UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2014

ALEXANDERFORBES
Securing your financial well-being

"The successful listing of Alexander Forbes continues to support our strategic goals. The results, both financial and non-financial, confirm the suitability of our strategic choices. Our continued Higher Purpose orientation ensures that we deliver positive impact for all our stakeholders.

Although we acknowledge the challenges that lie ahead, our bias for top-line growth, striving for greater operational efficiencies and building sustainable organisational integrity, remains unchanged. We are committed to building a great company by doing the right things, and doing it right!"

Edward Chr Kieswetter
Group Chief Executive
Alexander Forbes

FINANCIAL HIGHLIGHTS

- Alexander Forbes Group Holdings **successfully listed on the JSE**
- Operating income net of direct expenses increases 17% to **R2 377 million**
- Profit from operations before non-trading items increases 16% to **R544 million**
- Investment Solutions assets under management and administration break through **R300 billion**
- **70 000 new members** under administration

REVIEW OF OPERATIONS

OVERVIEW OF ACTIVITIES

On 24 July 2014, the group relisted on the JSE Limited marking the exit by the private equity investor consortium that held a controlling stake in the group for a period of seven years.

Prior to the listing, the group also managed an extensive process with various potential trade buyers that expressed an interest in acquiring the group. This process resulted in Mercer Africa Limited, a subsidiary of the US-listed Marsh & McLennan Companies Inc., acquiring an effective 34% interest in the group.

Following the listing, the group completed the unbundling of the shares held by the previously listed Alexander Forbes Preference Share Investments Limited and the subsequent delisting of that special purpose vehicle on 23 September 2014.

The significant corporate activity within the group over the period did not detract from our commitment to clients and other stakeholders and we are pleased to present a solid performance for the period under review.

GROUP OVERVIEW OF OPERATIONS

Consolidated operating income net of direct expenses ("net operating income")

The group produced net operating income from continuing operations of R2.4 billion for the six months ended 30 September 2014, up 17% on the first six months of the previous financial year. Net revenue represents gross revenue net of direct product cost and includes the net result from insurance operations. The weakening rand exchange rate had a positive effect on net operating income contribution from the International operations for the first six months.

Consolidated profit from operations before non-trading and capital items ("profit from operations")

Profit from operations for continuing operations, before non-trading and capital items, increased by 16% to R544 million compared to the R469 million in the first half of the previous financial year. Strong performances were reported by our Investment Solutions and AfriNet divisions. The strategy to grow the retail (individual client) market segments throughout the African operations continues to show good progress, with combined net revenue increasing by 12% across the various segments of the group. The larger component of capacity building relating to this strategy resides in the Financial Services division which impacted on their trading result.

Operating expenses attributed to continuing operations (excluding non-trading and capital items) of R1.8 billion increased by 17% compared to the previous year (13% in Africa region i.e. excluding the International operations which benefited from the weakening rand exchange rate). As previously indicated, we continue to balance disciplined cost management in the established business areas with capacity building in the strategic growth areas.

The overall group trading margin on net operating income is 22.8% compared to the 23.0% for the first six-month period to 30 September 2013. The disposals of businesses in the prior financial year resulted in further shared services costs having to be absorbed by the remaining businesses which impacted overall margins in the short term.

Having now completed the transition period relating to the relocation of the head office building, the required accounting treatment of long-term leases is resulting in a positive impact on the growth rate and we continue to isolate that impact in our segmental results to afford better comparison.

Non-trading and capital items

Non-trading and capital items in the current reporting period include costs associated with the dual track exit process and subsequent listing transaction as well as incentive costs and make-good payments which were based on the culmination of the seven-year private equity transaction. These and other listing-related costs were disclosed as part of the pro forma adjustments presented in the pre-listing statement.

Also included in this line is the ongoing accounting amortisation of the intangible assets amounting to R70 million for the six-month period. The capitalisation of intangible assets and the related amortisation resulted from the required accounting treatment at the time of the private equity acquisition of the group under common control in 2007. As the holding company that was established at the time remains in existence (and is now the listed entity), the amortisation will continue for as long as is required to amortise the recognised intangible assets to zero. The amortisation is a non-cash accounting item.

Investment income

Investment income includes income of R129 million (2013/14: R73 million) related to individual policyholder funds in Investment Solutions that are liable for fund level taxes and for which an equal tax liability is raised.

REVIEW OF OPERATIONS continued

This income should theoretically be excluded when assessing the group's own investment income which largely relates to return on assets backing regulatory capital adequacy requirements. Excluding the policyholder income, the group's investment income amounts to R51 million for the six months.

Finance costs

The impact of significant changes to the group's capital structure which became effective on 31 March 2014, the last day of the previous financial year, is largely reflected in finance costs. When comparing to the prior year, it should therefore be borne in mind that the comparative period includes interest paid on the previously leveraged capital structure. Finance costs for the period amount to R72 million compared to the R418 million of the previous first half.

Accounting for Alexander Forbes shares held in policyholder investment portfolios

In terms of IFRS as presently constituted, any Alexander Forbes shares acquired by underlying asset managers and held by the group's multi-manager investment subsidiary for policyholders are required to be accounted for in Alexander Forbes' consolidated financial statements as treasury shares, resulting in elimination of any fair value gains or losses made on the investment in Alexander Forbes shares (refer to note 13).

