AFRICAN BANK
Investments Limited

Annual Report 2009

AFRICAN BANK
Investments Limited

Our vision is to enable our customers to improve their lives through access to unsecured credit.

Growing to critical mass, with the scale benefits that that brings, is central to this vision and the acquisition of Ellerines has opened up several significant opportunities in this regard.

We fully intend to exploit these opportunities in the years ahead, for the benefit of our loyal and growing customer base.

For more information please visit our website at
www.abil.co.za

Who we are

ABIL provides unsecured credit to consumers in the lower to middle income market in South Africa.

Our strategy is to continually improve our customer proposition by translating scale and critical mass into greater customer value. To achieve this, we continue to tap significant growth channels in underserviced markets and pass the scale benefits on to customers in the form of cheaper credit and better value. The group utilises various channels to market.

We operate through two primary businesses, African Bank and Ellerines. The two businesses are highly complementary yet sufficiently diverse to provide maximum benefit to the group.

African Bank offers competitively priced long and short term loans and credit card products to a predominantly formally employed and banked market.

African Bank employs 3 500 staff, manages a loan book of some R21 billion and services its 1,8 million customers through over 400 branches.

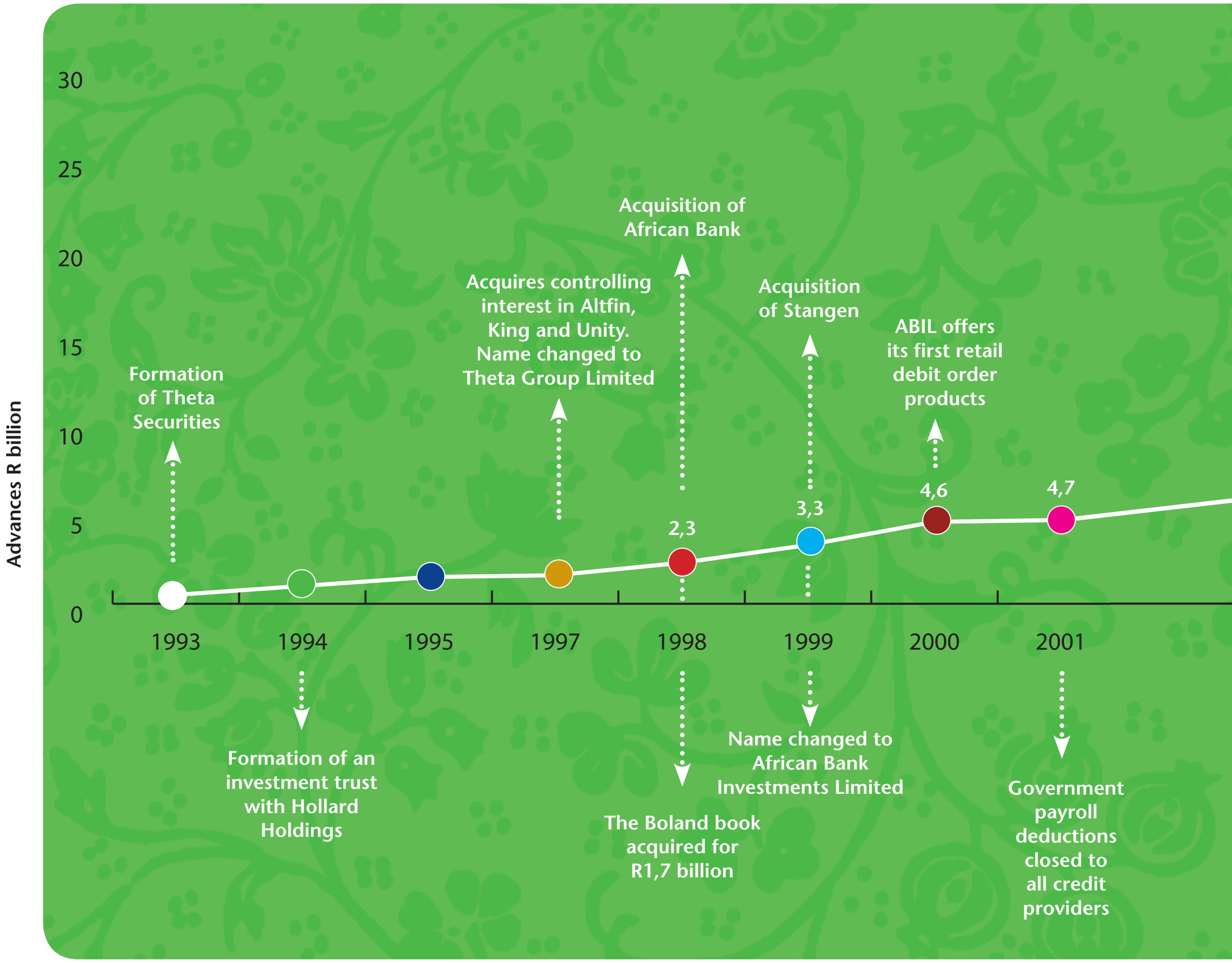
Ellerines is a furniture and appliances retailer which provides affordable, quality products and offers credit facilities for the purchase of its goods. It targets the formally employed and banked market but also services informally employed and unbanked customers, as well as higher lifestyle markets than those targeted by African Bank.

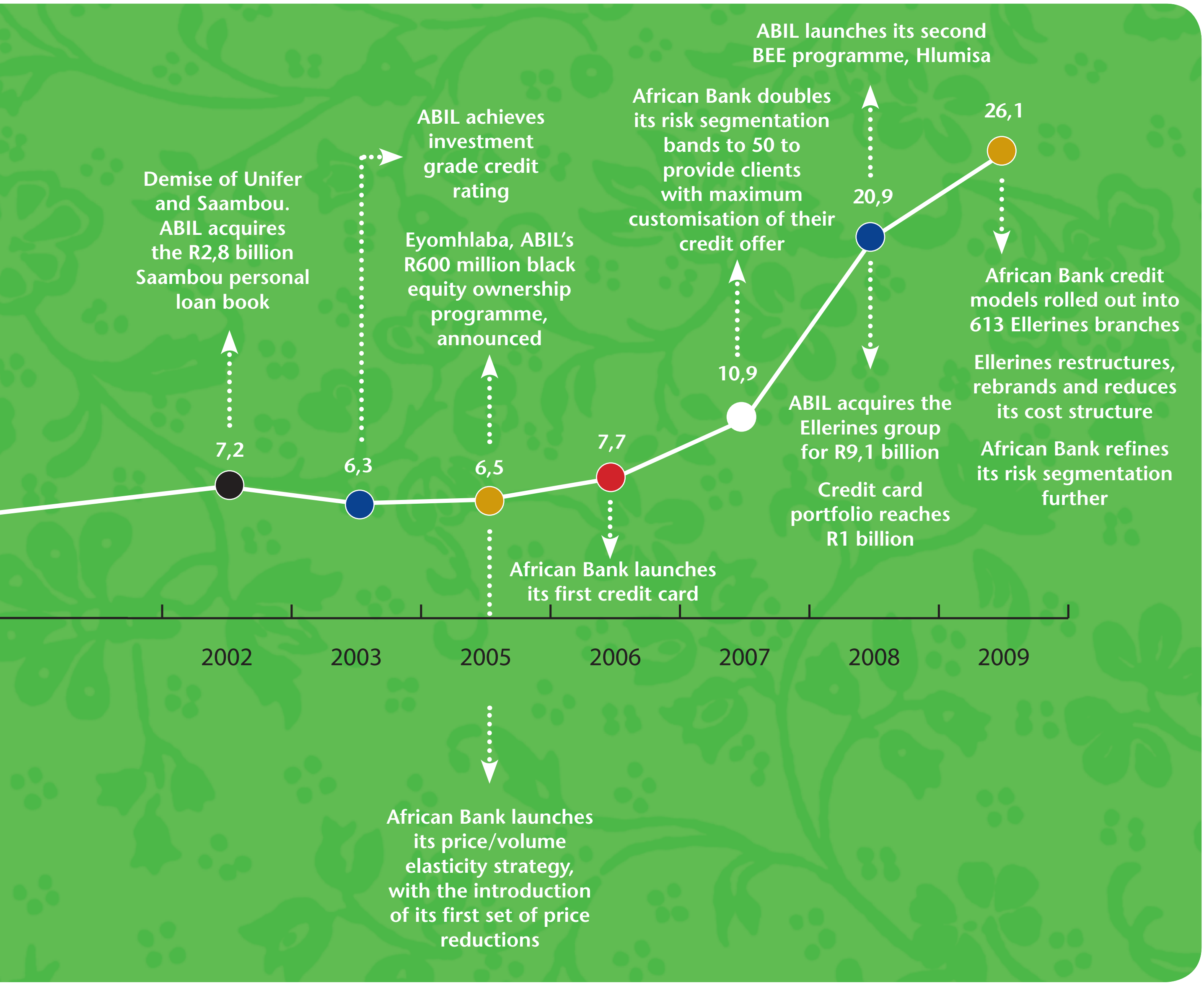
Ellerines employs 13 500 staff, services its customers through over 1 000 stores representing six different brands and manages a loan book of R5 billion.

Table of contents

Milestones

A credit **provider**, with a **proud history**




ABIL launches its second BEE programme, Hlumisa
African Bank doubles its risk segmentation bands to 50 to provide clients with maximum customisation of their credit offer
26,1
ABIL achieves investment grade credit rating
Demise of Unifer and Saambou. ABIL acquires the R2,8 billion Saambou personal loan book
20,9
Eyomhlaba, ABIL's R600 million black equity ownership programme, announced
African Bank credit models rolled out into 613 Ellerines branches
Ellerines restructures, rebrands and reduces its cost structure
10,9
ABIL acquires the Ellerines group for R9,1 billion
7,2
7,7
African Bank refines its risk segmentation further
6,3
6,5
Credit card portfolio reaches R1 billion
African Bank launches its first credit card
2002
2003
2005
2006
2007
2008
2009
African Bank launches its price/volume elasticity strategy, with the introduction of its first set of price reductions

Financial statistics for the twelve months ended 30 September 2009

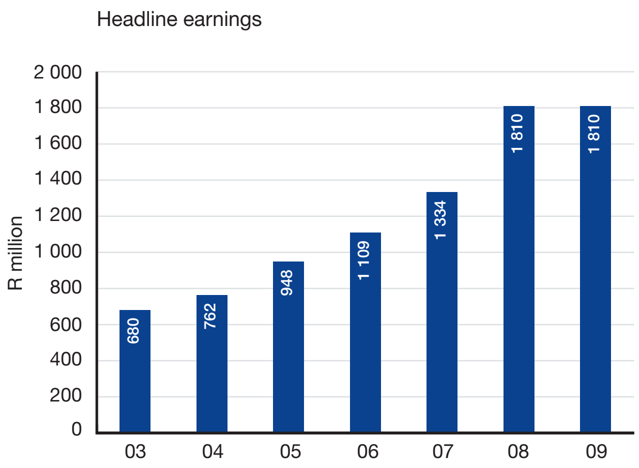
		% change	Audited ABIL consoli-dated 2009	Audited ABIL consoli-dated 2008
Key shareholder ratios				
Headline earnings	R million	0	**1 810**	1 810
Headline earnings per share	cents	(11)	**225,2**	252,1
Number of ordinary shares in issue (net of treasury shares)	million	0	**803,7**	803,7
Weighted number of ordinary shares in issue	million	12	**803,7**	717,9
Fully diluted number of ordinary shares in issue	million	12	**803,8**	718,0
Number of preference shares in issue	million	0	**5,0**	5,0
Average ordinary shareholders' equity	R million	28	**11 909**	9 297
Return on equity	%		**15,2**	19,5
Economic (loss)/profit	R million		**(95)**	323
Net asset value per ordinary share	cents	2	**1 515**	1 484
Tangible net asset value per ordinary share	cents	6	**721,2**	681,7
Regulatory capital per Basel II				
Risk weighted exposure			**19 772**	16 481
Minimum regulatory capital required	%		**20,5**	20,5
Actual qualifying regulatory capital	%		**35,0**	34,8
Optimal capital per internal model				
Assets at risk			**22 288**	17 857
Optimal capital required	%		**26,9**	27,0
Actual qualifying capital (post dividend)	%		**33,9**	32,5
Dividends per ordinary share				
Interim – paid	cents	(19)	**85**	105
Final – declared	cents	(5)	**100**	105
Total ordinary dividends	cents	(12)	**185**	210
Dividend cover	times		**1,2**	1,2
Payout ratio	%		**82,2**	83,3
Dividends per preference share				
Interim – paid	cents	(10)	**475**	525
Final – declared	cents	(33)	**367**	551
Total preference dividends	cents	(22)	**842**	1 076

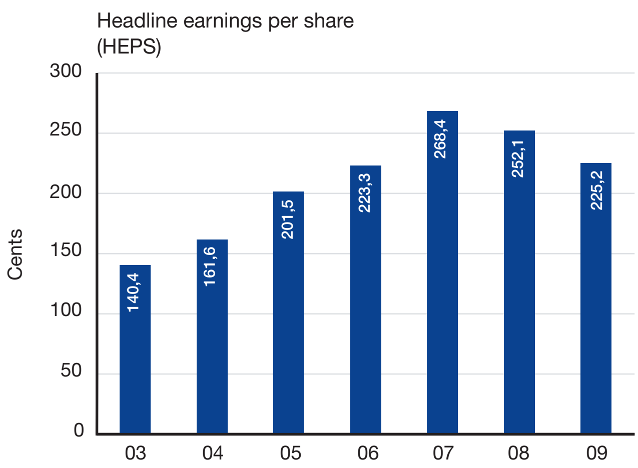
The September 2008 comparatives are calculated on the profit for the period before the once off BEE charge of R291 million.

2009 results at a glance

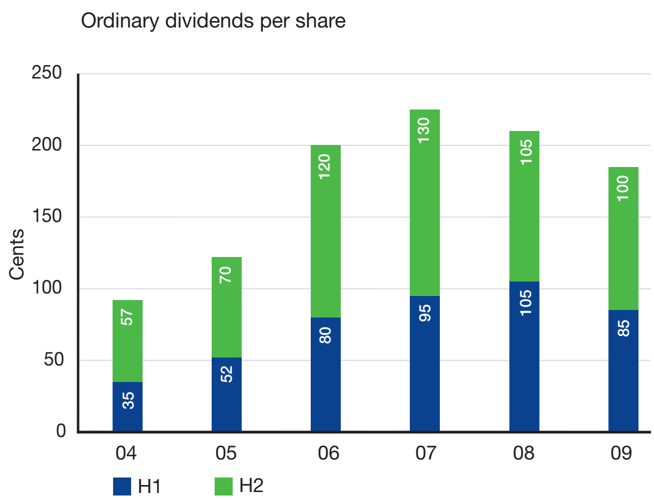
Features

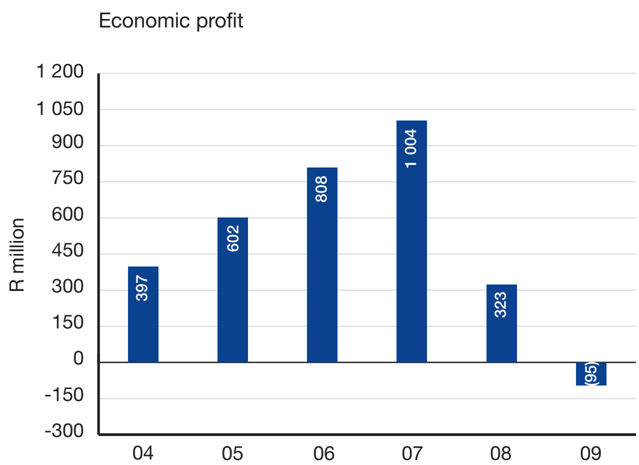
- Headline earnings of R1,8 billion, flat compared to 2008
- Headline earnings per share declined by 11% to 225,2 cents per share (2008: 252,1 cents per share)
- Dividends per share declined by 12% to 185 cents per share (2008: 210 cents per share)
- Full year sales and advances growth moderated by tighter underwriting criteria
- Ellerines impacted by lower sales
- Tight cost control and steady credit quality provide stability across African Bank and Ellerines
- Substantially expanded funding base and cash reserves provide platform for growth
- African Bank credit model rolled out to more than 600 Ellerines stores





Comparatives for 2008 are based on earnings pre the once off BEE charge of R291 million.





Delivering value

Harnessing our financial position to create market opportunity

Letter to stakeholders

The market volatility experienced during this financial year has proven the robustness of our business model.

The year in review

The 2009 financial year represents an important milestone for ABIL. Faced with a deteriorating local economy and volatile capital markets, the group's risk mitigation strategies were tested to the full. In particular, the 'realtime' view of the key operating metrics of the business enabled a rapid response to negative external developments, and in this context the financial results, whilst below expectations, reflect the underlying stability of the business as a whole.

The year commenced against the backdrop of an emerging global financial crisis. Within the domestic economy, while the unsecured credit market remained initially stable, demand for durable and semi-durable goods had already begun to weaken. African Bank's sales in the first quarter increased by 17%, whilst Ellerines sales declined by 24%, the latter further impacted by store rationalisation, stricter underwriting disciplines and the high base of the previous year.

By the start of the second quarter, it became apparent that the domestic economy was weakening rapidly and that longer term liquidity was becoming scarcer. As a result, the bank tightened underwriting criteria, particularly in vulnerable customer and market segments, which resulted in a slowdown of sales for the remainder of the year. At the same time, Ellerines sales volumes remained relatively modest.

African Bank's credit quality was affected by the weakening economy and its increased sales towards the end of 2008 into sectors of the economy that subsequently became most affected by the downturn, notably retail, manufacturing and mining. Credit vintages began to rise above the upper end of the historic range (particularly from the high sales recorded during the period from June 2008 to December 2008). This led to a higher than expected emergence of non-performing loans on which provisions were raised. Increasing retrenchment claims resulted in net assurance income being negatively affected during the year.

The impact of the weakening trading environment on Ellerines' credit quality was less marked, given that Ellerines had already implemented a substantial tightening of its credit criteria in early 2008. In the second half of the financial year in particular, Ellerines benefited from sharply lower provisioning requirements.

The implementation of enhanced collection scorecards and strategies during the year resulted in improved collections across both African Bank and Ellerines, particularly within the previously written-off book, and this to some extent mitigated the bad debt charge. As business volumes slowed, renewed focus was placed on cost control, and this resulted in costs for the year being lower than the internal targets set at the start of the year.

A strong business is all about the people and the culture

Developing the talent of our staff requires ongoing attention. We need to set aside time to simply think about our people.

Izincwadi zababambiqhaza

Unyaka obuyekezwayo

Unyaka wezimali ka-2009 umele igxathu elibalulekile le-ABIL. Libhekene nesimo somnotho wezwe ebesilokhu siya ngokuya siba sibi nezimakethe zezibambiso ezintengantengayo, amasu eqoqo lezinkampani okunciphisa ingcuphe aye athola ukuhloleka ngokugcwele. Ikakhulukazi, ukubona 'ngendlela izinto ezenzeka ngayo' kwezikali zokusebenza ezibalulekile zebhizinisi kwenze ukuthi kube nokubhekana okusheshayo nezinto ebezenzeka ngaphandle ezingezinhle, kulesi simo-ke imiphumela yezezimali, ngesikhathi ingaphansi kwalokho okulindelekile, ikhombisa ukusimama kwebhizinisi lilonke.

Unyaka uqale kulesi simo sokuvumbuka kokuntengantenga kwezimali zomhlaba. Ngaphakathi komnotho wezwe, ngesikhathi izimakethe zezikweletu ezingenazibambiso ziye zasimama ekuqaleni, isifiso sokuthenga izimpahla eziqinile nalezo ezingaboli futhi ezingahlali isikhathi eside sesehlile vele. Ukuthengwa komkhiqizo we-African Bank ekoteni yokuqala kwenyuke ngo-17%, ngesikhathi okwakwa- Ellerines kwehle ngo-24%, u-Ellerines ubuye wathinteka futhi ngenxa yokuhlelwa kwebhizinisi ngokwezimiso zokuphatha ukwenzela ukwenyusa izinga lokusebenza kahle kwebhizinisi, izimiso ezisebenzayo eziqinile zokunikeza amakhasimende imikhiqizo nendlela elandelwa yibhizinisi ethatha isikhathi eside kwangonyaka odlule.

Ngesikhathi kuqala ikota yesibili, kuye kwaba sobala ukuthi umnotho wezwe uphelelwa amandla kakhulu nokuphendula impahla ibe yimali esikhathini eside kwaya ngoncipha. Ngaleyo ndlela, ibhange liye laqinisa izindlela ezisetshenziswayo zokunikeza amakhasimende umkhiqizo, ikakhulukazi amakhasimende angavikelekile nezingxenye zemakethe, okube umphumela wokwehla kokuthengiswa komkhiqizo engxenyeni yokugcina yonyaka. Ngaleso sikhathi, umthambo wokuthengiswa komkhiqizo wakwa-Ellerines uye waba phakathi nendawo.

Izinga lokukweletisa le-African Bank lithintikile ngenxa yomnotho obuthaka kanye nokwenyuka kwentengiso yomkhiqizo ngasekupheleni kuka-2008 emikhakheni yomnotho eye yathinteka kakhulu emva kwalokho ukwehla komnotho, ikakhulukazi abathengisi, abakhiqizi nezimayini. Izikhathi ezinde zokukweletisa ziye zaqala ukwenyuka zaze zafika phezulu ohlwini oluwumlando (ikakhulukazi ekuthengiseni kakhulu okuqoshwe phansi ngesikhathi esisukela kuJuni 2008 kuya kuDisemba 2008). Lokhu kuye kwaholela ekuveleni kwezimalimboleko ezingakhokhwa ezingaphezu kwalezo ebezilindelekile ezihlinzekelwe. Ukwenyuka kwezicelo eziphathelene nokudilizwa kuholele emtheleleni ongemuhle emalini yomshwalense eyinsalela uma sekukhokhwe zonke izindleko onyakeni.

Umthelela wokuhweba okuntengantengayo ezingeni lokukweletisa lakwa-Ellerines ubunganakekile kakhulu, uma kubhekwa ukuthi u-Ellerines ubusuvele uqalisile ukuqinisa izindlela azisebenzisayo zokukweletisa ekuqaleni kuka-2008. Esigameni sesibili sonyaka wezimali ikakhulukazi, u-Ellerines uye wahlomula ezimfanelweni eziphansi kakhulu zokuhlinzeka.

Letter to stakeholders continued

Liquidity management received particular attention during the current year. At the beginning of 2009 there was a marked reduction in available liquidity in the market as investors became risk averse and favoured short term instruments. During this period the bank benefited from longstanding relationships with existing funders and a broadening of its sources of funding, which together with a stable credit rating resulted in a number of significant funding transactions being concluded. As a result, cash reserves in the bank improved to R4,6 billion by the year end and reliance on short term funding was reduced substantially. However, as a consequence of these strategies, average funding costs within the bank rose by 80 basis points during the current year.

As the year drew to a close, a general improvement in economic outlook together with further refinement of underwriting and collection methodologies implemented during the year and a stronger liquidity position, prompted a renewed focus on growing the group's active customer base.

Ellerines made substantial progress with its initiatives to restructure its retail business. Its brand consolidation, footprint optimisation and improved merchandising strategies reduced the cost base by 9% for the year and significantly improved the customer proposition in terms of affordable pricing, attractiveness of its stores and quality of merchandise, amongst others.

Strategically, the integration of Ellerines' financial services activities into African Bank gained significant momentum during the year. Following the pilot phase of this initiative, a decision was taken in the third quarter to implement the African Bank front end credit origination platform across 613 Ellerines branded stores, a process which was completed in October 2009. The conversion of the balance of the stores is due to be completed by September 2010, at which point Ellerines in South Africa will be constituted as a cash retailer, with credit and related financial services products provided to its customers by African Bank on an arm's length basis. It is the intention that African Bank will then be in a position to provide a broader range of products to a much wider segment of the domestic market, with positive implications for the group's medium term growth objectives.

Black economic empowerment

ABIL's first black economic empowerment programme, Eyomhlaba, was augmented with the launching of its second plan, Hlumisa (previously known as Masonge) in 2008. Hlumisa, like the Eyomhlaba programme, targeted a broad base of black shareholders, with the majority of the participants being the black employees of the group.

The first Hlumisa public offer closed on 28 November 2008 and added in excess of 12 000 new ABIL shareholders who will share in the wealth generation of the group in future. Hlumisa utilised the proceeds from the public offer to purchase ABIL ordinary shares through the market. The company currently has a second offer open to raise further capital for empowerment. At 30 September 2009, the two empowerment companies owned 52 million ABIL ordinary shares, which equated to an effective BEE shareholding of 6,5%.

Changes to the board of directors

ABIL has an approved term limit policy in respect of its board of directors, which limits the chairman's service tenure to a maximum of ten years and other non-executive directors to a maximum of six years with an optional two year extension. In terms of this policy, Ashley Mabogoane, the previous non-executive chairman, reached his term limit and therefore resigned from the boards of both ABIL and African Bank Limited with effect from 1 April 2009.

The board appointed Mutle Mogase as non-executive chairman of ABIL and African Bank Limited. Mutle was appointed to both boards during March 2007, and his appointment as non-executive chairman took effect from 1 April 2009.

The group chief financial officer, Nithia Nalliah, was appointed on 5 May 2009 as ABIL's group finance director and executive director of African Bank Limited.

Bahle Goba and Brian Steele also reached their term limits and therefore resigned their positions as non-executive directors from the boards with effect from 21 May 2009. Two new independent non-executive directors, Johnny Symmonds and Samuel Sithole joined the boards with effect from 21 May 2009. We would like to thank the retiring directors for their wise counsel over many years, and welcome the new appointments.

Craig Brighten resigned as company secretary of ABIL and African Bank with effect from 29 May 2009 and Yashmita Mistry was appointed in his place as company secretary to ABIL, African Bank and Ellerines with effect from 5 August 2009.

Izincwadi zababambiqhaza ziyaqhubeka

Ukuqaliswa kokusebenza kwamakhadi amaphuzu okuqoqa asenziwe ngcono namasu onyakeni kuholele ekuqoqweni kwezimali okungcono kakhulu kubona bobabili i-African Bank no-Ellerines, ikakhulukazi ezimalini eziye zesulwa ngaphambili, kanti lokhu kuze kufike ezingeni elithile kuye kwanciphisa inhlawulo yesikweletu esibi. Njengoba imithamo yebhizinisi iye yehla, kuye kwagxilwa futhi ekulawuleni izindleko, kanti lokhu kuholele ekutheni izindleko zonyaka zehle kunaleyo migomo yangaphakathi eyayibekiwe ekuqaleni konyaka.

Ukuphathwa kokuguqulwa kwempahla ibe imali kuye kwabhekisiswa ngalo nyaka. Ekuqaleni kuka- 2009 kuye kwaba khona ukwehla okubonakalayo ekuguqulweni kwempahla ibe yimali emakethe njengoba abatshalizimali baye bangayinambithisisa eyokuba sengcupheni esikhundleni bakhetha izindlela zokutshala izimali ezibandakanya izibambiso nemali kwesikhathi esifishane. Ngalesi sikhathi ibhange liye lahlomula ebudlelwaneni besikhathi eside nalabo abanikeza ibhange izimali abakhona njengamanje kanye nokwandisa kwalo imithombo yalabo abanika ibhange izimali, okuthi uma sekuhlangene nokuhlolwa okusimeme kwekhasimende ukuthi likufanele yini ukukweletelwa kuholele ekutheni kube nomnyakazo obonakalayo wokufakwa kwezimali owenzekayo. Ngaleyo ndlela, umgodla wemali ebhange uye wafika ezigidigidini ezi-R4,6 ekupheleni konyaka kwathi ukwethembela ekunikezweni izimali kwesikhathi esifushane kwancipha kakhulu. Nokho, ngenxa yomphumela wala masu, izindleko eziphakathi nendawo zokunikezwa izimali ngaphakathi ebhange kwenyuke kwafika ku-80 bps ngalo nyaka.

Njengoba unyaka ususondela ekupheleni, ubungcono obubonakala emnothweni kuhlangene nokucolisisa kahle futhi ukunikezwa kwamakhasimende umkhiqizo nezindlela zokuqoqa izimali okuqaliswe ukusebenza onyakeni kanye nokuguqulwa kwempahla ibe imali okunamandla, kudale ukuthi kugxilwe kabusha ekukhuliseni amakhasimende eqoqo lezinkampani esisebenzisana nawo njengamanje.

U-Ellerines wenze imizamo ebonakalayo ngezinhlelo zakhe zokwenza kabusha ibhizinisi lakhe lokuthengisa. Ukuqinisa uphawu lwakhe lokuhweba, ukwehlisa izindleko nokwenza ngcono amasu okuthengisa kunciphise izindleko ngo-9% kulo nyaka futhi kwenza ngcono kakhulu lokho okutholwa yikhasimende ngemali yalo okuphathelene namanani akhonekayo, ukuheha kwezitolo zakhe kanye nezinga lempahla ayithengisayo, phakathi kwezinye izinto.

Okubalulekile okumayelana nesu okuye kwenzeka, ukufakwa kwezinto eziphathelene nokuhlinzekwa kwezimali kwakwa-Ellerines e-African Bank kuthole umfutho obonakalayo onyakeni. Kulandela ibanga lokuhlola lalolu hlelo, kuye kwathathwa isinqumo ekoteni yesithathu sokuqalisa iplatfomu yenqubo yokwetshelekisa ngemali yase-African Bank kuzo zonke izitolo zakwa-Ellerines ezingama-613, okuyinqubo eyaphothulwa ngo-Okthoba 2009. Ukuguqulwa kwebhalansi yezitolo kuzophothulwa ngoSepthemba 2010, lapho okuyothi khona u-Ellerines eNingizimu Afrika wenziwe umthengisi wezimali eziwukheshe, nesikweletu nemikhiqizo ephathelene nokuhlinzekwa kwezimali ehlinzekwa i-African Bank emakhasimendeni akhe lapho kuvunyelwana khona ngokukhokhelana phakathi kwezinhlangothi ezimbili ezisebenzisanayo kodwa ezenza sengathi azihlobene ukwenzela ukugwema ukungqubuzana kwezidingo zazo. Kuyinhloso ukuthi i-African Bank izoba sesimweni lapho izokwazi ukuhlinzeka uhlu olubanzi lwemikhiqizo engxenyeni enkulu yemakethe yasezweni, nemiphumela emihle yezinjongo zokukhula kwesikhathi esiphakathi nendawo yeqoqo lezinkampani.

Uhlelo lokuthuthukiswa kwamandla ezomnotho wabamnyama

Uhlelo lokuqala lokuthuthukiswa kwamandla ezomnotho wabamnyama lwakwa-ABIL, Eyomhlaba, lwakhuliswa ngokwethulwa kohlelo lwalo lwesibili, iHlumisa (ebiyaziwa ngoMasonge ngaphambilini) ngo-2008. IHlumisa, njengohlelo lwe-Eyomhlaba, yayihlose abanikazimasheya abamnyama ngokubanzi, iningi lababambiqhaza okungabasebenzi abamnyama beqoqo lezinkampani.

Ukuthengiselwa komphakathi kokuqala amasheya eHlumisa kwavalwa mhla zingama-28 Novemba 2008 futhi kwengezwa ngaphezu kwabanikazimasheya abayi-12 000 abasha be-ABIL abazohlomula ekwenzeni umnotho weqoqo lezinkampani ngomuso. IHlumisa yasebenzisa izimali ezatholakala ngesikhathi kuthengiselwa umphakathi amasheya ukuthenga amasheya ejwayelekile akwa-ABIL ngemakethe. Inkampani njengamanje isithengisa amasheya okwesibili ukuze iqongelele enye imali yohlelo lokuthuthukiswa kwamandla ezomnotho wabamnyama. Mhla zingama-30 Septhemba 2009, izinkampani ezimbili bese zinamasheya ejwayelekile ayizigidi ezingama-52 akwa-ABIL, alingane nesamba esingama-6,5% e-BEE.

Izinguquko ebhodini labaqondisi

U-ABIL unenqubomgomo yomkhawulo wesikhathi sokuba yilungu osuwenziwe ngcono maqondana nebhodi lakhe labaqondisi, onquma isikhathi somsebenzi kasihlalo ehhovisi sibe iminyaka eyishumi bese kuthi abaqondisi abangekho esigungwini esiphezulu bahlale iminyaka eyisithupha kodwa bakhethe ukuthi bayayithatha yini eminye iminyaka emibili ngaphezulu noma cha. Ngokwale nqubomgomo, u-Ashley Mabogoane, usihlalo obengekho esigungwini esiphezulu wangaphambili, ufikile ekupheleni kwesikhathi sakhe wase esula emabhodini omabili e-ABIL nele-African Bank Limited kusukela mhla lu-1 ku-Ephreli 2009.

Delivering value continued

Letter to stakeholders continued

Dave Woollam, the existing MD of the African Bank business unit, has made a decision to step aside from this position and has asked to be allowed to revert to focusing on a portfolio of specialist group functions. Accordingly, Leon Kirkinis will reassume his previous position as CEO of both ABIL and African Bank. Dave Woollam, who remains an executive director of ABIL and African Bank, will focus his efforts on strategic finance issues, capital and liability management as well as working closely with Gordon Schachat (executive deputy chairman) on new growth opportunities.

Appreciation

We would like to thank our stakeholders, and especially our shareholders, funders and growing customer base for their support, and reinforce our commitment to continue to provide real value to all stakeholder groups.

To the staff of both African Bank and Ellerines, we thank you for your unstinting loyalty and the passion and energy with which you have worked this year to protect and grow our great business.

Outlook

ABIL begins the new financial year with a renewed emphasis on growth, given increasing stability in the external trading environment and far more settled management and operational structures in Ellerines.

Within African Bank, the group expects a steady financial performance over the next year, driven by a further growth in customers, relatively stable income yields, improving asset quality, further gains in operating cost absorption and a decline in funding rates.

Ellerines similarly is expected to benefit from these factors, and in addition should start to see a gradual recovery in consumer demand and the positive impact of the repositioning of its retail activities and its new pricing proposition.

At its core, our vision is to enable our customers to improve their lives through access to unsecured credit. Growing to critical mass, with the scale benefits that this brings, is central to this vision and the acquisition of Ellerines has opened up several significant opportunities in this regard. We fully intend to exploit these opportunities in the years ahead, for the benefit of our loyal and growing customer base.

On behalf of the board

Mutle Mogase
Chairman

Gordon Schachat
Executive deputy chairman

Leon Kirkinis
Chief executive officer

Izincwadi zababambiqhaza ziyaqhubeka

Ibhodi laqoka uMutle Mogase njengosihlalo ongekho esigungwini esiphezulu se-ABIL ne-African Bank Limited. UMutle waqokelwa amabhodi omabili ngoMashi 2007, kanti waqala ukusebenza njengosihlalo ongekho esigungwini esiphezulu mhla lu-1 ku-Ephreli 2009.

Isikhulu esiphezulu sezezimali seqoqo lezinkampani, u-Nithia Nalliah, waqokwa mhla ziyi-5 Meyi 2009 njengomqondisi wezezimali weqoqo lezinkampani i-ABIL kanye nomqondisi omkhulu we-African Bank Limited.

UBahle Goba no-Brian Steele nabo bafike ekupheleni kwezikhathi zabo base besula ezikhundleni zabo zamabhodi njengabaqondisi abangekho esigunwini esiphezulu mhla zingama-21 Meyi 2009. Abaqondisi ababili abasha abazimele abangekho esigungwini esiphezulu, u-Johnny Symmonds no-Samuel Sithole bajoyina ibhodi mhla zingama-21 Meyi 2009. Sizothanda ukubonga abaqondisi abathatha umhlalaphansi ngezeluleko zabo ezihlakaniphile eminyakeni eminingi, bese semukela abasha.

U-Craig Brighten wesulile njengonobhala wenkampani i-ABIL ne-African Bank kusukela mhla zingama- 29 Meyi 2009 kwathi u-Yashmita Mistry waqokelwa esikhundleni sakhe njengonobhala wenkampani i-ABIL,i-African Bank no-Ellerines kusukela mhla ziyi-5 Agasti 2009.

