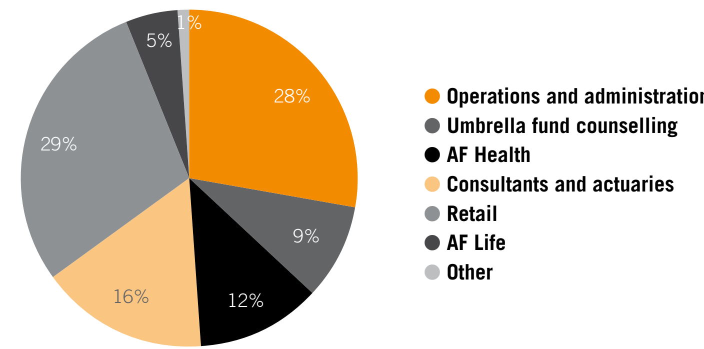
ALEXANDER FORBES FINANCIAL SERVICES

PERFORMANCE INDICATORS

	2014/15	2013/14	2012/13	2014 – 2015 % change
Headcount (permanent employees)	1 897	1 789	1 666*	+6%
Employee turnover (%) (permanent employees)	11	12	13.5	–1%
Employee engagement rate (%)	62.3	59.7	57.1	+2.6%
Net operating income (Rm)	1 852	1 700	1 537	+9%
Recurring revenue (%)	94	94	93	–
Profit from operations (Rm)	386	377	336	+2%
Number of standalone retirement funds	328	331	343	–1%
Standalone retirement fund assets under administration (Rbn)	314.8	274.1	230.0	+15%
Number of umbrella corporate clients[(1)]	1 144	1 031	848	+11%
Total umbrella retirement fund assets under administration (Rbn)[(2)]	66.8	57.2	45.6	+17%
Total number of active member records under administration	1 018 044	997 004	901 532	+2%
Number of active member records under administration – umbrella funds[(1)]	278 960	263 908	242 314	+6%
Number of healthcare corporate clients	523	513	484	+2%
Number of FPC retail clients	44 129	41 021	38 407	+8%
Corporate customer satisfaction index (out of 10)	8.2	8.4	8.3	–0.2%
Retail client satisfaction index (out of 10)	9.2	9.2	8.9	–
Retail assets under advisement (Rbn)	56.9	48.5	40.3	+17%
Insurance gross written premium (Rm)	374	417	394	–10%

** Restated*
(1) Includes AFRF, Alexander Forbes CorePlan and AF Access
(2) Includes AFRF, Alexander Forbes CorePlan, AF Access, Alexander Forbes Preservation Funds and Alexander Forbes Unclaimed Benefit Preservation Fund

Net operating income contribution



Highlights	Challenges
• Strong performances by retail, consultants and actuaries, insurance consulting and AF Life (group risk) business units	• Low growth in the SA economy impacted on existing institutional client base with some employee reductions
• Retail consultants exceeded a challenging new business target of R8 billion assets by R200 million	• Performance on new business targets for institutional consulting and servicing teams fell short of expectations
• Pleasing annualised new business wins by the dedicated institutional new business team	• Timing of new business wins by the institutional new business team meant these had a lower-than-expected contribution in the year. Annualisation effect will, however, impact positively in the next year
• Client retention remained at high levels, with the administration services business recording 99% (2013/14: 97%) and the consulting businesses 98% (2013/14: 98%)	• Insurance policy sales to retail clients for death and disability cover by AF Life retail below expectations
• Good traction on a range of strategies within the retail business, research and development, and LISP (AFICA)	• Performance on some key operations and administration metrics fell below targets
• Employee engagement rate increased from 59.0% to 62.3%	• Client gains within the public sector below expectations, notwithstanding 12% growth on institutional revenues from this sector
• Tax-free savings account investment launched in March 2015	• Retention and sourcing of key talent in a competitive environment

OVERVIEW

Alexander Forbes Financial Services (AFFS) returned a satisfactory performance in 2014/15, growing net operating income (NOI) by 9% to R1 852 million (2013/14: R1 700 million). Profit from operations rose by 2% to R386 million. By year-end the key metric of active member records under administration exceeded the one million mark for the first time, standing at over 1 018 000, of whom three quarters were members of standalone funds.