This accounting treatment results in fair value movements in respect of linked investment policy assets and liabilities that would normally be offset (and economically should be offset) not being matched in the income statement. The resultant mismatch between the asset and liability movement, does not reflect the economic substance of the transactions. The result of this mismatch is that an accounting expense or gain will be reported in Alexander Forbes' consolidated income statement, whereas no actual economic loss or gain will ever be realised by the group. The reported profit of R14 million arising from the accounting for policyholder investments as treasury shares for the reporting period since listing is separately disclosed on the face of the income statement.

Profit before and after tax

After non-trading items, finance charges and the effect of the policyholder investments explained above, the group's profit before taxation from continuing operations of R394 million, shows a significant increase from the R120 million of the first six months of the previous financial year.

The effective tax rate compared to profits before tax appears high as a result of taxation payable on behalf of policyholders being included in this amount (refer to the investment income discussion as well as note 8), resulting in an after-tax profit of R186 million compared to a loss of R28 million in the comparable period of the previous year.

The growth in profit after tax should be viewed in the context of the change in capital structure of the group that was in place until the completion of the capital restructure which became effective only on the last day of the previous financial year as discussed above.

Financial position and capital requirements

Following the comprehensive capital restructure discussed earlier, the financial position of the group remains exceptionally strong and all regulated entities within the group comply with current solvency, liquidity and regulatory capital adequacy requirements.

The group continues to position itself for the pending introduction of consolidated supervision by the regulators. This will require retention of profits generated in the short term in order to ensure compliance with the requirements of the regulators as and when they become official. National Treasury recently announced the withdrawal of the Insurance Law Amendment Bill and indicated the incorporation of consolidated supervision requirements in the second draft of the Financial Sector Regulation Bill. Based on representation made by the FSB, the effective date of implementation of the formal framework for group-wide supervision is now expected to be 1 April 2015.

As at 30 September 2014, the theoretical consolidated supervision regulatory capital position, using the current measures and interpretations, is estimated to be a shortfall of R116 million. It is anticipated that this theoretical shortfall will be more than covered through trading performance before the target implementation date. However, this theoretical shortfall is based on current interim measures and the introduction of Solvency Assessment and Management (SAM) in 2016 may have a material impact on the position. For this reason, Investment Solutions, in particular, continues the work on establishing internal models for risk-based capital adequacy assessment once allowed under SAM.

The business continues to ensure good corporate governance and has invested considerable effort in meeting the requirements of the Treating Customers Fairly and Protection of Personal Information legislation. Service standards remain a key focus and this is reflected in the very high retention rates of clients which are in line with prior year rates. As for all players in the financial services industry, the cost of regulatory compliance is increasing significantly.

DIVISIONAL REVIEW OF OPERATIONS

The following is a brief summary of divisional trading results for the six months ended 30 September 2014.

i) *SA Financial Services*

Income from operations, net of direct product costs, increased by 11% to R936 million compared to the six months ended 30 September 2013 and profit from operations increased by 5% to R193 million. The growth in profit from operations was muted by a conscious decision to invest in the growth strategies and to strengthen the technical teams in areas such as AF Life and insurance consulting.

The institutional business had good growth in revenue of 11% which continues to attract new clients with 129 new client wins during the six-month period. Client retention remained high. The number of active member records administered within the Institutional businesses exceeded one million as at 30 September 2014, a 4% growth in the comparable number as at 30 September 2013 in an environment of low employment creation.

Our continued focus on the retail opportunity showed pleasing results, with the retail assets under advisement growing by 20% from 30 September 2013 to total R52.3 billion at 30 September 2014. Of this growth, R3.8 billion was due to market appreciation. Our retail (individual) client base to whom we provide advice and administration services grew in number by 6% since September 2013. Importantly, we saw an increase in the proportion of assets, in respect of members exiting funds administered by us, being advised by our Financial Planning Consultants division.

Our flagship umbrella retirement fund, the Alexander Forbes Retirement Fund (AFRF), remains one of the largest of its kind in the market measured by assets. Total umbrella fund assets under management were R60.6 billion at 30 September 2014, a growth of 19% compared to 30 September 2013.

Revenue from public sector clients increased for the first six months by 16% to R102 million and showed good progress in building our brand within the sector and strengthening strategic networks and relationships.

Alexander Forbes Compensation Technologies experienced a challenging trading period and the group continues to work with the Road Accident Fund and various departments of health to improve the processing efficiencies across the value chain.

ii) *Investment Solutions South Africa*

Closing assets under management and administration increased by 14% to R300 billion as at 30 September 2014 compared to 30 September 2013, of which R269 billion are assets under management. Average assets under management and administration increased by 20% compared to the first half of the previous financial year. Income from operations, net of underlying asset manager fees, increased by 16% to R388 million for the six months ended 30 September. Profit from operations grew by 17% to R196 million, driven by growth in equity markets and improved asset accumulation. Investment Solutions continues to achieve strong growth in assets under administration on our investment platform, albeit that this business line operates at lower margins.