U-Dave Woollam, owuMqondisi oPhethe wophiko lwebhizinisi le-African Bank, uthathe isinqumo sokwehla esikhundleni wase ecela ukuthi agxile kwiphotfoliyo emisebenzini yeqoqo lezinkampani ethile. Ngokunjalo, u-Leon Kirkinis uzothatha isikhundla sakhe sangaphambili sokuba isikhulu esiphezulu i-CEO yezinkampani zombili i-ABIL ne-African Bank. U-Dave Woollam, osazoba umqondisi omkhulu we-ABIL ne-African Bank, uzogxila ezindabeni zamasu aphathelene nezimali, imali yokuqhuba umsebenzi kanye nokusingatha izikweletu kanye nokusebenzisana no-Gordon Schachat (iPhini likaSihlalo oMkhulu) emathubeni amasha okukhula.

Ukubonga

Sizothanda ukubonga ababambiqhaza bethu, ikakhulukazi abanikazimasheya bethu, abasinikeza izimali kanye namakhasimende ethu akhulayo ngokuseseka kwabo, nokuqinisa ukuzibophezela kwethu ekuhlinzekeni lokho kwangempela okubalulekile emaqoqweni ezinkampani zethu ezibambe iqhaza.

Kubasebenzi bonke base-African Bank nabakwa-Ellerines, siyanibonga ngokwethembeka kwenu okungagutshiwe nothando nomfutho enisebenze ngakho kulo nyaka ukuvikela nokukhulisa ibhizinisi lethu elihle kakhulu.

Ukubuka

U-ABIL uqala unyaka omusha wezimali nokugcizelela okusha ekukhuleni, uma kubhekwa ukusimama esimweni sokuhweba kwangaphandle kanye nokuphatha okuzinzile kakhulu nezinhlaka zokusebenza kwa-Ellerines.

Ngaphakathi e-African Bank, iqoqo lezinkampani lilindele ukwenza kahle kwezimali onyakeni olandelayo, okuqhutshwa ukukhula futhi kwamakhasimende, imiphumela yemali engenayo esimeme izinzuzo ezisimeme, ukwenza ngcono izinga lempahla, ezinye futhi izinzuzo ekwabeni izindleko emkhiqizweni kanye nokwehla kwamanani ngokunikezwa izimali.

U-Ellerines ngokufanayo ulindele ukuhlomula kulezi zinto, futhi ngaphezu kwalokho kufanele aqale abone ukubuya kancane kancane kwesifiso samakhasimende sokuthenga umkhiqizo kanye nomthelela omuhle ekuzibekeni esimweni esihle futhi ezintweni zakhe eziphathelene nokuthengisa kanye nesiphakamiso sakhe esisha samanani.

Emongweni wakhe, inhloso yethu ukuthi sikwazi ukwenza amakhasimende ethu enze ngcono izimpilo zawo ngokuthola isikweletu esingenasibambiso. Ukukhula kuze kufike ebukhoneni bomfutho ohlelweni lwezenhlalakahle ngendlela yokuthi lo mfutho weseka futhi ubhebhethekisa ukukhula, nemihlomulo lokhu okuza nayo, kubaluleke kakhulu kulokhu okusemqondweni wethu futhi nokutholakala kuka-Ellerines sekuvule amathuba abalulekile maqondana nalokhu. Sihlose ukusebenzisa lama thuba ngokugcwele eminyakeni ezayo, ukwenzela ukuthi kuhlomule amakhasimende ethu ethembekile nakhulayo.

Egameni lebhodi

Mutle Mogase	**Gordon Schachat**	**Leon Kirkinis**
Usihlalo	*Iphini likasihlalo omkhulu*	*Isikhulu esiphezulu*

Business review

Strategic review

ABIL's strategic objective is to expand and dominate its chosen markets by growing its business to significant scale and translating the resultant efficiencies into greater value for customers. In order to achieve this objective, the group has identified the following key focus areas:

Key focus areas

- Maintain a foundation of financial strength
- Maintain and develop an appropriate skills base
- Grow our customer base through product and service innovation
- Integrate the financial services activities of Ellerines into African Bank
- Re-invigorate Ellerines' retail offering

Progress in 2009

ABIL has consistently applied a conservative approach to its capital and liquidity position in order to ensure the long term sustainability of its operating activities. In 2009, the group managed to further reinforce its financial strength, notwithstanding the broad dislocation of global and local capital markets, through a combination of:

- Significant new issuance into the debt capital markets;
- The diversification of its funding base, both in terms of counter party and instrument type; and
- The strengthening of existing relationships with funders, through ongoing dialogue and transparent disclosure.

As a result of these initiatives, ABIL finished the year with a group capital adequacy ratio well above the required regulatory level, and substantial cash reserves. In addition, the group's exposure to shorter term funding was significantly reduced, providing a strong platform for growth.

During 2009, ABIL recruited key staff across all activities within the group. Within African Bank, new external appointments were made at an executive level in the areas of information technology, human capital and treasury, while internal promotions were made in sales, credit and collections. Similarly, within Ellerines, new skills were brought in to merchandising, credit, sales, property, information technology and support services, as well as new managing executives in the Ellerines and Geen & Richards brands. We will have an even greater focus on our people and culture in 2010.

A key aspect of ABIL's growth strategy in recent years has been to offer customers a better value proposition through lower priced and greater utility loan products. The resultant growth in customers has enabled significant cost efficiencies which, in turn, have been passed back to customers in the form of lower priced, longer term loans. While this strategy has been applied in African Bank for several years, its application in Ellerines is only now beginning, and is expected to underpin steady growth in this business for many years to come.

An example of product innovation has been the introduction of credit card products in 2006. This product has grown from a single, one-size-fits-all card offering to a range of blue, silver and gold cards issued to 405 000 customers, and credit card advances of R1,9 billion.

During 2009, African Bank continued to grow its total number of customers, and achieved strong growth in new customers in particular. Towards the end of the financial year, new segmentation models were rolled out in African Bank, which will have the effect of providing higher value, longer term products, mainly for lower risk customers.

At the same time, the group successfully piloted the new collections methodology for unbanked customers, an initiative which is expected to provide significant new growth opportunities in the coming years.

The strategic rationale underpinning the acquisition of Ellerines in 2008 was to add to the critical mass in African Bank's traditional customer base while opening up new areas for growth. Key to the achievement of this objective is the integration of the financial services activities of the two businesses. In 2009, significant progress was achieved towards this end.

Specifically, following the completion of the pilot phase of this initiative, the group implemented the African Bank front end credit origination platform across all Ellerines branded stores, with the balance of the group's stores due to be completed in the 2010 financial year. Once this process is complete, it is expected that African Bank will be in a position to provide a broader range of products to a much wider segment of the domestic market.

Following its acquisition by ABIL, Ellerines embarked on a large scale and complex restructuring of its retail activities. During 2009, several milestones were achieved in this regard, including the completion of the store footprint optimisation and brand consolidation programme, as well as significant progress on the integration of all information technology platforms, the introduction of new merchandising strategies and the start of the supply chain integration programme. In addition, 'new look' stores were rolled out across all brands. Whilst some of the benefits of these changes have started to flow through, several aspects of the restructuring will continue in 2010 and 2011.

Business review continued

Financial and operational review

Consolidated group results

The African Bank business unit was able to grow its customer franchise and build further on its financial performance of recent years. The bank increased headline earnings by 6% to R1 525 million (2008: R1 442 million). It generated a RoA of 7,7% which together with increased gearing of 7 times contributed to a strong RoE of 53,6%.

Ellerines reported headline earnings of R285 million, a decline of 23% from the R368 million reported for the nine month period ended September 2008. The business generated a RoE of 6,6% for the year.

At the ABIL group level, the consolidation of these two businesses resulted in headline earnings in 2009 of R1,8 billion, flat relative to the previous comparable period. Headline earnings per share declined by 11% to 225,2 cents, as a result of the full year weighting of shares issued to acquire Ellerines and the RoE declined to 15,2% (2008: 19,5%).

Net asset value per share increased by 2% to 1 515 cents (2008: 1 484 cents), while tangible NAV per share increased by 6% to 721 cents.

Economic profit

African Bank's economic profit was flat at R1 070 million while Ellerines incurred a R410 million economic loss, based on its internal capital, and an additional charge of R755 million was incurred on the goodwill component of the Ellerines purchase consideration. This resulted in the ABIL group generating a net economic loss of R95 million, relative to an economic profit of R323 million for the twelve months to September 2008.

Ellerines is expected to contribute positively to group economic profit, based on its own equity, in the 2011 financial year. A positive return on total cost of the investment in Ellerines (i.e. including goodwill) is now forecast in the 2013 financial year.

Dividends and dividend cover

ABIL has declared a final dividend of 100 cents per ordinary share (H2 2008: 105 cents per share), bringing the total dividend for the year to 185 cents, a decline of 12% over the previous year. The ordinary dividend cover has remained steady at 1,2 times, representing a payout ratio of 82% of headline earnings per share. As previously communicated, it is anticipated that the dividend cover will rise to approximately 1,5 times by 2011, in order to support the growth at African Bank and Ellerines. The group has also declared a final preference share dividend of 367 cents per share, bringing the total preference share dividend for the year to 842 cents per share.

Funding and capital management

ABIL has adopted a conservative approach to capital management in order to ensure a balance between a competitive customer proposition, significant financial strength and an appropriate return for all financial stakeholders. The group has historically retained a significant 'buffer' of core Tier 1 capital, well in excess of regulatory requirements. During the period under review, this approach has underpinned the stability of the group's credit ratings and enabled continued access to wholesale funding.

As at 30 September 2009, the group's internal capital model indicated an optimal level of regulatory capital for the ABIL group of R6,0 billion, or 26,9% of assets at risk. Against this, ABIL's higher total capital base of R7,6 billion (after impairments for goodwill, trademarks and dividends declared), represents a significant competitive advantage, which will enable the group to maintain its growth momentum and to pursue its strategic objectives, irrespective of the vagaries of the prevailing economic cycle.

Economic profit

	Number of months	Average ordinary share-holders' equity (Rm)	Return on equity (%)	Cost of equity (%)	Headline earnings before BEE charge (Rm)	Charge for the cost of equity (Rm)	Economic profit/(loss) (Rm)
12 months ended 30 September 2009							
African Bank business unit	12	**2 845**	**53,6**	**16**	**1 525**	**(455)**	**1 070**
Consolidated Ellerines business unit	12	**9 064**	**3,1**	**16**	**285**	**(1 450)**	**(1 165)**
Ellerines business unit – based on its own equity	12	**4 347**	**6,6**	**16**	**285**	**(695)**	**(410)**
Goodwill arising on acquisition – equity component	12	**4 717**	**n/a**	**16**	**0**	**(755)**	**(755)**
Consolidated ABIL group	12	**11 909**	**15,2**	**16**	**1 810**	**(1 905)**	**(95)**
12 months ended 30 September 2008							
African Bank business unit	12	2 389	60,4	16	1 442	(382)	1 060
Consolidated Ellerines business unit	9	9 211	5,3	16	368	(1 105)	(737)
Ellerines business unit – based on its own equity*	9	4 494	10,9	16	368	(539)	(171)
Goodwill arising on acquisition – equity component*	9	4 717	n/a	16	0	(566)	(566)
Consolidated ABIL group	12	9 297	19,5	16	1 810	(1 487)	323

** These comparatives have been adjusted for the changes in Ellerines' fair valuation of advances at acquisition as discussed on page 170.*

ABIL group internal economic capital model

R million	Balance sheet as at 30 September 2009	% capital required	Optimal capital	Assets at risk
Net advances	20 486			
Net performing advances	16 737	22,5	3 766	16 737
Net non-performing advances	3 749	33,8	1 265	3 749
Goodwill (impaired against capital below)	5 472	n/a	–	
Intangible assets (impaired against capital below)	906	n/a	–	
Property and equipment	586	20,0	117	586
Policyholders' investments	15	0,0	–	
Assets held for sale	181	0,0	–	
Deferred tax asset and taxation	521	0,0	–	
Inventories	859	25,0	215	859
Other assets	357	20,0	71	357
Statutory assets – bank and insurance	1 323	0,0	–	
Short term deposits and cash	3 553	0,0	–	
Total assets	34 259			
Insurance companies capital requirement			250	
Short term funding liquidity buffer	3 108	10,0	311	
Optimal capital required vs assets at risk			5 995	22 288
Optimal capital as a % of assets at risk			26,9	

Analysis of capital	Core tier 1% of total capital	Core tier 1 (ordinary s/holders equity)	Other tier 1 (pref shares) and tier 2 (sub debt)	Total capital
Balance per balance sheet as at 30 September 2009		12 174	2 338	14 512
Impairments against capital:				
Goodwill		(5 472)		(5 472)
Trademarks (after deducting deferred tax liability)		(652)		(652)
Preference dividends declared but not yet paid (excl STC)		(18)		(18)
Ordinary dividends declared but not yet paid (excl STC)		(804)		(804)
Net qualifying capital as at 30 September 2009	69	5 228	2 338	7 566
% of assets at risk		23,5	10,5	33,9
Optimal capital	70	(4 197)	(1 798)	(5 995)
Capital surplus		**1 031**	**540**	**1 571**

The assumptions in the model are unchanged from those communicated in the interim results and are set out on page 17.

The group's capital allocation model is underpinned by a number of assumptions, which have been set out below:

- Capital requirements are applied to assets that are classified as "assets at risk". Assets excluded from this classification are:
  - o Goodwill and trademarks which are impaired directly off core tier 1 equity.
  - o Policyholders' investments which are matched by a back-to-back liability.
  - o Assets held for sale, where a reasonable level of certainty exists that carrying values are realisable.
  - o Deferred tax and taxation assets, which all relate to short term timing differences or actual amounts recoverable from SARS. The balance primarily relates to the adjustments relating to the changes in Ellerines accounting for insurance and provisions.
  - o Statutory assets, short term deposits and cash are all invested in either government securities or high grade banks with short term tenors and hence there is negligible economic probability of loss.

- Performing loans – The group maintains a capital underpin equivalent to 2,25 times the average annual expected credit losses on these loans (2008: 2,25 times). The group has been reducing this in steps over the last few years, and the current level is expected to be maintained over the medium term.

- Non-performing loans – IAS 39 requires that all impaired loans are carried at the net present value of the expected future cash flows of these loans, discounted at the original effective rate of the loans. This implies that the future running yield from these loans based on their net carrying value will equal that of performing loans as the present value discount unwinds. However there is a higher inherent risk associated with these loans and the projection of cash flows and accordingly the level of capital for this period has been set at 1,5 times that required for performing loans, or 33,75%.

- Other assets and property and equipment are allocated 20% capital. Retail inventories are allocated 25% capital.

- A liquidity capital buffer has been created based on 10% of all short term funding activities (defined as less than 12 months). This capital buffer would be sufficient to absorb a 500 basis points increase in the rollover of this funding for a period of two years.

- At least 70% of the optimal capital is targeted to be in the form of core tier 1 equity, which is defined as ordinary shareholders funds.

Business review continued

ABIL audited segmental balance sheet as at 30 September 2009

R million	ABIL consolidated	Consoli-dation adjustments
Assets		
Short term deposits and cash	3 553	0
Statutory assets – bank and insurance	1 323	(101)
Inventories	859	0
Other assets	357	(866)
Taxation	20	0
Net advances	20 486	0
Deferred tax asset	501	0
Assets held for sale	181	0
Policyholders' investments	15	0
Property and equipment	586	0
Intangible assets	906	0
Goodwill	5 472	4 717
Total assets	34 259	3 750
Liabilities and equity		
Short term funding	3 108	(794)
Other liabilities	1 363	(147)
Taxation	77	0
Deferred tax liability	265	0
Liabilities held for sale	25	0
Life fund reserve	15	0
Bonds and other long term funding	14 705	0
Subordinated bonds, debentures and loans	2 044	0
Total liabilities	21 602	(941)
Ordinary shareholders' equity	12 174	4 691
Preference shareholders' equity	483	0
Total equity (capital and reserves)	12 657	4 691
Total liabilities and equity	34 259	3 750

 # Restated for fair value adjustments as discussed on page 170.

** Amount previously shown as bank overdraft has been reclassified to short term funding, to more accurately disclose its nature.*

30 September 2009 African Bank	Ellerines	30 September 2008 ABIL consolidated	Consolidation adjustments	African Bank	Ellerines
3 498	55	2 984	0	2 907	77
1 128	296	1 396	(64)	922	538
0	859	767	0	0	767
963	260	142	(27)	45	124
1	19	8	0	4	4
16 755	3 731	16 452	0	13 175	3 277#
59	442	464	0	75	389#
0	181	215	0	0	215
15	0	19	0	19	0
279	307	496	0	192	304
0	906	978	0	0	978
0	755	5 472	4 717#	0	755
22 698	7 811	29 393	4 626	17 339	7 428
1 699	2 203	4 219	(64)	2 999	1 284*
383	1 127	1 332	(1)	285	1 048
58	19	238	0	127	111
0	265	294	0	0	294
0	25	37	0	0	37
15	0	18	0	18	0
14 695	10	10 332	0	10 318	14
2 044	0	511	0	511	0
18 894	3 649	16 981	(65)	14 258	2 788
3 321	4 162	11 929	4 691#	2 598	4 640#
483	0	483	0	483	0
3 804	4 162	12 412	4 691	3 081	4 640
22 698	7 811	29 393	4 626	17 339	7 428

Business review continued

ABIL audited segmental income statement

R million	ABIL consolidated	Group and consoli-dation adjustments
Revenue	14 332	(39)
Sale of merchandise	4 196	0
Cost of sales	(2 405)	0
Gross margin on retail business	1 791	0
Interest income on advances	5 437	0
Net assurance income	2 081	0
Non-interest income	2 251	0
Income from operations	11 560	0
Charge for bad and doubtful advances	(2 511)	0
Risk-adjusted income from operations	9 049	0
Other interest and investment income	367	(39)
Interest expense	(2 025)	39
Operating costs	(4 576)	0
BEE charge	0	0
Indirect taxation: VAT	(18)	0
Profit from operations	2 797	0
Capital items	(7)	0
Profit before taxation	2 790	0
Direct taxation: STC	(159)	0
Direct taxation: Normal	(776)	0
Profit for the year	1 855	0
Reconciliation of headline earnings		
Profit for the year (basic earnings)	1 855	0
Preference shareholders	52	0
Ordinary shareholders	1 803	0
Basic earnings attributable to ordinary shareholders	1 803	0
Adjustments for non-headline items:		
Capital items	7	0
Tax thereon	0	0
Headline earnings	1 810	0

30 September 2009		30 September 2008			
African Bank	**Ellerines**	ABIL consolidated	Group and consoli-dation adjustments	African Bank	Ellerines (9 months)
7 407	**6 964**	11 527	(3)	6 019	5 511
0	**4 196**	3 092	0	0	3 092
0	**(2 405)**	(1 779)	0	0	(1 779)
0	**1 791**	1 313	0	0	1 313
4 245	**1 192**	4 285	0	3 323	962
1 243	**838**	2 045	0	1 191	854
1 591	**660**	1 768	0	1 244	524
7 079	**4 481**	9 411	0	5 758	3 653
(1 929)	**(582)**	(1 856)	0	(1 361)	(495)
5 150	**3 899**	7 555	0	4 397	3 158
328	**78**	342	(3)	261	84
(1 816)	**(248)**	(1 313)	3	(1 136)	(180)
(1 330)	**(3 246)**	(3 734)	11	(1 209)	(2 536)
0	**0**	(291)	(291)	0	0
(18)	**0**	(56)	0	(54)	(2)
2 314	**483**	2 503	(280)	2 259	524
0	**(7)**	(11)	(11)	0	0
2 314	**476**	2 492	(291)	2 259	524
(86)	**(73)**	(149)	0	(132)	(17)
(651)	**(125)**	(783)	0	(636)	(147)
1 577	**278**	1 560	(291)	1 491	360
1 577	**278**	1 560	(291)	1 491	360
52	**0**	49	0	49	0
1 525	**278**	1 511	(291)	1 442	360
1 525	**278**	1 511	(291)	1 442	360
0	**7**	11	0	0	11
0	**0**	(3)	0	0	(3)
1 525	**285**	1 519	(291)	1 442	368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African Bank business unit

Business review continued

African Bank financial statistics for the twelve months ended 30 September 2009

		% change	Audited 2009	Audited 2008
Key profitability ratios				
Headline earnings	R million	6	**1 525**	1 442
Economic profit	R million	1	**1 070**	1 060
Performance ratios				
Total income yield on average advances	%		**38,1**	42,7
Bad debt expense to average advances	%		**10,4**	10,1
Cost to average advances	%		**7,2**	9,0
Cost to income	%		**18,8**	21,0
Return on assets	%		**7,7**	10,2
Gearing ratio	times		**7,0**	5,9
Return on equity	%		**53,6**	60,4
Asset and credit quality ratios				
Gross advances	R million	31	**20 994**	16 042
Performing loans	R million	19	**13 836**	11 587
Non-performing loans (NPLs)	R million	61	**7 158**	4 455
Average gross advances	R million	38	**18 583**	13 491
Net advances	R million	27	**16 755**	13 175
Total impairment provisions (incl credit life reserves)	R million	48	**4 239**	2 867
NPLs to gross advances	%		**34,1**	27,8
Impairment provisions to gross advances	%		**20,2**	17,9
NPL coverage	%		**59,2**	64,4
Gross bad debt write-offs to average gross advances	%		**12,1**	9,4
Bad debts rehabilitated to average gross advances	%		**8,5**	4,9
Funding and cash reserves				
Funding (incl subordinated bonds)	R million	33	**18 438**	13 828
Average cost of funds	%		**11,4**	10,6
Cash and statutory assets	R million	21	**4 626**	3 829
Capital ratios				
African Bank capital adequacy (per Basel II)	%		**30,1**	25,5
Tier 1	%		**20,5**	21,0
Tier 2	%		**9,6**	4,5
Customers				
Disbursements of new loans (sales)	R million	(0)	**9 701**	9 713
Number of customers	000	10	**1 835**	1 668

Results at a glance

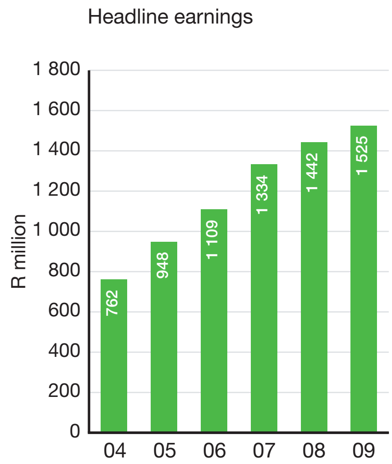
Financial performance

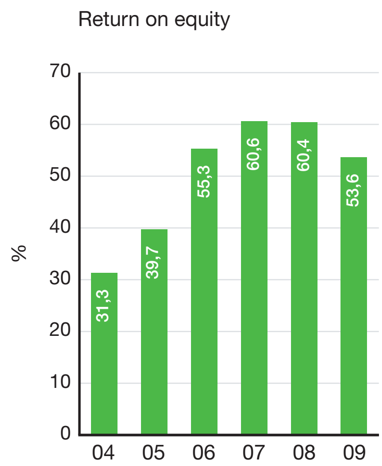
Headline earnings for African Bank for the year to 30 September 2009 increased by 6% to R1 525 million (2008: R1 442 million). The main drivers of this result were:

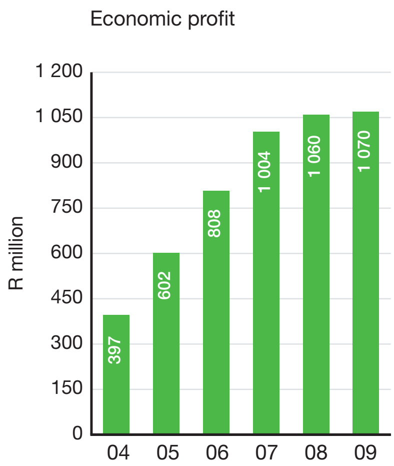
- Sales of new loans were flat relative to 2008, as credit extension was tightened to counter the deteriorating economic conditions.
- Gross advances grew by 31% with the substantial growth in the first half of the year resulting in average advances growing by 38%.
- The number of customers increased by 10% to 1,8 million.
- The overall yield earned on average gross advances fell from 42,7% to 38,1%.
- The bad debt charge for the period was steady at 10,4%.
- Operating costs increased by 10%, while the ratio of operating cost to average advances fell to 7,2%, due to the higher rate of growth in advances.
- Total funding liabilities grew by 33% to R18,4 billion and the average funding rate increased from 10,6% to 11,4%.

Financial objectives

Objective	Target for 2009	Actual for 2009	Target for 2010
Advances growth	30%	31%	25%
Decline in yield on advances	3,75%	4,6%	2%
Cost to average advances	7,25%	7,2%	6%
Bad debts to average advances	10,0%	10,4%	10%
Average funding cost	n/a	11,4%	11%







Business review continued

The year in review

African Bank achieved headline earnings of R1 525 million for the year ended 30 September 2009, a 6% increase on the previous comparable period. Economic profit, measured after deducting the cost of equity from headline earnings, was flat relative to 2008 at R1 070 million. The bank generated a return on assets of 7,7% (2008: 10,2%). This, together with gearing that increased from 5,9 to 7 times, produced a return on equity of 53,6% (2008: 60,4%) for the twelve months.

The deterioration in the consumer and business environment during the past year necessitated a more cautious approach to underwriting, funding and liquidity management. However, the bank's price-volume elasticity strategies implemented over the last few years continued to benefit customers, whilst also generating strong revenue, as advances growth outpaced declining yields. Continued cost control and a steady bad debt charge further reduced aggregate input costs, while higher funding costs to some extent offset these benefits.

After strong growth in the first quarter of the financial year, evidence of rising unemployment and a deterioration in the performance of recently written loans caused the bank to moderate its underwriting appetite. This was primarily achieved through shifting the underwriting models to favour medium to low risk clients, increasing the minimum living expense requirements in the affordability calculations and reducing the loan sizes offered, all of which impacted sales growth over the remainder of the year. The bank strived to serve as many clients as possible, albeit with lower exposures to individual clients. This is evidenced by the number of new loans increasing by 4% during the year, while the average loan size reduced by the same percentage. Total customers grew from 1,67 million to 1,84 million.

The most recent data suggests that these trends have stabilised and in some cases have started to reverse. Vintages have improved steadily, unemployment insurance claims are slowing down and economic activity is recovering in certain segments of the market. The bank has taken cognisance of these trends and has started to cautiously relax its underwriting criteria. The rollout from July 2009 of

Return on assets and return on equity model

R million	**12 months ended 30 Sep 2009**	12 months ended 30 Sep 2008	12 months ended 30 Sep 2007	
Interest income on advances	**4 245**	3 323	3 098	Interest/Advances
Net assurance income	**1 243**	1 191	742	Assurance/Advances
Non-interest income	**1 591**	1 244	707	Other income/Advances
Total income	**7 079**	5 758	4 547	Total income yield
Charge for credit losses	**(1 929)**	(1 361)	(823)	Bad debts/Advances
Operating expenses	**(1 330)**	(1 209)	(1 091)	Opex/Advances
Net financing costs (including pref dividends)	**(1 540)**	(924)	(507)	Financing costs/Advances
Taxation (including STC and indirect taxation)	**(755)**	(822)	(792)	Taxation/Advances
Total charges against income	**(5 554)**	(4 316)	(3 213)	Total charges/Advances
Headline earnings	**1 525**	1 442	1 334	Return on advances
				Advances/Total assets
Average gross advances	**18 583**	13 491	9 243	**Return on assets (RoA)**
Average total assets	**19 816**	14 150	9 914	**Gearing**
Average ordinary shareholders' equity	**2 845**	2 389	2 202	**Return on equity (RoE)**

revised underwriting models, which have further refined the bank's risk segmentation, have provided added capacity to further reduce cross subsidisation, differentiate pricing based on customers' unique characteristics and tailor products to customers' individual needs. The annual review of the bank's distribution footprint resulted in 18 new branches being opened while 77 branches, primarily small mining outlets, were closed resulting in a total distribution footprint of 419 branches at 30 September 2009. We are satisfied that the bank's footprint is of an optimum size for its current strategies and the emphasis in the next financial year will be on relocating some branches to more suitable locations, rather than opening a substantial number of new branches.

Developments in global financial markets over the past year have highlighted the importance of managing funding profiles and liquidity risk. This, together with the significant growth in the advances portfolio in recent years, has focused attention on the bank's capital and funding. African Bank's approach during this period was to remain true to its long term strategy of securing longer dated funding, well in excess of the maturity profile of its assets, to maintain strong cash balances and to continue to build a diversified funding base in terms of the universe of funders and the types of instruments.

The bank was able to comfortably fund the growth in its business and meet maturing liabilities and other cash flow needs during the year. The bank's funding liabilities grew from R13,8 billion to R18,4 billion, its short term funding ratio (defined as funding with a maturity of less than 12 months at origination) fell back to under 10% of total funding, its capital adequacy increased from 25,5% to 30,1% on the back of a substantial increase in tier 2 subordinated capital and its cash resources grew from R3,8 billion to R4,6 billion. This strong liquidity position was however attained at a price, with the higher credit spreads demanded during this volatile period increasing the bank's cost of funding from 10,6% to 11,4%.

12 months ended 30 September 2009				12 months ended 30 September 2008				12 months ended 30 September 2007			
22,8%				24,6%				33,5%			
6,7%				8,8%				8,0%			
8,6%				9,2%				7,6%			
equals	**38,1%**			*equals*	42,7%			*equals*	49,2%		
			Bad debts/ Income				Bad debts/ Income				Bad debts/ Income
(10,4%)				(10,1%)				(8,9%)			
(7,2%)			**27,2%**	(9,0%)			23,6%	(11,8%)			18,1%
			Cost/Income				Cost/Income				Cost/Income
(8,3%)				(6,8%)				(5,5%)			
(4,1%)			**18,8%**	(6,1%)			21,0%	(8,6%)			24,0%
equals	**(29,9%)**			*equals*	(32,0%)			*equals*	(34,8%)		
		equals				*equals*				*equals*	
		8,2%				10,7%				14,4%	
		multiply				*multiply*				*multiply*	
		93,8%				95,3%				93,2%	
		equals				*equals*				*equals*	
		7,7%				10,2%				13,5%	
		multiply				*multiply*				*multiply*	
		7,0				5,9				4,5	
		equals				*equals*				*equals*	
		53,6%				60,4%				60,6%	

Business review continued

African Bank audited income statement for the twelve months ended 30 September 2009

R million	% change	2009	2008
Revenue	23	**7 407**	6 019
Interest income on advances	28	**4 245**	3 323
Net assurance income	4	**1 243**	1 191
Non-interest income	28	**1 591**	1 244
Income from operations	23	**7 079**	5 758
Charge for bad and doubtful advances	(42)	**(1 929)**	(1 361)
Risk-adjusted income from operations	17	**5 150**	4 397
Other interest income	26	**328**	261
Interest expense	(60)	**(1 816)**	(1 136)
Operating costs	(10)	**(1 330)**	(1 209)
Indirect taxation: VAT	67	**(18)**	(54)
Profit before taxation	2	**2 314**	2 259
Direct taxation: STC	35	**(86)**	(132)
Direct taxation: SA normal	(2)	**(651)**	(636)
Profit for the year	6	**1 577**	1 491

R million	% change	2009	2008
Reconciliation of headline earnings			
Basic earnings (profit for the year) attributable to:	6	**1 577**	1 491
Preference shareholders	6	**52**	49
Ordinary shareholders	6	**1 525**	1 442
Basic earnings attributable to ordinary shareholders		**1 525**	1 442
Adjusted for non-headline items		**0**	0
Headline earnings	6	**1 525**	1 442

African Bank audited balance sheet as at 30 September 2009

R million	% change	2009	2008
Assets			
Short term deposits and cash	20	**3 498**	2 907
Statutory assets – bank and insurance	22	**1 128**	922
Other assets	>100	**963**	45
Taxation	(75)	**1**	4
Net advances	27	**16 755**	13 175
Deferred tax asset	(21)	**59**	75
Policyholders' investments	(21)	**15**	19
Property and equipment	45	**279**	192
Total assets	31	**22 698**	17 339
Liabilities and equity			
Short term funding	(43)	**1 699**	2 999
Other liabilities	34	**383**	285
Taxation	(54)	**58**	127
Life fund reserve	(17)	**15**	18
Bonds and other long term funding	42	**14 695**	10 318
Subordinated bonds	>100	**2 044**	511
Total liabilities	33	**18 894**	14 258
Ordinary shareholders' equity	28	**3 321**	2 598
Preference shareholders' equity	0	**483**	483
Total equity (capital and reserves)	23	**3 804**	3 081
Total liabilities and equity	31	**22 698**	17 339

Business review continued

Sales

Demand for African Bank's products remained strong, and the business attracted 377 000 new customers during the period. However, the more stringent underwriting criteria implemented in January 2009 resulted in sales of new loans remaining flat relative to the previous period.

As the underwriting models have matured, the business targeted growth during the year in the medium risk customer segments.

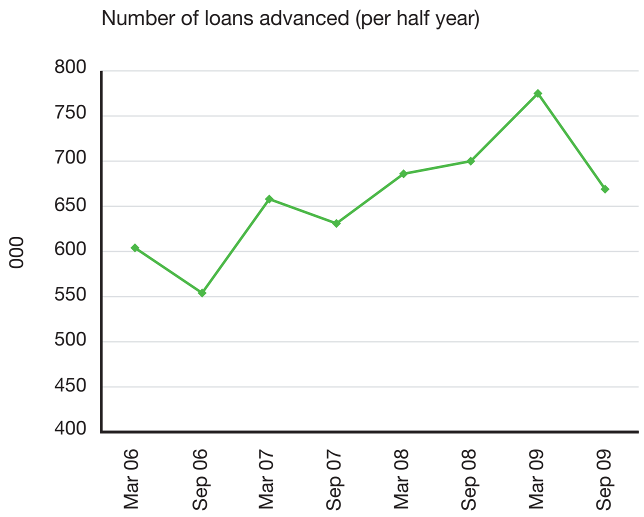
New segmentation models rolled out towards the end of the financial year have increased the most recent average term to 35 months. This was as a consequence of higher value, longer term products implemented mainly for lower risk clients, as part of the new segmentation.

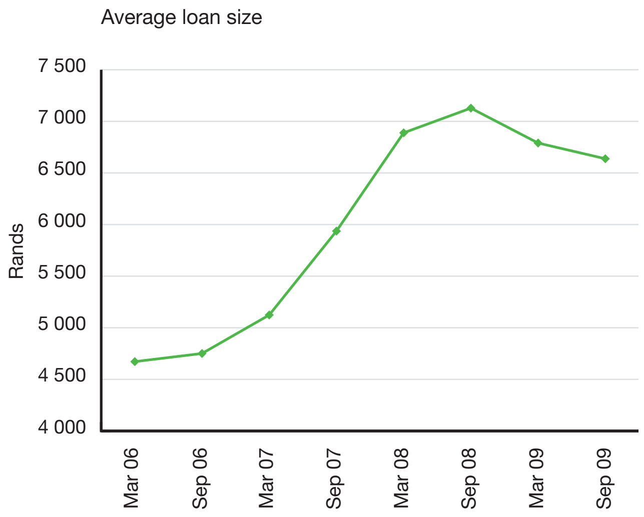
African Bank also refined its economic sector analysis in 2009, which provides valuable insight into the risk and opportunities of the different sectors of the economy and which allows the bank to adjust its offering for more risky sectors.