Growth in profit from operations was muted by a conscious decision to invest in growth strategies, specifically in the retail part of our business where we strengthened our distribution capability and continued to make technology investments (some R8 million to date) in AFICA's linked investment service provider (LISP). We also experienced the second-round impact of a significant repricing exercise on AFICA to increase value to our clients. The impact of these investments amounted to more than R50 million over a two-year period, muting profit from operations in the current year by 4%. In addition, growth was impacted on by concerted and targeted investment aimed at strengthening human capital in key areas of our business, including AF Life and insurance consulting.

Retail growth investments have, however, yielded an additional R850 million of asset flows. As the profit performances of other divisions attest, AFFS's increased focus on the retail side of its core offering continues to translate into extremely pleasing financial results for the group as a whole.

Growth in expenses was 11% year on year, driven largely by employee and IT costs and, to a lesser extent, by a significant 41% rise in regulatory and compliance costs. Also contributing to the above-inflation increase in expenses was the introduction of the long-term incentive plan within the group which reduced the year-on-year increase in profit from operations by 3%.

INSTITUTIONAL PERFORMANCE

Growth in institutional new business flows was 27% lower in value terms than the previous year although the number of appointments increased by 21% with 268 new clients being secured – a very commendable achievement given the contracting employment landscape in South Africa. The decrease in the value of new institutional business should be viewed in the context of the exceptional number of significant public sector appointments recorded in the previous year as well as the acquisition (also in 2013/14) of several new clients due to a key strategy change by a single large competitor.

This year our business continued to underpin the sustainability of core group earnings while investing in future growth. NOI from the administration of funds stood at R516 million, 8% up on the previous year, driven largely by inflation-related payroll increases, fee negotiations and new income.

The consultants and actuaries business met demanding targets, recording a 23% increase in operating profit from operations on the back of fee negotiations and new fee billing opportunities. Overall, our broader institutional consulting revenue increased by 6% year on year, a result that was negatively impacted by a significant health management solutions contract not realising anticipated benefits and below-inflation growth in our asset and beneficiary trust consulting units. The core health consulting unit returned a solid result but client retention remains a major focus in a very competitive environment. Excellent revenue growth was achieved by our insurance consulting unit and the umbrella funds consulting unit also returned good revenue growth, although operating profits for this unit were impacted on by increased expenses.

Particularly pleasing, our institutional client retention rates remain at high levels with the administration services business recording 99% (2013/14: 97%) and the consulting businesses a combined 98% (unchanged from 2013/14). We continue to focus on client service within all units and specifically measure key metrics within the administration unit, including our adoption of the principle that the 'sun does not set on a client query'. We also continue to focus on improving administrative reliability in order to reduce any incidents giving rise to errors and omissions claims.

Assets in our institutional umbrella funds grew from R57.2 billion at year-end 2013/14 to R66.8 billion a year later. While an increase in the order of R9 billion and 17% in one year is commendable, this performance represented a slowdown relative to recent years and is receiving attention.

PUBLIC SECTOR

AFFS's public sector net operating income rose by 12.6% to more than R207 million (2013/14: R184 million restated from the previously reported R167 million). At 12.6%, revenue growth was lower than the previous year's 23%, but awards were mostly smaller than a year before. Positively, tender participation increased to 90% from 74% a year before.

AF Compensation Technologies (AFCT) experienced extremely challenging trading conditions with claims-processing efficiencies in particular not meeting expectations, while a significant contract failed to realise anticipated benefits. With the increased emphasis on a focused business model, the group decided that AFCT was no longer a natural fit with the longer-term strategy and that AFCT should be disposed of.

RETAIL GROWTH

Our continued focus on the retail opportunity showed pleasing results, with retail assets under advisement growing by 17% to R56.9 billion in the year. Of this growth, R3.4 billion was due to market appreciation; new business assets written grew by 14%, or more than R8 billion. Importantly, financial planning consultants showed an increase in asset capture among members exiting AFFS-administered funds. The retail client base, to whom we provide advice and administration services, grew by 8%.

The performance of AF Life, our group and individual risk insurance operation, disappointed on retail risk, although the group risk business performed well. Despite a pleasing result from group risk, gross written premiums were impacted on by a decision not to match a competitor quote on a significant client as we did not believe it made good business sense to do so. The client in question contributed to underwriting profits during the year but, at the competitor rates, we did not believe those profits would continue into the future. Retail weaknesses included a delay in redesigning products and distribution strategies, and execution on such products and strategies. These shortcomings were subsequently addressed and management anticipates a stronger overall contribution from AF Life in the new year.