Of the growth in assets for the period for the six-month period to 30 September 2014, R12.8 billion was attributable to market appreciation. New business flows of R3.1 billion have been on an upward trend during the period, although the ongoing benefit payments to fund members remain relatively high compared to ongoing contributions into funds. The net negative ongoing cash flows of R0.6 billion reflect the underlying cash negative trend in the South African retirement fund space due to low preservation rates. We continue to focus on improving our wider asset accumulation strategies in line with our long term growth plan.

Investment Solutions have been informed of circa R25 billion of assets that are currently being managed under a reinsurance contract on behalf of another insurer that are likely to be transitioned from a management contract to an administration only arrangement. The transition is planned to take place at the end of the current calendar year and will remain in place for at least the following six months. The current reinsurance agreement has been built up over a number of years and is priced at the lower end of the fee scale given the relative size of the assets. However, the margins earned on the administration arrangement will be lower than currently earned on the reinsurance

REVIEW OF OPERATIONS continued

agreement. The estimated net revenue impact of this differential is approximately R23 million per annum.

During the period under review the capital markets remained volatile, but most of our portfolios continued to deliver risk-adjusted returns which were ahead of peers and benchmark. On a three-year rolling basis to 30 September 2014, we had 72% of our funds performing ahead of benchmark.

We continuously focus on improving operational integrity and deepening expertise across the business so that we continue to serve our clients better and add value towards their retirement savings and wealth creation while managing the risk of unusual and challenging economic environments.

iii) *Alexander Forbes Insurance*

Alexander Forbes Insurance continued the trend of strong growth during the year. Gross written premium increased by 10% to R657 million in a highly competitive market. Gains from Business Insurance (launched April 2012) continued with gross written premium increasing by 76% to R19 million for the half year.

It is widely reported that short-term insurers are facing a tough business cycle (weakening rand, inflation, and financial strain on consumers). Alexander Forbes Insurance initiated a number of underwriting interventions aimed at reducing loss ratios in the business; a number of these have yielded positive results, assisting with a 7% reduction in the loss ratio compared to the prior comparative period.

Despite the challenging operating environment, net operating income, net of reinsurance, increased by 13% to R200 million. Expenses increased by 12%, driven in part by our ongoing commitment to increase our sales capacity, as well as our continued investment in Alexander Forbes Business Insurance.

Profit from operations increased by 15% to R53 million.

iv) *AfriNet (covering all operations in Africa outside of South Africa)*

Net operating income from continuing operations increased by 23% to R138 million for the six months ended 30 September and profit from operations attributed to continuing operations increased by 56% to R25 million. This very pleasing result was driven by strong revenue building initiatives while maintaining focus on governance and cost control measures.

The larger operations of Namibia and Botswana continue to deliver solid results, with our short-term insurer in Namibia, Alexander Forbes Insurance, continuing to show stellar growth. The operations in Kenya again had a good six months, demonstrating thought leadership and actuarial expertise in that market. Our Nigerian and Zambian financial services operations, although in startup phase, are showing exciting new market growth prospects; however recent challenges associated with the Ebola virus have negatively affected the short-term performance of the Nigerian operations.

The group continues to focus on markets where social reform is conducive to private sector pension operations. The sub-Saharan financial services remain an attractive proposition for the group with the team actively investigating acquisition opportunities in this region.

v) *International Financial Services*

The continuing operations of the International Financial Services business comprise the consulting actuarial business of Lane Clarke & Peacock ("LCP"), with operations in the United Kingdom, Ireland and the Netherlands, as well as Alexander Forbes Channel Islands.

Net operating income from continuing operations increased by 6% to £39.9 million for the six months ended 30 September 2014 and profit from operations increased by 4% to £5.5 million. Revenue growth across the United Kingdom and European operations continued to grow in real terms albeit that clients continue to manage their expenditure reflecting pressure on charge-out rates. The businesses continue to win new business and capitalise on the demand for trustee, consulting and investment advice as well as de-risking solutions. The lower increase in profit from operations reflects the property cost increase associated with the move of premises in London.

LCP continues to provide the group with a rand hedge. The 23% growth in rand earnings of R98 million for the six months ended 30 September, resulted from a 17% deterioration in the average sterling exchange rate since the six-month period ended 30 September 2013.

DIVIDENDS

As explained above, the group is preparing for the introduction of consolidated supervision. The group awaits the final guidelines and implementation by the Regulator to assess the additional regulatory capital at group level. For that reason, the board of directors has not proposed a dividend for the interim period ended 30 September 2014.

PROSPECTS

The group is well positioned to continue to strengthen its core businesses and related market positions even further and to drive its growth strategies with clear focus.

The capital restructure that took effect on the last day of the previous financial year also positions the group well to accelerate investment for growth while responding to a fast changing and more demanding regulatory environment. The more simplified capital structure positions us well for the future. The group will continue to manage the balance between allocating resource to build capacity for the long-term growth versus managing our short-term objectives. In doing so, we focus on financial and non-financial aspects as we are building a sustainable but growth-orientated business. We are experiencing the outcomes of the resolute commitment made in a number of key strategic initiatives that have strengthened the integrity of our business through:

- Repositioning our brand and reputation
- Stakeholder engagement and relationship building
- Leadership development to diversify and enhance our bench strength
- Employee engagement.

We continue to make progress in achieving our strategic goals. The results, both financial and non-financial, confirm that our strategic choices are valid and with greater focus and execution will enhance shareholder value. Although we acknowledge the challenges that lie ahead, our bias for top-line growth while optimising operational efficiencies and sustainable institutional integrity, remains unchanged.