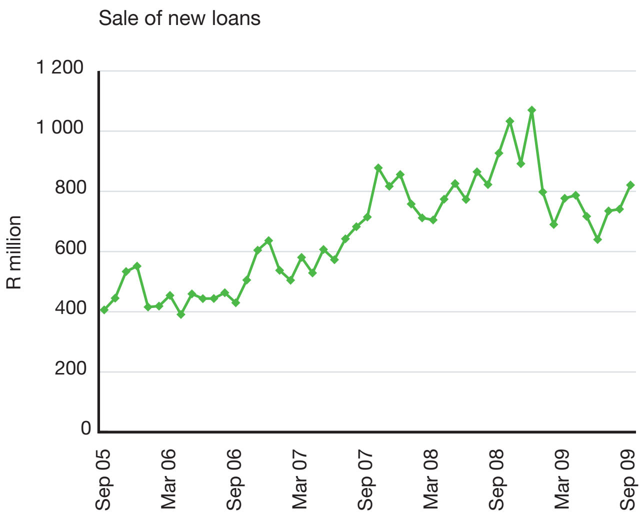
The bank expects sales growth for the next financial year to remain modest, at least until economic conditions improve across a broad base.

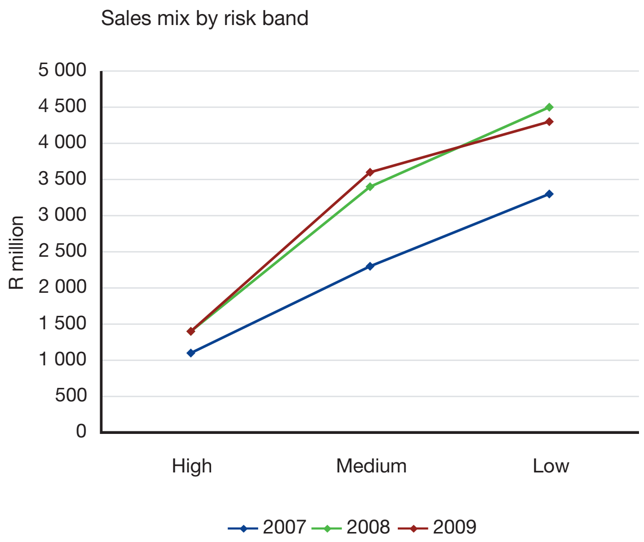
Sales of new loans and credit cards

		% change	2009	2008
Sales	R million	(0)	**9 701**	9 713
Number of new loans and cards	000	4	**1 444**	1 386
Average loan size	Rand	(4)	**6 719**	7 010
Average term	Months	0	**33**	33
Loan approval rate	%	0	**65**	65
Number of new customers	000	8	**377**	350









Credit card

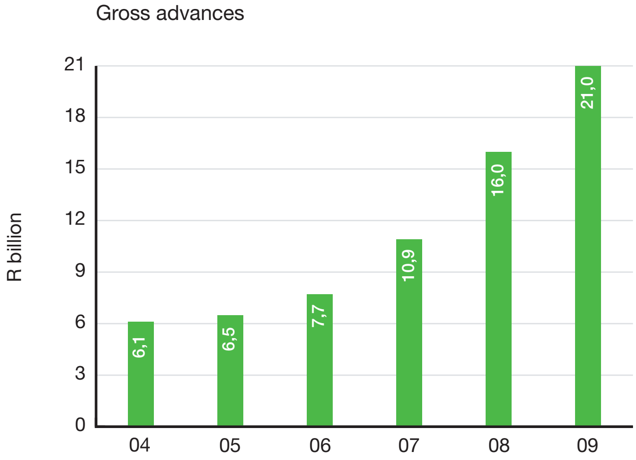
Credit card sales for the year (as defined by facility limits on new cards issued) increased by 51% to R984 million. The number of new cards issued increased by 12%, while the added focus on customers in the lower risk groups changed the mix in credit cards issued towards silver and gold cards with concomitant higher limits. As a result, the average limit on cards issued this year was R7 213, relative to the average limit across the book of R4 354. These sales, together with improved utilisation on the cards, translated into a 75% growth in credit card advances to R1,9 billion.

Credit card summary

		% change	**2009**	2008
Disbursements	R million	51	984	653
Credit card loan portfolio	R million	75	1 888	1 080
Number of new cards issued	000	12	160	143
Total number of cards in issue	000	35	405	300
Average limit across all cards	Rand	8	4 354	4 021

Business review continued

Advances



Gross advances grew to R21,0 billion in 2009. The increase in the book was mainly driven by a 21% rise in the number of loans. Average loan balances increased by 6%, in contrast to previous years when larger loan sizes had a significant impact on growth in advances.

The retail debit order portfolio remains the largest, at 77% of the advances book, and grew by R3,5 billion or 28%, while the credit card portfolio which represents 9% of the book, showed the highest growth, albeit off a smaller base.

The substantial growth in the advances book in relation to flat sales is explained by three dynamics currently within the portfolio. The largest impact comes from the lengthening of term of new loans written over the past two years. This impacts the maturity profile and duration of the book, yet has no impact on the sales amount recorded. Two important sources of new advances are also not captured in the currently defined sales numbers, namely credit card revolve and settlement re-advances. In the case of credit cards, only new card limits are currently captured as sales, whereas the credit revolve facility has become a significant source of growth as the card book grows to scale.

An increasing product offering (settlement re-advance) allows customers, when taking out a new loan, to use a portion of the loan to settle the outstanding balance on an older, shorter term loan. Whilst only the net disbursement is recorded within sales, the settlement re-advance portion extends the duration of the loan book.

This relationship between the currently defined sales of new loans and the growth in the advances portfolio will persist over the medium term. The bank is in the process of reviewing its definition of sales in order to provide a more meaningful measure of the activity resulting in book growth and will provide new disclosure in this regard in its interim results for 2010.

The bank targets advances growth of approximately 25% for 2010.

		% change	**2009**	2008
Gross advances	R million	31	**20 994**	16 042
Average gross advances	R million	38	**18 583**	13 491
Number of loans	000	21	**2 659**	2 197
Average loan balance	Rand	6	**7 605**	7 204
Number of customers	000	10	**1 835**	1 668

Yield analysis

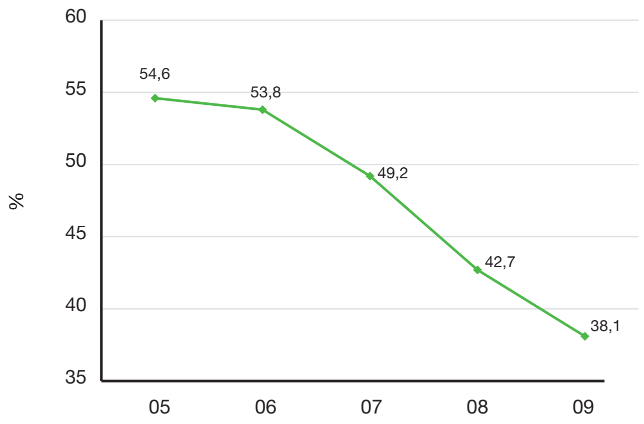
The total income yield earned on advances declined from 42,7% in 2008 to 38,1% during 2009. African Bank did not implement any specific price reductions during the year, given the cyclically higher cost of funding and the generally riskier environment. The decline in yield is primarily attributed to the change in mix towards lower risk, lower priced loans at the same time as older, more expensive loans paid down.

Additional contributors to the lower yields include the suspension of interest on a larger non-performing loan book and the higher level of claims paid on insurance policies (which are deducted from assurance income). The latter reduced the total yield by approximately 1,2%. Whilst job losses are expected to continue over the short term, recent retrenchment claims suggest that they may have begun to stabilise.

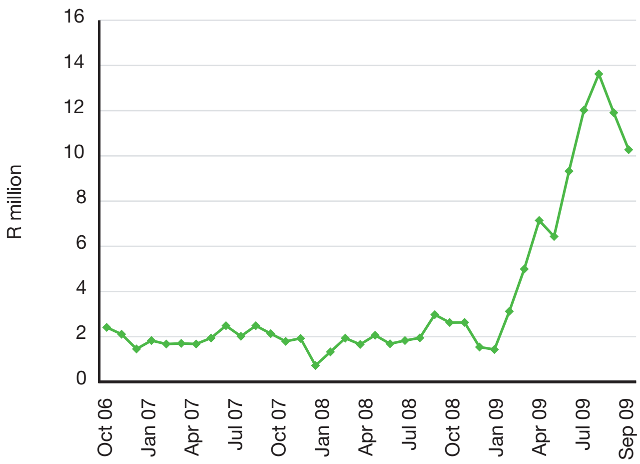
The bank remains confident that its price-volume strategy remains appropriate, provides a strong competitive advantage and will generate long term growth. The 38% growth in average advances, combined with the drop in yield, generated a growth in income from operations of 23% to R7,1 billion.

It is expected that the yield in 2010 will fall by approximately 2%. As the economic cycle settles and the business becomes more comfortable with its risk outlook, the price-volume strategies will continue towards the targeted level of a 35% overall yield.

Total income yield



Retrenchment claims paid



Business review continued

Bad debt charge and operating costs

Charge for bad debt

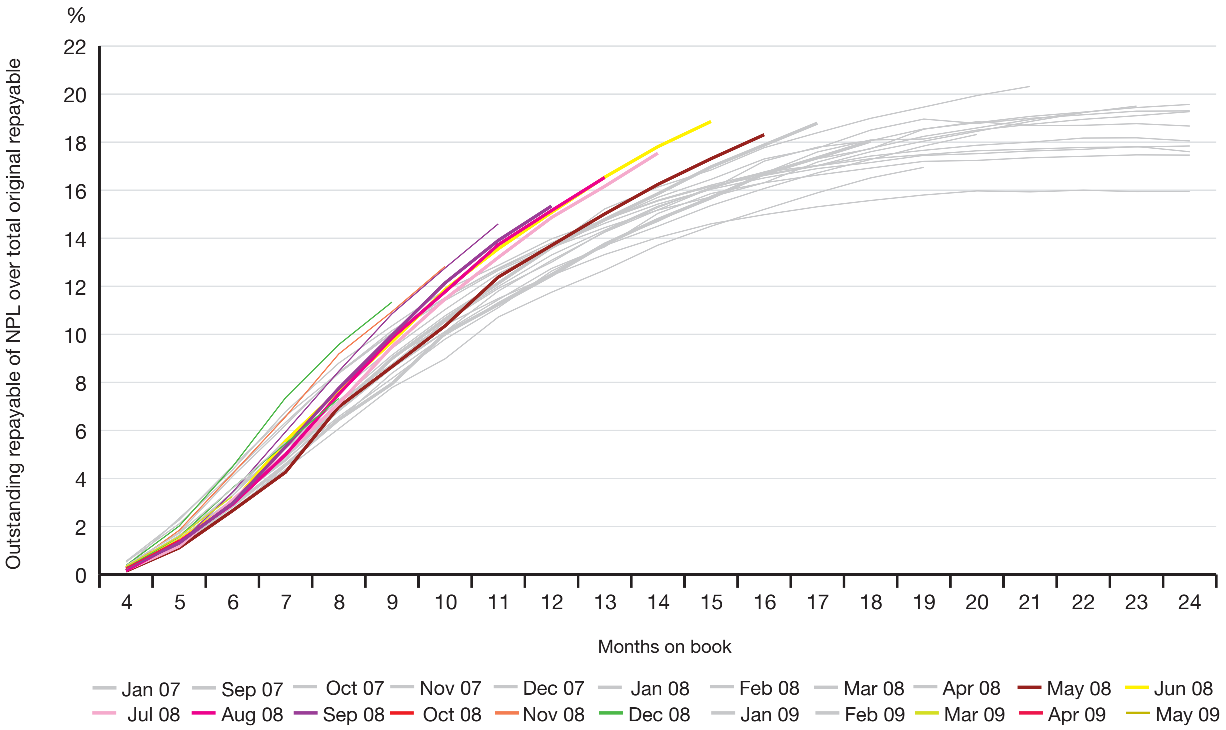
The charge for bad and doubtful advances was R1 929 million (2008: R1 361 million) or 10,4% of average gross advances (2008: 10,1%). Two significant offsetting drivers influenced the bad debt charge during the current year. Firstly, a substantial number of new NPLs fed through during the second half of the financial year as the risk emerged from the high sales written in the period from July 2008 to December 2008, and in line with IAS 39, provisions are raised against these NPLs as they arise. Secondly, due to the improving success in reactivating previously written-off loans, the bad debt charge has benefited from the increasing present value of cash flows placed on these loans during the current year.

Vintages

In order to gain a meaningful understanding of the effectiveness of the underwriting models, African Bank focuses on analysing credit vintage curves, which segment the emergence of risk in discrete underwriting periods, as a better and more immediate measure of the risk in the portfolio, than the aggregate NPLs and bad debt charge. A vintage curve tracks each month's new loans as a unique portfolio and plots the cumulative proportion of the portfolio that migrates into an NPL status, being loans with more than three cumulative instalments in arrears.

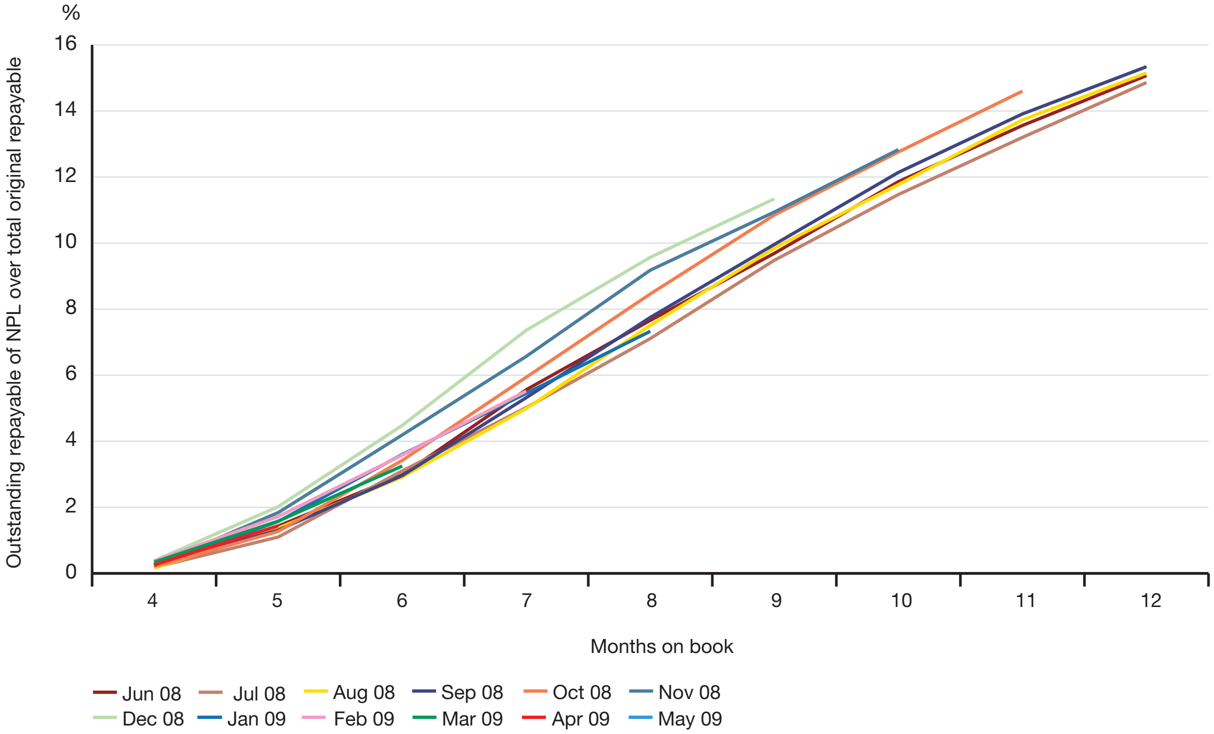
The first vintage graph, set out below, shows the vintages for business written since May 2008, overlaid onto the historic range of vintages dating back to January 2007. As is evident from the graph, the vintages for the latter part of the 2008 calendar year moved out and beyond the upper end of the historic range. African Bank's sales were disproportionately high to the manufacturing and retail sectors that have been particularly affected due to retrenchments and reductions in income, notably overtime and sales commissions. This prompted the bank to review its credit appetite and its exposure to different sectors of the domestic economy early in 2009 and as a result the most recent vintages are tracking back towards acceptable levels.

Vintage graph: African Bank (more than 3 missed instalments)



The second vintage chart, set out below, reflects a focused view of the vintages for the last 12 months, and illustrates how the recent vintages have trended back to the middle of the historic ranges.

Vintage graph: African Bank (more than 3 missed instalments) – focused view



Operating costs

R million	% change	2009	2008
Staff costs	2	**650**	640
Basic remuneration and commissions	10	**546**	497
Annual bonuses paid in November	(26)	**59**	80
Charge for long term incentives	(29)	**45**	63
Bank charges	27	**175**	138
Operating leases on property	15	**93**	81
Telephone, fax and other communication costs	0	**66**	66
Depreciation on property and equipment	16	**72**	62
Card transaction costs	(11)	**33**	37
Information technology costs	40	**42**	30
Printing, stationery and courier costs	33	**40**	30
Advertising and marketing costs	14	**32**	28
Other expenses	31	**127**	97
Total operating cost	10	**1 330**	1 209

Business review continued

Bad debt charge and operating costs continued

Operating costs for the twelve months to 30 September 2009 increased by 10% to R1 330 million, while the cost to average advances ratio fell to 7,2% (2008: 9,0%). Cost efficiency has been a major contributor to the bank's capacity to reduce prices to its customers.

Staff costs, which make up 49% of total operating costs, increased by 2% to R650 million. Basic remuneration increased by 10%, following an average salary increase of 8,9% implemented in October 2008 and minimum wage increases during the year, while overall staff numbers remained steady. Annual bonuses and long term incentives were 26% and 29% lower than 2008 respectively.

The most significant cost increases came from bank charges (debit order fees), which are directly variable to the level of growth within the gross advances portfolio. The increase in information technology costs was mainly a function of increases in hardware and software costs to accommodate the transfer of the Ellerines' loan origination processes to the bank and a general repositioning of IT skills and infrastructure to give the bank the scalability required to meet its medium term growth aspirations.

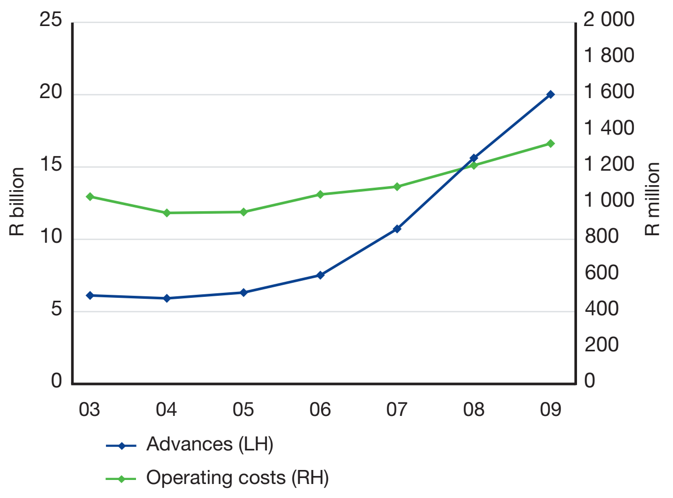
Cost control remains a strategic imperative to provide future capacity for further price reductions. Addressing cost inefficiencies is an ongoing focus and the business' cost to advances target for 2010 has therefore been set at 6%. Over the medium term, the bank expects to reduce this ratio further to below 5%.

Optimising bad debt versus operating costs

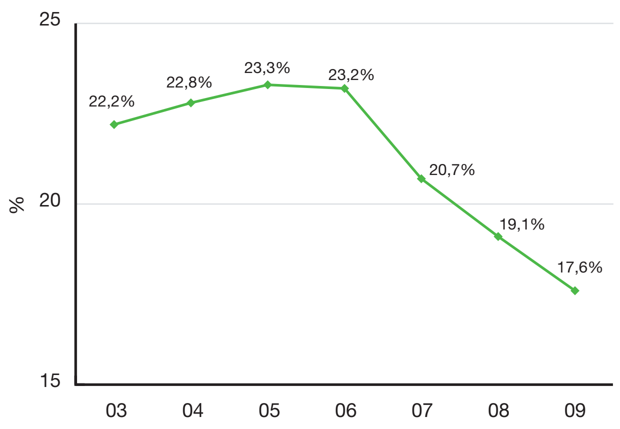
The relationship between cost efficiency and incremental risk is an important driver for African Bank. Continuous management of this relationship is designed to ensure that gains made in cost efficiency, through volume growth, are not negated by bad debt.

The graphs below show the development of the relationship between risk and cost efficiency over the past four years. The substantial decline in aggregated bad debt and operating costs as a percentage of advances has provided the bank with an important competitive advantage in enabling price reductions, and we intend to drive this further over the medium term.

Scale advantages



Bad debt plus operating costs as a % of average advances



Asset quality

Non-performing loans increased by 61% to R7 158 million over the twelve months and as a percentage of advances it increased from 27,8% at 30 September 2008 to 34,1%. The increase in NPLs reflected an overall deterioration in the book as a result of the economic conditions, a higher than expected emergence of risk on sales written in the July to December 2008 period, as well as the effect of R1 588 million (2008: R658 million) of rehabilitated loans from the previously written-off portfolio (together with provisions) as collection strategies on these loans began to yield results.

Impairment provisions have increased by 48% from R2,9 billion to R4,2 billion, resulting in NPL coverage declining to 59,2% (2008: 64,4%). The lower NPL coverage is primarily a result of the following three factors:

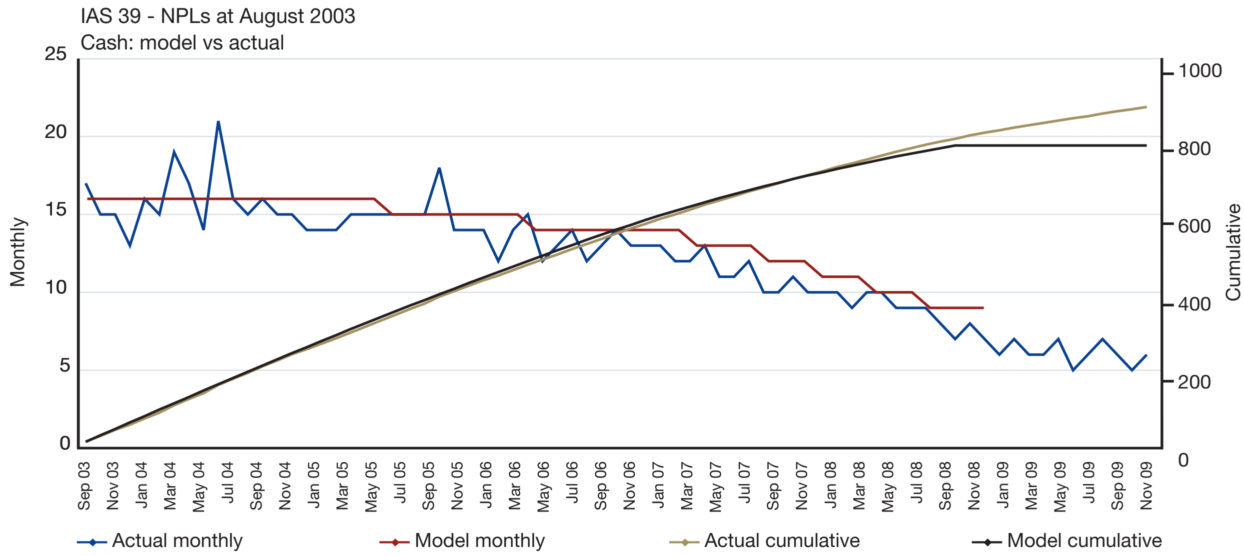
- The NPL portfolio contains a larger proportion of more recently defaulted loans and on these loans there is a greater prospect of recovery and future cash flows.

- Further improvements in collections strategies, and in particular the implementation of refined collections scorecards, has resulted in improved collection rates on the broader base of NPLs.

- Growing success in the recovery and rehabilitation of bad debts previously written off, has resulted in the expected future cash flows from these loans increasing. As at 30 September 2009, the net present value placed on the future cash flows to be derived from the written-off portfolio of R5,7 billion increased to R777 million (2008: R280 million) or 13,7 cents in the Rand.

An added benefit that we have experienced since the introduction of the NCA, has been the increasing number of clients who defaulted a long time ago, approaching the bank to arrange a settlement in order to clear their credit bureau records as further credit has been subsequently denied in the market place.

The IAS 39 model at African Bank was subjected to a detailed annual review with the objective of making further refinements to the model where necessary. Back testing was performed on the forecasted cash flows from the NPL book as at the beginning of the 2007 financial year against the actual recoveries on that book. The bank recovered R593 million on these loans over the period against a forecasted recovery in the model at the time of R566 million. The following graph provides an even longer range view of modelled versus actual cash flow, tracking from 2003 to date. It shows that actual cash flows continued long after the five year cut off in the model. The latest model has now been extended to eight years to capture these cash flows.



The bank is satisfied that the provisioning models continue to be robust in predicting cash flows and ensuring that adequate and consistent provisions are maintained.

It is expected that the growth in non-performing loans will slow in 2010 as the better quality loans written in the latter part of 2009 start to feed through. Write-offs are expected to remain high as the non-performing loans from sales in 2008 mature. Loan rehabilitations are also expected to remain high on the back of the growing written-off book.

Business review continued

African Bank asset quality analysis

R million	% change	30 Sep 2009	30 Sep 2008
Gross advances			
Performing	19	**13 836**	11 587
Non-performing	61	**7 158**	4 455
	31	**20 994**	16 042
Impairment provisions and credit life reserves			
Impairment provisions		**4 239**	2 838
Balance at the beginning of the period		**2 838**	1 892
Impairment provisions raised		**2 065**	1 553
Bad debts written off (gross)		**(2 252)**	(1 265)
Bad debts rehabilitated		**1 588**	658
Stangen credit life reserves		**0**	29
Total impairment provisions and credit life reserves	48	**4 239**	2 867

Income statement charges	**12 mths to 30 Sep 09**	12 mths to 30 Sep 08
Charge for bad and doubtful advances	**1 929**	1 361
Impairment provisions raised	**2 065**	1 553
Bad debts recovered	**(136)**	(192)
Ratios		
NPLs as a % of gross advances	**34,1**	27,8
Impairment provisions as a % of NPLs	**59,2**	63,7
Stangen credit life reserves as a % of NPLs	**0,0**	0,7
Total impairment provisions and credit life reserves as a % of NPLs (NPL coverage)	**59,2**	64,4
Total impairment provisions and credit life reserves as a % of gross advances	**20,2**	17,9
Income statement charge for bad debts as a % of average gross advances	**10,4**	10,1
Gross bad debts written off as a % of average gross advances	**12,1**	9,4
Bad debts rehabilitated as a % of average gross advances	**(8,5)**	(4,9)

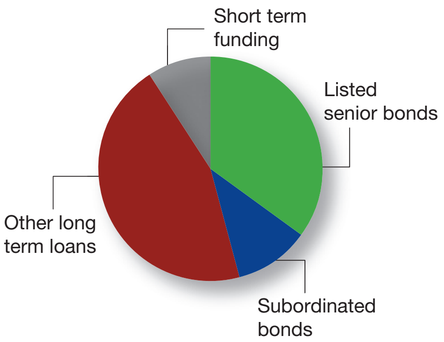
Liquidity and funding

The bank continues to approach its capital management and funding strategies from a conservative point of view to ensure that the sustainability of the business is protected through different business cycles. In the twelve months to September 2009, African Bank increased total funding liabilities by R4,6 billion or 33% to R18,4 billion (2008: R13,8 billion), slightly ahead of advances growth. Total cash reserves increased from R3,8 billion to R4,6 billion.

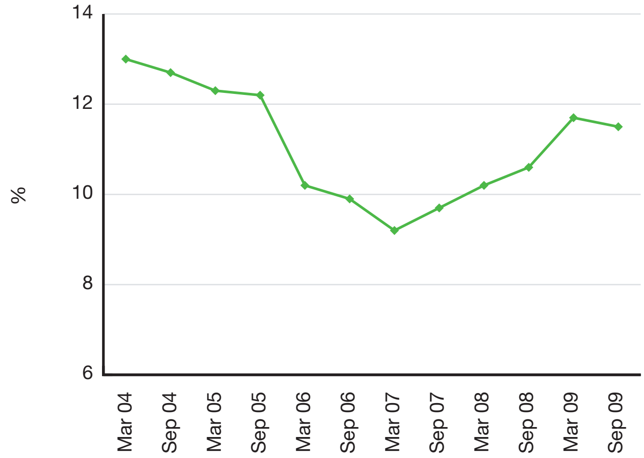
Funding composition (based on term at origination)

R million	% change	**30 Sep 2009**	30 Sep 2008
Short term funding	(43)	**1 699**	2 999
Demand deposits	3	**284**	276
Fixed and notice deposits	(37)	**1 155**	1 839
NCDs	(71)	**260**	884
Long term funding	55	**16 739**	10 829
Listed senior bonds	44	**6 381**	4 434
Other long term loans	41	**8 314**	5 884
Subordinated bonds	300	**2 044**	511
Total funding	33	**18 438**	13 828
Average cost of funding (%)	8	**11,4**	10,6
Total cash reserves	21	**4 626**	3 829

Funding composition
30 September 2009



Cost of funding



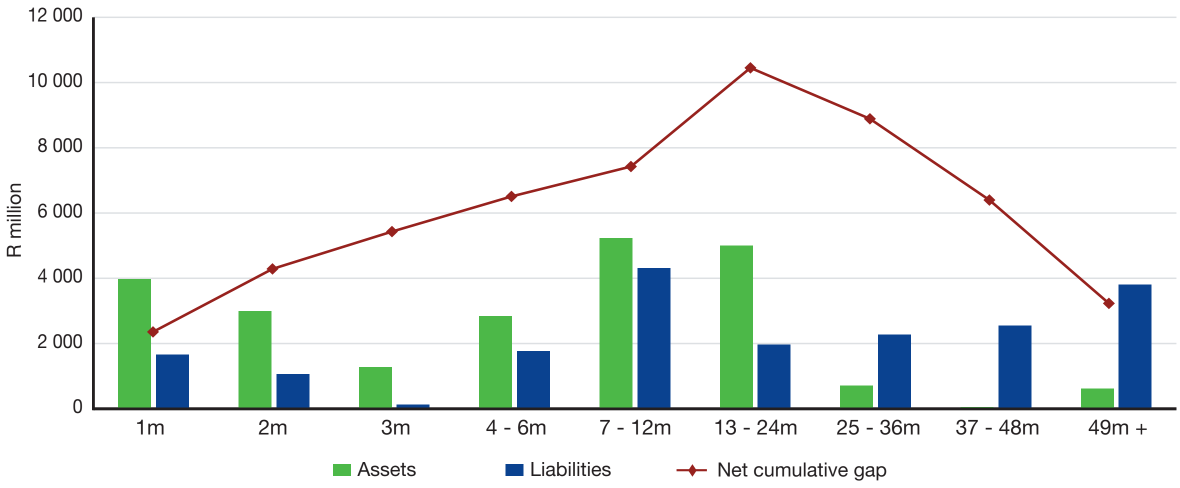
Business review continued

Liquidity and funding continued

Notwithstanding the substantial amount of new funding raised, the bank was also successful in retaining its maturing liabilities. The percentage of maturing deposits that were reinvested increased to 85% over the past year, compared to the historic average of 75%.

As can be seen from the chart on the previous page, African Bank's cost of funding peaked in October 2008 at 11,9%. Whilst the cost of funding increased during the current year, the increase in equity gearing from 5,9 times in 2008 to 7 times in 2009 through more effective use of secondary capital instruments, has resulted in the weighted average cost of capital remaining steady.

Liquidity mismatch – assets vs liabilities (based on time to maturity)



The bank continues to maintain the ratio of maturing assets to maturing liabilities at a level of at least 2 times, in order to ensure sufficient liquidity through all market cycles.

Ellerines business unit

Business review continued

Ellerines financial statistics for the twelve months ended 30 September 2009

		Audited 12 months to 30 Sep 2009	Audited 9 months to 30 Sep 2008	Unaudited 12 months to 30 Sep 2008
Key shareholder ratios				
Headline earnings	R million	**285**	368	
Economic loss	R million	**(410)**	(171)#	
Average shareholders' equity	R million	**4 347**	4 494#	
Return on equity	%	**6,6**	10,9#	
Retail performance ratios				
Sales	R million	**4 196**	3 092	4 942
Cash sales	R million	**1 881**	1 723	2 452
Credit sales	R million	**2 315**	1 369	2 490
Credit sales as % of total sales	%	**55,2**	44,3	50,4
Gross margin	%	**42,7**	42,5	43,1
Operating cost as % of sales	%	**55,1**	60,2	52,3
Return on sales	%	**(4,4)**	(8,2)#	(1,5)
Stock turn*	times	**2,9**	3,6	3,6
Number of stores		**1 028**	1 161	1 161
Retail square metres	m²	**722 486**	783 944	783 944
Sales/m²*	Rand	**5 809**	6 298	6 305
Sales/store*	R 000	**4 083**	4 253	4 258
Number of employees (total group)		**13 454**	15 876	15 876
Sales/employee*	R 000	**312**	317	311
Financial services performance ratios				
Total income yield on average advances	%	**45,3**	51,6	
Bad debt expense to average advances	%	**11,0**	12,0	
Cost to average advances	%	**17,6**	16,4	
Return on assets	%	**10,7**	18,9#	
Return on equity	%	**16,1**	26,5	
Gross advances	R million	**5 153**	4 786#	
Total non-performing loans (NPLs)	R million	**2 095**	1 784	
Total impairment provisions	R million	**1 422**	1 509	
NPLs to gross advances	%	**40,7**	37,3#	
Impairment provisions to gross advances	%	**27,6**	31,5#	
NPL coverage	%	**67,9**	84,6#	
Gross bad debt write-offs to average gross advances	%	**22,6**	12,6	
Number of active accounts	000	**1 241**	1 390	

** 12 month rolling average*

 # Restated as a result of the additional fair value adjustment and the reallocation of balance sheet items between retail and financial services.

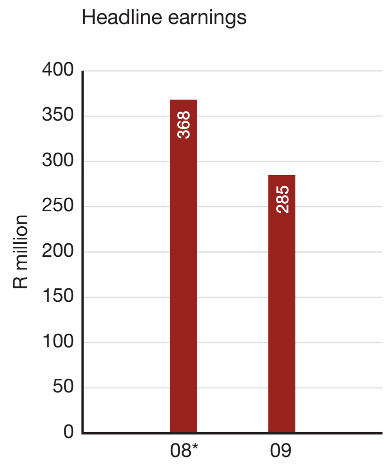
Where applicable, the various ratios have been annualised on a straight line basis, ignoring the effect of the peak retail trading quarter.

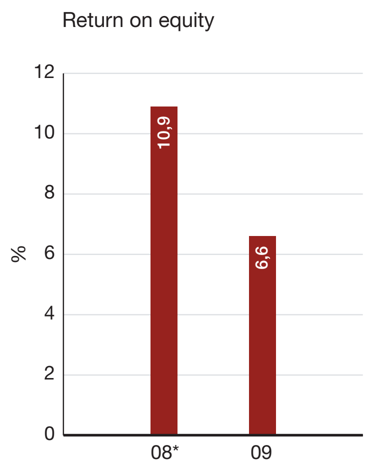
Results at a glance

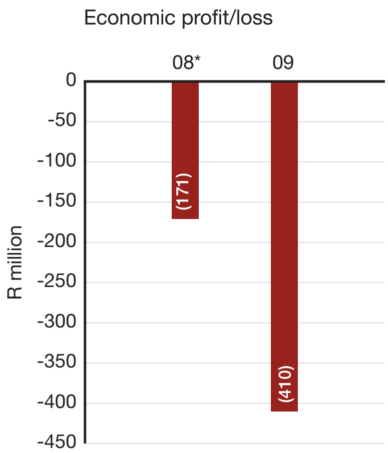
Financial performance

Headline earnings for Ellerines for the year to 30 September 2009 were R285 million (2008*: R368 million). The main drivers of the business unit's results for the 12 months were:

- Sale of merchandise declined by 15% to R4 196 million (2008: R4 942 million), on the back of a reduced number of stores, a substantial tightening of credit granted and a difficult trading environment.
- The gross margin declined from 43,1% to 42,7%.
- Credit sales as a percentage of total sales improved from 50,4% to 55,2%.
- Operating costs were R3 246 million, R308 million lower than the equivalent period in 2008.
- Average gross advances declined by 3% to R5 290 million (2008*: R5 481 million).
- The overall yield earned on gross advances fell from 51,6%* to 45,3%, on the back of the implementation of price reductions and increased suspension of interest on loans in arrears.
- The bad debt charge after fair value adjustments was 11%, while bad debt write-offs increased to 22,6% of average gross advances.