Over the past two years all levels and functions within AFFS have greatly enhanced their understanding of the group's higher purpose – helping our individual members to attain financial peace of mind through our products and services. While we continued our work this year to ensure that all of our products, services and people treated our individual and corporate members fairly at all times, we also strove to ensure that we communicated more clearly, in simpler terms and more easily with customers.

FINANCIAL WELL-BEING

Our membership education unit previously undertook individual member education that was aligned with execution against service level agreements. Our educators undertook 1 322 presentations at 282 of our institutional clients, presenting to 24 816 individual clients. The team drove 45 530 km to achieve this.

Also this year, ambitious service experience targets were set. These aimed to ensure that we improve our client response rate (in terms of the percentage of calls responded to each day; time taken to respond to each call; first call resolution percentage and client experience rating). A holistic service charter was developed and now forms the foundation of our client service commitment.

The most notable products released during the year were: the new AFRF investment menu, including a passive default investment option; two new AF Access products for smaller employers; and the AF tax free savings account investment product (a goals-based retail investment product). The AF global retail investment product was enhanced and relaunched.

Although the AF Access new products are yet to gain traction, all other new products were well supported. In particular, since its launch the AF global retail portfolio has attracted in excess of 80% of offshore new business written by FPC. Since the revised menu was put in place, 75% of AFRF assets under management have been invested in our house view portfolios (an increase from 73% previously). The AF tax-free savings account supports our drive to upgrade investment processes and online platforms in support of the wider retail objectives.

This year, we also launched our LifeGauge consulting model. LifeGauge is a newly developed digital platform that invites two-way interaction between trustees, employers and our consultants. LifeGauge visually represents various possible retirement futures for our fund members and allows clients and consultants to construct ‘what if’ scenarios to better understand how the various financial levers that influence future outcomes can shape their employees’ futures.

Our Boitumelo (‘Joy’) customer survey, consisting of over 200 face-to-face interviews with corporate clients, this year returned an 8.2 rating out of a possible 10 (2013/14: 8.4). Our retail member survey rating remained unchanged from the prior year at 9.2 (also out of a possible 10). These important measures were supplemented by an emailed survey to retirement funds and insurance consulting clients which revealed high levels of client satisfaction with the quality of our advice and technical expertise, the efficiency and accuracy of our administration, and our thought leadership.

We similarly maintained a high level of engagement with employees, our employee engagement rate reaching 62.3%, from 59.7% in 2013/14.

AFFS’s modest increase in profit from operations, achieved on the back of a net operating income increase that was driven largely by increasing market share rather than any increase in the size of the overall market, illustrates both our key risks and our key opportunities. These relate to the ability of the South African economy to sustain employment-enhancing growth. When businesses are creating jobs to sustain their own growth, our market leadership and reputational strength invariably translate into significantly larger increases in revenue and profitability than was the case in the year reviewed.

OUTLOOK

All units within AFFS have been set challenging targets for 2015/16. These include targets relating to institutional and umbrella fund membership as well as retail assets under advisement. Underperforming units have been allocated appropriate resources to achieve suitably restated growth targets and will be expected to record much improved performance in 2015/16.

South Africa’s macro-economic performance will inevitably have a marked bearing on our ability to grow our employee benefits and retail asset management businesses. Industrial action and a worsening in investor sentiment remain key risks.

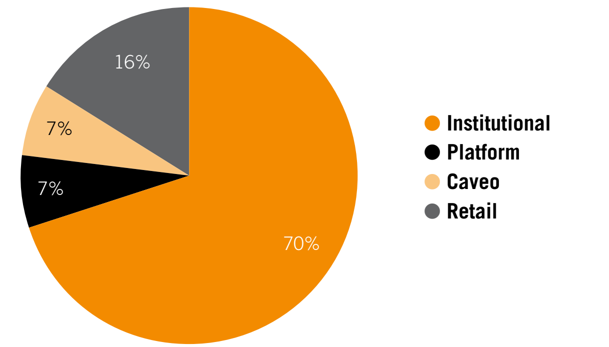
At a strategic level, AFFS will cooperate closely with leaders of Investment Solutions and AfriNet within the Institutional cluster, as well as liaising with those heading up the new Retail cluster, in both instances developing new products and synergies which are expected to be value accretive and enhance our members’ financial well-being.