Our focus will continue to leverage our core, and grow our retail and public sector offering and footprint in Africa beyond SA. We will also continue to encourage open and honest engagement with our employees and various stakeholders so that we fully embed the values of SERVE (our leadership code as explained previously in our integrated report) with renewed vigour, client advocacy and treating clients fairly.

We also continue to embrace pension reform and provide thought leadership to policymakers as well as clients. We continue to pursue non-organic growth opportunities aligned with our strategic intent and provide long-term value for our stakeholders.

CHANGE IN DIRECTORATE

As a result of the recent listing and the exit of the private equity shareholders the following changes have been made to the board of directors: Messrs AC de Beer (alternate), JC Douin (alternate), D Govender, L Hall-Kimm, NC Kolbe, JS Mosondo (alternate), D Ngobeni, A Roux, JA van Wyk and N Waithaka (alternate) have resigned from the board. Messrs DJ Anderson and WS O'Regan have been elected to the board. We would like to take this opportunity to thank the outgoing board members for their invaluable contribution to the group and welcome the new board members to this new era for Alexander Forbes.

On behalf of the board of directors:

MS Moloko
Chairman

E Chr Kieswetter
Group Chief Executive

Johannesburg
27 November 2014

SUMMARY CONSOLIDATED INCOME STATEMENT

	Notes	**6 months 30 September 2014**	6 months 30 September 2013 Restated[1]	12 months 31 March 2014
		Rm	Rm	Rm
CONTINUING OPERATIONS				
Fee and commission income	3	**2 615**	2 232	4 776
Net income from insurance operations	4	**233**	198	417
Direct expenses attributable to fee and commission income		**(471)**	(391)	(801)
Operating income net of direct expenses		**2 377**	2 039	4 392
Operating expenses		**(1 833)**	(1 570)	(3 352)
Profit from operations before non-trading and capital items		**544**	469	1 040
Non-trading and capital items	5	**(273)**	(11)	(108)
Operating profit		**271**	458	932
Investment income	6	**180**	79	233
Finance costs	7	**(72)**	(418)	(843)
Reported profit arising from accounting for policyholder investments in treasury shares	13	**14**	–	–
Share of profit of associates (net of income tax)		**1**	1	2
Profit before taxation		**394**	120	324
Income tax expense	8	**(208)**	(148)	(487)
Profit/(loss) for the period from continuing operations		**186**	(28)	(163)
Discontinued operations				
(Loss)/profit on discontinued operations (net of income tax)	9	**(19)**	45	542
Profit for the period		**167**	17	379
Profit/(loss) attributable to:				
Equity holders		**114**	(34)	269
Non-controlling interest holders		**53**	51	110
		167	17	379
Basic earnings/(loss) per ordinary share – continuing operations (cents)		**11**	(23)	(77)
Basic (loss)/earnings per ordinary share – discontinued operations (cents)		**(1)**	13	155
Basic earnings/(loss) per ordinary share – total operations (cents)	10	**10**	(10)	78
Headline earnings/(loss) per ordinary share – continuing operations (cents)		**12**	(23)	(77)
Headline earnings per ordinary share – discontinued operations (cents)		**–**	14	25
Headline earnings/(loss) per ordinary share – total operations (cents)	10	**12**	(9)	(52)
Weighted average number of shares in issue (million)		**1 198**	345	345

[1] *Restated for the effects of discontinued operations.*

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months 30 September 2014	6 months 30 September 2013	12 months 31 March 2014
	Rm	Rm	Rm
Profit for the period	**167**	17	379
Foreign currency translation differences of foreign operations	**51**	118	329
Foreign currency translation reserve of disposed operations	–	(2)	82
Changes in fair value of cash flow hedges	–	–	(1)
Portion of cash flow hedge recycled to profit or loss	–	15	20
Other	–	–	(5)
Other comprehensive income for the period (net of income tax) that will be classified to profit or loss	**51**	131	425
Actuarial gain on valuation of employee benefits	–	–	4
Other comprehensive income for the period (net of income tax) that will not be classified to profit or loss	–	–	4
Total comprehensive income for the period	**218**	148	808
Total comprehensive income attributable to:			
Equity holders	**160**	90	654
Non-controlling interest holders	**58**	58	154
Total comprehensive income for the period	**218**	148	808