Results for the twelve months to 30 September 2009 are compared to the nine months to September 2008 post acquisition where indicated.

Financial objectives

The following medium term targets (three to five years) were set for the Ellerines business unit at acquisition:

Objective	Actual for twelve months to 30 September 2009	Medium term target
Retail		
Annual sales	R4,2 bn	R9 bn – R10 bn
Credit sales to total sales	55,2%	70%
Operating cost to sales	55,1%	30% – 35%
Stock turn	2,9 times	5 times
Return on sales	(4,4%)	>10%

Financial services		
Income yields	45,3%	<40%
Cost to average advances	17,6%	7,5%
Bad debt expense to average advances	11,0%	11,0%

Business review continued

Financial overview

Ellerines generated headline earnings of R285 million for the twelve months ended 30 September 2009. Its retail business incurred a loss of R185 million, while the financial services business achieved a profit of R470 million for the period. The return on equity was 6,6%, given the lower earnings performance and the high equity base.

The substantial ongoing restructuring of Ellerines' operating model has impacted on the efficiency of operations during the year, the benefits of which will only become evident in the short to medium term. This impact was exacerbated by a weak external trading environment and has resulted in unsatisfactory results for the 2009 financial year. Given the outlook, the group's view at the beginning of the 2009 financial year was to speed up the implementation of its strategic plans. As a result, the significant progress that was made across all the strategic initiatives during the year has positioned the business to benefit from any positive changes to the trading environment and has, simultaneously, established a sound base for the future through all economic cycles.

Strategic and operational overview

Ellerines' key strategic goals continue to drive its business activities:

- Separating financial services activities within Ellerines;
- Migrating all financial services activities to African Bank business unit;
- Restructuring the Ellerines balance sheet;
- Fixing the credit proposition and improving credit affordability; and
- Fixing the retail business.

The target date of September 2010 for the completion of the migration and integration of the financial services unit into African Bank remains on track. After converting multiple IT systems into a single platform, the African Bank credit underwriting model was implemented into all 613 Ellerines branded stores within South Africa during August to October 2009. The business also implemented a successful pilot of the underwriting model into 10 Beares stores in preparation for rollout post the peak trading season.

The credit underwriting model has been enhanced as a result of the insight gained in respect of the unbanked and informally employed customer segment. Developing the appropriate affordable credit pricing model is integral to the success of the Ellerines strategy and we have already begun to see improved performances in respect of our credit proposition across the full spectrum of the group's offering.

Enhancements to the collections model implemented during the year are beginning to bear fruit and are manifesting in lower risk.

Operating costs have continued to be well contained, despite the increase in employment and rental costs. Total operating costs reduced by 9% as a result of the brand consolidation, organisational restructuring, footprint optimisation and logistics improvement projects.

The store footprint optimisation activities continued to eliminate inefficient trading space resulting in the closure of 133 stores. Although these closures have negatively impacted sales volumes, each of these stores was generating an operating loss before contributing to allocated group overheads. The success of this change is beginning to manifest in improving sales densities, after a decline in this metric in the first three quarters of the financial year.

The reduction in the store base has now stabilised. It is expected that a net neutral number of stores will be maintained for 2010. Importantly, the group has developed and successfully rolled out the first of each brand's "new look" stores which significantly sets each brand apart. A total of 86 stores have been rebranded to date, with 331 due for completion in 2010. All merchandise ranges and marketing strategies within each brand have now been aligned to the market position they serve.

Merchandise improvement strategies were accelerated during the second half of the financial year. This incorporated shifts in the merchandise mix, scale benefits from group purchasing, a reduction in the number of suppliers with improved terms and conditions, increased levels of foreign sourcing of merchandise and the enhanced management of the promotions processes. These strategies however resulted in margin compression due to the markdowns required to clear old stock and negatively impacted on stock turns.

A comprehensive analysis of the furniture supply chain has been completed, allowing the development of a supply chain strategy to ensure delivery of the appropriate quality of merchandise at affordable prices in future. Logistics and distribution centralisation have begun to produce both cost savings and reductions in markdowns, damages and poor service to clients. The appointment of a lead logistics partner was concluded in the past six months and good progress was made on concluding all the necessary planning for the commencement of the implementation of the supply chain integration programme (SCIP) in the second quarter of the 2010 financial year. The logistics plan is a complex and lengthy one with a three year completion horizon.

Business review continued

Ellerines audited segmental income statement for the twelve months ended 30 September 2009

R million	12 months to 30 Sep 2009 Ellerines group	Retail division	Financial services division	9 months to 30 Sep 2008 Ellerines group	Retail division	Financial services division
Revenue	6 964	4 513	2 451	5 511	3 294	2 217
Sale of merchandise	4 196	4 196	0	3 092	3 092	0
Cost of sales	(2 405)	(2 405)	0	(1 779)	(1 779)	0
Gross margin on retail business	1 791	1 791	0	1 313	1 313	0
Interest income on advances	1 192	0	1 192	962	0	962
Net assurance income	838	0	838	854	0	854
Non-interest income (note 1)	660	296	364	524	221	303
Income from operations	4 481	2 087	2 394	3 653	1 534	2 119
Charge for bad and doubtful advances	(582)	0	(582)	(495)	0	(495)
Risk-adjusted income from operations	3 899	2 087	1 812	3 158	1 534	1 624
Other interest and investment income	78	21	57	84	21	63
Interest expense	(248)	(56)	(192)	(180)	(40)	(140)
Operating costs	(3 246)	(2 314)	(932)	(2 536)	(1 861)	(675)
Operating costs (note 2)	(3 246)	(2 429)	(817)	(2 536)	(1 902)	(634)
Commission recovery on credit sales	0	115	(115)	0	41	(41)
Indirect taxation: VAT and RSC	0	0	0	(2)	0	(2)
Profit from operations	483	(262)	745	524	(346)	870
Capital items	(7)	(7)	0	0	0	0
Profit before taxation	476	(269)	745	524	(346)	870
Direct taxation: STC	(73)	0	(73)	(17)	0	(17)
Direct taxation: SA normal	(125)	77	(202)	(147)	94	(241)
Profit for the period	278	(192)	470	360	(252)	612
Reconciliation of headline earnings and per share statistics						
Profit for the period (basic earnings)	278	(192)	470	360	(252)	612
Adjustments for non-headline items	7	7	0	8	0	8
Headline earnings	285	(185)	470	368	(252)	620

Notes

1. *Non-interest income in the retail business includes delivery charges and revenue from other services such as club fees and sale of airtime, whilst financial services includes origination and monthly administration fees on loans granted.*
2. *Due to the integrated nature of the business, operating costs have been apportioned to the two divisions based on an internal allocation model.*

Ellerines audited balance sheet as at 30 September 2009

R million	% change	30 Sep 09	30 Sep 08
Assets			
Short term deposits and cash	(29)	**55**	77
Statutory assets – bank and insurance	(45)	**296**	538
Inventories	12	**859**	767
Taxation	375	**19**	4
Other assets	110	**260**	124
Net advances	14	**3 731**	3 277#
Deferred tax asset	14	**442**	389#
Assets held for sale	(16)	**181**	215
Property and equipment	1	**307**	304
Intangible assets	(7)	**906**	978
Goodwill	0	**755**	755
Total assets	5	**7 811**	7 428
Liabilities and equity			
Short term funding	72	**2 203**	1 284
Other liabilities	8	**1 127**	1 048
Taxation	(83)	**19**	111
Deferred tax liability	(10)	**265**	294
Liabilities held for sale	(32)	**25**	37
Long term funding	(29)	**10**	14
Total liabilities	31	**3 649**	2 788
Ordinary shareholders' equity	(10)	**4 162**	4 640#
Total equity (capital and reserves)	(10)	**4 162**	4 640
Total liabilities and equity	5	**7 811**	7 428

 # Restated as a result of the additional fair value adjustment.

Business review continued

Ellerines retail division

The model below reflects the performance ratios of the retail division based on sales as the denominator, as this is the primary activity that drives economic value.

Return on sales model

R million	**12 months to 30 Sep 09**	12 months to 30 Sep 08	9 months to 30 Sep 08
Sale of merchandise	**4 196**	4 942	3 092
Cost of sales of merchandise	**(2 405)**	(2 812)	(1 779)
Gross profit	**1 791**	2 130	1 313
Non-interest income	**296**	344	221
Operating expenses	**(2 314)**	(2 584)	(1 861)
Trading/operating loss	**(227)**	(110)	(327)
Net finance income	**(35)**	(26)	(19)
Taxation	**77**	63	94
Net loss	**(185)**	(73)	(252)

The retail division generated a loss of R185 million for the past year. The main contributor to this underperformance was a 15% decline in sales relative to the comparable twelve months in 2008. Gross margins were down slightly to 42,7% (2008: 43,1%). Non-interest income, which includes delivery charges and revenue from other services, was down by 14%, in line with the lower sales volumes. The return on sales in this period was a negative 4,4% reflecting the negative impact of lower sales on cost absorption.

Sales of merchandise

Sales of merchandise for the year was R4 196 million. Ellerines remained the major contributor with 44% of total sales, while Beares and Geen & Richards improved their relative contribution to 21% (2008: 20%) and 10% (2008: 8%) respectively. Wetherlys experienced the largest decline in sales for the year, reflecting the impact of the economy on its target market.

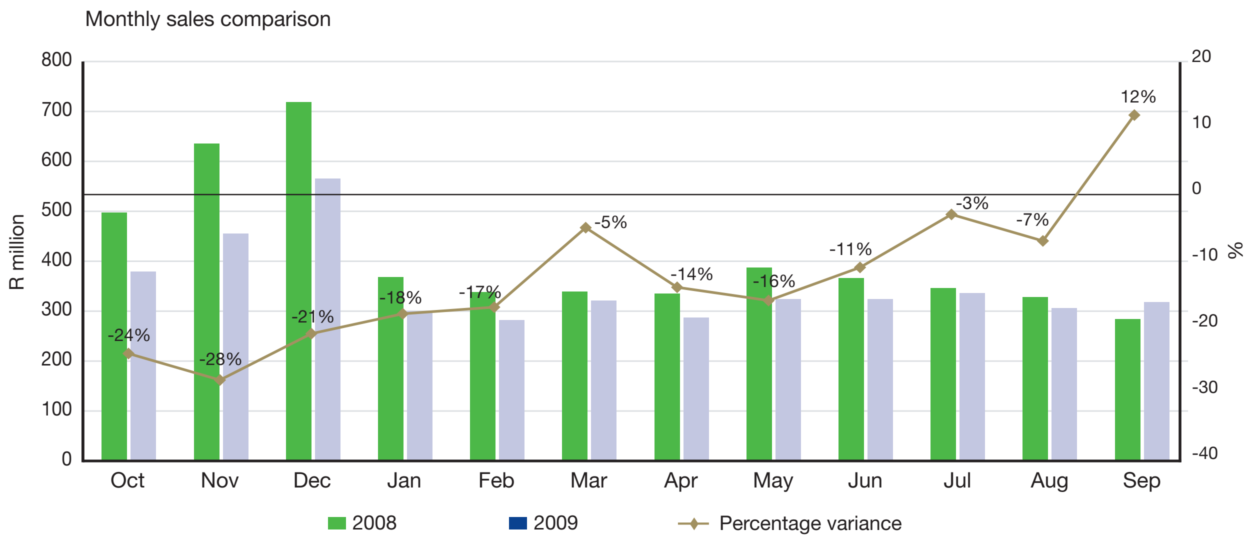
Cash sales reduced by 23% and credit sales by 7%, indicating how the slowing domestic economy impacted on consumer confidence, household disposable income and hence demand for furniture and appliances. Sales were also negatively impacted by the reduction in the overall store base and more recently, the inevitable disruptions associated with the rollout of the new African Bank credit front-end system into Ellerines stores.

These stores have already begun to benefit from higher approval rates and higher credit limits available to customers as a result of the new scoring models. This is evidenced by credit sales as a percentage of total sales improving from an average of 50% for 2008 to 55% in 2009. Furniture City has seen an increase in the credit sales mix from 31% in 2008 to 43% in September 2009. Beares, similarly, improved its credit sales mix from 54% in 2008 to 63%. This gives us confidence in the efficacy of the credit strategy of risk differentiation, lower pricing and term extension and the positive effect on volume elasticity.

Pilot projects to test price-volume elasticity in furniture retailing have produced encouraging results in Beares and Furniture City. The group plans to continue these pilots to deepen its understanding of the value triggers for customers across the different brands.

	12 months to 30 September 2009		12 months to 30 September 2008		9 months to 30 September 2008	
Sales/Sales	**100,0%**		100,0%		100,0%	
Cost of sales/Sales	**(57,3%)**		(56,9%)		(57,5%)	
Gross margin	***equals***	**42,7%**	*equals*	43,1%	*equals*	42,5%
Non-interest income/Sales	**7,1%**		7,0%		7,1%	
Opex/Sales	**(55,1%)**		(52,3%)		(60,2%)	
Trading/operating margin	***equals***	**(5,4%)**	*equals*	(2,2%)	*equals*	(10,6%)
Financing costs/Sales	**(0,8%)**		(0,5%)		(0,6%)	
Taxation/Sales	**1,8%**		1,3%		3,0%	
Net return on Sales	***equals***	**(4,4%)**	*equals*	(1,5%)	*equals*	(8,2%)

The graph below indicates that while the economy still seems highly constrained (as evidenced by the 6-8% decline in furniture and appliance sales in 2009), there are early signs that changes made to credit underwriting, the introduction of new merchandise and the innovative customer offerings and new marketing strategies are starting to have a positive effect on sales. This, combined with a modestly improving economy, a continued focus on reducing both product and credit pricing and a slower rate of store closures, is expected to result in a better sales performance going forward. Of significance is the performance of the last quarter, which was up for the quarter by 3%, while the furniture retail sector was down 8% (to August 2009).

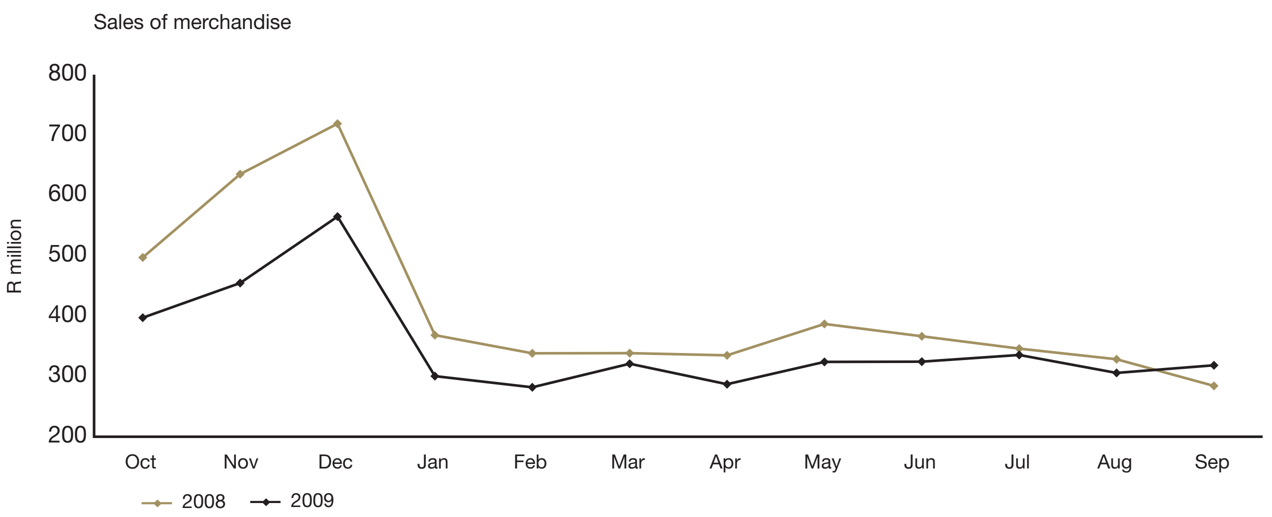


Business review continued

Sales

Sales of merchandise (R million)

By brand	% change in number of stores	% change	12 mths to 30 Sep 09	Contribution per brand %	12 mths to 30 Sep 08	Contribution per brand %
Ellerines	(10)	(16)	**1 836**	44	2 192	44
Beares	(13)	(9)	**879**	21	963	20
Furniture City	0	(16)	**445**	11	531	11
Geen & Richards	10	0	**408**	10	409	8
Dial-a-Bed	8	(19)	**237**	6	292	6
Wetherlys	(6)	(27)	**354**	8	483	10
Early Bird (disposed of)	n/a	(48)	**37**	1	72	1
Total	(11)	(15)	**4 196**	100	4 942	100
Credit sales mix:						
Credit sales		(7)	**2 315**		2 490	
Cash sales		(23)	**1 881**		2 452	
Total		(15)	**4 196**		4 942	
Credit sales to total sales			**55,2**		50,4	



Operating costs

Total operating costs declined by R308 million or 9% to R3 246 million. The largest savings were derived from brand consolidation and lower employment costs, with the total number of staff reducing further from 15 876 in the prior year to 13 454 by September 2009. The reduction in operational management levels, consolidation of brands and store closures resulted in minimal retrenchments, with more than 75% of the reduction in staff being as a result of natural attrition.

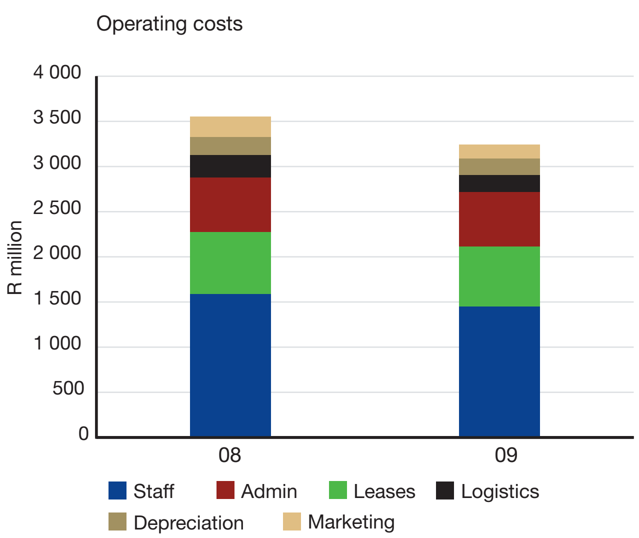
Operating costs per major category (including financial services division costs)

R million	% change	**12 months to Sep 09**	12 months to Sep 08	9 months to Sep 08
Staff costs	(9)	**1 448**	1 586	1 108
Admin expenses (note 1)	(3)	**666**	690	514
Property and lease expenses	0	**603**	601	453
Delivery and logistic costs	(24)	**188**	247	181
Depreciation and amortisation of intangibles	(9)	**183**	200	153
Advertising and marketing costs	(31)	**158**	230	140
Other expenses				(13)
Total	(9)	**3 246**	3 554	2 536

Note 1: Administration expenses include telephone, IT services, postage and general administration costs.

An operating cost split between retail and financial services of 75:25 continued to be used in this period's results, together with an allocation of 5% commission of credit sales from financial services to retail as an interim value sharing arrangement.

Notwithstanding the cost savings achieved to date, the retail operating cost to sales ratio at 55,1% was higher than the 52,3% of the prior period, due to the lower sales volumes. Strategies identified at the outset for further cost savings during 2010 are currently being implemented which, in combination with some improvements in sales and the integration of financial services into African Bank, should gradually move the business towards its medium term target for operating cost to retail sales of 30 – 35%.



Business review *continued*

Ellerines financial services division

Return on assets and return on equity model

R million	12 months to 30 Sep 2009	12 months to 30 Sep 2008	
Interest income on advances	**1 192**	1 308	Interest/Advances
Net assurance income	**838**	1 126	Assurance/Advances
Non-interest income	**364**	364	Other income/Advances
Total income	**2 394**	2 798	Total income yield
Charge for credit losses	**(582)**	(644)	Bad debts/Advances
Operating expenses	**(932)**	(970)	Opex/Advances
Net financing costs	**(135)**	(112)	Financing costs/Advances
Taxation (including STC and indirect taxation)	**(275)**	(347)	Taxation/Advances
Total charges against income	**(1 924)**	(2 073)	Total charges/Advances
Headline earnings	**470**	725	Return on advances
			Advances/Total assets
Average gross advances (before fair value adjustment)	**5 290**	5 442	**Return on assets (RoA)**
Average total assets	**4 392**	4 342#	**Gearing**
Average ordinary shareholders' equity	**2 927**	2 982#	**Return on equity (RoE)**

 # Restated as a result of the additional fair value adjustment and reallocation of balance sheet items between Retail and Financial Services

Restatement of advances

Given that the business written prior to January 2008 (the acquisition date) displayed a substantially higher level of default than the historical norms for the book, ABIL made a fair value adjustment to the carrying value of this portfolio of loans of R653 million (made up of an at-acquisition adjustment of R403 million and R250 million in the current year). Accounting standards require that this final adjustment of R250 million be effected at-acquisition and accordingly the gross advances, net advances, deferred tax asset and shareholders' equity have been restated. The detail is contained on page 170.

The return on assets and return on equity model above have been based on average gross advances before the fair value adjustment to reduce the impact of the amortisation of this adjustment on the calculated ratios and to provide more useful trend analysis over time.

12 months to 30 September 2009				12 months to 30 September 2008			
22,5%				24,0%			
15,8%				20,7%			
6,9%				6,7%			
equals	45,3%			*equals*	51,4%		
(11,0%)			Bad debts/Income	(11,8%)			Bad debts/Income
(17,6%)			24,3%	(17,8%)			23,0%
(2,6%)			Cost/Income	(2,1%)			Cost/Income
(5,2%)			38,9%	(6,4%)			34,7%
equals	(36,4%)			*equals*	(38,1%)		
		equals				*equals*	
		8,9%				13,3%	
		multiply				*multiply*	
		120,4%				125,3%	
		equals				*equals*	
		10,7%				16,7%	
		multiply				*multiply*	
		1,5				1,5	
		equals				*equals*	
		16,1%				24,3%	

The total income yield declined to 45,3% as a result of price reductions implemented to improve the value proposition to customers, but more significantly on increased suspension of fees and income on the non-performing portion of the advances book. The reduction in total charges against income from 38,1% to 36,4% was not sufficient to offset the decline in the income yield. This resulted in the return on assets declining to 10,7%.

Business review continued

Operational performance

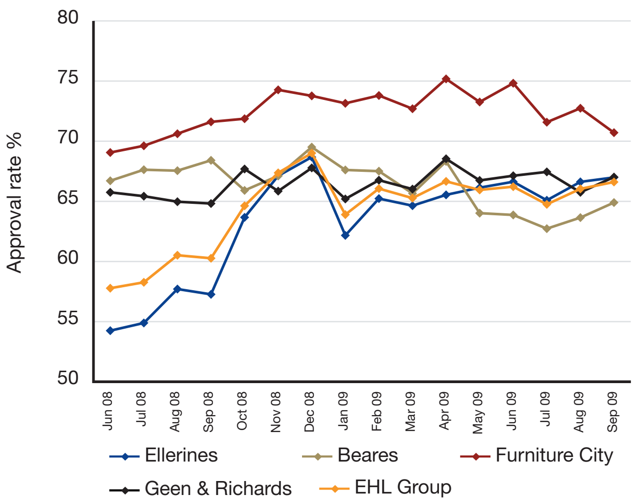
New credit deals

Credit sales mix by brand	Credit approvals 2009 %	Credit approvals 2008 %	Credit sales mix 2009 %	Credit sales mix 2008 %	% change	Credit sales 2009 R million	Credit sales 2008 R million
Ellerines	**66**	65	**73,9**	73,2	(15)	**1 358**	1 602
Beares	**66**	70	**63,3**	53,8	7	**556**	518
Furniture City	**73**	70	**43,1**	31,1	16	**192**	165
Geen & Richards	**67**	67	**51,2**	50,1	2	**209**	205
Total			**55,2**	50,4	(7)	**2 315**	2 490

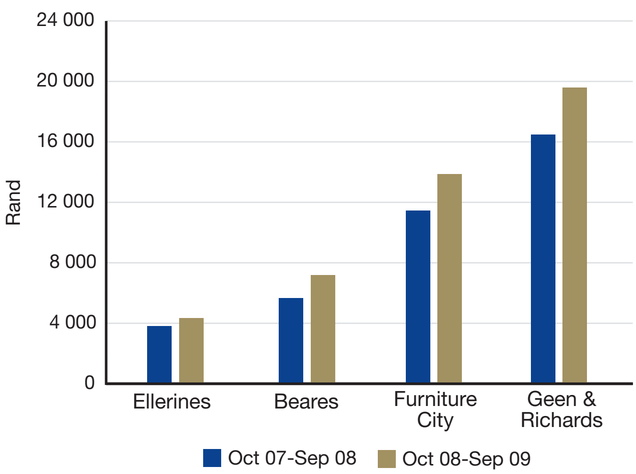
New credit deals totalling R2,3 billion were advanced in 2009, a 7% decline from the R2,5 billion achieved in the twelve months to 30 September 2008. The credit sales mix improved across all brands.

The average size of loans granted in this period was R5 564, an increase of 23% over the average of R4 525 for the twelve months ending September 2008. Loan sizes also increased across all brands.

Approval rates by brand



Average size of credit deals advanced



Advances

R million	% change	As at 30 Sep 09	As at 30 Sep 08
Ellerines	(4)	**3 503**	3 636
Beares	17	**1 031**	879
Furniture City	25	**284**	227
Geen & Richards	9	**280**	258
Rainbow Loans	(49)	**53**	103
Other	93	**29**	15
Less Fair value adjustment	(100)	**–**	(286)
Less Deferred administration fee	(41)	**(27)**	(46)
Total	8	**5 153**	4 786

Gross advances increased by 8% to R5,2 billion as at 30 September 2009. The improvement in the credit sales mix in Beares, Furniture City and Geen & Richards has translated into satisfactory growth in advances in these brands. Rainbow Loans has been closed and the book is in a paydown phase as new credit in this sector is provided by African Bank.

Yields

The total financial services income yield decreased as Ellerines implemented reductions in the cost of credit to the majority of its customers and halved the insurance premiums relating to credit sales. Yields have also fallen due to the increased proportion of the advances on which interest and fees have been suspended and higher insurance claims for retrenchments.

Over the medium term, the improved efficiencies achieved in the business will translate into further price reductions and better value for customers. The optimal level of this yield will ultimately depend on the outcome of risk in the portfolio and may not necessarily be the same as African Bank's.

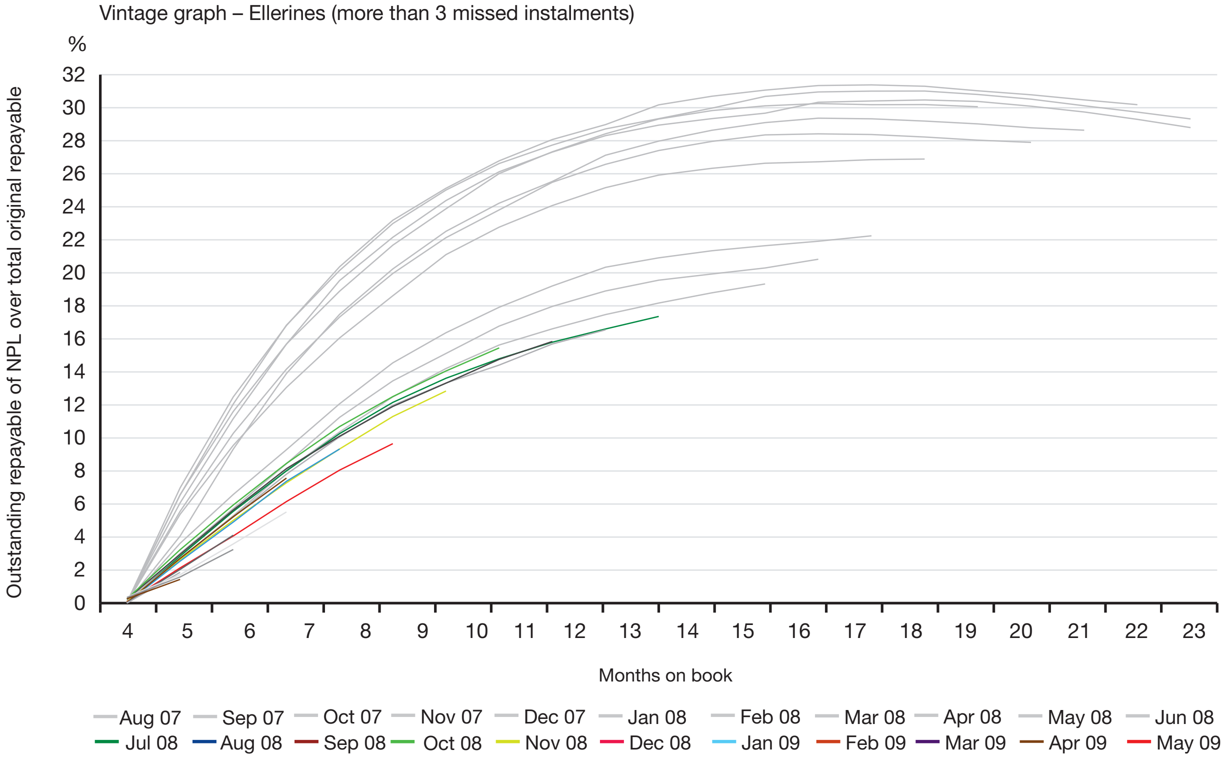
Operating cost

The financial services division's cost to advances ratio was stable at 17,6%, mainly as a function of relatively high costs and a flat advances book. After the full integration of the Ellerines financial services division into African Bank, significant cost savings will be extracted from this division and the ratio should move closer to African Bank's cost to advances level.

Bad debt charge

The charge for bad and doubtful advances for the twelve months to 30 September 2009 was R582 million or 11% of advances, substantially down from the annualised 16,5% of advances reported in the interim results and marginally down from the 12% reported for the 12 months to 30 September 2008. The charge does however include a release of the remaining R286 million of the fair value adjustment post acquisition. Excluding this release, the bad debt charge would have declined from 21% in 2008 to 16% in 2009. As disclosed in March 2009, risk peaked over the interim reporting period and ongoing improvements in collection methodologies and stricter credit criteria have impacted positively on the bad debt charge over the past six months.

The vintage chart overleaf indicates the extent to which the performance of the book has improved. The more sophisticated collection methodologies combined with cash collections at branch level have yielded positive results. This, together with the generally improved performance of the book, has prompted some relaxation in the stringent credit granting criteria that were implemented post acquisition.



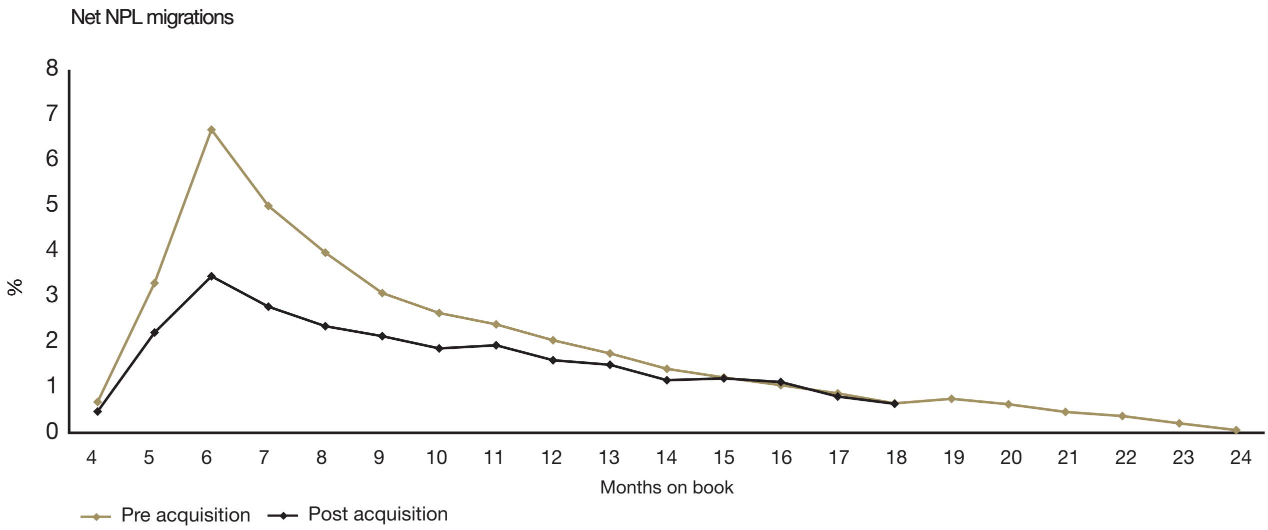
Asset quality

Non-performing loans and impairment provisions

Gross NPLs increased from R1 784 million to R2 095 million over the twelve months, after bad debt write-offs more than doubled to R1 196 million in 2009, as the low quality loans written in 2007 matured into write-offs. NPLs as a proportion of gross advances were 41% (2008: 37%).

Impairment provisions in respect of NPLs were R1 422 million as at 30 September 2009 (2008: R1 509 million). Provision coverage reduced from 84,6% to 67,9%, primarily as a result of the increased write-offs. Bad debt write-offs as a percentage of average advances increased from 12,6% to 22,6%. The combination of better insights, enhanced collections methodologies and an improving quality of NPLs will result in provision coverage being more closely aligned to African Bank's coverage ratios in future.

The graph below depicts the percentage of original principal debt that migrates into NPL status. It demonstrates the substantial improvement in the emergence of risk between loans written pre and post implementation of the African Bank credit underwriting disciplines.



