

Alexander Forbes Limited
(Incorporated in the Republic of South Africa)
(Registration number 1958/001974/06)
Sharecode: AFB
ISIN code: ZAE 000018230
("Alexander Forbes" or the "Company")

Sale of International Risk Services and further cautionary announcement

1. Introduction

Shareholders are referred to the cautionary announcements dated 7 June 2006 and 19 July 2006, in which shareholders were advised that the Company had entered into discussions with private investors which could result in the Company reducing its shareholding in its International Risk Services business. Shareholders are now advised that Alexander Forbes International Limited (a wholly owned subsidiary of the Company) has entered into an agreement to sell its entire interest in its subsidiary, Alexander Forbes Risk Services Holdings Limited ("AFRSH") to Lockton International Holdings Limited ("the Purchaser"), for a total consideration of approximately £86 million, before adjusting for certain of the outstanding liabilities of AFRSH ("the transaction").

The majority shareholder of the Purchaser is Lockton Companies Inc. ("Lockton") with a minority equity interest held by Trident III, L.P., an investment fund managed by Stone Point Capital LLC, of Greenwich, Connecticut, a private equity firm that specialises in investments in the global insurance and financial services industries. Lockton is one of the largest insurance brokerage firms in the United States and the tenth largest retail broker worldwide.

AFRSH is the holding company of a group that provides insurance and reinsurance broking, risk and insurance programme management and consulting, alternative risk finance, claims management and insurance products and services in the United Kingdom, Asia and Latin America.

The transaction is subject to approvals from the South African Reserve Bank and the Financial Services Authority in the United Kingdom as well as clearance being received from the Pensions Regulator in the United Kingdom on the defined benefit scheme pension arrangements.

The group remains committed to its Risk and Insurance Services business in Africa and is confident that it will continue to have the right solutions to meet clients' risk related needs in all relevant territories. The International Financial Services and Investment Solutions businesses remain core to the group's strategy.

2. Rationale for the transaction

The transaction concludes an extensive review undertaken by the Company and its advisers of the strategic options for AFRSH. Following receipt of a number of expressions of interest during the course of this process, the Board of Alexander Forbes has concluded that the transaction is in the best interests of Alexander Forbes' shareholders.

3. Details of the Purchase Consideration

After adjusting for outstanding liabilities, including the AFRSH defined benefit pension scheme deficit and the deferred consideration still payable in respect of a number of previous acquisitions concluded by AFRSH and its subsidiaries, the net consideration payable in relation to the transaction will be approximately £67.6 million. The net consideration will be payable as follows:

- £64.5 million in cash on completion; and
- £3.1 million in loan notes to be issued by the Purchaser. These loan notes will bear interest at 8% per annum and will be redeemable on 31 March 2010 but will be subject to certain set-off rights in respect of potential warranty claims that the Purchaser may have.

It is expected that the cash proceeds from the transaction will be used to repay existing interest-bearing debt both in the United Kingdom and South Africa.

4. Pro-forma financial effects of the transaction

The table below sets out the illustrative financial effects of the transaction on Alexander Forbes. The unaudited pro-forma financial effects have been prepared for illustrative purposes only. Due to the nature of the unaudited pro-forma financial effects, they may not give a fair reflection of the financial position and results of operations of Alexander Forbes after completion of the transaction. The unaudited pro-forma financial effects are the responsibility of the Directors of Alexander Forbes.

	Before (cents per share) ¹	Pro-forma after the transaction (cents per share)	% Change
Earnings per share ⁽²⁾	3	27	>+100%
Headline earnings per share ⁽²⁾	4	4	-
Core earnings per share ⁽²⁾	116	116	-
Net asset value (“NAV”) per share ⁽³⁾	364	388	+7%
Net tangible asset value (“NTAV”) per share ⁽³⁾	(125)	(102)	+18%
Number/weighted average number of shares in issue (excluding treasury shares) (millions)	443	443	-
Number/weighted average number of shares in issue (excluding treasury shares) adjusted for effects of accounting for policyholder investments as treasury shares (millions)	462	462	-

Notes:

1. Based on the audited consolidated results of the Company for the year ended 31 March 2006.
2. Earnings, Headline earnings and Core earnings per share effects have been determined based on the following assumptions:
 - The transaction was effective 1 April 2005;
 - The cash proceeds of the transaction, net of transaction costs, have been applied to settling interest-bearing debt in the United Kingdom of approximately £20 million and the balance, converted at a R/£ exchange rate of 13.00, representing approximately the current exchange rate, has been applied to settling interest-bearing debt in South Africa with the surplus being held on interest-bearing deposit; and

- The profit on disposal of approximately £8 million (net of transaction costs) converted at the assumed R/£ exchange rate of 13.00, is excluded from Headline and Core earnings per share calculations.
3. NAV and NTAV per share effects have been determined on the following assumptions:
- The transaction was effective 31 March 2006; and
 - The profit on disposal of approximately £8 million (net of transaction costs) has been converted at the assumed R/£ exchange rate of 13.00.

5. Further cautionary announcement

The cautionary announcements published on 7 June 2006 and updated on 19 July 2006 also referred to discussions regarding a potential transaction with private equity parties to acquire the entire issued share capital of the Company. These discussions are continuing and shareholders are advised to continue to exercise caution when trading in the Company's securities until a further announcement is made.

Sandton
21 August 2006

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