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2014**	30 September 2013	31 March 2014
		Rm	Rm	Rm
ASSETS				
Financial assets held under multi-manager investment contracts	13	**268 360**	244 065	253 747
Financial assets of cell-captive and other insurance facilities		**346**	73	315
Property and equipment		**342**	331	335
Purchased and developed computer software		**74**	123	80
Goodwill		**4 006**	3 974	3 985
Intangible assets		**830**	946	886
Investment in associates		**7**	5	6
Deferred tax assets		**147**	175	117
Financial assets		**560**	436	409
Insurance receivables		**824**	866	814
Trade and other receivables		**1 007**	944	873
Cash and cash equivalents		**3 930**	3 871	3 907
Assets of disposal groups classified as held for sale	9	**44**	56 644	91
Total assets		**280 477**	312 453	265 565
EQUITY AND LIABILITIES				
Equity holders' funds		**5 069**	2 160	4 627
Non-controlling interest		**154**	166	210
Total equity		**5 223**	2 326	4 837
Financial liabilities held under multi-manager investment contracts	13	**268 602**	244 065	253 747
Liabilities of cell-captive and other insurance facilities		**346**	73	315
Borrowings		**1 307**	5 501	1 652
Employee benefits		**178**	182	168
Deferred tax liabilities		**490**	437	432
Provisions		**292**	267	284
Finance lease liability		**88**	92	90
Operating lease liabilities		**164**	64	119
Deferred income		**40**	28	25
Insurance payables		**2 437**	2 107	2 270
Trade and other payables		**1 290**	1 864	1 591
Liabilities of disposal groups classified as held for sale	9	**20**	55 447	35
Total liabilities		**275 254**	310 127	260 728
Total equity and liabilities		**280 477**	312 453	265 565
Total equity per above		**5 223**	2 326	4 837
Number of ordinary shares in issue (millions)		**1 263**	345	1 155
Net asset value per ordinary share (cents)		**414**	674	419

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months 30 September 2014	6 months 30 September 2013[(1)(2)]	12 months 31 March 2014[(2)]
	Rm	Rm	Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**496**	562	1 317
Net finance costs paid	**(23)**	(137)	(2 059)
Movement in working capital	**(213)**	(83)	253
Operating cash flows relating to insurance and policyholder contracts	**103**	801	410
Taxation paid	**(274)**	(187)	(387)
Cash flows from policyholder investment and insurance contracts	**3 229**	726	(5 054)
Cash flows from operating activities – Discontinued operations	**(57)**	101	163
Net cash inflow/(outflow) from operating activities	**3 261**	1 783	(5 357)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale of subsidiaries and businesses	**1**	37	1 236
Net movement in financial assets	**7**	(122)	(14)
Capital expenditure incurred on property, equipment and computer software (net of proceeds on disposal)	**(46)**	(146)	(202)
Cash flows from investing activities – Discontinued operations	**–**	–	22
Net cash (outflow)/inflow from investing activities	**(38)**	(231)	1 042
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares (net of SPV treasury shares)	**316**	–	1 903
Redemption of B preference shares	**(178)**	–	–
Proceeds on disposal of SPV treasury shares (net of repayment of borrowings)	**18**	–	–
Purchase of treasury shares	**(24)**	–	–
Borrowings raised by SPV in order to purchase shares	**–**	–	386
Term loan raised	**–**	–	1 250
Increase in shareholder loans	**–**	–	4
Repayment of borrowings	**–**	(135)	(4 095)
Payments made to non-controlling interest	**(137)**	(79)	(126)
Net cash outflow from financing activities	**(5)**	(214)	(678)
Increase/(decrease) in cash and cash equivalents	**3 218**	1 338	(4 993)
Cash and cash equivalents at beginning of period	**12 129**	16 973	16 975
Foreign subsidiaries translation adjustment	**12**	72	147
Cash and cash equivalents at end of period	**15 359**	18 383	12 129
Analysed as follows:			
Cash and cash equivalents of continuing operations	**3 930**	3 871	3 907
Cash held under multi-manager investment contracts	**11 425**	12 671	8 197
Cash held under cell-captive insurance facilities	**2**	6	1
Cash and cash equivalents of disposal groups held for sale	**2**	534	24
Cash held under cell captive insurance facilities classified as discontinued	**–**	1 301	–
	15 359	18 383	12 129

(1) *Restated for the effects of discontinued operations.*

(2) *Restated for presentation of policyholder cash flows. Refer to note 14.*

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares	Non-distributable reserves	Accumulated loss	Total equity holders' funds	Non-controlling interest	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
At 31 March 2013	3 261	(21)	(8)	(1 162)	2 070	194	2 264
(Loss)/profit for the period	–	–	–	(34)	(34)	51	17
Other comprehensive income	–	–	124		124	7	131
Total comprehensive income/(loss)	–	–	124	(34)	90	58	148
Other movements in non-controlling interest*	–	–	–	–	–	(86)	(86)
At 30 September 2013	3 261	(21)	116	(1 196)	2 160	166	2 326
Profit for the period	–	–	–	303	303	59	362
Other comprehensive income	–	–	257	4	261	37	298
Total comprehensive income	–	–	257	307	564	96	660
Issue of shares	2 558	–	–	–	2 558	–	2 558
Movement in treasury shares		(384)	–	–	(384)	–	(384)
Redemption of Pikco Preference shares	–	–	(271)	–	(271)	–	(271)
Other movements in non-controlling interest*	–	–	–	–	–	(52)	(52)
At 31 March 2014	5 819	(405)	102	(889)	4 627	210	4 837
Profit for the period	**–**	**–**	**–**	**114**	**114**	**53**	**167**
Other comprehensive income	**–**	**–**	**46**	**–**	**46**	**5**	**51**
Total comprehensive income	**–**	**–**	**46**	**114**	**160**	**58**	**218**
Issue of shares	**373**	**–**	**–**	**–**	**373**	**–**	**373**
Redemption of B preference shares	**–**	**–**	**(178)**	**–**	**(178)**	**–**	**(178)**
Disposal of treasury shares	**–**	**362**	**–**	**–**	**362**	**25**	**387**
Purchase of treasury shares	**–**	**(24)**	**–**	**–**	**(24)**	**–**	**(24)**
Purchase of treasury shares in policyholder assets	**–**	**(256)**	**–**	**–**	**(256)**	**–**	**(256)**
Value of employee services	**–**	**–**	**5**	**–**	**5**	**–**	**5**
Other movements in non-controlling interest*	**–**	**–**	**–**	**–**	**–**	**(139)**	**(139)**
At 30 September 2014	**6 192**	**(323)**	**(25)**	**(775)**	**5 069**	**154**	**5 223**

