	31 Mar 2011 Rm
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## 7. Investment in associate

Cost	<b>1 038</b>	1 038	<b>1 038</b>
Share of cumulative post -acquisition movement in non-distributable reserves	<b>(85)</b>	(122)	<b>(105)</b>
Share of cumulative post -acquisition losses	<b>(246)</b>	(223)	<b>(222)</b>
Loan from associate	-	(1)	-
<b>Carrying value in balance sheet</b>	<b>707</b>	692	<b>711</b>
<b>Directors' valuation of associate</b>	<b>992</b>	989	<b>990</b>

In terms of the South African Companies Act No. 71 of 2008 directors are required to provide a valuation of the associate investment in AFEH. Shareholders are alerted to the fact that this valuation is particularly sensitive to the relevant valuation assumptions that are required to be made in performing such valuation. At 30 September 2011, the directors are of the opinion that the value of the investment in AFEH is R992 million.

## 8. Financial assets

Opening balance	<b>1 787</b>	1 504	1 504
High-yield term loan repaid	-	-	(27)
Interest accrued	<b>168</b>	142	296
Fair value adjustment	<b>6</b>	7	14
<b>Closing balance</b>	<b>1 961</b>	1 653	<b>1 787</b>

*Analysed as follows:*

High-yield term loan receivable	<b>417</b>	348	367
Put and call option asset	<b>58</b>	43	50
Investment in PIK debentures	<b>1 486</b>	1 262	1 370
	<b>1 961</b>	1 653	<b>1 787</b>

## 9. Debenture interest

Interest on debentures accrues on a daily basis and will, subject to the terms in the debenture agreement, be capitalised semi-annually on the last day of each interest period.

In terms of the debenture agreement, AF Pref is entitled, at its election, to either pay the accrued interest in respect of each interest period or capitalise such interest not paid in cash by adding it to the principal outstanding.

The terms of the PIK debentures held by the company anticipate the roll-up of accrued interest until exit date of the private equity holding or refinance date while the High Yield term loan held may either service interest in cash or capitalise such interest from time to time.

The most recent interest payment date of the High Yield term loan was 18 June 2011. On that date interest was accrued and not paid in cash mainly in order to fund increases in regulatory capital requirements within the group as detailed in the financial statements for the year ended 31 March 2011.

The next interest payment date is 18 December 2011 and it is anticipated that interest on the High Yield term loan for the period will be paid in full which will result in receipt of approximately R43 million in cash by AF Pref.

In addition, unit holders' attention is drawn to the announcement made on 15 November 2011 which, if approved at the debenture holders meeting to be held on 30 November 2011, explains that agreement has been reached with Senior Preference Shareholders to allow a portion of proceeds receivable from the sale of the Risk Services business, to flow past Senior Preference Lenders and which will then be applied to pay arrears interest on the High Yield term loan. These cash flows are expected to occur in tranches depending firstly on the closure date of the Threshold Transactions and followed by the closing of other subsidiary disposals within AfriNet.

These transactions are currently still subject to certain conditions precedent, amongst others Competition Commission approval in South Africa.

**Independent directors:** JRP Doidge (Chairman), TJ Fearnhead, B Harmse, J Wandrag (Alternate)

**Company secretary and Investor relations:** JE Salvado (Ms)

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

**Registered office:** 3<sup>rd</sup> Floor, 200 On Main, Cnr Main and Bowwood Roads, Claremont, 7708

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

**Alexander Forbes Preference Share Investments Limited**

**Registration number:** 2006/031561/06

**Share code:** AFP

**ISIN code:** ZAE 000098067

**Website:** [www.alexanderforbes.co.za](http://www.alexanderforbes.co.za)