INVESTMENT SOLUTIONS

PERFORMANCE INDICATORS

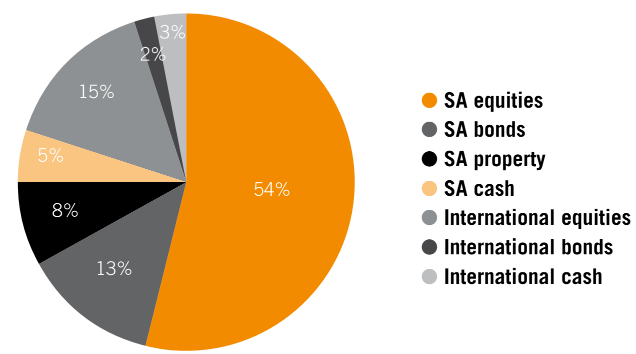
	2014/15	2013/14	2012/13	2014 – 2015 % change
Headcount	**159**	151	150	5.3
Employee turnover (%)	**6**	14	11	–7.6
Employee engagement rate (%)	**68.1**	68.5	67.3	–0.6
Net operating income (Rm)	**802**	712	634	12.6
Recurring revenue (%)	**92**	96	94	–4.0
Profit from operations (Rm)	**496**	438	390	13.3
Number of clients	**2 148**	2 114	2 020	1.6
AuA (Rbn)	**321.5**	284.8	237.9	12.9
AuM (Rbn)	**264.9**	256.0	215.9	3.5

Net operating income contribution

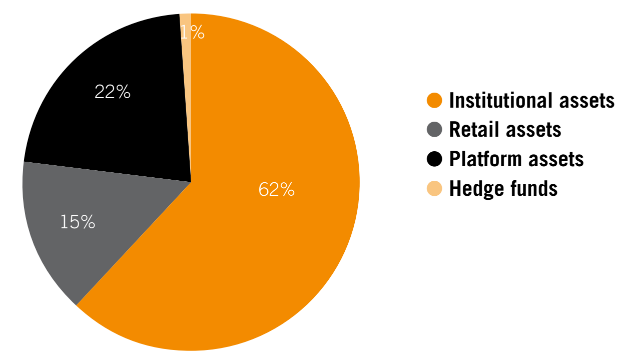


Achievements	Challenges
• Profit from operations up 13%	• Volatile capital markets
• Continuing growth in market share	• High equity market levels increase risk of correction
• Assets under management and administration grew by 13%	• Regulatory changes added to costs
• R9.9 billion in new business	• Platform offering fell short of expectations
• Stable employee engagement	• Active managers in equities struggled to match benchmark returns
• Pleasing client satisfaction survey feedback	• Slower traction in IFA retail initiative
• Well-positioned for emerging regulatory environment	

Composition of assets



Asset type



PERFORMANCE

Investment Solutions recorded a pleasing result for the year, growing net operating income to R806 million (2013/14: R717 million) – a 12.8% increase on the previous year and slightly above the overall group percentage increase. Profit from operations was R404 million, 12.2% higher than the previous year's R360 million, again exceeding the growth in group profit from operations.

The business' performance was especially pleasing given the extremely volatile nature of capital markets and challenges, in particular, in equity performance experienced during the year, plus heightened competition for both the management and administration of institutional funds. Increased compliance requirements placed added pressure on resources and costs.

New business inflows slowed from the R14.5 billion achieved the previous year to R9.9 billion. As was the case in 2013/14, most of the new business opportunities presenting themselves related to clients seeking better performance from their incumbent multi-managers rather than from overall market growth. While our execution on securing prospects disappointed against recent performance, given our excellent retention rates, we continued to gain market share. At year-end Investment Solutions administered or managed about 20% of South African institutional retirement fund assets, up from 19% a year earlier. At 50% of the institutional multi-manager market, we are a player of considerable size with the strongest brand and a reputation that reflects our independently acknowledged track record both in portfolio and administrative performance.

At 31 March 2015, assets under management and administration stood at R322 billion – 13% more than a year ago. This increase was derived from market appreciation (R31 billion), additional net outflows from existing clients (R5 billion) and new business (R9.9 billion). In spite of systemic net outflows, net client cash flow continued to be solidly positive, ending at R5.7 billion. In the third quarter, some R25 billion of assets, managed under a reinsurance contract on behalf of another insurer, were transferred to an administration-only arrangement. The net operating income loss relating to the new arrangement was R23 million.