* *These amounts include distributions made to non-controlling interest holders, as well as changes to acquisitions and disposals of equity held by non-controlling interest holders.*

SEGMENTAL RESULTS

	Operating income net of direct expenses			Profit from operations before non-trading and capital items		
	30 September 2014	Variance	30 September 2013*	30 September 2014	Variance	30 September 2013*
	Rm	%	Rm	Rm	%	Rm
CONTINUING OPERATIONS						
Africa						
SA Financial Services	**936**	**11**	842	**193**	**5**	184
Investment Solutions	**388**	**16**	335	**195**	**17**	167
AF Insurance	**200**	**13**	177	**53**	**15**	46
AfriNet	**138**	**23**	112	**25**	**56**	16
Total Africa	**1 662**	**13**	1 466	**466**	**13**	413
International (GBPm)	**39.9**	**6**	37.6	**5.5**	**4**	5.3
International (Rm)	**715**	**25**	573	**98**	**23**	80
Total continuing operations – excluding property lease	**2 377**	**17**	2 039	**564**	**14**	493
Accounting for the property lease	–	–	–	**(20)**	**(17)**	(24)
Total continuing operations – including property lease	**2 377**	**17**	2 039	**544**	**16**	469

	Depreciation and amortisation			Assets		
	30 September 2014	Variance	30 September 2013*	30 September 2014	Variance	30 September 2013*
	Rm	%	Rm	Rm	%	Rm
Africa						
SA Financial Services	**6**		4	**66 661**		53 801
Investment Solutions	**2**		1	**268 851**		244 665
AF Insurance	**2**		1	**571**		493
AfriNet	**2**		2	**3 428**		2 969
Total Africa	**12**	**50**	8	**339 511**	**12**	301 928
International (GBPm)	**0.4**		0.4	**71.5**		78
International (Rm)	**7**	**17**	6	**1 308**	**(27)**	1 784
Unallocated						
Corporate Services	**6**		5	**475**		688
Discontinued operations	**7**		11	**44**		56 635
Goodwill				**4 006**		3 974
Consolidation elimination**				**(64 867)**		(52 556)
Total group	**32**	**7**	30	**280 477**	**(10)**	312 453

** The prior period comparative figures in the tables above have been restated following the discontinuation of certain international operations. Refer to note 9.*

*** This amount relates mainly to assets invested by group companies with Investment Solutions.*

SUMMARY CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim results are prepared in accordance with the listing requirements of the JSE Limited for provisional reports, and the requirements of the Companies Act applicable to condensed financial statements. 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 the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of these condensed consolidated interim results are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

These unaudited condensed consolidated interim results were compiled under the supervision of Deon Viljoen, CA(SA), the Group Chief Financial Officer.

	6 months 30 September 2014	6 months 30 September 2013	12 months 31 March 2014
	Rm	Rm	Rm
2. FOREIGN CURRENCY EXCHANGE RATES			
The income statements and statements of financial position of foreign subsidiaries have been translated to rand as follows:			
Weighted average R:GBP rate	**17.9**	15.2	16.4
Closing R:GBP rate	**18.3**	16.2	17.5
3. FEE AND COMMISSION INCOME			
Brokerage fees and commission income	**13**	12	25
Fee income from consulting and administration services	**1 749**	1 488	3 233
Fee income from investment management activities	**844**	726	1 499
Interest income from lending operations	**2**	1	1
Other income	**7**	5	18
Fee and commission income	**2 615**	2 232	4 776
4. NET INCOME FROM INSURANCE OPERATIONS			
Insurance premiums earned	**932**	879	1 806
Less: amounts ceded to reinsurers	**(553)**	(534)	(1 085)
Investment income from insurance operations	**6**	5	10
Less: insurance claims and withdrawals	**(641)**	(628)	(1 302)
Plus: insurance claims and benefits covered through reinsurance contracts	**489**	476	988
Net income from insurance operations	**233**	198	417