Ellerines asset quality analysis

R million	% change	30 Sep 09	30 Sep 08
Gross advances			
Performing	(7)	**3 058**	3 288
Non-performing	17	**2 095**	1 784
	2	**5 153**	5 072
Less: Fair value adjustment		**0**	(286)
Opening balance		**(286)**	(403)
Increase in terms of IFRS 3		**0**	(250)
Amortisation		**286**	367
Gross advances net of fair value			
Performing		**3 058**	3 002
Non-performing		**2 095**	1 784
		5 153	4 786

Impairment provisions and credit life reserves		**12 months to 30 Sep 09**	9 months to 30 Sep 08
Impairment provisions		**1 385**	1 509
Balance at the beginning of the period		**1 509**	1 140
Impairment provisions raised/(released)		**887**	888
Bad debts written off (gross)		**(1 196)**	(519)
Bad debts rehabilitated		**185**	0
Credit life reserves		**37**	0
Total impairment provisions and credit life reserves	(6)	**1 422**	1 509

Income statement charges	**12 months to 30 Sep 09**	9 months to 30 Sep 08
Charge for bad and doubtful advances	**582**	495
Impairment provisions raised	**887**	888
Release of fair value adjustment provision	**(286)**	(367)
Loss on repossessions	**17**	23
Bad debts recovered	**(36)**	(49)
Ratios		
NPLs as a % of gross advances	**40,7**	37,3
Impairment provisions as a % of NPLs	**66,1**	84,6
Credit life reserves as a % of NPLs	**1,8**	0,0
Total impairment provisions and credit life reserves as a % of NPLs (NPL coverage)	**67,9**	84,6
Total impairment provisions and credit life reserves as a % of gross advances	**27,6**	31,5
Income statement charge for bad debts as a % of average gross advances	**11,0**	12,0
Gross bad debts written off as a % of average gross advances	**22,6**	12,6
Bad debts rehabilitated as a % of average gross advances	**(3,5)**	0,0

Board of directors

Mutle Constantine Mogase (45)
Independent non-executive chairman

Date appointed: 12/03/2007
Qualifications: BComm; Executive Development Programme and Graduate Diploma in Corporate Governance
Directorships: Non-executive chairman of African Bank Investments Limited and African Bank Limited
Non-executive director of Air Liquide; ECI Africa Consulting (Pty) Limited; Eastern Platinum Limited; Incwala Resource (Pty) Limited; JP Morgan Advisory Board; Executive chairman of Vantage Capital Group; and Executive director of Vantage Capital Investments (Pty) Limited

David Braidwood Gibbon (67)
Independent non-executive director

Date appointed: 01/06/2003
Qualifications: CA (SA)
Directorships: Non-executive director of African Bank Investments Limited; African Bank Limited; The Spar Group Limited; The Standard General Insurance Company Limited; Relyant Insurance Company Limited; Relyant Life Assurance Company Limited and Customer Protection Insurance Company Limited

Nicholas Adams (50)
Independent non-executive director

Date appointed: 01/02/2008
Qualifications: BComm (Hons); CTA (UCT); ACMA
Directorships: Non-executive director of African Bank Investments Limited; African Bank Limited; MKP Holdings (Pty) Limited; Garden of Development Company (Pty) Limited; Swanvest (Pty) Limited; Findlay's Properties No.5 (Pty) Limited and Uplands College (Pty) Limited; Executive director of TukTuk Investments (Pty) Limited and Walter H Adams (Kimberley) Limited

Ashley Tugendhaft (61)
Non-executive director

Date appointed: 01/04/2003
Qualifications: BA; LLB
Directorships: Non-executive director of African Bank Investments Limited; African Bank Limited; Imperial Holdings Limited; Pinnacle Technology Limited and Technology Holdings (Pty) Limited

Robert John Symmonds (50)
Independent non-executive director

Date appointed: 21/05/2009
Qualifications: BComm (Hons) (UCT); Strategic Banking Programme (IMD-Lausanne); Executive Development Programme (GIMT)
Directorships: Non-executive director of African Bank Investments Limited; African Bank Limited; Leppard and Associates; Umlimi Underwriting; Financial Management International; Heavy Commercial Vehicles; Professional Indemnity Mutual Solutions; Consort Technical Underwriters; Pinnafrica Limited; Cast Arena Trade and Invest 87 (Pty) Limited; The Standard General Insurance Company Limited; Relyant Life Assurance Company Limited; Relyant Insurance Company Limited and Customer Protection Insurance Company Limited; Managing director of Lombard Insurance Company Limited; Lombard Life; Lombard Insurance Limited; Lombard Trade Finance; Lombard Guarantee Services (Pty) Limited – registered in Botswana and Lombard Consolidated (Pty) Limited

Samuel Sithole (36)*
Independent non-executive director

Date appointed: 21/05/2009
Qualifications: Bachelor of Accountancy (Honours) (University of Zimbabwe); Chartered Accountant registered with the Institutes of Chartered Accountants in Zimbabwe (ICAZ), England & Wales (ICAEW) and South Africa (SAICA); Advanced Diploma in Banking (University of Johannesburg)
Directorships: Non-executive director of African Bank Investments Limited and African Bank Limited; Executive director of Brait SA and its related subsidiary companies; Valucorp 154 CC; Proline Trading 102 (Pty) Limited and Celebration Church Johannesburg CC
** Zimbabwean*

Mpho Elizabeth Kolekile Nkeli (45)
Independent non-executive director

Date appointed: 07/03/2008
Qualifications: BSc Environmental Science, MAP (Wits); MBA (Gibs)
Directorships: Non-executive director of African Bank Investments Limited; African Bank Limited and non-executive chairperson of Hlumisa Investment Holdings Limited; Executive director of Alexander Forbes Risk & Insurance Services and Investment Solutions

Gordon Schachat (57)
Executive deputy chairman

Date appointed: 01/07/1995
Directorships: Executive deputy chairman of African Bank Investments Limited, African Bank Limited and Ellerine Holdings Limited

Leonidas Kirkinis (50)
Chief executive officer – ABIL

Date appointed: 01/07/1997
Directorships: Executive director of African Bank Investments Limited and African Bank Limited; Executive chairman of Ellerine Holdings Limited

Antonio Fourie (49)
Executive director

Date appointed: 21/10/2003
Qualifications: BComm
Directorships: Executive director of African Bank Investments Limited and African Bank Limited; Chief executive officer of Ellerine Holdings Limited

David Farring Woollam (46)
Executive director
Managing director – African Bank Limited

Date appointed: 01/11/2002
Qualifications: CA(SA)
Directorships: Executive director of African Bank Investments Limited; African Bank Limited and The Standard General Insurance Company Limited

Nithiananthan Nalliah (50)
Executive director
Managing director – African Bank Limited

Date appointed: 05/05/2009
Qualifications: BCompt (Hons)(Unisa); P Grad Dip Tax Law (RAU); ACMA; CA(SA)
Directorships: Executive director of African Bank Investments Limited; African Bank Limited; African Bank Investments Limited group companies; Stazione Properties (Pty) Limited; Highly Commended Investments 801 (Proprietary) Limited and Magnolia Ridge Properties 272 (Proprietary) Limited; Non-executive director of Eyomhlaba Investment Holdings Limited and Hlumisa Investment Holdings Limited; Chief executive of The Standard General Insurance Company Limited

Thamsanqa Mthunzi Sokutu (46)
Executive director

Date appointed: 19/05/2003
Qualifications: BSc (Honours); MSc
Directorships: Executive director of African Bank Investments Limited; African Bank Limited and Ellerine Holdings Limited; Non-executive director of Eyomhlaba Investment Holdings Limited; Non-executive director and Chairman of South African National Biodiversity Institute and Masake (Pty) Limited and Tourism Empowerment Council of SA

Corporate governance

"Comply or Explain" – The 56 countries in the Commonwealth, including South Africa and the 27 states in the EU including the United Kingdom, have opted for a code of principles and practices on a 'Comply or Explain' basis in addition to certain governance issues that are legislated.

The third Report on Corporate Governance in South Africa (King III)

The ABIL board believes that the basis of its integrity lies in the entire group not only upholding the core values of the group's corporate governance practices, but also ensuring that any non-compliant activity that comes to the attention of the group's governance structures is properly reported and rectified. The corporate governance and compliance programme within the group stresses the difference between "what you have a legal right to do" versus "what is right to do". This means that although the group may be in compliance with the letter of the law, the group will not compromise its ethics or its integrity if it is not in compliance with the spirit of the law. The group operates with personal and business integrity.

Introduction

Corporate governance forms an important part of any organisation. African Bank Investments Limited (ABIL or ABIL group or the company) fully embraces the principles of good corporate governance.

ABIL is committed to ensuring its policies and practices reflect good governance and compliance with all requirements applying to South African listed and banking companies.

The directors consider that its governance framework and adherence to that framework are fundamental in demonstrating that they are accountable to shareholders and are appropriately overseeing the management of risk and the future direction of the company.

In September 2009, the King Commission released its revised King Code on Corporate Governance (King III). Disclosure under these revised Principles and Recommendations is required from March 2010. The transition to reporting in terms of the revised code is being addressed and will be reflected in ABIL's 2010 annual report.

The areas of focus for ABIL's system of corporate governance to comply with King III will be, amongst others:
- The membership and resources of the audit committee, the audit committee charters and the roles and responsibilities of the audit committee;
- The role of internal audit, its approach and plan;
- The effectiveness of the risk management processes within the group;
- Integrated sustainability reporting and disclosure; and
- IT governance and security.

ABIL has complied with the Principles and Recommendations of King II in all substantial respects throughout the 2009 financial year. In any instance where ABIL has an alternative approach to a recommendation, this has been disclosed and explained in the different sections.

The board

The board of directors of the ABIL group is the core of the group's system of corporate governance and is ultimately accountable for the performance and affairs of the group. Good corporate governance is regarded as critical to the success of the group and the board is unreservedly committed to applying the fundamental principles of good governance, transparency, integrity, accountability and responsibility in all dealings by, in respect of and on behalf of the group.

The board accordingly embraces the principles of good governance as set out in the King Report on Corporate Governance (King II), the Banks Act 94 of 1990, as amended, the JSE Limited (JSE) Listings Requirements, the Companies Act 61 of 1973, as amended and the Corporate Laws Amendment Act 2006.

The board has adopted a board charter which defines the governance parameters within which it exists, sets out specific responsibilities to be discharged by the board and the directors collectively, as well as certain roles and responsibilities incumbent upon the directors as individuals. This ensures a balance of power and authority, such that no one individual has unfettered powers of decision making. In summary, the board is responsible for oversight of controls, the long term strategic objectives of the group, shaping the values by which the group is managed and determining the risk parameters within the group.

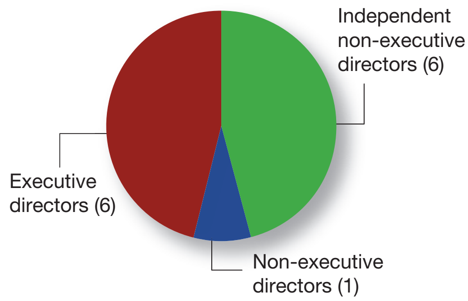
The complete board charter is available on the group's website (www.abil.co.za) or from the group secretariat of the bank on request.

Board composition

Independent non-executive directors (6)

- Mutle Constantine Mogase (chairman)
- David Braidwood Gibbon
- Nicholas Adams
- Samuel Sithole
- Robert John Symmonds
- Mpho Elizabeth Kolekile Nkeli

Composition of the board



Non-executive director (1)

- Ashley Tugendhaft (TWB Attorneys are legal advisors to ABIL)

Executive directors (6)

- Gordon Schachat (deputy chairman)
- Leonidas Kirkinis (group chief executive officer)
- David Farring Woollam (MD African Bank Limited)
- Antonio Fourie (Ellerines CEO)
- Thamasanqa Mthunzi Sokutu (director: risk, compliance and sustainability)
- Nithiananthan Nalliah (group chief financial officer)

The ABIL board consists of 13 directors, classified as independent non-executive directors, non-executive directors and executive directors. This classification is in accordance with the JSE Listings Requirements and reviewed on an annual basis or more frequently if necessary. ABIL strives to ensure that the size, diversity and demographic of the board make it effective. The approved board charter sets out the responsibilities and roles of the chairman and the directors on the board.

Changes to the board of directors and board committees

ABIL has an approved term limit policy in respect of its board of directors (the complete term limit policy is available on the group's website www.abil.co.za). The policy states that the chairman's service tenure is limited to a maximum of ten years and for non-executive directors it is limited to a maximum of six years, which may be extended by a further two years.

In terms of the policy, the previous non-executive chairman of the board, Ashley Sefako Mabogoane, reached his term limit. He resigned from the boards of both ABIL and African Bank Limited on 1 April 2009.

Mutle Constantine Mogase was appointed as the new non-executive chairman of ABIL and African Bank Limited from 1 April 2009. Mutle has been a member of both boards since March 2007.

The group chief financial officer, Nithia Nalliah, was appointed on 5 May 2009 as ABIL's group finance director and executive director of African Bank Limited.

Bahle Dawn Goba and Brian Paxton Furbank Steele also reached their term limits in terms of the policy. They resigned as non-executive directors from the boards of ABIL and African Bank Limited on 21 May 2009. The term for Ashley Tugendhaft and David Braidwood Gibbon has been extended for two years.

Robert John Symmonds and Samuel Sithole were appointed to both the ABIL and African Bank Limited boards as independent non-executive directors from 21 May 2009.

Various changes were brought about by the appointment and retirements of directors. This has necessitated changes to the membership of the sub committees of board as detailed overleaf.

Corporate governance continued

Changes to board committees

Group audit committee

- David Braidwood Gibbon (Chairperson) Appointed 2003/06/01
- Nicholas Adams Appointed 2008/02/01
- Robert John Symmonds Appointed 2009/05/21
- Samuel Sithole Appointed 2009/05/21
- Brian Paxton Furbank Steele Appointed 2003/05/10 Resigned 2009/05/21

Group risk and capital management committee

- Nicholas Adams (Chairperson) Appointed 2008/02/01
- Robert John Symmonds Appointed 2009/05/21
- Samuel Sithole Appointed 2009/05/21
- Brian Paxton Furbank Steele Appointed 2003/05/10 Resigned 2009/05/21
- Mutle Constantine Mogase Appointed 2007/03/12 Resigned 2009/04/10
- Ashley Tugendhaft Appointed 2003/04/01

Group Remco

- Mpho Elizabeth Kolekile Nkeli (Chairperson) Appointed 2008/03/07
- Ashley Tugendhaft Appointed 2003/04/01
- Mutle Constantine Mogase Appointed 2007/03/12
- Bahle Dawn Goba Appointed 2003/06/06 Resigned 2009/05/21

Directors affairs committee

- Ashley Tugendhaft (Chairperson) Appointed 2003/04/01
- David Braidwood Gibbon Appointed 2003/06/01
- Nicholas Adams Appointed 2008/02/01
- Mutle Constantine Mogase Appointed 2007/03/12
- Mpho Elizabeth Kolekile Nkeli Appointed 2008/03/07
- Ashley Sefako Mabogoane Appointed 1999/12/01 Resigned 2009/04/01

Board meeting and attendance

Members	Meetings per year					
	ABIL board				Special ABIL board	ABIL strategy
	Nov 08	Feb 09	May 09	Sep 09	June 09	July 09
Ashley Sefako Mabogoane*	•	•				
Bahle Dawn Goba ❑	•	•	•			
Brian Paxton Furbank Steele ❑	•	•	•			
Mutle Constantine Mogase	•	•	•	•	•	•
Nicholas Adams	•	•	•	•	•	•
Ashley Tugendhaft	•	•	•	•	•	•
David Braidwood Gibbon	•	•	•	•	•	•
Mpho Elizabeth Kolekile Nkeli	x	•	•	•	x	•
Samuel Sithole ◆				•	•	•
Robert John Symmonds ◆				x	•	•
Gordon Schachat	•	•	•	•	•	•
Leonidas Kirkinis	•	•	•	•	•	•
David Farring Woollam	•	•	•	•	•	x
Thamsanqa Mthunzi Sokutu	•	•	•	•	•	•
Antonio Fourie	•	•	•	•	•	•
Nithiananthan Nalliah ❖			•	•	x	•

◆ *Member appointed on 21 May 2009* ❖ *Member appointed on 5 May 2009* * *Member resigned on 1 April 2009*
❑ *Member resigned on 21 May 2009*

Principles

The board has adopted the following principles for the purpose of regulating the conduct, ethics and operations of the board in terms of its charter. The adoption and adherence to these principles offers benefits to the group, customers and stakeholders and enables the management of risk exposure.

PRINCIPLE	POSITION	RATIONALE	ACTIONS
DIRECTORS APPOINTMENT, PERIOD OF OFFICE AND RETIREMENT	ABIL's articles of association allows for a maximum of 20 directors.	To ensure that a formal and transparent procedure for the appointment of all directors exists.	The Directors' affairs committee acts as a nominations committee and considers all directors' appointments subject to approval by the South African Reserve Bank, Fit and Proper tests in terms of the Banks Act, Companies Act and the JSE Listings Requirements and approval by any other regulatory body. All directors' appointments are subject to shareholder approval at the next annual general meeting. All directors are appointed for specific terms and re-appointment is not automatic. A third of the directors retire by rotation annually, and if eligible and available their names are submitted for re-election to the annual general meeting. An approved term limit policy exists for the chairman and non-executive directors.
INDUCTION, TRAINING AND DEVELOPMENT OF DIRECTORS AND ACCESS TO INFORMATION	Induction, training and development of directors is to be conducted through a formal process. Directors must have sufficient information to enable them to make informed decisions.	The objective of this is to ensure that the non-executive directors are able to obtain a full picture of the operations of the company and to make informed decisions.	New directors are provided with an "induction file" setting out all relevant documentation relating to the board i.e. policies, processes, charters, minutes of meetings, results, financials and the relevant statutory and legislative material. All directors have an open invitation to visit the operational divisions of the company, meet with management and attend management meetings. All directors are encouraged, at the cost of the group, to attend external courses such as the Banking Board Leadership programme presented by the Gordon Institute of Business Science (GIBS), as well as any other courses focusing on banking and retail topics. The information requirements of directors are further met by: – Financial and other reports – Board and committee meetings – Direct communication with management – Operational tours – Advice and information on new developments – Input from other sources such as legal advisors. Directors are further encouraged to suggest additional items for discussion at meetings and to call for additional information or a briefing on any topic prior to a meeting.

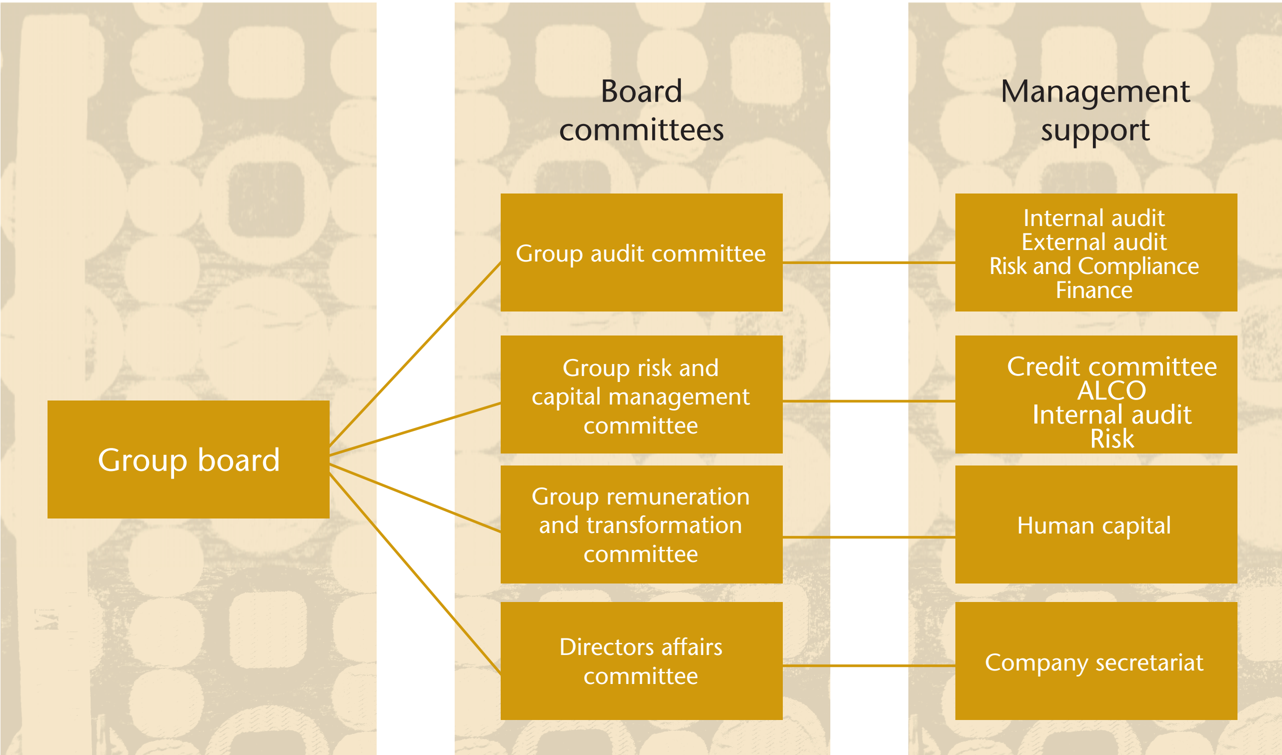
Corporate governance continued

PRINCIPLE	POSITION	RATIONALE	ACTIONS
SUCCESSION PLANNING	As part of the board's responsibility to ensure that effective management is in place to implement company strategy, it also considers succession planning.	Nominate successors to key positions within the ABIL group of companies	The remuneration and transformation committee has been entrusted to review the mix of skills, experience and qualities within the group in order to ensure that the skill, knowledge, ability, aptitude, values, motivation, initiative and attitude of directors contribute to exemplary job performance and the group's strategic vision.
BOARD AND COMMITTEE EVALUATIONS	The performance of the board, its committees and individual directors should be evaluated annually.	The assessment should enable the board to improve its performance and its adherence to corporate governance objectives. In 2009, the assessment highlighted two areas for improvement: • An increased focus on corporate social responsibility, integrated sustainability and non-financial matters at board level; and • A greater focus and commitment to strategic human resource issues and people development.	In terms of Regulation 39(18) of the Banks Act 94 of 1990 as amended, the board of directors assessed and documented whether the process of corporate governance, internal control, risk management, capital management and capital adequacy implemented by the bank successfully achieved the objectives as determined by the board. Performance assessments of the chairman of the board, group chief executive officer, Ellerines chief executive officer and the managing director of African Bank Limited were completed by all directors. A peer evaluation was completed by all directors ranking their fellow directors on contributions to the board in terms of certain listed criteria. An overall board effectiveness evaluation was completed by all directors. An evaluation of each committee was completed by the members of the committees focusing on effectiveness of the chairman, the contribution of individual committee members, and the effectiveness of the committee discharging its responsibility in terms of approved charters. Such assessment enables the board in the year ahead to: (i) Provide feedback to individual directors on their performance and the board committee; and (ii) Assess the performance of directors and whether the services of any directors should be terminated/extended.

PRINCIPLE	POSITION	RATIONALE	ACTIONS
INDEPENDENT PROFESSIONAL ADVICE AND COMPANY SECRETARY	The ABIL board should in the discharging of their corporate responsibilities exercise the care that an ordinary prudent person would exercise in the management of their own affairs under similar circumstances.	To ensure that directors make informed business decisions by considering all material information reasonably available to them, including adequate review of key transaction documents, either by reading them or having them explained by experts. Directors should obtain the assistance of outside consultants if evaluation of a subject requires special expertise and knowledge that they do not possess.	The board and the board committees may engage the services of external experts such as legal counsel, attorneys, consultants and other expert professionals at the expense of ABIL. There is a policy of open communication between the board and management and this ensures that the board is fully informed on major matters concerning ABIL and its business.
CONFLICT OF INTERESTS	The board and its directors should manage conflicts of interests.	The duty of loyalty by directors prohibits self-dealing by corporate directors. Their position of trust and confidence may not be used to further their own interests. Directors are required to act in good faith, on an informed basis and in the best interests of the company.	All directors within the ABIL group have access to the chairman of the board and the chief executive officer in order to discuss potential conflicts. Directors are required to declare their interests in matters discussed at the board meetings and to recuse themselves from discussions should there be a potential conflict of interests.
DEALING IN ABIL SECURITIES	Directors may not deal in any securities without first obtaining clearance for such trade and may not deal in securities during a closed period.	This prohibition is required in order to maintain and preserve the integrity of the board and its governance process.	Before any director can deal in ABIL shares the director must obtain written permission, via the company secretary, from any two of the nominated directors as contained in ABIL's dealing of securities policy. Executive staff must obtain written permission to deal in ABIL securities from at least two executive directors. Details of directors' dealing are disclosed to the public via the JSE through the Securities Exchange News Service (SENS) within 48 hours after the director dealings. The group adheres to a policy of prohibiting dealings in securities within closed periods for all directors, staff and associates. The closed period conditions are strictly adhered to in terms of investor meetings and contacts. Where appropriate, additional closed periods, as well as the persons to whom such periods apply, may be invoked by the board.

Board committees

The board has established four permanent committees from amongst its members and has defined specific roles and responsibilities for them. The committees provide the board with oversight and reports on their work at each board meeting. The roles, responsibilities, duties and objectives of the committees are set out in the respective committee charters. The complete charters are available on the group's website at www.abil.co.za or from the group secretariat on request.



Group audit committee

The audit committee comprises four non-executive directors of the board. The members are elected by the board from amongst the non-executive directors in compliance with the Banks Act 94 of 1990, as amended.

The main responsibilities of the group audit committee are to assist the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of accurate financial reports and statements and to assist the directors in ensuring that there is an adequate and effective system of internal control in place and supporting the overall effectiveness of corporate governance processes. The audit committee also sets the principles for recommending the use of the external auditors for non-audit services.

To ensure that the committee can effectively comply with its terms of reference, the group chief financial officer, the external auditors who are an independent audit firm, the head of risk and internal audit and the group compliance officer attend the meetings as invitees. In addition, the audit committee holds separate meetings with management, external audit, the head of risk and internal audit and the group compliance officer to ensure that all relevant matters have been identified and discussed without undue influence.

Furthermore the audit committee has considered the expertise and experience of the group chief financial officer and is satisfied that it is appropriate.

Members	Meetings per year			
	Nov 08	Mar 09	May 09	Sep 09
David Braidwood Gibbon (Chairman)	√	√	√	√
Nicholas Adams	√	√	√	√
Robert John Symmonds ◆				√
Samuel Sithole ◆				√
Brian Paxton Furbank Steele ❖	√	√	√	

◆ *Member appointed 21 May 2009* ❖ *Member resigned 21 May 2009*

Group risk and capital management committee

The risk and capital management committee comprises four non-executive directors of the board of directors. The members are elected by the board from amongst the non-executive directors in compliance with the Banks Act 94 of 1990, as amended.

The quality, integrity and reliability of risk management of the ABIL group of companies are delegated to the group risk and capital management committee. The group risk and capital management committee assists the board in discharging its duties relating to the identification and monitoring of key risk areas and key performance indicators in the ABIL group of companies.

The committee's key area of focus are:
- Credit risk
- Interest and liquidity risk
- Internal Capital Adequacy Assessment Process ("ICAAP")
- Internal capital allocation
- Regulatory capital requirements
- Operational risk
- Information technology risk
- Legal and insurance risk
- Sustainability risk

Members	Meetings per year			
	Nov 08	Mar 09	May 09	Sep 09
Nicholas Adams (Chairman)	√	√	√	√
Ashley Tugendhaft	x	√	√	√
Robert John Symmonds ◆				√
Samuel Sithole ◆				√
Brian Paxton Furbank Steele ❖	√	√	√	
Mutle Constantine Mogase *	x	√		

◆ *Member appointed on 21 May 2009* * *Member resigned on 21 May 2009* ❖ *Member resigned on 1 April 2009*

Corporate governance continued

Group remuneration and transformation committee

The remuneration and transformation committee comprises three non-executive directors of the board of directors. The members are elected by the board from amongst the non-executive directors.

The role of the group remuneration and transformation committee (the committee), having regard to the law and the highest standards of governance, is to support and advise the board of directors in fulfilling its responsibilities to shareholders, employees and other stakeholders by ensuring that employees of the company are appropriately and equitably compensated for their services to the company having regard to their performance and motivated to perform to the best of their abilities in the interests of all stakeholders.

Members	Meetings per year		
	Nov 08	Jun 09	Sep 09
Mpho Elizabeth Kolekile Nkeli (Chairman)	√	√	√
Ashley Tugendhaft	√	√	√
Mutle Constantine Mogase	√	x	√
Bahle Dawn Goba ❖	√		

❖ *Member resigned on 21 May 2009*

Directors' affairs committee

The directors' affairs committee assists the board in discharging its accountability and responsibility for ensuring that an adequate and effective process of corporate governance exists, which is consistent with the nature, complexity and risks inherent in the group.

Members	Meetings per year		
	Oct 08	Nov 08	Feb 09
Ashley Tugendhaft (Chairman)	√	√	√
David Braidwood Gibbon	√	√	√
Nicholas Adams	√	√	√
Mutle Constantine Mogase	√	√	√
Ashley Sefako Mabogoane ❖	√	√	√
Mpho Elizabeth Kolekile Nkeli	√	√	√

❖ *Member resigned on 1 April 2009*

Remuneration report

Introduction
Human capital is the most important asset that enables the group to provide goods and services to its customers in a differentiated way. The scarcity of qualified and experienced people in South Africa makes the attraction and retention of appropriate skills an area that requires focus at the highest level of the organisation. In this regard, remuneration is one of the key drivers of aligning behaviour of human capital to the strategic intent of the group. The importance of having a remuneration philosophy that is balanced so as to achieve long term sustainable organisational objectives rather than being driven by short term profit and executive gains has been amplified by the global financial crisis of the past eighteen months.

This report is designed to provide stakeholders with insight into and an understanding of the remuneration philosophy and policies that are adopted and applied across the group. This philosophy and its underlying policies have been consistently applied throughout the group. Remuneration comprises normal monthly salary, bonuses and incentives paid to employees, executive directors and fees to non-executive directors. This report also provides full details with regard to the basis of determination of the group's total incentive pool.

Group remuneration and transformation committee
The board has a sub-committee, the group remuneration and transformation committee (Remco), which comprises three non-executive directors, two of whom are independent. This committee is tasked with assisting the board in formulating and monitoring the implementation of the group's transformation and remuneration policies. Details of the directors comprising this committee and its activities are disclosed on page 67 of the corporate governance section.

Remuneration philosophy
In providing goods and services to persons through a large network of branches across South Africa and neighbouring countries, the group is acutely aware of its dependency on appropriately qualified, trained and experienced personnel to achieve its goals. The evolution of technology and increased competition gives customers more choice with regard to their preferred service provider, the consequence of which is that there is no room for mediocre service organisations to survive in the long term.

As a result, the group's remuneration philosophy needs to ensure that it:

- Develops, retains and attracts people with the required skills needed to enable the business to meet its current and future demands
- Develops a collaborative spirit amongst different business units that is directed towards attaining the group's objectives and strategy rather than just individual or departmental success
- Clearly differentiates and rewards excellence whilst discouraging mediocrity
- Achieves the appropriate balance between short and long term rewards
- Enables the payment of rewards and incentives out of a portion of the shareholder value created within the respective businesses during any given period. Creates a sustainable leadership structure with the succession pool necessary for continuity.

The group continues to strive for sustainable long term growth and to this end a greater portion of management and executive remuneration is put at "risk" against the delivery of key long term objectives and is linked to the performance of the group over a period of years rather than being dependent on a single year's results or performance. ABIL's original entrepreneurial style of business, which is still manifest in the organisation, results in the promotion of individual accountability at all levels, recognising and encouraging initiative and innovation.

The group's remuneration philosophy has been developed around these core principles.

Remuneration governance
The board has delegated, through a documented charter, to the Remco certain responsibilities and powers which include the following:

- Monitoring the group's human resources policies, practices and procedures to ensure they are relevant, dynamic, competitive and aligned to the strategy of the group.
- Monitoring the development and implementation of transformation and employment equity policies as a business imperative.
- Approving the group's overall remuneration philosophy, including basic pay structures, incentive and retention schemes, and performance measurement systems and criteria.

Remuneration report continued

- Reviewing and approving the overall incentive pools for each financial year, in accordance with the group's approved incentive policy and schemes, taking into account the changing competitive landscape.
- Determining and recommending to the board of directors for approval, the basic packages and incentive allocations for executive directors and members of the group executive committee and the allocation between short term and long term incentives.
- Reviewing and recommending to the board of directors for approval, the remuneration of non-executive directors based on recommendations from the executive directors.
- Ensuring that there is timeous, adequate and appropriate succession planning for all senior executives.
- Ensuring that there is an adequate focus being given to addressing the potential current and future impact of HIV/AIDS on human capital from a group perspective.

The full charter of the Remco is available on the group website (www.abil.co.za) under Corporate Governance.

Remuneration policies and structures

The group determines remuneration along the following significant components:

Basic remuneration and employee benefits

The basic remuneration comprises fixed guaranteed salaries for all permanent employees and sales commissions paid to sales staff. Permanent employees are compensated according to market related benchmarks, which are assessed on an ongoing basis with some employees on a total cost to company (TCC) basis whilst others are on cash packages, with certain statutory contributions to pension, provident, group life and healthcare schemes being made.

The group has various pension and provident funds which are defined contribution funds, with benefits determined based on contributions and growth in investment of funds. Membership of a retirement benefit fund is compulsory for all permanent staff, with employees having a choice between group and union retirement funds. The employer contribution ranges between 6,5% and 13,0% with each of the funds having a minimum contribution level.

Group life and disability cover is provided to employees in terms of a scheme for which a separate contribution is made by the employee. The group life cover for permanent employees ranges between three and seven times annual fixed package. Membership of a medical scheme has been made compulsory in African Bank but in Ellerines it is currently compulsory only at certain levels. The group is evaluating options on how medical benefits could be provided over time to all employees within the group.

Company owned vehicles are provided to those employees in the group whose job entails regular and necessary travel on business to various branches within the Ellerines business. These vehicles are provided on the basis that all costs relating to the running of the vehicles are borne by the group with the employee being taxed on the fringe benefit value thereof.

Incentive payments

Incentive payments are compensations paid to employees whose performance is above expectation having regard to their basic remuneration, and for contributing towards the creation of sustainable shareholder value. The incentive structures are designed to encourage and reward superior performance at all levels of the organisation, but are more focused at the management and executive level. The integrated incentive structure covers both short-term cash incentives and the long-term incentive plan with a stronger bias towards long-term. The main principles of the structure are:

- African Bank and Ellerines are treated as two separate business units for the purposes of determining economic profit, which is the group's measure of shareholder value creation.
- The basic premise for the determination of incentives is that there must be creation of shareholder value in any given year, or else there will be no incentives paid. All incentives paid by the group are funded out of a pool derived from the economic profit of the group, but evaluated at business unit level. The economic profit is defined as the headline earnings of the company for any given year less a charge for the cost of equity for ordinary shareholder funds. The charge for the cost of equity is imputed and based on the average ordinary shareholder funds multiplied by a market consensus derived cost of equity.
- The actual percentage of the group's economic profit available for payment as incentives is determined annually at the discretion of Remco within the maximum percentage as determined by the board.

- Approximately seventy percent of the incentive pool is used to pay short-term incentives including:
  - Sales incentives paid to branch staff on a monthly and quarterly basis for achieving or exceeding sales and new client targets;
  - Collections incentives paid on a monthly and quarterly basis for achieving or exceeding cash receipting targets;
  - Annual profit share bonus divided equally and paid to all non-managerial staff;
  - Annual discretionary bonuses for executive directors, management and support services staff; and
- The remaining thirty percent of the pool is used to fund a long term incentive plan, designed to encourage and reward superior long term shareholder value creation.

Senior management earn a proportionately higher amount of their incentives through the long term incentive plan than through the annual bonus with approximately 60% in long term incentives in 2009.

The sales commissions paid to the Ellerines sales staff do not at present form part of the incentive pool. The intention remains to incorporate this into the incentive pool structure concomitant with the repositioning of this business within the next few years.

The Long Term Incentive Plan (LTIP)

The use of a share option scheme ceased in 2006 and the LTIP scheme was introduced for long term incentives.

The LTIP is a cash-settled, share appreciation scheme, modelled on the performance of ABIL shares. Qualifying individuals are awarded a certain value of LTIPs each year, unitised into R10 units, with the instrument structured as follows:

- Each LTIP unit, plus an additional 50% gearing achieved through a notional loan, is synthetically "invested" into ABIL shares. i.e. R15 is "notionally invested" into ABIL shares. The entry price is set at the ABIL volume-weighted average price (VWAP) for the calendar month of issue of the LTIPs, being September of each year. The settlement value is determined with reference to the VWAP for the month of vesting.
- Interest is accrued on the R5 notional loan on a semi-annual basis and the dividends paid on the synthetic ABIL shares (grossed up at the corporate tax rate) are applied to reduce the loan balance. The interest rate charged on the notional loan is market-related.
- The value of the LTIP, from time to time, is the market value of the synthetic ABIL shares, less the remaining balance on the notional loan after accruing interest and notional dividends.
- The LTIP vests annually, and is paid out at market value, based on the ABIL VWAP for the calendar month of maturity, in 4 equal annual tranches. Should the individual resign or be dismissed, his or her unvested LTIPs will be forfeited and cancelled.
- Each year a new LTIP will be created which will run parallel to existing LTIPs resulting in a maximum of four separate LTIPs running concurrently.

Exposure to existing long term incentive schemes

The ABIL Employee share option scheme

Share options

The following table sets out details of the remaining share options under the scheme for the year ended 30 September 2009 which have all vested. The outstanding exposure is fully covered by treasury shares held by the ABIL Employee Share Trust.

Share options outstanding at 30 September 2009

	No of shares (thousands)
Balance as at 30 September 2008	168
Options taken up during the year	(4)
Balance as at 30 September 2009	164

The strike price of the options exercised during the year was R9,68. The share price of ABIL at the time of the exercise of the options was R26,30. The strike price of the unexercised options is between R3,40 and R16,16 per ABIL ordinary share with the VWAP being R13,95 per share. The closing share price of ABIL at 30 September 2009 was R29,40.