On a three-year rolling basis, 71% of funds managed performed ahead of benchmark and 70% above the competitor-ranked median, a not altogether satisfactory result, but one which continued to underpin our overall long-term performance on securing the financial well-being of individual members.

RETAIL GROWTH

Retail revenues grew by 13% to R126 million, an achievement that we envisage accelerating following the introduction of a number of new unit trusts in the year. In the institutional multi-manager segment, which in 2014/15 accounted for 62% of net operating income, we restructured various portfolio offerings.

This year, our platform business (which gives intermediaries the ability to structure and manage their own portfolios using our infrastructure) added just R2.5 billion in assets under management, well down on the R7 billion in additional assets recorded in 2013/14. This was chiefly related to intense competition on price in this segment. In the new year, management intends to concentrate considerable attention on re-establishing and marketing the platform segment's unique value proposition.

This year, we completed our development of an internal capital management model ahead of the anticipated introduction of the Solvency Assessment and Management (SAM) regime. Investment Solutions embraced the regulators' growing compliance agenda, believing that this will enhance transparency and the equitable treatment of customers. As our systems are aligned to anticipate and exceed the principles underlying this agenda, we do not rank compliance among our major risks. However, meeting such compliance requirements again added significantly to our operating costs.

Our strong emphasis on clear and consistent communication and administrative best practice meant that errors attached to just 0.02% of transactions while our customers are largely satisfied as per independent annual client satisfaction survey this year.

Similarly, this year our employee engagement remained stable at 68%. Employee turnover was largely unchanged at 13%, but was zero for the top 30 critical roles, an achievement that has been repeated for each of the past three years. This is certainly a positive, but in the new year we intend focusing on career progression for those individuals who are ready to enter the skills sets deemed critical.

Our employee headcount was also very similar to the previous year's 152, a complement which we consider to be near the optimal size for our business.

OUTLOOK

While we succeeded in retaining the great bulk of both our institutional and retail clients, in the new year we intend focusing sharply on marketing and communicating the unique Investment Solutions value proposition – ethical and transparent long-term market-leading multi-manager performance and outstanding administrative capability. In particular, improving our new business win ratio to pre-2014/15 levels will be a key priority.

As a key part of the Alexander Forbes Institutional cluster we anticipate leveraging our capability and brand to grow our retail penetration both in South Africa and in the rest of the sub-continent by aggressively communicating the benefits of the multi-manager model to retail brokers while working to increase our exposure to umbrella fund managers.

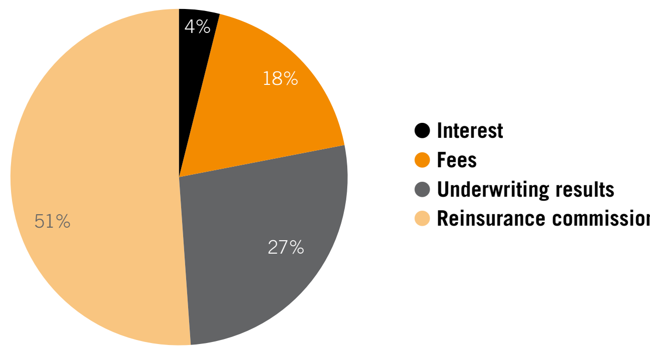
The alternative investment segment of our business, particularly our Caveo joint venture, will be emphasised as particular engines of growth. We also intend focusing on international investors, presenting Investment Solutions as the preferred gateway to lucrative African investment opportunities.

ALEXANDER FORBES INSURANCE (AFI)

PERFORMANCE INDICATORS

	2014/15	2013/14	2012/13	2014 – 2015 % change
Headcount	**590**	549	541	7.5
Employee turnover (%)	**13**	33	11	(60.6)
Employee engagement rate (%)	**65**	54	57	20.4
Net operating income (Rm)	**407**	350	307	16.3
Recurring revenue (%)	**72**	77	81	(6.5)
Profit from operations (Rm)	**105**	88	80	19.3
Number of policies (excluding accident and health policies)	**78 144**	76 269	73 614	2.5
Gross written premium (Rm)	**1 341**	1 224	1 066	9.6
Claims ratio (%)	**67**	74	70	(9.5)
Customer satisfaction index (%)	**82**	87	88	(5.7)

Net operating income contribution



Highlights	Challenges
• Profit from operations up 19%	• Recruiting business insurance skills
• Strong growth in business insurance – gross written premiums grew by 65%	• Improving profitability on motor standalone business
• Profit and lead conversion rates well ahead of industry averages	• Embedding new IT platform into operations

OVERVIEW

AFI generated net operating income of R407 million and operating profit of R104 million in 2014/15, representing 9% of both total group operating income and operating profit.