		6 months 30 September 2014	6 months 30 September 2013	12 months 31 March 2014
		Rm	Rm	Rm
5.	**NON-TRADING AND CAPITAL ITEMS**			
	Professional indemnity insurance cell-captive result	**2**	44	64
	Amortisation of intangible assets arising from business combination	**(70)**	(72)	(144)
	Corporate transaction and listing costs	**(48)**	–	(60)
	Historic transaction incentive costs	**(99)**	–	–
	Make good payment resulting from capital restructure	**(58)**	–	–
	Statutory lease compensation received – UK	–	22	22
	Other non-trading items	–	(5)	10
	Total non-trading and capital items	**(273)**	(11)	(108)
6.	**INVESTMENT INCOME**			
	General operations			
	Interest income	**46**	40	103
	Investment and dividend income	**5**	2	4
	Foreign exchange losses on intergroup loans	–	(36)	(36)
		51	6	71
	Multi-manager operations			
	Investment income linked to policyholder tax expense	**129**	73	162
	Total investment income	**180**	79	233
7.	**FINANCE COSTS**			
	Finance costs derived from financial liabilities classified and carried at amortised costs:			
	Interest on term debt issued	**57**	374	740
	Amortisation of debt raising fees capitalised to borrowings	–	6	14
	Other interest costs	**15**	8	29
		72	388	783
	Finance cost derived from financial liabilities designated as fair value through profit or loss:			
	Fair value adjustment on put and call options	–	30	60
	Total finance costs	**72**	418	843

SUMMARY CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS continued

	6 months 30 September 2014	6 months 30 September 2013	12 months 31 March 2014
	Rm	Rm	Rm
8. INCOME TAX EXPENSE			
South African income tax			
Current tax	**113**	92	298
Current year	**110**	91	235
Prior year	**3**	1	63
Deferred tax	**(50)**	(38)	(7)
Current year	**(40)**	(38)	(58)
Prior year	**(10)**	–	51
Foreign income tax			
Current tax	**14**	18	35
Current year	**14**	18	35
Deferred tax	**–**	–	(4)
Current year	**–**	–	(2)
Change in rate	**–**	–	(2)
Foreign withholding tax	**2**	3	3
Tax attributable to policyholders	**129**	73	162
Current tax – current year	**49**	49	86
Deferred tax – current year	**80**	24	76
Total tax expense	**208**	148	487

Tax settlement relating to 31 March 2014

On 9 June 2014, the group published its annual financial statements for the year ended 31 March 2014. A SENS announcement was subsequently issued on 20 June 2014 stating that an in-principle agreement had been reached with the South African Revenue Service relating to tax deductions for interest expenses incurred by the group between 2007 and 2014 (SARS settlement). The formal settlement agreement was entered into on 1 July 2014. Accordingly, when the group released its pre-listing statements on 7 July 2014 in preparation for the listing of the group's shares in the JSE Limited, the consolidated financial statements for the group contained in the pre-listing statement (PLS) reflected the effects of the SARS settlement as an adjusting event, which occurred after the date the group published its annual financial statements, but before the date of finalisation of the consolidated statements contained in the PLS. The financial information presented in the PLS is available on the group's website. The comparative results presented for 31 March 2014 in these interim results reflect the effects of the SARS settlement as presented in the PLS financial statements.

9. DISCONTINUED OPERATIONS

In line with the requirements of IFRS 5, businesses that have been disposed or are considered discontinued are disclosed separately with comparative information for the consolidated income statement being restated. Assets and liabilities held at the end of the period in respect of discontinued operations, where the disposal process is ongoing, have been reclassified as assets and liabilities of disposal groups held for sale. The segmental results have been re-presented to show the effects of discontinued operations.

In the prior year, the group discontinued various businesses including AFCA UK, Media Insurance Services UK, Investment Solutions UK, and certain remaining Risk Services businesses. The Guardrisk group of companies and LCP Switzerland were held for sale at 30 September 2013 and were sold prior to 31 March 2014.

At 31 March 2014, UK-based Trustee Services and the LCP Belgium business were in the process of being disposed and were classified as held for sale, together with the remaining African operations of Swaziland Employee Benefits and Tibiyo (associate).

In the current period, the group disposed of Trustee Services, Swaziland Employee Benefits and Tibiyo.

	30 September 2014	30 September 2013	31 March 2014
	Rm	Rm	Rm
Assets and liabilities of disposal group classified as held for sale			
Financial assets held under multi-manager investment contracts	**–**	40 713	–
Financial assets of cell-captive insurance facilities	**–**	12 361	–
Long-term assets	**15**	217	27
Goodwill (including purchase price allocation of AF acquisitions (Pty) Ltd)	**–**	536	21
Financial assets	**–**	1 750	–
Trade and other receivables	**15**	472	9
Other current assets	**12**	61	10
Cash and cash equivalents	**2**	534	24
Total assets	**44**	56 644	91

SUMMARY CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS continued

	30 September 2014 Rm	30 September 2013 Rm	31 March 2014 Rm
9. DISCONTINUED OPERATIONS continued			
Financial liabilities under multi-manager investment contracts	–	40 713	–
Liabilities of cell-captive insurance facilities	–	12 361	–
Deferred income	–	107	–
Deferred tax liability	–	16	–
Provisions	–	6	–
Insurance-related payables	**3**	2 069	6
Trade and other payables	**17**	175	29
Total liabilities	**20**	55 447	35

	6 months 30 September 2014 Rm	6 months 30 September 2013 Rm	12 months 31 March 2014 Rm
Summary income statement from discontinued operations			
Income from operations	**24**	362	617
Operating expenses	**(32)**	(261)	(460)
Operating (loss)/profit before non-trading and capital items	**(8)**	101	157
Net finance costs	–	–	(122)
Non-trading and capital items	–	(11)	–
Share of net (loss)/profit from associates	**(2)**	2	3
(Loss)/profit before tax	**(10)**	92	38
Income tax expense	**7**	(45)	(60)
Net profit from discontinued operations	**(3)**	47	(22)
(Loss)/profit on disposals	**(16)**	(2)	564
(Loss)/profit from discontinued operations	**(19)**	45	542

10. EARNINGS PER SHARE

10.1 Basic earnings/(loss) per ordinary share

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

10.2 Headline earnings/(loss) per ordinary share

Headline earnings/(loss) per share is calculated by excluding applicable non-trading and capital gains and losses from the profit/(loss) attributable to ordinary share holders and dividing the resultant headline earnings/(loss) by the weighted average number of ordinary shares in issue during the period. Headline earnings/(loss) is defined in Circular 2/2013 issued by the South African Institute of Chartered Accountants.