Converted option instruments

At the time the long term incentive plan was introduced, all staff who had unexercised share options were granted the right to convert their share options into an alternative cash-settled instrument (converted options). There is no liability in terms of this converted option scheme at 30 September 2009.

The table below sets out the movements in the converted options for the current year, as well as the total cash cost of settling this liability during the year.

Converted options outstanding at 30 September 2009

	Number of shares million	Liability accrued as at Sep 2008 (IFRS 2) R million	Liability to be accrued in future periods R million	Total liability R million
Balance as at 30 September 2008	**0,6**	**10**	**0**	**10**
Accrued during the year	**0**	**0**	**0**	**0**
Cash settlement during the year	**(0,6)**	**(12)**	**0**	**(12)**
Adjustment of liability to fair value	**0**	**2**	**0**	**2**
Balance as at 30 September 2009	**0**	**0**	**0**	**0**

Phantom option scheme in Ellerines

Prior to the acquisition by ABIL, Ellerines had a cash settled phantom share option scheme in place for management and executives. These phantom options were issued during the period November 2005 to July 2007 and were based on the Ellerine Holdings Limited share price. Subsequent to the acquisition of the entire share capital of Ellerines in January 2008, the phantom shares are now based on the equivalent ABIL share price using the ratio that was applied in acquiring the Ellerines shares ie 255 ABIL ordinary shares for every 100 Ellerines shares. These options vest at 25% per annum commencing twenty four months from date of issue and are cash settled.

LTIPs were issued by Ellerines during August 2007 which is materially on the same principles as set out above except that it was not determined on the economic profit of Ellerines Holdings Limited.

The strike price and conversion ratios were reset to the ABIL ordinary share post the acquisition and the table below sets out the number of phantom options outstanding at the end of the current period.

Phantom options outstanding at 30 September 2009

	Number of phantom options million	Liability accrued as at Sep 2008 (IFRS 2) R million	Liability to be accrued in future periods R million	Total liability R million
Balance as at 30 September 2008	**5,6**	**14**	**4**	**18**
Accrued during the year	**0**	**7**	**0**	**7**
Cash settlement during the year	**(1,7)**	**(4)**	**0**	**(4)**
Adjustment of liability to fair value	**0**	**0**	**0**	**0**
Forfeitures	**(0,9)**	**0**	**0**	**(0,9)**
Balance as at 30 September 2009	**3,0**	**17**	**4**	**21**

The LTIPs issued in 2006

The LTIP 2006 of R80 million, granted during November 2006 which included R16 million to be used for transformation, promotion, retention and recruitment of top talent, vests annually on 31 March each year as from 2007. LTIP 2006 was equivalent to 4,0 million ABIL shares. On 31 March 2009, R15 million of LTIP 2006 vested and a total of R20 million was paid out during April 2009 after taking into account the fluctuation in the ABIL share price from R23,59 at the time of issue to R22,62 per share at the time of vesting of the third tranche in March 2009. Since the grant of the LTIP 2006, after taking into account further issues from reserve as approved by Remco, R52 million of these LTIPs have been settled or have lapsed, leaving R14 million of LTIPs outstanding as at 30 September 2009. The market value of these as at 30 September 2009 was R26 million, of which R22 million was accrued under IFRS 2, with the remaining amount to be accrued in the 2010 financial year.

LTIP 2006 balance at 30 September 2009

Vesting date	Initial value of grant R million	Market value at 30 Sep 2009 R million	% accrued (incl lapse assumptions)	Accrued liability as at 30 Sep 2009 R million
31/3/2010	14,03	25,75	85,8	22,09

The LTIPs issued in 2007

During November 2007, Remco approved the grant of R57 million of LTIP 2007, which included R5 million to be used for the transformation, promotion, retention and recruitment of top key talent. The LTIP 2007 vests annually in four equal tranches on 30 September each year with the second 25% having vested on 30 September 2009. The actual value of LTIP 2007 initially issued was R54,2 million and a further R6,6 million was issued in respect of transformation, promotions, retention and recruitment of key skills. The total of R60,8 million was issued to 30 September 2009 which, after taking into account the related gearing, was equivalent to 2,9 million ABIL ordinary shares.

LTIP 2007 balance at 30 September 2009

Vesting date	Initial value of grant R million	Market value at 30 Sep 2009 R million	% accrued (incl lapse assumptions)	Accrued liability as at 30 Sep 2009 R million
30/9/2010	15,02	16,09	66,7	10,73
30/9/2011	15,02	16,09	50,0	8,04
	30,04	31,80		18,78

Remuneration report continued

Ellerines LTIP 2007

As stated above, Ellerines issued LTIPs in August 2007 and these have been converted using the ratio of ABIL shares to Ellerines ordinary shares stipulated in the acquisition transaction, being 255 ABIL ordinary shares for every 100 Ellerines ordinary shares. These vest in four equal tranches as from August 2008.

The table below sets out the balance in respect of Ellerines LTIP 2007.

Ellerines LTIP 2007 balance at 30 September 2009

Vesting date	Initial value of grant R million	Market value at 30 Sep 2009 R million	% accrued (incl lapse assumptions)	Accrued liability as at 30 Sep 2009 R million
August 2010	9,61	6,19	58,1	3,6
August 2011	9,61	6,19	41,3	2,6
	19,22	12,38		6,2

The LTIPs issued in 2008

During November 2008, Remco approved the grant of R74 million of LTIP 2008, which included R10 million to be used for the transformation, promotion, retention and recruitment of top key talent. The LTIP 2008 vests annually in four equal tranches on 30 September each year with the first 25% having vested on 30 September 2009. The actual value of LTIP 2008 initially issued was R43 million and a further R5 million was issued in respect of transformation, promotions, retention and recruitment of key skills. The total of R48 million was issued in September 2008 which, after taking into account the related gearing, was equivalent to 2,4 million ABIL ordinary shares.

On 30 September 2009, R10 million of LTIP 2008 vested and the amount paid out was R13 million. The price of an ABIL ordinary share used at date of issue of the LTIP 2008 was R26,20 and at 30 September 2009, the equivalent value was R29,40. The amount of LTIP 2008 remaining after lapses and settlement on vesting, is R31,4 million at original issue price. The market value and total liability accrued in respect of the balance of the three tranches which are still to vest, are set out below:

LTIP 2008 balance at 30 September 2009

Vesting date	Initial value of grant R million	Market value at 30 Sep 2009 R million	% accrued (incl lapse assumptions)	Accrued liability as at 30 Sep 2009 R million
30/9/2010	10,49	13,42	50,0	6,71
30/9/2011	10,49	13,42	33,3	4,47
30/9/2012	10,49	13,42	25,0	3,35
	31,46	40,25		14,53

2009 incentive pool allocations

As mentioned previously, the board has established that the after tax cost of the total incentive pool in any year may not exceed 22,5% of the economic profit of the group. However, in order to ensure that the African Bank business unit employees are not prejudiced by the restructuring of Ellerines, each of African Bank and Ellerines have been assessed separately for the purposes of the incentive pools. The total incentive pool, as a percentage of the African Bank business unit's pre-tax economic profit for 2009 is 10,8% (2008: 11,3%).

Whilst Ellerines incurred an economic loss in 2009, a total of R3 million was paid as short term cash bonuses and LTIPs of R16 million were awarded for the 2009 financial year in order to reward performance and retain the skills of certain key individuals.

	2009 R million	2008 R million
Economic profit		
African Bank business unit	1 070	1 060
Ellerines business unit	(1 165)	(737)
– Based on its own equity	(410)	(171)
– On goodwill component	(755)	(566)
Total economic (loss)/profit	(95)	323
Allocations		
Variable pay incentives – paid during the year	55	53
Profit share for non-managerial staff	9	15
Annual performance bonuses	46	49
Long-term incentive plan (LTIP) 2009	62	64
Reserve for new recruits, promotions and retentions	7	10
Total incentive pool	179	191
After tax cost of incentive pool	129	138

The variable pay incentives include all performance-based cash incentives (excluding sales commissions payable to the sales staff in African Bank and Ellerines) paid during the year on a monthly or quarterly basis. These are primarily for non-managerial sales and collection staff who, in addition to their basic salary, receive incentives for achieving and exceeding internal operational targets.

The profit share for non-managerial staff is a fixed portion of the pool, with a fixed maximum amount per employee in the African Bank business unit, but differentiated on an individual level based on level of performance.

The annual performance bonus pool of R46 million, which was paid in November 2009, will be accounted for as an expense in the 2010 financial year. This treatment is in accordance with IFRS, and consistent with the prior years, as these bonuses are only determined and approved after the end of the financial year.

LTIP allocations amounting to R62 million, equivalent to a synthetic investment in 2,2 million ABIL shares, was made to employees in November 2009. The vesting period is four years with the first tranche vesting on 30 September 2010. This will be accrued for as an expense, in accordance with IFRS 2, in the 2010 financial year and beyond. These LTIPs were issued at the VWAP for September 2009 of R29,40 per ABIL ordinary share.

Hedging of exposure from ABIL share price movements

In keeping with the strategy of limiting exposure to those risks directly related to its core business, the group has largely hedged its exposure under the LTIP and Phantom option schemes, after taking into account an expected lapse rate, in order to avoid volatility in the group's earnings due to movements in the ABIL share price. The remaining exposure, including the LTIP 2009 granted in November 2009, will be hedged as soon as practically possible.

The financial effects of the hedge entered into is that any movement in the ABIL share price from the hedge price will result in a compensating gain or loss in relation to the LTIP liability to employees. These differences are determined on specific dates in terms of the hedge to match the group's liability in terms of the LTIP.

Remuneration report continued

Executive directors' remuneration

Remco determines the executive directors' remuneration annually in the same manner as all employees, and it is approved by the board within the group's remuneration framework and philosophy. Adjustment in remuneration necessitated by any significant change in responsibility of an executive director is motivated by the group chief executive officer to Remco and if approved, recommended to the board for approval by the non-executive directors. The executive directors recuse themselves from all discussions relating to their remuneration.

The executive directors are employed under the general terms and conditions of employment applicable to all group employees, with no service contracts, restraints or fixed or guaranteed periods of employment within the group applicable. The notice period for termination of service for executive directors is one calendar month and they are required to retire from the board upon reaching the age of 65 years.

Basic remuneration, benefits and bonuses paid to executive directors

The components of executive directors' remuneration are as follows:

Remuneration, benefits and bonuses paid to executive directors for the year ended 30 September 2009

All amounts in R000	Date appointed to the board	Cash package	Retirement and medical contributions	Total cost to company package	Annual cash bonus (note 1)	Other benefits (note 3)	Total
Gordon Schachat (Executive deputy chairman)	01/07/1995	**1 830**	**170**	**2 000**	**1 200**	**0**	**3 200**
Leon Kirkinis (Chief executive officer)	01/07/1997	**1 998**	**186**	**2 184**	**1 500**	**5**	**3 689**
Toni Fourie	21/10/2003	**2 881**	**303**	**3 184**	**1 000**	**401**	**4 586**
Tami Sokutu	19/05/2003	**2 593**	**253**	**2 846**	**900**	**150**	**3 896**
Dave Woollam	01/11/2002	**2 967**	**299**	**3 266**	**1 200**	**15**	**4 481**
Nithia Nalliah (Chief financial officer) – (see note 4)	21/05/2009	753	89	842	1 000	50	1 892
Total		**13 023**	**1 300**	**14 323**	**6 800**	**621**	**21 744**

for the year ended 30 September 2008

All amounts in R000	Date appointed to the board	Cash package	Retirement and medical contributions	Total cost to company package	Annual cash bonus (note 2)	Other benefits (note 3)	Total
Gordon Schachat (Executive deputy chairman)	01/07/1995	1 860	140	2 000	2 000	0	4 000
Leon Kirkinis (Chief executive officer)	01/07/1997	2 031	153	2 184	2 500	5	4 689
Toni Fourie	21/10/2003	2 648	229	2 877	1 500	5	4 382
Tami Sokutu	19/05/2003	2 282	171	2 453	1 088	0	3 540
Dave Woollam	01/11/2002	2 682	201	2 883	1 550	6	4 438
Total		11 503	894	12 396	8 638	16	21 050

Notes

1. *These performance incentives relate to the financial year ended 30 September 2009 and were approved by the board (based on Remco's recommendation) on 19 November 2009 and paid at the end of November 2009. This will be expensed in full, in terms of IFRS, in the 2010 financial year.*
2. *These performance incentives relate to the financial year ended 30 September 2008 and were approved by the board (after Remco approval) on 6 November 2008 and paid at the end of November 2008. This has been expensed in full, in terms of IFRS, in the 2009 financial year.*
3. *Other benefits consist of long service awards, subsistence and travel allowances.*
4. *Nithia Nalliah was appointed to the board on 21 May 2009.*

Share options and converted options

None of the directors had any share options or converted options outstanding under the discontinued share option scheme for any part of the current financial year.

LTIP scheme

The allocations to executive directors for the year ended 30 September 2009, together with movements in their LTIP portfolios are reflected in the table below.

LTIPs awarded to executive directors for the year ended 30 September 2009

All amounts in R000	Value as at 1 Oct 2008 (note 5)	2009 LTIPs awarded (note 1)	Change in value of LTIPs	LTIPs vested and payable (note 2)	LTIPs forfeited	Value as at 30 Sep 2009
Gordon Schachat (Executive deputy chairman)	**0**	**0**	**0**	**0**	**0**	**0**
Leon Kirkinis (Chief executive officer)	**0**	**0**	**0**	**0**	**0**	**0**
Toni Fourie	**8 736**	**2 500**	**2 134**	**(4 577)**	**0**	**8 793**
Tami Sokutu	**4 898**	**1 550**	**1 230**	**(2 506)**	**0**	**5 172**
David Woollam	**7 631**	**2 300**	**1 902**	**(4 033)**	**0**	**7 800**
Nithia Nalliah (Chief Financial Officer) (see note 5)	**3 175**	**1 900**	**389**	**(1 058)**	**0**	**4 406**
Total	**24 440**	**8 250**	**5 656**	**(12 175)**	**0**	**26 171**

for the year ended 30 September 2008

All amounts in R000	Value as at 1 Oct 2007	2008 LTIPs awarded (note 3)	Change in value of LTIPs	LTIPs vested and payable (note 4)	LTIPs forfeited	Value as at 30 Sep 2008
Gordon Schachat (Executive deputy chairman)	0	0	0	0	0	0
Leon Kirkinis (Chief executive officer)	0	0	0	0	0	0
Toni Fourie	10 758	2 805	(1 442)	(3 385)	0	8 736
Tami Sokutu	6 284	1 700	(1 296)	(1 790)	0	4 898
David Woollam	9 438	2 900	(1 886)	(2 821)	0	7 631
Total	26 480	7 405	(4 624)	(7 996)	0	21 265

Notes

1. *The 2009 LTIP awards relate to performance for the year ended 30 September 2009, and were approved by the board (based on Remco's recommendations) on 19 November 2009.*
2. *This includes the LTIPs that vested on 30 September 2009 which were paid in October 2009.*
3. *The 2008 LTIP awards relate to performance for the year ended 30 September 2008, and were approved by the board (based on Remco's recommendations) on 6 November 2008.*
4. *This includes the LTIPs that vested on 30 September 2008 and paid in October 2008.*
5. *Nithia Nalliah, the group chief financial officer, was appointed the group financial director in May 2009. Consequently his LTIPs were not included in the schedule of executive LTIPs for 2008 and the amount shown in the column at 1 October 2008 is the balance outstanding at the date of his appointment in May 2009.*

Remuneration report continued

Non-executive directors' remuneration

The non-executive directors are paid fixed fees for their responsibilities and duties on the boards of African Bank Investments Limited, African Bank Limited and the insurance subsidiaries of the group. These fees are determined annually by the executive directors for all services rendered as directors of the boards and participation in the various sub-committees of the boards. The fees are not dependent on attendance at meetings as directors' performance is evaluated annually through a peer review process by all members of the board. The fees paid to the non-executive directors are as follows:

Remuneration for the year ended 30 September 2009

All amounts in R000	Date appointed to the board	Note	Fees for services as directors	
			2009	2008
Mutle Mogase (Non-executive chairman)	12/03/2007	1	**843**	293
Nic Adams	01/02/2008		**485**	192
Mpho Nkeli	07/03/2008		**300**	118
Dave Gibbon	01/06/2003	2	**516**	356
Oshy Tugendhaft	01/04/2003		**455**	310
Samuel Sithole	21/05/2009		**113**	0
Robert John Symmonds	21/05/2009	2	**171**	0
Ashley Mabogoane (Past non-executive chairman)	01/12/1999	3	**588**	981
Bahle Goba	06/06/2003	4	**153**	203
Brian Steele	19/05/2003	4	**252**	245
Ramani Naidoo	19/05/2003	5	**0**	99
Gunter Steffens	19/05/2003	6	**0**	235
Daniel Tembe	01/01/2000	7	**0**	70
Total			**3 876**	3 103

Notes

1. Appointed chairman of ABIL and African Bank Limited on 1 April 2009 and resigned from all other subsidiaries on the same date
2. Also member of the board of subsidiaries in the group for which the fee is included above
3. Ashley Mabogoane resigned from all the boards on 1 April 2009 due to the group's term limit policy
4. Bahle Goba and Brian Steele resigned from all the boards on 21 May 2009, having reached their term limits
5. Ramani Naidoo resigned from all the boards on 31 January 2008
6. Gunter Steffens retired from all the boards on 31 January 2008
7. Daniel Tembe retired from the boards on 31 January 2008, having reached his term limit

The non-executive directors do not participate in any of the group's bonus and incentive schemes nor do they receive any other benefits from the group.

Risk management review

The section below contains an abbreviated version of our risk management review. Interested readers are invited to refer to the full report on our website at www.abil.co.za for a more detailed discussion of the various risks within the group and the actions taken to mitigate these risks.

The group risk management approach is an approved enterprise wide risk management methodology and philosophy to ensure adequate and effective risk management.

Risk management mechanisms

ABIL believes that risk management is fundamental to effective corporate governance and the development and maintenance of a sustainable business. ABIL's risk methodology and philosophy allows the various business units to ensure business success with a measured balance between risk and reward.

The group operates in a structured manner with defined processes and procedures enabling risk assessment within a controlled environment. Accordingly, an assessment of key risks is performed with weightings on impact and probability assigned. Existing controls are assessed and if necessary, adjusted. Thereafter reports are generated and reviewed at regular intervals to enable monitoring of risk levels.

ABIL's objective with risk management is to ensure a proactive identification, understanding and assessment of risks, including activities undertaken that yield risks which could impact on business objectives. This is executed through various risk management and governance mechanisms and risk management oversight bodies. These include:

- Independent board committees (audit, risk and capital management, remuneration, directors affairs);
- Risk management function co-operation in all key operations throughout the group;
- Assurance from internal audit on the control environment;
- Fraud risk management through an independent forensic department;
- Operational risk operating as business partners to all business units to facilitate, coordinate and monitor effective risk management;
- Compliance department; and
- Group legal advisors.

Risk management philosophy and culture

Sustainable high-quality shareholder returns can only be derived by accepting a certain measure of risk taking. In light of the understanding of risk management by the group, the board has strategically accepted a higher risk appetite for credit risk than most other credit lenders. This increased risk appetite is informed by a stable, effective and efficient risk management philosophy and framework within the group. ABIL views risks as an inherent part of running a successful business, i.e. risk is not only mitigated but also analysed and investigated for potential opportunities. This approach provides the direct correlation and linkage between risk management and maximising stakeholder value.

ABIL maintains an integrated, enterprise wide risk management programme. The group applies a logical and systematic methodology to identify, analyse, assess, mitigate and monitor all known risks. The critical success factor is the alignment of the key fundamentals of governance, business objectives, stakeholders, ethics, policies, standards, strategies and compliance.

The risk management process is continuous, with well-defined procedures that support improved decision making by contributing a greater insight into risks and their potential impact. One of the objectives of the risk management philosophy is to ensure that mitigating strategies are geared to deliver reliable and timely risk management information.

ABIL's approach to risk accepts and embraces risk management as a core competency that allows the business to optimise risk taking through objectivity and transparency that will ensure effective and efficient risk pricing and optimised returns within a chosen risk appetite.

ABIL's embedded risk management philosophy and culture has positioned the group to be resilient through the current economic volatility. In light of the global financial crisis and the resultant squeeze on credit lending and funding, ABIL pro-actively reduced unnecessary exposure to credit risk as well as obtained additional funding in order to eliminate any potential funding shortfalls. ABIL's strong risk and capital management culture has contributed significantly to the success of the business as a whole.

Risk management review continued

Risk governance structure

Group board of directors

The board of directors is ultimately responsible for oversight of appropriate risk management and internal control mechanisms. The board monitors the implementation of their strategies and objectives through various board and executive committees. The board delegates oversight responsibility to the risk committee to deal with the various risk portfolios, set risk tolerance and monitor the entire risk management process.

Sub-committee oversight

The board, in discharging their risk management responsibilities, is supported by two sub-committees, namely the group audit committee and the group risk and capital management committee. These committees are the oversight bodies for the implementation of adequate and effective internal control mechanisms as well as efficient risk management frameworks. They also review the overall effectiveness of risk management structures and response strategies.

Management

Management of the group is responsible for the day-to-day implementation of adequate and effective internal control mechanisms. Strong senior management oversight forms the cornerstone of an effective operational management process. They are responsible for overseeing the development and maintenance of a methodology to effectively manage risk in the group which goes beyond a narrow compliance-oriented approach to a holistic risk approach. This includes *inter alia* an embedded risk management culture throughout the organisation, with management taking frontline responsibility for identifying, understanding and managing risk in pursuit of its strategy and aligning these with the overall business risk policy and approved risk tolerance levels.

Group risk management

As far as enterprise risk management is concerned, the group risk management function is responsible for ensuring the application of an effective risk management framework throughout the group. The group risk management functions are independent and segregated from their underlying business units and are responsible for providing guidance, coordination and assurance regarding the implementation of the group risk management methodology.

African Bank and Ellerines each has a risk management function responsible for facilitating risk management and risk monitoring across all departments within business units in order to ensure that the enterprise risk management framework is established and maintained. This is effected via:

- The establishment of risk policies which reflect risk principles, risk appetite and risk tolerance;
- The creation of risk identification and management processes
- The monitoring and support of risk management practices; and
- Comprehensive reporting to the various executive committees, board sub-committees and board of directors.

Each risk management function consists of the following components:

- Internal audit;
- Forensics;
- Compliance;
- Legal; and
- Operational risk.

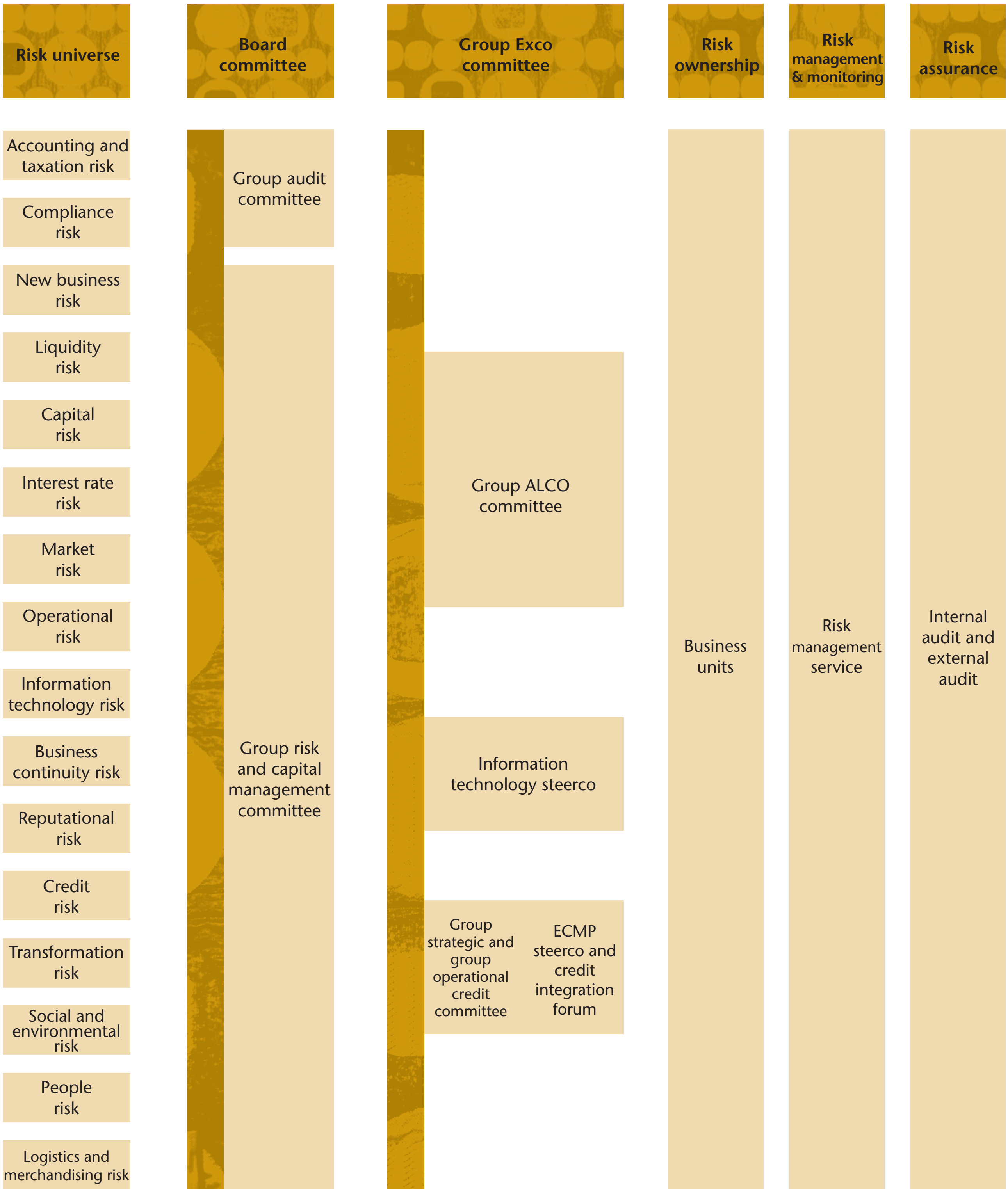
Risk universe and supporting structures

All risks facing the greater ABIL group are reviewed on an annual basis and the major groups of risks (before and after the application of mitigating controls) are set out and described below. Management of the two business units and the ABIL board are satisfied that these risks are being adequately managed to ensure the desired outcome is achieved. The diagram across the page depicts the risk universe faced by the group as well as the appropriate level of role and responsibility associated to the specific risk.

Strategic risk – new business

The risk of adverse operating conditions caused by market–driven pressures such as decreased demand, increased competition or unforeseen cost increases. Market conditions continue to be difficult forcing subdued sales relative to previous years. ABIL is enhancing its competitive position through augmented and improved marketing, merchandising and logistic strategies. Renewed focus is also placed on growing the customer base. In addition, the rollout of the African bank credit granting front end to the Ellerines branded stores will contribute significantly both to sales levels and to improved credit mix.

ABIL's risk universe



Strategic risk – credit integration

In light of the associated risks when attempting to integrate and amalgamate a complete credit module (debtors' book as well as credit granting) into Ellerines, ABIL has decided that credit integration be dealt with in two separate strategic teams/committees. The separate teams are responsible for the African Bank credit granting conversion into Ellerines stores (Ellerines Credit Migration Project – ECMP) and debtors' book and associated functionality (Credit Integration Forum – CIF) respectively. Both of these teams consist of dedicated team members as well as executive steering committees.

ECMP has already rolled out to all Ellerines branded stores and a pilot (10) of Beares stores. The completed ECMP rollout is planned for mid 2010. The CIF project is currently underway with pilot conversions planned for February 2010 and completion by July 2010. Both these strategic projects are managed through an approved project framework approach with adequate involvement from all associated business units and risk representation.

Information technology risk

There is a significant level of demand on IT resources to deliver technology solutions due to business growth as well as current system upgrades, replacement and credit integration and system conversions. Uninterrupted and efficient availability of information technology services has become indispensable and forms an integral part of the daily operations and strategy execution of the group.

System capacity is regularly assessed and upgraded where necessary to take advantage of scale efficiencies and cost reductions. Required people skills are regularly assessed to ensure the bank stays abreast of developments and to ensure that optimum efficiency standards are maintained. The group has made considerable investment in its IT environment to increase capacity, availability and furthermore to have the right resources to provide business with the necessary levels of service.

Business continuity and disaster recovery

Business continuity management in the group has continued to improve the ability of all critical operations to manage unexpected business disruption. The group is continually assessing the associated risks to eliminate down-time and improve recovery strategies.

African Bank has the ability to switch its main debtors management system to run interchangeably between the disaster recovery and live sites, reducing potential downtime to less than 30 minutes in the event of a disaster. Ellerines have secured a syndicated off-site facility, fully configured in that it can relocate in the event of the loss of their head office. Generators and uninterrupted power supply capabilities at the respective head offices and key sites minimise disruptions from power outages.

Appropriate insurance cover exists to provide effective cover against business continuity disasters.

People risk

The long term success of any organisation is largely dependent on the quality of the staff that is recruited and the retention of its good performers. Human capital matters that are utilised as risk indicators and are continuously assessed include *inter alia* the following:

- Employee turnover;
- Employment equity;
- Training and development and talent management;
- Employee welfare;
- Health and safety; and
- HIV/Aids.

For a more detailed discussion of these matters, please refer to the Sustainability report on www.abil.co.za.

Credit risk

The provision of unsecured loan and credit card finance remains the primary financial opportunity within the group. Accordingly, core competencies in terms of the underwriting, pricing and collection of unsecured credit are constantly progressed in order to deliver value to customers and thereby the creation of stakeholder value.

The primary areas of focus for the credit risk division are:

- Continuous development and improvement of proprietary scoring models for underwriting, affordability assessment, portfolio performance and collection activity;
- Customer and risk centred product development together with appropriate risk-based pricing; and
- Effective monitoring and understanding of the sensitivity of credit risk metrics and trends to various risk parameters.

The credit risk governance frameworks of Ellerines and African Bank have been aligned to ensure consistency. Furthermore, the underlying credit policies, systems and process continue to be synergised and improved.

For a more in depth discussion of our scoring models, risk-based pricing structures, monitoring of credit metrics and affordability management, please refer to the full risk report on www.abil.co.za.

Capital, liquidity and funding concentration risk

ABIL's capital management philosophy is at the heart of its business, in that it seeks to balance the value proposition to customers with total returns generated over time. As at 30 September 2009, the group's internal capital model indicated an optimal level of regulatory capital for the group of R6,0 billion, or 26,9% of assets at risk. Against this, ABIL held a total capital base of R7,6 billion, providing substantial room to pursue growth strategies. See the Financial review section on page 16-17 for more detail of ABIL's internal capital model.

Liquidity risk represents the potential that the maturity profile of the bank's asset and liability portfolios is such that the bank is unable at some point in the future to meet its maturing liabilities with available cash resources. The bank has enjoyed a particularly positive liquidity profile for the year under review. As at 30 September 2009, the bank had total cash reserves of R4,6 billion and funding had increased to R18,4 billion, up 33% from R13,8 billion in the prior year.

African Bank targets primarily long term wholesale funding sourced from a broad base of large financial institutions and asset managers. Despite the challenging funding markets in the past financial year, the bank has continued to fund its balance sheet growth with new funding (albeit at a slightly higher average price) whilst at the same time maintaining its conservative position on liquidity mismatches and cash buffers. The bank continues to explore a number of new initiatives in order to expand the universe of its funding sources.

Please refer to the full risk report on www.abil.co.za and the Financial review on page 39-40 for more information

Sustainability report

The section below contains an abbreviated version of our sustainability report. Interested readers are invited to refer to the full report on our website at www.abil.co.za.

Our approach

We believe that being profitable and making a difference to our customers' lives and communities around us are not mutually exclusive; they are integrated goals. When our business is growing and sustainable, we are in a better position to translate positive financial results into sustainable community and environmental efforts that benefit everyone and that is what we are striving for as a business and as individuals.

For us, the cornerstone of sustainability is the quest to continuously improve our value creation for our shareholders and customers whilst looking to create an atmosphere for our employees in which they can excel and deliver great service to our customers. While there will always be a predominant focus on our major stakeholders, we are cognisant of the physical environment and endeavour to continue to play our part to ensure a sustainable future for generations to come.

Message from Leon

The founding vision of ABIL was to enable our customers to improve their lives through access to unsecured credit. This was predicated on the inherent integrity of people and their desire to give their children a better quality of life than they had. We never sought to have any control over what our money was used for because we believed that people are the best custodians of their own well being. We dedicated ourselves to taking risk on people where no one else was prepared to and therefore **access** to credit was our main goal. Initially our prices were high so as to compensate for the yet to be discovered risk and the lack of scale in our business.

In order to execute on this vision we developed core competencies that gave us the ability to: raise capital, (both debt and equity), carve up the capital into small parcels of loans for our customers (underwriting), and recover our money (collections).

As we started to grow we began to explore how this could be translated into better value to customers. To a customer a big part of **value** is determined by the size of the loan and the associated monthly instalment. Critical mass enables efficiency in each of the three components of the cost of capital, risk, and overhead. But value needs to be driven as a core philosophy. Over the last five years we have worked hard at reducing these costs. Underwriting efficiencies have been unlocked in three ways; as costs have become a smaller component in the mix it has enabled us to take more risk, as underwriting improved we have been able to differentiate better and ensure different customers pay a different price for their inherent risk, and we have been able to increase the loan sizes to our clients over longer terms. We are well known for being cost fanatics. This is to ensure that we are champions on behalf of our customers, driving out unnecessary costs and investing in "value adding" costs.

The acquisition of Ellerines was a big step in this journey to critical mass. It exposed us to the following new customer bases:

- Large groups of new entrants to the credit markets;
- Much more exposure to rural self employed unbanked cash collected customers; and
- A higher proportion of customers who have traditional bank credit cards.

Ellerines has also proven to us how a better integrated business, where the branches take far more responsibility for the credit risk, helps reduce loss rates and the consequential negative impact on customers. Whilst credit is incredibly empowering, at the same time too much of it can become destructive. Our attention remains towards being **responsible** in rationing credit. We also need to deal in a sympathetic way with customers who get into trouble, particularly the bad luck customers as opposed to the bad faith customers.

The next major evolution in our thinking will be to transform ourselves from a loan oriented business to a client one with all that entails, particularly in respect of customer acquisition and retention, underwriting, collections and product and processes.

We aim to build an organisation that becomes far more targeted on delivering a customised value proposition to:

- A higher risk customer (where access coupled with credit on "training wheels" is more important);
- A lower risk customer (where buying power may be more important);
- A new customer (where pervasive presence may be the key); and
- A repeat customer (where a better deal every time is the promise).

The filter through which we make choices will be the customer.

In order to build a more courageous organisation that is willing to stare at its own faults and do something about it, we will be focusing more on the people and culture issues of this business. Developing the talent of our people requires ongoing attention. We need to set aside time to simply think about our people. We succeeded in growing, attracting and retaining outstanding individuals to broaden the management level and address succession planning during the year. We were less successful in furthering our transformation strategy to increase the diversity base of our people, but it remains a core focus.

We understand that the very existence of our business is dependent on our ability to continue to deliver value to our various stakeholders, and that sustainable growth can only be achieved through paying greater attention to the world in which we operate.

Transparency and detailed reporting to the stakeholders remains important for us to maintain credibility. In this regard, we are pleased that ABIL has again been recognised for the quality of its disclosure to stakeholders this year.

Our sustainability report reflects on the progress we have made this year in getting closer to our customers, our people and our other stakeholders. It also highlights gaps and shortcomings in achieving some of our other goals that we will continue to focus on in 2010. We invite you to access the full report on our website and we welcome comments or suggestions on both our process and disclosure.