Own premium income increased to R1.3 billion, with a further R215 million worth of premium being administered on behalf of partners. Net operating income grew by 16% and profit from operations by 19%, while client satisfaction averaged 82% and employee turnover reduced to 13%.

Total premium income for the year rose by 10%, outstripping the overall industry average growth rate of 7% and representing a net gain in market share. Despite outperforming the market in terms of new policies written, the overall underwriting performance was considerably improved, reflecting the increasing quality of the book.

The average severity and frequency of motor, contents and buildings claims declined over the 12 months compared to the same period a year before. During the 2014/2015 underwriting year AFI experienced a single catastrophe (an event that entails an accumulation of claims with a value in excess of R4.5 million). The total exposure relating to this event was approximately R12 million – not as severe as the catastrophes experienced over the previous two years.

BUSINESS INSURANCE

Of particular note, AFI succeeded in growing gross premiums for business insurance by 65%, from R26 million in the previous year to R43 million. In only its third year of existence, the business insurance portfolio broke even and now contributes towards the profitability of AFI. In the fourth quarter alone, the value of business insurance premiums rose by 52%, a trend that continued post-year-end.

Business insurance is sourced from within the group, through own marketing initiatives and, increasingly, from existing retail customers who run their own businesses. Across both the retail and business insurance portfolios, brokers and other intermediaries, accounted for just 8% of new premium income. AFI views business insurance as an area of potential high growth and will continue to invest in distribution capacity while remaining mindful of the need to ensure that the portfolio remains profitable.

RETAIL PERFORMANCE

This year, the total number of retail motor and household policies rose to 76 812 (2013/14: 75 197). AFI continued its preference to underwrite combined portfolios (less than 15% of the policies insured by AFI are motor standalone). Combined policy churn improved by 10% year on year.

At year-end, initial signs around the strategy to access institutional membership were positive, with AFI writing new policies with annualised premium income of R10.2 million into this base.

Reflecting AFI's commitment to fair business practices, fewer than 1% of claims were repudiated. Our commitment to honouring our clients' trust was also borne out by the annual statistics released by the Ombudsman for Short-term Insurance. Only 179 claims (out of the 52 179 claims handled during the year) were referred to the Ombudsman for short-term insurance.

In 2014/15, employee count rose to 590 from 550 in the previous year, premium income per person nevertheless standing at a very satisfactory R2.6 million.

Retaining engaged and skilled employees was a key management focus during the year. This was particularly important in the area of business insurance, where there is a significant shortage of experienced consultants. In an industry that is known for high employee turnover, AFI succeeded in bringing down its staff turnover rate. This year the AFI employee engagement rate improved from 59% to 64.5%.

Within South Africa, six internal assessors were appointed – which had the effect of reducing claims processing costs and cementing client relationships.

A great deal of planning went into the launch, in March 2015, of the Easisure policy, a no-frills product designed to address perceptions around affordability – the main reason for clients not renewing their policies. An affordable scratch-and-dent policy was also launched in the year, with considerable success.

OUTLOOK

AFI's participation in the new retail platform holds huge promise for increasing our exposure to the group's financial services customers. While AFI consultants quoted approximately R100 million worth of new business each month in 2014/15 (at a conversion rate of 30%), there is potential to improve even further on this exceptional performance.

The new Easisure and other products are expected to promote growth.

The underwriting result is likely to improve as a critical mass is approached, with claims ratios continuing to decline (motor and household standing at 71.2% in 2014/15 and 81% the previous year). Improving loss ratios on motor insurance will be a particular priority.