10.3 Diluted earnings/(loss) 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 ordinary shares.

	6 months 30 September 2014	6 months 30 September 2013	12 months 31 March 2014
	Rm	Rm	Rm
10. EARNINGS PER SHARE continued			
10.4 Number of shares			
Weighted average number of shares (millions)	**1 270**	377	377
Shares held by policyholders classified as treasury shares (millions)	**(30)**	–	–
Treasury shares (millions)	**(42)**	(32)	(32)
Weighted average number of shares in issue (millions)	**1 198**	345	345
Actual number of shares (millions)	**1 302**	377	1 251
Treasury shares (millions)	**(39)**	(32)	(96)
Actual number of shares in issue (millions)	**1 263**	345	1 155
10.5 Calculation of headline earnings and diluted headline earnings			
Profit/(loss) attributable to equity holders (IAS 33 earnings)	**114**	(34)	269
Adjusting items			
– Loss/(profit) on disposal of subsidiary – discontinued operations	**16**	2	(564)
– Loss on disposal of subsidiary – continuing operations	**8**	–	–
– Impairment of goodwill and intangible assets	**–**	–	114
Headline earnings/(loss) for the period	**138**	(32)	(181)
Basic earnings/(loss) per share (cents)	**10**	(10)	78
Headline earnings/(loss) per share (cents)	**12**	(9)	(52)

10.6 Dilutive earnings per share

The group has implemented certain share schemes during the listing process that may result in a dilutionary effect on both earnings per share and headline earnings per share. However, in the current period, due to the short time that the share schemes have been in effect, the dilution calculated is minimal and does not change the reported earnings per share.

11. CAPITAL EXPENDITURE FOR THE PERIOD	**48**	146	208
Capital expenditure will be funded from internal cash resources.			
12. OPERATING LEASE COMMITMENTS			
Due within one year	**175**	208	164
Thereafter	**2 289**	2 405	2 316
Total operating lease commitments	**2 464**	2 613	2 480

SUMMARY CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS continued

13. FINANCIAL ASSETS HELD UNDER MULTI-MANAGER INVESTMENT CONTRACTS

The policyholder assets held by the group's multi-manager investment subsidiary, Investment Solutions in South Africa and Namibia, are recognised on the statement of financial position in terms of IFRS. These assets are directly matched by linked obligations to policyholders.

As a result of the group listing in July 2014, the investments by underlying asset managers in the listed shares of the group are recognised as treasury shares and all fair value adjustments recognised on these treasury shares are reversed, while the corresponding fair value of the liability continues to be recognised in the income statement. This has been disclosed separately on the face of the statement of comprehensive income. This treatment also impacts the number of shares in issue, the impact of which is disclosed in note 10.

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

	6 months 30 September 2014	6 months 30 September 2013	12 months 31 March 2014
	Rm	Rm	Rm
Total assets held under multi-manager investment contracts (per statement of financial position)	**268 360**	244 065	253 747
Reversal of adjustments made under IFRS:			
Alexander Forbes shares held as policyholder assets and reclassified in the group statement of financial position as treasury shares	**256**	–	–
Financial effects of accounting for policyholder investments as treasury shares	**(14)**	–	–
Total financial assets held for policyholders under multi-manager investment contracts	**268 602**	244 065	253 747

14. RESTATEMENT OF COMPARATIVE INFORMATION

Re-presentation of statement of cash flows

The comparative information relating to the analysis of cash flows from operating activities in the cash flow statement has been re-presented to more appropriately reflect the cash flows from insurance and policyholder activities. This re-presentation has no impact on the net cash flows from operating activities.

ALEXANDER FORBES GROUP HOLDINGS LIMITED
Registration number: 2006/025226/06
(Incorporated in the Republic of South Africa)

Independent directors
MD Collier, D Konar, HP Meyer, B Petersen

Non-executive directors
MS Moloko (Chairman), DJ Anderson, WS O'Regan

Executive directors
E Chr Kieswetter (Group Chief Executive),
DM Viljoen (Group Chief Financial Officer)

Company Secretary and investor relations
JE Salvado (Ms)

Registered office
Alexander Forbes, 115 West Street, Sandown, Sandton, 2196

Transfer secretaries
Computershare Investor Services Proprietary 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

Website
www.alexanderforbes.co.za

BASTION GRAPHICS

ALEXANDER FORBES GROUP HOLDINGS LIMITED
TEL + 27 11 269 0000 PO BOX 787240, Sandton, 2146, South Africa
115 West Street, Sandown, Sandton, 2196
A licensed financial services provider
www.alexanderforbes.co.za