Harvest time at the Mathomo Mayo Garden in Ivory Park

Breakfast at the Thuthukani Day Care Centre in Ivory Park

Sustainability report continued

Key performance indicators

	ABIL Consoli-dated 2009	Ellerines 2009	African Bank 2009	ABIL Consoli-dated 2008	Ellerines# 2008	African Bank 2008	2007	2006	2005	2004
Economic performance indicators										
Impact on customers										
Number of loans (000s)	3 900	1 241	2 659	3 587	1 390	2 197	1 803	1 476	1 408	1 368
Sales measured in loan amounts disbursed annually (Rm)	12 616	2 915	9 701	11 549	1 836	9 713	7 118	5 451	4 392	4 418
Sale of merchandise (Ellerines) (Rm)	4 196	4 196	n/a	3 092	3 092	n/a	n/a	n/a	n/a	n/a
Impact on suppliers (Rm)										
Total paid to suppliers	2 260	1 634	626	1 793	1 286	507	445	382	367	372
Major sources of suppliers:										
Computer equipment and software	113	54	59	95	35	60	31	28	19	13
Leasehold improvements	36	16	20	39	17	22	31	15	–	4
Operating lease premiums	592	499	93	464	383	81	69	62	67	42
Consultants and other professional fees	41	22	19	29	17	12	13	11	12	16
Impact on employees										
Total payroll and benefits (Rm)	1 832	1 271	561	1 559	1 028	531	460	424	384	382
IFRS 2 – Incentive scheme benefits (Rm)	76	31	45	52	(11)	63	65	119	34	n/a
Commissions to sales force (Rm)	190	146	44	126	80	46	76	80	113	123
Minimum wage (R)	n/a	3 000	4 200	n/a	3 000	4 200	4 200	4 000	3 180	3 000
Minimum annual bonus (R)	n/a	n/a	5 000	n/a	n/a	5 000	6 000	5 000	4 000	n/a
Impact on providers of capital (Rm)										
Total interest paid to funders	2 025			1 313			636	465	492	453
Total dividends to ordinary shareholders	1 528			1 479			1 070	897	1 107	788
Total dividends to preference shareholders	52			49			41	36	8	n/a
Reserves	3 022			2 778			2 470	2 195	2 110	2 629
Impact on public sector (Rm)										
Total taxes paid	953			988			792	699	666	555
– SA Normal	764			765			616	535	476	386
– Foreign	8			13			–	–	–	–
– Withholding	4			5			–	–	–	–
– Value added tax (VAT)	18			56			38	46	50	69
– Secondary tax on companies (STC)	159			149			138	118	140	100
Environmental performance indicators										
Water consumption (Midrand) (kl)	62 339	n/a	62 339	41 313	n/a	41 313	36 046	26 425	n/a	n/a
Electrical energy consumption (Midrand) (Mwh)	6 020	n/a	6 020	5 806	n/a	5 806	5 063	5 869	5 339	n/a
CO_2 emission from electricity (Midrand) (tonnes)	6 201*		6 201*	5 806		5 806	4 850	5 740	5 142	n/a
Social performance indicators										
Full-time employees	16 930	13 454	3 476	19 302	15 876	3 426	3 011	2 727	2 845	2 672
Net full-time employment creation	(2 372)	(2 422)	50	(1 467)	(1 876)	409	284	(118)	173	(239)
Employee turnover – voluntary (%)		25	10		26	13	12	14	13	15
Employee turnover – involuntary (%)		12	5		7	5	4	6	9	13
% unionised employees		36	53		32	30	30	33	28	15
Training expenditure (Rm)	16,7	3,0	13,7	17,6	3,9	13,7	13,3	12,5	7,5	8,4
Social responsibility expenditure (Rm)	14,2	5,3	8,9	11,3	5,1	6,2	6,2	5,4	5,7	5,9
Political grants (R 000)		–	–	–	–	–	–	–	118	2 000

9 months

* *Factors used for CO_2 (1,03). Calculation based on the 2009 ESKOM annual report.*

Sustainability performance at a glance

Highlights

- Balance sheet and funding base strengthened;
- Lower pricing, improved distribution, speed and service introduced for customers at both African Bank and Ellerines;
- Improved product ranges driven by customer choice at Ellerines, enhanced proposition;
- Favourable shopping environment created at Ellerines, in terms of store location, layout and overall in-store execution;
- Operating cost base at Ellerines reduced by R309 million;
- African Bank acquired 377 000 new clients and increased total clients by 10% to 1,8 million;
- Gross advances at African Bank increased by 31%;
- New segmentation models which provide even better value to customers, implemented towards the end of the financial year;
- Renewed emphasis on growth;
- Employee volunteering in the business grew from 53 in 2008 to 478 in 2009;
- A human capital shared service centre model embedded in African Bank; and
- A new incentive monitoring system, improved intranet and medical aid subsidies rolled out in response to recent culture survey.

Challenges

- Continuing to close identified operational gaps and ensure that our business imperatives and commitment to sustainability complement each other;
- Creating a single sustainability philosophy and framework to be cascaded to both African Bank and Ellerines;
- Strengthening quantitative assessment of the sustainability progress;
- Maintaining employment equity targets;
- Continuing to reduce costs;
- Creating a profitable standalone retail business at Ellerines;
- Continuously managing the debt profile of our customers (protecting against over indebtedness); and
- Expanding the customer base.

Please forward comments to

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AFRICAN BANK
Corporate Social Investment

Annual financial statements

Annual financial statements continued

Company annual financial statements

Notes to the company annual financial statements

Financial definitions

All-in tax rate (%)
The all-in tax rate is the income statement taxation charge (i.e. both direct and indirect taxation) expressed as a percentage of profit before any taxation.

Average cost of funding
The average cost of funding is calculated by expressing the interest expense as a percentage of the average total interest-bearing liabilities.

Average gross advances
The average gross advances is the sum of the month-end gross advances for the period, divided by the number of months in the period. The month-end gross advances exclude the net recoverable value of the written-off loans.

Average interest-bearing liabilities
The average interest-bearing liabilities comprise subordinated bonds/debentures, bonds and other long term and short term funding and is calculated as the sum of the month-end balances for these instruments, divided by the number of months in the period.

Bad debts to advances ratio (%)
The bad debts to advances ratio is calculated by expressing the charge for bad and doubtful advances as a percentage of average gross advances.

Basic earnings attributable to ordinary shareholders
Profit for the period less dividends on non-redeemable, non-cumulative, non-participating preference shares declared during the reporting period.

Basic earnings per share (cents)
Basic earnings per share is calculated by dividing basic earnings attributable to ordinary shareholders by the weighted number of ordinary shares in issue during the period.

Capital adequacy ratio (%)
The capital adequacy of banks and banking groups is measured in terms of the requirements of the Banks Act (number 94 of 1990, as amended) and regulations thereto. The ratio is calculated by dividing the sum of tier 1 and tier 2 capital by the risk-weighted assets.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in money market instruments and cash reserves held by the insurance companies, net of bank overdrafts.

Cash flow hedge
A risk management technique used to insulate financial results from exposure to variability in cash flows that is attributable to a particular risk associated with an asset or liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss.

Cash-generating unit
A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Cost to advances ratio (%)
The cost to advances ratio is calculated by expressing the operating expenses as a percentage of average gross advances.

Cost to income ratio (%)
The cost to income ratio is calculated by expressing the operating expenses as a percentage of total income.

Financial definitions continued

Deferred taxation assets
Deferred taxation assets are the amounts of income taxation recoverable in future years in respect of deductible temporary differences arising from differences between the taxation and accounting treatment of transactions and the carry-forward of unutilised taxation losses.

Direct taxation
Direct taxation includes normal South African and foreign jurisdiction taxation on income, withholding taxes, capital gains tax (CGT) and secondary tax on companies (STC).

Dividend cover (times)
Dividend cover is calculated by dividing headline earnings per share (adjusted for the BEE charge) by ordinary dividends per share for the period.

Economic profit
Reported headline earnings less a charge for an imputed cost of capital, based on average shareholders' funds, multiplied by the estimated average cost of equity for the group, resulting in a measure of shareholder value creation.

Effective tax rate (%)
The effective tax rate is the direct taxation charge per the income statement expressed as a percentage of profit before taxation.

Fully diluted basic earnings per share (cents)
Fully diluted basic earnings per share is calculated by dividing basic earnings attributable to ordinary shareholders by the fully diluted number of ordinary shares in issue during the period.

Fully diluted headline earnings per share (cents)
Fully diluted headline earnings per share is calculated by dividing headline earnings by the fully diluted number of ordinary shares in issue during the period.

Fully diluted number of shares in issue
The fully diluted number of shares in issue is the weighted number of ordinary shares in issue adjusted for the impact of outstanding options under the ABIL Employee Share Participation Scheme as defined in IAS 33 – Earnings per share.

Gearing
Gearing represents the ratio of average total assets to average ordinary shareholders' equity, and therefore indicates the extent to which the group uses debt financing to fund assets.

Gross margin (%)
The gross margin percentage is determined by taking the total revenue from the sale of merchandise, less cost of sales, divided by the total revenue from the sale of merchandise for the period.

Headline earnings
For the purposes of definition and calculation the guidance given on headline earnings, as issued by the South African Institute of Chartered Accountants (SAICA) in circular 3/2009 of August 2009 has been used. Headline earnings consist of basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items.

Headline earnings per share (cents)
Headline earnings per share is calculated by dividing headline earnings by the weighted number of ordinary shares in issue during the period.

IFRS
International Financial Reporting Standards, as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

Impairment provisions
Impairment provisions comprise specific impairments against non-performing loans and advances, portfolio provisions for incurred but not reported loss events as well as group credit life reserves.

Indirect taxation
Value-added tax (VAT) and other taxes, levies and duties paid to government, excluding direct taxation.

JIBAR
Johannesburg Interbank Agreed Rate, which is the rate that South African banks charge each other for wholesale money.

National Credit Act
The National Credit Act (number 34 of 2005 as amended) (NCA) became fully operational on 1 June 2007. Subject to certain defined exceptions it regulates all arm's length credit agreements that are made or have an effect within the Republic of South Africa and it replaces the Usury Act (number 73 of 1968) (including the Exemption Notices published by the Minister of Trade and Industry in terms of section 15A), the Credit Agreements Act (number 75 of 1980) and the Integration of Usury Laws Act (number 57 of 1996).

Net asset value per share (cents)
Net asset value per share is calculated as ordinary shareholders' equity divided by the number of ordinary shares in issue (net of treasury shares) at the end of the period.

Non-performing loans (NPLs)
Non-performing loans are defined as loans and advances that have more than three cumulative instalments in arrears. Primarily, NPLs are considered impaired loans in terms of IAS 39.

NPL coverage (%)
NPL coverage is calculated as the total impairment provisions (including ceded credit life reserves) divided by non-performing loans.

Operating margin (%)
The operating margin percentage is determined by the profit from operations, excluding the interest expense, divided by the sale of merchandise for the period.

Partially written-off book
Where a loan or receivable which has previously been written off as bad starts generating cash repayments but does not meet the minimum level for rehabilitation, the net recoverable amount is brought back onto the balance sheet without an allowance for impairment. The net recoverable amount is determined by discounting the projected cash flows at the original effective interest rate and shown as part of NPLs.

Perpetual preference shares
Perpetual preference shares are non-redeemable, non-cumulative and non-participating preference shares which carry a dividend as a fixed percentage of the prime overdraft lending rate.

Primary (tier 1) capital
Primary capital consists of issued ordinary share capital and perpetual preference share capital, retained earnings and reserves.

Rehabilitated loans
Where a loan or receivable which was previously written off as bad, starts generating cash repayments at a certain minimum level to that required of loans and receivables that are on balance sheet, such previously written off loan is brought back onto the balance sheet with an appropriate allowance for impairment.

Return on assets (RoA) (%)
Return on assets is calculated by expressing headline earnings as a percentage of monthly average total assets.

Financial definitions continued

Return on equity (RoE) (%)
Return on equity is calculated by expressing headline earnings as a percentage of monthly average shareholders' equity. Alternatively, return on equity is equal to return on assets multiplied by the gearing ratio.

Risk-weighted assets
Risk-weighted assets are determined by applying risk weights to balance sheet assets and off-balance sheet assets and commitments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance sheet asset is defined by the regulations to the Banks Act (number 94 of 1990 as amended).

Sale of merchandise
Sale of merchandise is defined as the consideration received or receivable from the sale of goods and services, net of discounts, excluding value-added tax, insurance and other revenue.

Sales
Sales constitute the aggregate of the capital amount disbursed in a period in respect of loans granted. In the case of the credit card products, sales represent the aggregate value of credit limits granted in respect of credit cards issued during the period.

Secondary (tier 2) capital
Secondary capital is made up of qualifying subordinated debt and portfolio impairments net of deferred tax. For the purposes of the internal economic capital model, only the qualifying subordinated debt is included in tier 2 capital.

Statutory assets – bank and insurance
Statutory assets – bank and insurance comprises cash reserves and prudential liquid assets placed with the South African Reserve Bank, together with insurance prudential cash reserves as determined by the Financial Services Board.

Stock turn
Stock turn is calculated by dividing the rolling annual cost of sales by the average inventory of the preceding twelve months.

Total expected recoverable
The number of contractual instalments on a loan multiplied by the total monthly instalment, including insurance and service fees.

Weighted number of shares in issue
The weighted number of shares in issue is calculated as the number of ordinary shares in issue at the beginning of the year, increased by shares issued during the period, reduced by shares cancelled or bought back during the period, further reduced by treasury shares as a result of share transactions in the ABIL Employee Share Trust, weighted on a time basis for the period in which they have participated in the income of the group.

Acronyms and abbreviations

ABIL	African Bank Investments Limited group of companies
ABL	African Bank Limited group of companies
AGM	Annual general meeting
ALCO	Asset and liability committee
ASSA	Actuarial Society of South Africa
Basel	Basel Capital Accord
BEE	Black Economic Empowerment
CAGR	Compound annual growth rate
CAR	Capital adequacy requirement
CFD	Contract for difference
CGT	Capital gains taxation
CGU	Cash-generating unit
CSI	Corporate social investment
DMTN	Domestic medium term note
DPS	Dividend per share
DTI	Department of Trade and Industry
EHL	Ellerine Holdings Limited group of companies
Ellerines	Ellerine Holdings Limited group of companies
EPS	Earnings per share
EU	European Union
EURO	Euro (€)
Eyomhlaba	Eyomhlaba Investment Holdings Limited, ABIL's first BEE programme
FICA	Financial Intelligence Centre Act
FIFO	First-in, first-out
FNB	First National Bank
FSB	Financial Services Board
FSV	Financial Soundness Valuation
GAAP	Generally Accepted Accounting Practice
GBP	Pound sterling (£)
HEPS	Headline earnings per share
Hlumisa	Hlumisa Investment Holdings Limited, ABIL's second BEE programme
IAR	Incurred and reported
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
ICAAP	Internal capital adequacy assessment process
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISDA	Institute of Swap Dealers Association
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited
LGD	Loss given default
LHS	Left hand side
LSM	Living standards measure
LTIP	Long term incentive plan

Masonge	Masonge Investment Holdings Limited, ABIL's second BEE programme, renamed Hlumisa
MCAR	Minimum capital adequacy requirement
NACA	Nominal annual compounded annually
NACM	Nominal annual compounded monthly
NACQ	Nominal annual compounded quarterly
NACS	Nominal annual compounded semi-annually
NCA	National Credit Act
NPL	Non-performing loan
OTC	Over-the-counter
PD	Probability of default
PGN	Professional Guidance Note
PL	Performing loan
Remco	Group remuneration and transformation committee
RHS	Right hand side
R million	Millions of Rand
RoA	Return on assets
RoE	Return on equity
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SBSA	Standard Bank of South Africa
SENS	Securities exchange news service
SME	Small and medium enterprise
SPE	Special purpose entity
SPV	Special purpose vehicle
STC	Secondary tax on companies
STRATE	Share transactions totally electronic
Tier 1	Primary capital
Tier 2	Secondary capital
Tier 3	Tertiary capital
UK	United Kingdom
US	United States of America
USD	United States dollar ($)
VAT	Value-added tax
ZAR	South African Rand

Eight-year group financial highlights for the twelve months ended 30 September

		2009	2008*	2007	2006
Key shareholder ratios					
Profit for the year	R million	**1 855**	1 560	1 375	1 176
Basic earnings attributable to ordinary shareholders	R million	**1 803**	1 511	1 334	1 140
Basic earnings per share	cents	**224,3**	210,5	268,4	229,5
Headline earnings	R million	**1 810**	1 519	1 334	1 109
Headline earnings per share	cents	**225,2**	211,6	268,4	223,3
Number of ordinary shares in issue (net of treasury shares)	million	**803,7**	803,7	497,2	496,9
Weighted average number of ordinary shares in issue	million	**803,7**	717,9	497,1	496,7
Fully diluted number of ordinary shares in issue	million	**803,8**	718,0	497,4	497,2
Number of preference shares in issue	million	**5**	5	5	5
Economic (loss)/profit	R million	**(95)**	323	1 004	808
Net asset value per share	cents	**1 515**	1 484	499	444
Dividends per share					
Total ordinary dividends	cents	**185**	210	225	200
Special dividends paid	cents	**0**	0	0	0
Total ordinary and special dividends	cents	**185**	210	225	200
Dividend cover	times	**1,2**	1,2	1,2	1,1
Total preference share dividends	cents	**842**	1 076	890	753
Performance ratios (per RoE model)					
Total income yield on average advances	%	**Note 1**	Note 1	49,2	53,8
Bad debt expense to average advances	%	**Note 1**	Note 1	8,9	8,5
Cost to income	%	**Note 1**	Note 1	24,0	27,3
Cost to average advances	%	**Note 1**	Note 1	11,8	14,7
Return on assets		**Note 1**	Note 1	13,5	14,2
Return on equity		**15,2**	19,5	60,6	55,3
Assets and credit quality ratios					
Gross advances	R million	**26 181**	20 938†	10 890	7 727
Total non-performing loans (NPLs)	R million	**9 253**	6 239†	3 004	2 213
Total impairment provisions	R million	**5 661**	4 376†	1 892	1 435
NPLs to gross advances	%	**35,3**	29,8†	27,6	28,6
Total impairment provisions to gross advances	%	**21,6**	20,9†	17,4	18,6
NPL coverage	%	**61,2**	70,1†	63,0	64,8
Bad debt write-offs to average gross advances	%	**Note 1**	Note 1	5,9	6,4
Capital ratios					
ABIL group capital adequacy	%	**33,9**	32,5	32,8	35,5
African Bank capital adequacy	%	**30,1**	25,5	28,4	31,9
Cost of funds					
Average funding costs	%	**Note 1**	Note 1	9,7	9,9

Note 1: The group consists of two distinct businesses being financial services and retailing of furniture and appliances and therefore these ratios at a group level are irrelevant. The information relating to the separate parts of the group is disclosed on pages 23 and 41.

† 2008 Gross advances, non-performing loans and impairment provisions are restated as per note 51 and assets and credit quality ratios are also restated.

2005	2004	2003	2002	
943	756	660	499	Profit attributable to ordinary and preference shareholders
935	756	660	499	Profit for the period less preference dividends paid in the period
198,7	160,3	136,2	102,0	Profit attributable to ordinary shareholders ÷ weighted number of ordinary shares in issue
948	762	680,0	511	Basic earnings attributable to ordinary shareholders – goodwill impairments – capital profits or losses of non-recurring nature
201,5	161,6	140,4	104,4	Headline earnings ÷ weighted average number of ordinary shares in issue
495,1	472,3	474,2	489,6	Number of ordinary shares issued – shares held by the group classified as treasury shares,
470,6	471,6	484,4	488,9	Ordinary shares in issue + [(new ordinary shares issued – ordinary shares cancelled – treasury shares) x (number of days in issue ÷ 365)]
472,4	489,4	n/a	n/a	Weighted number of ordinary shares in issue + dilution from outstanding options
5	n/a	n/a	n/a	Number of preference shares issued ÷ ordinary dividends per share for the period
602	397	n/a	n/a	Headline earnings – (estimated cost of equity % x average ordinary shareholders' equity)
428	559	588	497	Ordinary shareholders' equity ÷ number of ordinary shares in issue (net of treasury shares)
122	92	56	30	Total ordinary dividends declared relating to the financial year
100	53	100	0	Excess capital returned to shareholders in the form of special dividends declared relating to the financial year
222	145	156	30	Total ordinary and special dividends declared relating to the financial year
1,6	1,7	2,4	3,4	Headline earnings per share (adjusted for BEE charge) ÷ ordinary dividends per share for the period
530	n/a	n/a	n/a	Total preference share dividends declared relating to the financial year
54,6	49,2	43,0	48,2	(Interest income + net assurance income + non-interest income) ÷ average gross advances
7,9	7,7	6,7	10,4	Charge for credit losses ÷ average gross advances
28,1	30,8	36,2	36,6	Operating expenses ÷ (interest income + net assurance income + non–interest income)
15,4	15,1	15,5	17,6	Operating expenses ÷ average gross advances
13,0	11,6	10,6	8,9	Headline earnings ÷ average total assets
39,7	31,3	25,9	23,2	Headline earnings ÷ average shareholders' equity
6 454	6 129	6 314	7 166	Total outstanding advances at the end of the period
1 642	2 246	2 625	2 990	Outstanding balance of loans that have more than three cumulative instalments in arrears
1 117	1 657	1 961	2 376	Balance of all impairment provisions (including insurance reserves) raised against advances
25,4	36,6	41,6	41,7	Non-performing loans ÷ gross advances
17,3	27,0	31,1	33,2	Total impairment provisions ÷ gross advances
68,0	73,8	74,7	79,5	Total impairment provisions ÷ NPLs
19,7	13,5	13,1	12,2	Bad debts written off ÷ average gross advances
36,2	40,4	44,5	38,1	Group qualifying capital ÷ Group assets at risk per ICAAP
32,9	34,7	40,8	34,0	(Tier 1 capital + Tier 2 capital) ÷ risk-weighted assets as per Banks Act requirements
12,2	12,7	14,5	13,5	Interest expense ÷ average interest-bearing liabilities

** The 2008 financial highlights include (for the first time) the EHL group results for the nine months to 30 September 2008.*

Eight-year summarised group balance sheets as at 30 September

R million	Seven year compound growth %	2009	2008	2007	2006	2005	2004	2003	2002
		30 September (audited)							
		IFRS compliant					SA GAAP compliant (prior to IFRS adoption)		
Assets									
Short-term deposits and cash, statutory assets	21	**4 876**	4 380	2 629	1 724	1 664	2 434	1 628	1 257
Inventories	n/a	**859**	767	–	–	–	–	–	–
Other assets	7	**1 074**	848*	216	259	251	289	257	677
Net advances	23	**20 486**	16 452*	8 752	6 064	5 282	4 472	4 400	4 900
Property and equipment	18	**586**	496	155	116	112	140	193	189
Intangible assets	n/a	**906**	978	–	–	–	–	–	–
Goodwill	n/a	**5 472**	5 472*	–	–	–	–	–	–
Total assets	25	**34 259**	29 393	11 752	8 163	7 309	7 335	6 478	7 024
Liabilities and equity									
Short-term funding	24	**3 108**	4 219	808	447	633	544	884	690
Other liabilities	3	**1 745**	1 919	579	607	608	433	359	1 388
Bonds and other long-term funding	31	**14 705**	10 332	7 095	4 217	3 256	3 524	2 251	2 269
Subordinated bonds, debentures and loans	41	**2 044**	511	305	202	197	193	190	187
Total liabilities	25	**21 602**	16 981	8 787	5 473	4 694	4 694	3 684	4 534
Ordinary shareholders' equity	26	**12 174**	11 929	2 482	2 207	2 122	2 641	2 789	2 434
Preference shareholders' equity	n/a	**483**	483	483	483	483	–	–	–
Minority shareholders' interest	(100)	**0**	–	–	–	10	–	5	56
Total equity (capital and reserves)	26	**12 657**	12 412	2 965	2 690	2 615	2 641	2 794	2 490
Total liabilities and equity	25	**34 259**	29 393	11 752	8 163	7 309	7 335	6 478	7 024

**Net advances, deferred tax and goodwill have been restated as per note 51.*

Eight-year summarised group income statements

for the year ended 30 September

		12 months to 30 September (audited)							
		IFRS compliant					SA GAAP compliant (prior to IFRS adoption)		
R million	Seven year compound growth %	**2009**	2008	2007	2006	2005	2004	2003	2002
Assets									
Gross margin on retail business	n/a	**1 791**	1 313	–	–	–	–	–	–
Interest income on advances	15	**5 437**	4 285	3 098	2 974	2 752	2 490	2 296	2 005
Net assurance income	35	**2 081**	2 045	742	424	357	291	247	260
Non–interest income	33	**2 251**	1 768	707	446	274	294	323	300
Income from operations	24	**11 560**	9 411	4 547	3 844	3 383	3 075	2 866	2 565
Charge for bad and doubtful advances	24	**(2 511)**	(1 856)	(823)	(606)	(488)	(484)	(445)	(553)
Risk-adjusted income from operations	24	**9 049**	7 555	3 724	3 238	2 895	2 591	2 421	2 012
Other interest and investment income	24	**367**	342	170	113	156	118	143	83
Interest expense	27	**(2 025)**	(1 313)	(636)	(465)	(492)	(453)	(464)	(389)
Operating costs	25	**(4 576)**	(3 734)	(1 091)	(1 048)	(951)	(946)	(1 036)	(938)
BEE charge	n/a	**0**	(291)	–	–	–	–	–	–
Indirect taxation: VAT and RSC	(6)	**(18)**	(56)	(38)	(46)	(50)	(69)	(52)	(29)
Profit from operations		**2 797**	2 503	2 129	1 792	1 558	1 241	1 012	738
Capital items	n/a	**(7)**	(11)	–	37	–	–	–	–
Share of associate companies' income	(100)	**0**	–	–	–	1	1	2	7
Profit before taxation	21	**2 790**	2 492	2 129	1 829	1 559	1 242	1 014	745
Direct taxation: STC and Normal	22	**(935)**	(932)	(754)	(653)	(616)	(486)	(347)	(237)
Profit after taxation	20	**1 855**	1 560	1 375	1 176	943	755	667	508
Minority interest	(100)	**0**	–	–	–	–	1	(7)	(9)
Profit for the year	21	**1 855**	1 560	1 375	1 176	943	756	660	499
Per share statistics									
Basic earnings per share (cents)	12	**224,3**	210,5	268,4	229,5	198,7	160,3	136,2	102,0
Headline earnings per share (cents)	12	**225,2**	211,6	268,4	223,3	201,5	161,6	140,4	104,4
Weighted number of shares in issue (million)	7	**803,7**	718	497	497	471	472	484	489

Currency adjusted group balance sheets as at 30 September

R million	Rand 2009	Rand 2008	US Dollar 2009	US Dollar 2008	GB Pound 2009	GB Pound 2008	Euro 2009	Euro 2008
Assets								
Short-term deposits and cash	**3 553**	2 984	**485**	361	**291**	202	**321**	256
Statutory assets – bank and insurance	**1 323**	1 396	**181**	169	**108**	95	**119**	120
Inventories	**859**	767	**117**	93	**70**	52	**78**	66
Other assets	**357**	142	**49**	17	**29**	10	**32**	12
Taxation	**20**	8	**3**	1	**2**	1	**2**	1
Net advances*	**20 486**	16 452	**2 799**	1 989	**1 675**	1 114	**1 849**	1 409
Deferred tax asset*	**501**	464	**68**	56	**41**	32	**45**	40
Assets held for sale	**181**	215	**25**	26	**15**	15	**16**	18
Policyholders' investments	**15**	19	**2**	2	**1**	1	**1**	2
Property and equipment	**586**	496	**80**	60	**48**	34	**53**	43
Intangible assets	**906**	978	**124**	118	**74**	66	**82**	84
Goodwill*	**5 472**	5 472	**748**	662	**448**	371	**494**	468
Total assets	**34 259**	29 393	**4 680**	3 554	**2 802**	1 993	**3 093**	2 519
Liabilities and equity								
Short-term money market funding	**3 108**	4 219	**425**	510	**254**	286	**281**	361
Other liabilities	**1 363**	1 332	**186**	161	**111**	90	**123**	114
Taxation	**77**	238	**11**	29	**6**	16	**7**	20
Deferred tax liability	**265**	294	**36**	36	**22**	20	**24**	25
Liabilities held for sale	**25**	37	**3**	4	**2**	3	**2**	3
Life fund reserve	**15**	18	**2**	2	**1**	1	**1**	2
Bonds and other long-term funding	**14 705**	10 332	**2 009**	1 249	**1 203**	700	**1 328**	885
Subordinated bonds/debentures	**2 044**	511	**279**	62	**167**	35	**185**	44
Total liabilities	**21 602**	16 981	**2 951**	2 053	**1 767**	1 151	**1 950**	1 454
Ordinary shareholders' equity	**12 174**	11 929	**1 663**	1 443	**996**	809	**1 099**	1 024
Preference shareholders' equity	**483**	483	**66**	58	**40**	33	**44**	41
Total equity (capital and reserves)	**12 657**	12 412	**1 729**	1 501	**1 035**	842	**1 143**	1 065
Total liabilities and equity	**34 259**	29 393	**4 680**	3 554	**2 802**	1 993	**3 093**	2 519
Rates used for currency conversion								
Year-end rate	**1,00**	1,00	**7,32**	8,27	**12,23**	14,76	**11,08**	11,67

** The 2008 comparatives have been restated as a result of the final fair value adjustment of R250 million to net advance, R70 million to deferred tax asset and R180 million to goodwill on the acquisition of Ellerines as per note 51.*

Currency adjusted group income statement

for the year ended 30 September

R million	Rand 2009	Rand 2008	US Dollar 2009	US Dollar 2008	GB Pound 2009	GB Pound 2008	Euro 2009	Euro 2008
Gross margin on retail business	**1 791**	1 313	**208**	176	**132**	90	**151**	117
Interest income on advances	**5 437**	4 285	**630**	575	**402**	292	**460**	382
Net assurance income	**2 081**	2 045	**241**	274	**154**	139	**176**	182
Non-interest income	**2 251**	1 768	**261**	237	**166**	121	**190**	158
Income from operations	**11 560**	9 411	**1 340**	1 262	**854**	642	**977**	839
Charge for bad and doubtful advances	**(2 511)**	(1 856)	**(291)**	(249)	**(185)**	(127)	**(212)**	(165)
Risk-adjusted income from operations	**9 049**	7 555	**1 049**	1 013	**668**	515	**765**	674
Other interest and investment income	**367**	342	**43**	46	**27**	23	**31**	30
Interest expense	**(2 025)**	(1 313)	**(235)**	(176)	**(150)**	(90)	**(171)**	(117)
Operating costs	**(4 576)**	(3 734)	**(530)**	(501)	**(338)**	(255)	**(387)**	(333)
BEE charge	**0**	(291)	**0**	(39)	**0**	(20)	**0**	(26)
Indirect taxation: VAT	**(18)**	(56)	**(3)**	(8)	**(1)**	(4)	**(2)**	(5)
Profit from operations	**2 797**	2 503	**324**	335	**207**	169	**236**	223
Capital items	**(7)**	(11)	**(1)**	(1)	**(1)**	(1)	**(1)**	(1)
Profit before taxation	**2 790**	2 492	**323**	334	**206**	168	**236**	222
Direct taxation: STC and Normal	**(935)**	(932)	**(109)**	(125)	**(69)**	(64)	**(79)**	(83)
Profit for the year	**1 855**	1 560	**214**	209	**137**	104	**157**	139
Per share statistics								
Basic earnings per share	**224,3**	210,5	**26**	28,1	**16,6**	14,1	**19,0**	18,8
Headline earnings per share	**225,2**	211,6	**27**	28,3	**16,6**	14,2	**19,0**	18,9
Weighted number of shares in issue (million)	**803,7**	718	**804**	718	**803,8**	718	**803,8**	718
Reconciliation of headline earnings								
Basic earnings attributable to ordinary shareholders	**1 803**	1 511	**209**	202	**133**	101	**152**	135
Adjustment for:								
Capital items (impairment of trademark)	**7**	11	**1**	1	**1**	1	**1**	1
Tax thereon	**0**	(3)	**0**	0	**0**	0	**0**	0
Headline earnings	**1 810**	1 519	**210**	203	**134**	102	**153**	136
Rate used for currency conversion								
Average rate	**1,00**	1,00	**8,64**	7,45	**13,54**	14,67	**11,83**	11,22

Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the group annual financial statements of African Bank Investments Limited, comprising the balance sheet at 30 September 2009 and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the company's and group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group annual financial statements

The group annual financial statements were approved by the board of directors on 11 December 2009 and are signed on its behalf by:

M Mogase
Chairman

L Kirkinis
Chief executive officer

Midrand

Certificate from the company secretary

In terms of section 268G (d) of the Companies Act (No. 61 of 1973, as amended), I certify that, to the best of my knowledge and belief, African Bank Investments Limited has lodged with the Registrar of Companies for the financial year ended 30 September 2009 all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

Y Mistry
Company secretary

Midrand
11 December 2009

Independent auditor's report

To the members of African Bank Investments Limited

Introduction

We have audited the accompanying consolidated and separate financial statements of African Bank Investments Limited, which comprise the consolidated and separate balance sheet as at 30 September 2009, and the consolidated and separate income statement, consolidated and separate statement of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies, other explanatory notes, the directors' report, as set out on pages 104 to 199 and the remuneration report on pages 69 to 78.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of African Bank Investments Limited as at 30 September 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered auditors

Per Mgcinisihlalo Jordan
Partner

Building 8, Deloitte Place, The Woodlands, Woodlands Drive, Woodmead, Sandton
11 December 2009

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax & Legal and Risk Advisory L Geeringh Consulting L Bam Corporate Finance CR Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Qually Deputy Chairman of the Board

A full list of partners and directors is available on request

Directors' report for the year ended 30 September 2009

The directors present their report to shareholders, together with the audited annual financial statements for the financial year ended 30 September 2009.

Nature of the business and principal subsidiaries

ABIL is a publicly quoted bank-controlling company, in terms of the Banks Act (No. 94 of 1990 as amended), listed on the JSE Limited which operates businesses within the Republic of South Africa and in the neighbouring countries of Zambia, Botswana, Lesotho, Namibia and Swaziland. The two main areas in which the group operates are the underwriting of unsecured credit risk through the provision of personal loans to the formally employed emerging market, which is confined to the Republic of South Africa, and the retailing of furniture and appliances for cash and credit within and outside the Republic of South Africa. ABIL was founded on the development of the unsecured credit market with the intention of growing the market which it has achieved through a broad distribution base, predicated on self-developed reliable credit scoring models and efficient collection methods which are both centralised. ABIL has the following principal operating subsidiaries, with a full list of subsidiaries being disclosed on page 198:

- African Bank Limited is registered as a bank under the Banks Act and is the main operating company, carrying on the business of providing unsecured personal loans to formally employed South African residents.

- Ellerine Holdings Limited, through its operating subsidiaries is engaged in the business of retailing furniture and appliances for cash and credit to the markets spanning all LSMs.

- The Standard General Insurance Company Limited is registered as a life insurance company under the Long-term Insurance Act (No. 52 of 1998, as amended), and provides credit life products to clients of African Bank Limited.

- Relyant Insurance Company Limited is registered as a short term insurance company under the Short Term Insurance Act (No. 53 of 1998 as amended) and is primarily engaged in the sale of insurance to customers of Ellerines Group who purchase furniture and appliances on credit.

Share capital

Ordinary shares

The authorised share capital remains unchanged at 1 000 000 000 shares of 2,5 cents each.

No shares were issued during the current year (2008: 306 253 893). At 30 September 2009, the issued ordinary share capital totalled 804 175 200 (2008: 804 175 200) shares of 2,5 cents each representing R20,1 million (2008: R20,1 million). There were no shares repurchased during the current financial year (2008: nil).

Preference shares

The authorised and issued preference share capital at 30 September 2009 totalled 5 000 000 (2008: 5 000 000) shares of R0,01 each representing R50 000 (2008: R50 000). There were no changes to the preference share capital during the financial year.

Holding company

ABIL does not have a holding company.

ABIL shares held by subsidiary companies

As at 30 September 2009, the ABIL Employee Share Trust held 482 254 ABIL ordinary shares (2008: 486 254).