AFRINET

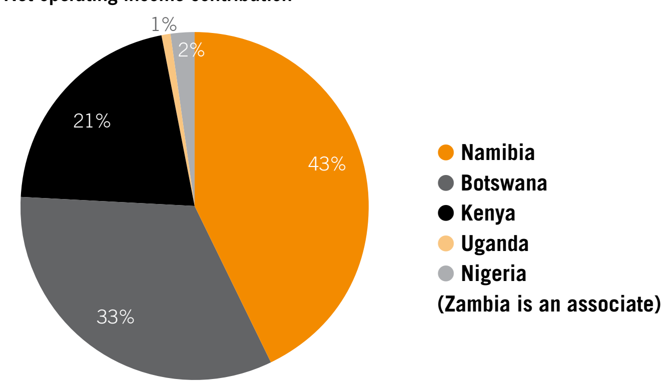
PERFORMANCE INDICATORS

	2014/15	2013/14	2012/13	2014 – 2015 % change
Headcount	**373**	334	312	12
Employee engagement rate (%)	**65**	59	n/a	10
Customer satisfaction index (%)	**82**	n/a	n/a	–
Net operating income (Rm)	**291**	249	202	17
Recurring revenue (%)	**85**	72	71	18
Profit from operations (Rm)	**60**	48	36*	25
Gross written premium (Rm)	**212**	166	136	28
Number of members under administration	**381 592**	351 796	322 128	8
Alexander Forbes Insurance Namibia number of policies	**11 594**	9 149	7 474	27
Investment Solutions Namibia assets under management (Rbn)	**3.3**	2.6	2.3	27

**Restated*

Highlights	Challenges
• Doubled contribution to group net operating income and profit from operations over the past three years	• Sourcing senior-level, locally-based employees who are skilled in managing within the context of an increasingly regulated financial services environment
• Profit from operations increased by 25%	• Rising costs associated with compliance, risk and governance
• Success in establishing and building a retail business that contributed 13% to net operating income over the last three years	• Delays in the promulgation of legislation (as our business model is primarily compulsion-based)

Net operating income contribution



OVERVIEW

Since 2011/2012, AfriNet has doubled its contribution to group net operating income and profit from operations.

In 2014/15 the division achieved net operating income growth of 17%, an increase from R249 million the previous year to R291 million. Operating profit rose from R48 million in 2013/14 to R60 million – a 25% rise. In four years, the business which delivers the group's suite of services in Africa outside of South Africa, has achieved a net income compound annual growth rate of 17%.

Perhaps most significantly, unlike its competitors, AfriNet has achieved this growth organically without, in any instance, resorting to costly acquisitions.

In support of the group's strategic intent of leveraging our core business to grow outside of South Africa, this year AfriNet's headcount grew by 10% or 34 positions. Despite the increase in personnel costs, overall margin improved from 19.4% in 2012/13 to 21%.

RETAIL GROWTH

Whereas, two years ago, AfriNet was a purely institution-focused business, this year retail represented 13% of total net operating income, a figure that is set to increase in 2015/16. The business' retail performance was achieved through retail pilots which leveraged the existing infrastructure and Alexander Forbes brand.

A key achievement of the year reported on was growing new capabilities to service the increasing demand in Namibia, Botswana, Kenya and other countries for those financial services in which the South African operations of Alexander Forbes are an acknowledged leader.

The business' achievements in various fields of operation are indicative of the extent to which the Alexander Forbes culture, values and operating models are being successfully and profitably replicated by nationals of these countries, and of the sustainability of the group's Africa strategic intent.

INVESTING IN PEOPLE

Over the past two years, 10% of all AfriNet employees underwent immersive training (mostly in retail products, systems and marketing) in Johannesburg. In 2014/15, management focused closely on aligning the AfriNet culture with that of the group. Employees responded positively this year to their greater inclusion in the affairs of the group, and our employee engagement rate rose from 59% in 2013/14 to 64.5%.

As well as aligning employees with the Alexander Forbes employee value proposition, considerable success was achieved in replicating group governance and risk management policies, procedures and standards in each of the AfriNet operations. This raises accountability and transparency within the group. Another area of achievement was in the application of Alexander Forbes' IT capability, which holds the promise of improving customer service while enhancing the brand.

Governance and brand value are of utmost importance in relatively small but potentially lucrative markets such as those in which legislated pension reform is fast taking root. In each of AfriNet's key markets the reform process is still in its nascent stage. The expected acceleration of this process will represent a very solid opportunity to grow value in those Anglophone countries in which the business has an established presence.

OUTLOOK

The pension reform wave is rapidly gathering pace in the relatively well-regulated countries in which AfriNet has an established and valued market presence and brand. As this wave gathers momentum, the business's prospects remain buoyant. Leveraging opportunities will continue to demand investment in skills development, recruitment, marketing, IT systems and infrastructure.

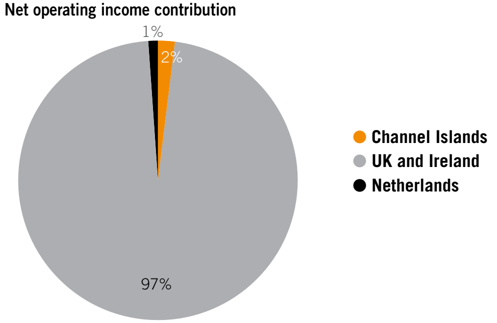
Product and offering diversification will be accelerated, with our retail offering, in particular, expected to build on recent successes.

ALEXANDER FORBES INTERNATIONAL LIMITED (AFIL)

PERFORMANCE INDICATORS

	2014/15	2013/14	2012/13	2013 – 2014 % change
Headcount at continuing operations	601	565	533	6
Employee turnover (%)	8	10	10	(2)
Net operating income (Rm)	1 495	1 322	990	13
Recurring revenue (%)	79	80	78	(1)
Profit from operations (Rm)	219	204	141	7

Net operating income contribution



OVERVIEW

Alexander Forbes International (AFIL) experienced a successful year, growing net operating income to £84.2 million, a 4% increase over the previous year's £80.8 million. The businesses continued to progress in a competitive market, growing through new business wins.

Sources of revenue were little changed from 2013/14, with pensions actuarial consulting and administration continuing to contribute just over 60% of income. The businesses remained focused on diversifying their income and generated good growth in investment consulting, general insurance consulting and business analytics, particularly energy. LCP continues to be regarded as a leading provider of pensions de-risking solutions and was lead adviser on 10 out of the 15 pension buy-in or buy-out transactions over £100 million in the UK, including the two largest pensioner buy-ins.

The businesses continue to invest in technology and LCP launched its ground-breaking pension analytics tool, *Visualise*, which has been adopted by 237 clients with assets totalling £86 billion as at April 2015. *LCP Horizon*, the DC scheme analytics portal which is an industry first in the way it enables DC scheme trustees and governance committees to analyse membership characteristics and target communications, was also launched during the year.

The full year property cost increase associated with LCP's move to new London premises during the previous year impacted on profit from operations which, at £12.4 million, was marginally ahead of the previous year's result. Rand earnings (R219 million) represented a 7% growth on the previous year, underscoring AFIL's value to the group as a rand hedge.

In the previous year, AFIL disposed of its non-core, Trustee Services business (which had been discontinued in the 2013/14 year). LCP Belgium continues to be reported as a discontinued operation and the disposal of this business is progressing. Following this disposal, the streamlined business will consist of the interest in LCP in the United Kingdom, Ireland and the Netherlands and Alexander Forbes in the Channel Islands.

NON-FINANCIAL PERFORMANCE

This year we increased capacity, adding a further 36 predominantly client-facing employees, and bringing total headcount to 601; 166 of whom are qualified actuaries (158 at year-end 2013/14). Client retention rates remained extremely high, while a number of prestigious awards confirmed LCP's reputation for excellent actuarial and consulting work. These included: Professional Pensions 'Risk Reduction Adviser of the Year'; *Financial Times* Pension and Investment Provider Awards 'De-risking Consultant (buy-out, buy-in, longevity swaps)' and 'Investment Consultant'; and Pensions Age 'Pensions Consultancy of the Year'.

In line with the rest of the group, we are committed to being good corporate citizens. We offer our employees the opportunity to donate to good causes via payroll and also through our involvement with Naomi House and Richard House children's hospices, which are our nominated charities for 2014.

OUTLOOK

The changes to annuitisation principles in the UK take effect in 2015 and the increased flexibility around pension options at and pre-retirement continue to support demand for employee benefits consulting. While this has been positive for the businesses, over the longer term, the risk exists that these policy changes could translate into lower demand for consulting services.

The marginally improved economic growth prospects for the UK and elsewhere in Europe will continue to have a bearing on our business' short-term prospects. In the absence of significant market growth and with no prospect for overall fee increases, incremental gains in market share will continue to underpin our success.