Financial results and subsidiaries

The financial results for the financial year are set out in detail on pages 110 to 199 of these annual financial statements. The interest of the company (ABIL) in the aggregate net income and losses after taxation (before intergroup dividends) of subsidiaries is:

R million	**2009**	2008
Profits	**2 308**	2 302
Losses	**(444)**	(443)
ABIL's interest in profits and losses of subsidiaries	**1 864**	1 859
ABIL company profit	**1 602**	1 261
Total ABIL group before consolidation eliminations	**3 466**	3 120
Group transactions and consolidation adjustments eliminated	**(1 611)**	(1 560)
Group profit for the year	**1 855**	1 560

Borrowing powers

In terms of the articles of association, the group has unlimited borrowing powers. The group obtains its funding primarily through the Domestic Medium Term Note Programme (DMTN) by the issue of Corporate Bonds which trade on the Bond Exchange of South Africa (BESA). The total funding approved by the board of directors in terms of the DMTN programme is R15 billion (2008: R10 billion). The capital outstanding to third parties in terms of the DMTN programme at 30 September 2009 is R6,38 billion (2008: R4,43 billion).

Subsidiaries in the group also have funding facilities from South African banks outside the group which are secured by sureties issued by the subsidiaries' holding company. The total borrowings of the group at 30 September 2009 is R19,9 billion (2008: R15,1 billion). Full details of the borrowings are shown in notes 12, 15 and 16 to the annual financial statements.

Going concern

The directors have satisfied themselves that the company and group are in a sound financial position and that sufficient borrowing facilities are accessible in order to enable the group to meet its foreseeable cash requirements. In addition, there has been no material change in the markets in which the group operates and it has the necessary skills to continue operations. On this basis they consider that the company and group has adequate resources to continue operating for the foreseeable future and therefore deem it appropriate to adopt the going-concern basis in preparing African Bank Investments Limited and the group's financial statements for this reporting period.

Post-balance sheet events

Subsequent to year end, African Bank Limited acquired the advances book of the SBSA JV at its net carrying value of R33,5 million. The agreement in respect of this sale was signed by the parties on 26 November 2009. This has now resulted in the termination of the SBSA joint venture.

The increase in the DMTN programme from R10 billion to R15 billion was effected by the BESA on 19 November 2009.

Major capital expenditures

The group made total additions to its fixed assets of R289 million (2008: R197 million) during the past financial year.

Regulatory approval

As at the date of this directors' report, there is no outstanding regulatory approval.

Dividends to ordinary shareholders

On 23 November 2009, the board of directors declared a final dividend for the 2009 financial year of 100 cents per ordinary share.

cents	**2009**	2008
Ordinary dividends		
Interim, paid on 22 June 2009 to shareholders registered on 19 June 2009	**85**	105
Final, payable on 21 December 2009 to shareholders registered on 18 December 2009	**100**	105
Total	**185**	210

Directors' report for the year ended 30 September 2009

Dividends to preference shareholders

On 23 November 2009, the board of directors declared a preference dividend of 367 cents per preference share in respect of the second half of the 2009 financial year.

cents	**2009**	2008
Preference dividends		
Paid on 22 June 2009 to shareholders registered on 19 June 2009	**475**	525
Payable on 21 December 2009 to shareholders registered on 18 December 2009	**367**	551
Total	**842**	1 076

All dividends have been declared out of profits available for distribution, payable in cash and are subject to secondary tax on companies.

Directors and changes in directors

The details of current directors are provided on pages 58 to 59.

Ashley Sefako Mabogoane reached his term limit as non-executive chairman and resigned with effect from 1 April 2009. Bahle Dawn Goba and Brian Paxton Furbank Steele also reached their term limits and resigned with effect from 21 May 2009.

During the current financial year, Robert Johnny Symmonds and Sam Sithole were appointed as independent non-executive directors. Nithia Nalliah, the group chief financial officer, was appointed group financial director of ABIL and an executive director of African Bank Limited on 5 May 2009.

In accordance with Article 13 of the company's articles of association one third of the directors shall retire at each annual general meeting on a rotational basis as determined in this article. Retiring directors are eligible for re-election.

The following directors were re-elected at the annual general meeting held on 31 March 2009:

Antonio Fourie	(Executive director)
David Braidwood Gibbon	(Independent non-executive director)
Bahle Dawn Goba	(Independent non-executive director)
Thamsanqa Mthunzi Sokutu	(Executive director)
Ashley Tugendhaft	(Non-executive director)

Company secretary and registered office

The group company secretary is Yashmita Mistry who was appointed on 1 August 2009 after Craig Brighten resigned effective 31 May 2009. Her business and postal address is the registered office of the company which is set out on the inside back cover of this annual report.

Directors' interest in shares

The directors' direct and indirect interests in the ordinary issued share capital of the company are set out in the table below. All the shares are held beneficially. The directors did not have any interest in the preference issued share capital of the company.

There has been no material change in the interest of directors in the ordinary and preference issued share capital of the company between 30 September 2009 and the date of this report.

Interest of directors of the company directly and indirectly in the ordinary shares of ABIL at 30 September

Number of shares	Date appointed to the board	Notes	2009 Direct	2009 Indirect	2009 Total	2008 Direct	2008 Indirect	2008 Total
Executive directors								
Gordon Schachat (executive deputy chairman)	01 July 1995		**3 000 000**	**9 000 000**	**12 000 000**	3 000 000	9 000 000	12 000 000
Leon Kirkinis (chief executive officer)	01 July 1997		**3 000 000**	**13 250 000**	**16 250 000**	3 000 000	13 250 000	16 250 000
Toni Fourie	21 October 2003		**0**	**192 388**	**192 388**	0	192 388	192 388
Nithia Nalliah (financial director)	05 May 2009	4	**0**	**2 002 532**	**2 002 532**	0	0	0
Tami Sokutu	19 May 2003	5	**203 000**	**4 310 962**	**4 513 962**	203 000	4 275 283	4 478 283
Dave Woollam	01 November 2002		**1 275 000**	**0**	**1 275 000**	1 275 000	0	1 275 000
Subtotal			**7 478 000**	**28 755 882**	**36 233 882**	7 478 000	26 717 671	34 195 671
Non-executive directors								
Mutle Mogase (non-executive chairman)	12 March 2007	6	**0**	**2 424 566**	**2 424 566**	0	1 760 634	1 760 634
Nic Adams	01 February 2008		**2 000**	**1 265 783**	**1 267 783**	2 000	1 265 783	1 267 783
Mpho Nkeli	10 March 2008	7	**0**	**176 345**	**176 345**	0	191 636	191 636
Sam Sithole	21 May 2009	8	**0**	**114 235**	**114 235**	0	0	0
Johnny Symmonds	21 May 2009		**2 000**	**0**	**2 000**	0	0	0
Oshy Tugendhaft	01 April 2003		**0**	**10 000**	**10 000**	0	10 000	10 000
Subtotal			**4 000**	**3 990 929**	**3 994 929**	2 000	3 228 053	3 230 053
Past director								
Ashley Mabogoane	01 December 1999	3	**4 000**	**1 005 000**	**1 009 000**	4 000	985 616	989 616
Subtotal			**4 000**	**1 005 000**	**1 009 000**	4 000	985 616	989 616
Total			**7 486 000**	**33 751 811**	**41 237 811**	7 484 000	30 931 340	38 415 340

Note 1: Eyomhlaba Investment Holdings Limited (Eyomhlaba) owns 37 024 174 (2008: 35 258 933) ordinary shares in ABIL which is 4,6% (2008: 4,38%) of ABIL's issued ordinary share capital. The directors' indirect holdings in ABIL increased by the number of shares shown in the table above as a result of the acquisition by Eyomhlaba of 1 765 241 ordinary shares during the year to 30 September 2009.

Note 2: Hlumisa Investment Holdings Limited (Hlumisa) owns 15 010 250 (2008: 13 471 409) ordinary shares in ABIL which is 1,87% of ABIL's issued share capital. These directors' indirect holdings in ABIL increased by the number of shares shown in the notes below as a result of the acquisition by Hlumisa of 1 538 841 ordinary shares during the year and the additional shares acquired in the extended Hlumisa public offer.

Note 3: Ashley Mabogoane resigned effective 1 April 2009.

Note 4: Nithia Nalliah has a 4,83% interest in Eyomhlaba and a 1,18% interest in Hlumisa and holds an additional 38 340 ABIL ordinary shares indirectly.

Note 5: Tami Sokutu has a 10,04% (2008: 10,13%) interest in Eyomhlaba and a 3,95% (2008: 5,21%) interest in Hlumisa

Note 6: Mutle Mogase has a 4,95% (2008: 4,99) interest in Eyomhlaba and a 3,95% (2008: 0%) interest in Hlumisa.

Note 7: Mpho Nkeli has a 0,21% (2008: 0,21%) interest in Eyomhlaba and a 0,66% (2008: 0,87%) interest in Hlumisa.

Note 8: Sam Sithole has a 0,31% interest in Eyomhlaba.

Directors' report for the year ended 30 September 2009

Subsequent to year end up to the date of this report, Eyomhlaba and Hlumisa acquired further 407 000 and 86 100 ABIL shares respectively. This increased the following directors' shareholdings as follows:

Name	Increase in indirect shareholding
Nithia Nalliah	23 698
Tami Sokutu	50 602
Mutle Mogase	26 657
Mpho Nkeli	1 551
Sam Sithole	1 450

Hlumisa has made an offer to purchase shares to existing shareholders and Black Employees and directors. This offer closed on 27 November 2009. The allotment is not complete at the date of this report. The following directors applied for shares in terms of this offer: Tami Sokutu, Mutle Mogase and Sam Sithole. Details of shares issued to these directors will be released on SENS on completion.

Remuneration and employee incentive participation schemes

Details in respect of directors' remuneration and participation in the group's long-term incentive schemes are fully disclosed in the remuneration report on pages 69 to 78.

Interest of directors and officers in transactions

During the financial year no contracts were entered into in which directors and officers of the company had an interest and which significantly affected the business of the group. The directors had no interest in any third party or company responsible for managing any of the business activities of the group.

Special resolutions by ABIL

At the annual general meeting held on 31 March 2009, African Bank Investments Limited shareholders passed a special resolution granting the directors the general authority to buy back a maximum of 3% of the company's issued shares.

Special resolutions by subsidiaries

Details of special resolutions passed by principal subsidiaries are:

- African Bank Limited adopted a new articles of association on 20 March 2009;
- African Bank Limited authorised to grant loans to its Black Employees for the purposes of participating in the group's BEE company, Hlumisa. Total amount of loans to employees for this purpose limited to R6 million. The actual value of loans granted is less than R1 million.
- Ellerines Furnitures (Pty) Limited authorised to grant loans to Black Employees for the purposes of participating in Hlumisa. Total amount of loans to employees for this purpose limited to R21 million. The actual value of loans granted is less than R1 million.
- Ellerine Holdings Limited repurchased all the treasury shares held by its subsidiaries and share trusts.
- A number of dormant subsidiary companies adopted the prescribed special resolution to enter into voluntary liquidation as part of ABIL's project of eliminating unnecessary dormant companies in the group.

Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on pages 58 to 59 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Acquisitions, disposals/terminations and pre-emptive rights

Disposals/terminations

In the current year, the group disposed of the Early Bird business in Ellerines which was previously disclosed as assets held for sale.

In a prior financial reporting period, the activities of the joint venture with The Standard Bank of South Africa Limited were curtailed with effect from 1 June 2007 with regard to the granting of new loans. The joint venture, however, continued in existence solely for the purpose of collecting the advances book until 26 November 2009 when African Bank Limited acquired the advances book.

Various dormant subsidiaries were placed under voluntary liquidation during the financial year, details of which are listed on page 198.

Pre-emptive rights

ABIL's subsidiary, African Bank Limited, had sold, during 2006, its Commercial Vehicle Finance division to SA Taxi Finance (Pty) Limited. In terms of the sale agreement, African Bank has a pre-emptive right and an option to repurchase the business or the entire issued equity shares of SA Taxi Finance (Pty) Limited under certain circumstances over a six year period at a market related price which is to be determined at such time. The pre-emptive right and option expires on 31 December 2011.

Insurance and directors' and officers' indemnity

The group protects itself against banker's comprehensive crime and professional indemnity by maintaining a comprehensive insurance programme. As permitted by the company's articles of association, the company has granted indemnities to the directors, in relation to certain losses and liabilities which they may incur in the course of acting as directors of the company or of one or more of its subsidiaries. The company secretary has also been granted indemnities covering her role as company secretary of the company and its subsidiaries. The board believes that it is in the best interest of the group to attract and retain the services of the most able and experienced directors and officers by offering competitive terms of engagement, including the granting of indemnities on terms consistent with legislation and best practice.

Auditors

Deloitte & Touche has expressed its willingness to continue in office and resolutions proposing its reappointment and authorising the board to determine its remuneration will be submitted to the forthcoming annual general meeting.

JSE Listings requirements

African Bank Investments Limited and its directors have, during the 12 month period ended 30 September 2009 and to the date of this report, complied with all listings requirements and every disclosure requirement for continued listing on the JSE as imposed by the JSE Limited during the period.

Other information

In accordance with the Companies Act, (No. 61 of 1973 as amended) and the JSE listing rules, the directors are required to bring certain additional information to the attention of shareholders in the directors' report. Information on names of directors and the King II compliance statement are in the board of directors' section and corporate governance and remuneration report respectively.

Group balance sheet as at 30 September 2009

R million	Notes	Group 2009	2008*
Assets			
Short-term deposits and cash	2	**3 553**	2 984
Statutory assets – bank and insurance	3	**1 323**	1 396
Inventories	4	**859**	767
Other assets	5	**357**	142
Taxation		**20**	8
Net advances	6	**20 486**	16 452
Deferred tax asset	7	**501**	464
Assets held for sale	8	**181**	215
Policyholders' investments		**15**	19
Property and equipment	9	**586**	496
Intangible assets	10	**906**	978
Goodwill	11	**5 472**	5 472
Total assets		**34 259**	29 393
Liabilities and equity			
Short-term funding	12	**3 108**	4 219
Other liabilities	13	**1 363**	1 332
Taxation		**77**	238
Deferred tax liability	7	**265**	294
Liabilities held for sale	8	**25**	37
Life fund reserve	14	**15**	18
Bonds and other long-term funding	15	**14 705**	10 332
Subordinated bonds, debentures and loans	16	**2 044**	511
Total liabilities		**21 602**	16 981
Ordinary share capital	17	**20**	20
Ordinary share premium	17	**9 131**	9 131
Reserves	18	**3 023**	2 778
Ordinary shareholders' equity		**12 174**	11 929
Preference shareholders' equity	19	**483**	483
Total equity (capital and reserves)		**12 657**	12 412
Total liabilities and equity		**34 259**	29 393

*Comparatives for net advances, deferred tax and goodwill have been restated as per note 51.

Group income statement for the year ended 30 September 2009

R million	Notes	Group 2009	2008
Revenue	20	**14 332**	11 527
Gross margin on retail business	21	**1 791**	1 313
Interest income on advances	22	**5 437**	4 285
Net assurance income	23	**2 081**	2 045
Non-interest income	24	**2 251**	1 768
Income from operations		**11 560**	9 411
Charge for bad and doubtful advances	25	**(2 511)**	(1 856)
Risk-adjusted income from operations		**9 049**	7 555
Other interest and investment income	22	**367**	342
Interest expense	26	**(2 025)**	(1 313)
Operating costs	27	**(4 576)**	(3 734)
BEE charge	28	**0**	(291)
Indirect taxation: VAT	29	**(18)**	(56)
Profit from operations		**2 797**	2 503
Capital items	30	**(7)**	(11)
Profit before taxation		**2 790**	2 492
Direct taxation: STC	29	**(159)**	(149)
Direct taxation: Normal	29	**(776)**	(783)
Profit for the year	31	**1 855**	1 560
Basic earnings (profit for the year) attributable to:	31	**1 855**	1 560
Preference shareholders	31	**52**	49
Ordinary shareholders	31	**1 803**	1 511
Per share statistics			
Basic earnings per share (cents)	31	**224,3**	210,5
Fully diluted basic earnings per share (cents)	31	**224,3**	210,4
Number of shares in issue (net of treasury shares) (million)	32	**803,7**	803,7
Weighted number of shares in issue (million)	32	**803,7**	717,9
Fully diluted number of shares in issue (million)	32	**803,8**	718,0
Dividends per ordinary share (cents)			
Interim – paid	33	**85**	105
Final – declared	33	**100**	105
Total ordinary dividends		**185**	210

Group statement of changes in equity

for the year ended **30 September 2009**

Group

R million	Notes	Ordinary share capital and premium	Retained earnings	Share-based payment reserve	Cashflow hedging reserve	Insurance contingency reserve	Foreign currency translation reserve	Treasury shares	Preference share capital and premium	Total
Balance at 30 September 2007		12	2 173	316	0	0	0	(19)	483	2 965
Issue of ordinary shares	17	9 139	0	0	0	0	0	0	0	9 139
Dividends paid	33	0	(1 479)	0	0	0	0	0	(49)	(1 528)
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	34	0	0	0	0	0	0	6	0	6
Loss incurred on group employees acquiring ABIL Share Trust shares less dividends received	34	0	(3)	0	0	0	0	0	0	(3)
IFRS 2 reserve transactions (employee incentives)		0	0	(21)	0	0	0	0	0	(21)
IFRS 2 reserve transaction (BBBEE transaction)	28	0	0	291	0	0	0	0	0	291
Movement in cashflow hedge reserve	18	0	0	0	(14)	0	0	0	0	(14)
Transfer to insurance contingency reserve	18	0	(1)	0	0	1	0	0	0	0
Exchange differences on translating foreign operations	18	0	0	0	0	0	17	0	0	17
Profit for the year		0	1 511	0	0	0	0	0	49	1 560
Balance at 30 September 2008	17, 18, 19	9 151	2 201	586	(14)	1	17	(13)	483	12 412
Dividends paid	33		(1 528)	0	0	0	0	0	(52)	(1 580)
Loss incurred on group employees acquiring ABIL Share Trust shares less dividends received	34	0	2	0	0	0	0	0	0	2
IFRS 2 reserve transactions (employee incentives)	18	0	0	11	0	0	0	0	0	11
Movement in cash flow hedge reserve	18	0	0	0	(18)	0	0	0	0	(18)
Transfer to insurance contingency reserve	18	0	(42)	0	0	42	0	0	0	0
Exchange differences on translating foreign operations	18	0	0	0	0	0	(25)	0	0	(25)
Profit for the year		0	1 803	0	0	0	0	0	52	1 855
Balance at 30 September 2009	17, 18, 19	9 151	2 436	597	(32)	43	(8)	(13)	483	12 657

Group cash flow statement for the year ended 30 September 2009

R million	Notes	Group 2009	2008*
Cash generated from operations	35	6 026	5 320
Cash received from lending and insurance activities, sale of merchandise and cash reserves	36	14 756	11 593
Recoveries on advances previously written off	25	172	241
Cash paid to funders, employees, suppliers and insurance beneficiaries	37	(8 902)	(6 514)
Increase in gross advances	38	(6 918)	(6 116)
Increase in working capital		(62)	(546)
(Increase)/decrease in inventories		(89)	35
(Increase)/decrease in other assets		(40)	52
Increase/(decrease) in other liabilities		67	(633)
Indirect and direct taxation paid	39	(1 192)	(970)
Cash inflow/(outflow) from equity accounted incentive transactions	40	1	2
Cash outflow from operating activities		(2 145)	(2 310)
Cash outflow from investing activities		(399)	(444)
Acquisition of property and equipment (to maintain operations)		(289)	(197)
Disposal of property and equipment		18	20
Direct costs relating to the acquisition of Ellerine Holdings Limited		0	(26)
Other investing activities	41	(128)	(241)
Cash inflow from financing activities		3 068	3 621
Cash inflow from funding activities	42	4 648	5 149
Dividends paid to preference shareholders	33	(52)	(49)
Dividends paid to ordinary shareholders	33	(1 528)	(1 479)
Increase/(decrease) in cash and cash equivalents		524	867
Cash and cash equivalents at the beginning of the year		3 472	2 094
Cash and cash equivalents acquired on acquisition of EHL		0	511
Cash and cash equivalents at the end of the year	43	3 996	3 472

*Comparative balances for cash inflow from funding activities, cash and cash equivalents acquired on acquisition of Ellerines and cash and cash equivalents at the end of the year have been restated as per note 51.

Notes to the group annual financial statements

for the year ended **30 September 2009**

1. Principal accounting policies

The principal accounting policies set out below have been applied in the preparation and presentation of the African Bank Investments Limited (ABIL) consolidated financial statements as well as the African Bank Investments Limited company annual financial statements and have been applied consistently in dealing with items that are considered material by all the companies within the ABIL group during this reporting period.

1.2 Basis of preparation

The group and company financial statements are prepared on a going concern basis using accrual accounting. The going concern basis assumes that the group will continue in operation for the foreseeable future. Under accrual accounting the effects of transactions and other events are recognised when they occur (rather than when the cash is received) and are recorded in the accounting records of the periods to which they relate.

The group consolidated and company annual financial statements are prepared in accordance with, and comply with, the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, and the requirements of the South African Companies Act 61 of 1973 (as amended).

The historical cost basis is followed, except for:

- certain financial assets and liabilities that are measured on a fair value basis, in terms of IAS 39 Financial Instruments: Recognition and Measurement;
- assets and liabilities held for sale;
- financial assets and liabilities held at fair value;
- investment properties;
- liabilities for cash-settled share-based payment arrangements;
- policyholder investment contract liabilities; and
- inventories,

which are on other bases as specifically stated in the notes to the financial statements.

The group balance sheet is presented in order of liquidity with the exception of certain long-term liabilities which reflect the original timeframe and intention of the instrument entered into. Reference to the current maturities of these financial liabilities is disclosed in the balance sheet notes and in the analysis of financial assets and liabilities. The accounting policies are consistent with the previous year except where otherwise specifically stated. All monetary information and figures presented in these financial statements are stated in millions of Rand (R million), unless otherwise stated.

1.3 Adoption of new standards and interpretations effective for the current financial year

The following new standard, amendment to standard and interpretation have been adopted during the current year.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) and IFRS 7 Financial Instruments: Disclosures (IFRS 7) with regard to the Reclassification of Financial Assets.

The above amendment permitted the reclassification of financial assets retrospectively from 1 July 2008 provided that the decision to reclassify was made prior to 1 November 2008. All other reclassifications shall be effective from the date of reclassification. The group has not reclassified any financial assets in terms of the above amendment.

1. Principal accounting policies *(continued)*

1.4 Use of estimates, judgements and assumptions

In preparing the consolidated financial statements, management is required to exercise its judgement in the process of applying the group's accounting policies, make estimates, judgements and assumptions that affect reported income, expenses, assets and liabilities and disclosure of contingent assets and liabilities.

Estimates, judgements and assumptions made, predominantly relate to impairment provisions for loans and advances (note 1.14.2), impairment testing of trademarks and goodwill, determining the net realisable value of inventory (note 1.11) and useful lives, residual values and depreciation methods for property and equipment and useful lives of trademarks and brands (note 1.7 and 1.8). Other judgements made relate to classifying financial assets and liabilities into their relevant categories and in the determination of their fair value for measurement and disclosure purposes.

A change in accounting estimate is defined as an adjustment to the carrying value of an asset, liability or the amount of the periodic consumption of an asset that results from new information or new developments. Changes in accounting estimates are recognised in the income statement during the period in which the change is made.

1.5 Assets and liabilities

An asset is a resource controlled by the group as a result of past events and from which future economic benefits are expected to flow to the group.

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits will flow to the group and the asset has cost or value that can be measured reliably.

A liability is a present obligation of the group arising from past events, the settlement of which is expected to result in an outflow, from the group's resources, embodying economic benefits.

Liabilities are only recognised if they meet the definition of a liability, it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be measured reliably.

1.6 Consolidation

1.6.1 Basis of consolidation

The group consolidated annual financial statements incorporate the annual financial statements of the company, its subsidiaries, the ABIL Employee Share Trust, the Ellerine Holdings Share Incentive Trust and the Relyant Share Option Trust. For this purpose, subsidiaries are companies over which the group, either directly or indirectly, has the power to govern the financial and operating policies so as to obtain the benefits from their activities.

The operating results of the subsidiaries are included from the effective dates that control is acquired and up to the effective dates of disposal. Business combinations are accounted for in accordance with the purchase method. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

On acquisition, the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell. Any equity instruments issued by the group in exchange for control of the acquiree are recorded at fair value at the date of issue, plus all costs directly attributable to the business combination.

Premiums or discounts arising on the acquisition of subsidiaries are treated in terms of the group's accounting policy for goodwill.

1. Principal accounting policies *(continued)*

1.6 Consolidation *(continued)*

1.6.1 Basis of consolidation (continued)

Eyomhlaba Investment Holdings Limited and Hlumisa Investment Holdings Limited (formerly Masonge Investment Holdings Limited), both special purpose vehicles created to facilitate ABIL's broad based black economic empowerment programme, are not consolidated into the ABIL group, due to the fact that ABIL has no control over these entities, nor does it have an interest in the economic risks and rewards associated with these entities. The ABIL Development Trust, created in terms of the group's corporate social investment programme, is not consolidated into the ABIL group as the group does not have an interest in the economic risks and rewards associated with the trust.

In the holding company financial statements, investment in subsidiaries and associates are accounted for at cost. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

1.6.2 Goodwill

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity and is recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. The carrying amount of goodwill is assessed, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Negative goodwill, which represents the excess of the group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of acquisition, is recognised immediately in the income statement.

At the acquisition date, goodwill acquired is allocated to cash-generating units and any impairment is determined using the value-in-use methodology in relation to these units.

On disposal of a subsidiary, associate, jointly controlled entity or a cash-generating unit, the amount of goodwill attributable is included in the determination of the profit or loss on disposal.

1.6.3 Joint ventures

A joint venture is a contractual agreement between the group and another party to undertake an economic activity, which is subject to joint control, in which the group has a long-term interest. Joint control is where the strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Refer to appendix «» on page «» for details of the group's joint venture.

Investments in joint ventures are accounted for on the proportional consolidation method, whereby the group's proportionate share in assets, liabilities, revenue, expenses and cash flows of the joint venture are combined with similar items in the consolidated financial statements on a line by line basis.

Where the group transacts with its joint venture, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture. The results of the joint venture are included from the effective date of acquisition and up to the effective date of disposal.

1. Principal accounting policies *(continued)*

1.6 Consolidation *(continued)*

1.6.4 Segment reporting

A business segment is defined as a distinguishable component of the group that is engaged in providing an individual product or service or a group of related products or services that is subject to risks and rewards that are different from those of other business segments.

A geographical segment is a distinguishable component of the group that is engaged in providing products or services within a particular economic environment which are subject to risks and rewards that are different from those of other segments.

The group is organised into two divisions for operational and management purposes. ABIL reports its primary business segment information on this basis and on a secondary basis by geographical locations of trading.

1.6.5 Non-South African entities

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in South African Rand which is the functional currency of the group, and the presentation currency for the consolidated financial statements.

1.7 Trademarks

Trademarks acquired are capitalised initially at their purchased cost and are assessed at the individual asset level as having either a finite or indefinite useful life.

Where a trademark has a finite life, it is amortised on a straight-line basis over its estimated useful life, which is generally between 10 to 15 years.

Trademarks which have indefinite lives are not amortised, as there is no limit to the period over which such asset is expected to generate net cash inflows for the group.

The useful lives of all trademarks are assessed on an annual basis, or when any indication of impairment exists, to ensure that the carrying value does not exceed the recoverable amount. Any adjustments, where applicable, are made on a prospective basis. Trademarks are carried at cost less any accumulated amortisation and any impairment losses.

No valuation is made of internally developed and maintained trademarks or brand names and all costs incurred on these are expensed in the period in which they are incurred. Expenditure incurred to maintain these trademarks or brand names is charged to the income statement in the period in which such costs are incurred.

1. Principal accounting policies *(continued)*

1.8 Property and equipment

Property and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Owner-occupied property, buildings, leasehold improvements, furniture, computer equipment and software, office equipment and motor vehicles are stated at cost less accumulated depreciation and impairments.

Assets acquired under suspensive sale are capitalised. At the commencement of the suspensive sale agreements the assets are reflected at the lower of fair value and the present value of future minimum lease payments. The related liability is recognised at an equivalent amount. Finance charges are accounted for over the period of the transactions on the effective interest rate method.

Depreciation is charged to the income statement on a straight-line basis and is calculated to reduce the original costs to the expected residual values over the estimated useful lives. Useful lives and residual values are assessed on an annual basis. Any adjustments that may be necessary are accounted for prospectively. Useful lives have been determined to be as follows:

Computer equipment and software	2 to 5 years
Office furniture and equipment	3 to 6 years
Motor vehicles	4 to 5 years
Leasehold improvements	over the shorter of the lease term or its useful life
Buildings (owner-occupied)	Useful life (limited to 50 years)
Land is not depreciated	

The carrying amounts of property and equipment are written down to their estimated recoverable amounts, where the estimated recoverable amount is lower than the carrying value. All gains or losses arising on the disposal or scrapping of property and equipment are recognised in profit or loss in the period of disposal or scrapping. Repairs and maintenance are charged to the income statement when the expenditure is incurred.

1.9 Investment properties

Investment properties are fixed properties that are held to earn rentals or for the purpose of deriving capital appreciation or both, rather than for use in the supply of goods or services. Investment properties are stated at fair value as determined by the directors and are not depreciated. Surpluses or shortfalls on revaluation of investment properties are recognised in the income statement.

1.10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less estimated costs to be incurred to sell the asset.

1.11 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the first-in first-out basis and includes transport and handling costs. The cost of manufactured products includes both direct expenditure and a proportion of production overheads based on the normal level of activity. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

1. Principal accounting policies *(continued)*

1.12 Financial instruments

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial instruments, as reflected on the balance sheet, include all financial assets, financial liabilities, derivative instruments and equity instruments held for investment, trading, hedging or liquidity purposes, but exclude investments in subsidiaries, associated companies and joint ventures, employee benefit plans, investment property, property and equipment, inventory, assets and liabilities of insurance operations, deferred taxation, taxation payable, provisions, intangible assets and goodwill.

Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.

Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale financial assets.

Financial liabilities are classified into the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification of financial assets and financial liabilities depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

1.12.1 Initial recognition

Financial instruments are recognised on the balance sheet when the group becomes a party to the contractual provisions of a financial instrument.

1.12.2 Initial measurement

All financial instruments are initially recognised at fair value plus transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately through the income statement.

1.12.3 Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification:

- Financial assets and financial liabilities at fair value through profit or loss

  Financial instruments at fair value through profit or loss consist of trading instruments and instruments that the group has elected, on the date of initial recognition, to designate as at fair value through profit or loss. Net gains and losses arising from financial instruments categorised as at fair value through profit or loss are determined inclusive of interest or dividend income.

An investment is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the short term; or
- it is a part of an identified portfolio of financial assets in which there is recent evidence of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

1. Principal accounting policies *(continued)*

1.12 Financial instruments

1.12.3 Subsequent measurement

Financial assets and liabilities other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition to the extent it produces more relevant information because it either:

- forms part of a group of financial assets and/or financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally to management on that basis; or
- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

- Other financial liabilities

  All financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost.

- Held-to-maturity financial assets

  Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group has both the positive intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale.

  Held-to-maturity financial assets are measured at amortised cost, using the effective interest method, less any provisions for impairment with the interest income recognised in profit or loss.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those designated by the group as at fair value through profit or loss or available-for-sale.

  Trade receivables, originating loans and advances and other receivables that are not held for trading purposes and have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

  The majority of the group's advances are included in the loans and receivables category.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to the need for liquidity or changes in interest rates, exchange rates or equity prices. Interest income on these assets is recognised as part of interest income, based on the asset's original effective interest rate. Gains and losses arising from changes in fair value are recognised directly in equity, until the asset is disposed of or it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Interest income is excluded from the fair value gains and losses which are recognised in equity.

1. Principal accounting policies *(continued)*

1.12.3.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees receivable that form an integral part of the effective interest rate) through the expected life of the financial asset/liability or, where appropriate, a shorter period.

1.12.3.2 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received. Transaction costs that are directly attributable are included in the initial fair value of financial assets and financial liabilities, other than those at fair value through profit or loss.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

1.12.4 Derecognition of financial instruments

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when:

- the contractual rights to the cash flows arising from the financial asset have expired; or
- the group transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the contractual rights to receive the cash flows from the financial asset;
- it retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- no future economic benefits are expected

A financial liability (or group of financial liabilities) or a part of a financial liability (or part of a group of financial liabilities) is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

1.12.5 Offsetting

Financial assets and liabilities are offset and the net amount reported on the balance sheet where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the balance sheet.

1. Principal accounting policies *(continued)*

1.13 Investments

Investments are recognised on a trade-date basis and are initially measured at fair value plus, in the case where financial instruments are not at fair value through profit or loss, any directly attributable transaction costs.

Debt securities that the group has the express intention and ability to hold to maturity are classified as held-to-maturity debt securities. At subsequent reporting dates, held-to-maturity securities are measured at amortised cost using the effective interest method less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as at fair value through profit or loss or available-for-sale, and are measured at subsequent reporting dates at fair value.

1.14 Loans and advances and related impairment provisions

1.14.1 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention to trade the receivable. In the case of African Bank Limited, all loans and advances are in the form of personal unsecured loans that are either paid back in fixed equal instalments or are revolving credit facilities in the case of credit cards, with fixed equal instalments. In the case of credit granted by Ellerine Furnishers Limited, loans and advances for the purchase of furniture and appliances are secured over the items sold.

Advances are classified as loans and receivables and are measured at amortised cost using the effective interest rate method, less any impairment losses through the use of an allowance account whereby the amount of the losses are recognised in the income statement. Origination fees and monthly service fees that are integral to the effective interest rate are capitalised to the value of the loan and amortised to the income statement over the contractual life of the loan using the effective interest rate method.

Advances, which are deemed uncollectible, are written off either fully or partially against the impairment allowance account for non-performing loans.

Loans previously written off which subsequently result in certain minimum cash flows being received are written back onto the balance sheet in the advances portfolio. The write back of a previously written off loan means the recording of the recoverable outstanding amount of the loan on the balance sheet at amortised cost without an allowance account, at the time it meets the definition of an asset and certain predetermined performance criteria. This recoverable amount is determined by discounting the estimated future cash flows at the original effective interest rate. The estimated future cash flows are based on the historic actual cash collected on these loans since they were written off and on similar loans that were, subsequent to being written off, brought back onto the balance sheet in prior reporting periods. Subsequent to this initial recording, an impairment allowance account is used in subsequent reporting periods to recognise any amount of the loan, the recovery of which is regarded as being doubtful or irrecoverable.

Cash collected on loans, which have previously been written off and which remain off balance sheet, is recognised in the income statement as bad debts recovered as and when the cash is received.

Loans and advances are disclosed net of deferred administration fees (consisting of origination fees and monthly service fees), impairment provisions and credit life insurance reserves.

1. Principal accounting policies *(continued)*

1.14 Loans and advances and related impairment provisions *(continued)*

1.14.2 Impairment provisions

The group reviews the carrying amounts of its loans and advances to determine whether there is any indication that those loans and advances have become impaired using objective evidence at a loan level. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in the payment of interest or principal;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower is over-indebted;
- indication that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or
  - national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the borrowers in the group).

Where it is not possible to estimate the recoverable amount of an individual loan or advance, the group estimates the recoverable amount using portfolio statistics derived based on past performance of similar financial assets, taking into account collection measures and projected future market conditions.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate that reflects the portfolio of advances' original effective interest rate.

If the recoverable amount of the advance is estimated to be less than the carrying amount, the carrying amount of the advance is reduced to its recoverable amount by raising an impairment provision (through the use of a separate allowance account), which is recognised as an expense in the income statement. A write off is effected against the allowance account when the debtor is deemed to be partially or fully impaired and not recoverable.

Where the impairment loss subsequently reverses, the carrying amount of the advance is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the advance in prior years. A reversal of an impairment loss is immediately recognised in the income statement.

1. Principal accounting policies *(continued)*

1.14 Loans and advances and related impairment provisions *(continued)*

1.14.2 Impairment provisions (continued)

In respect of loans that were previously written off, where the current cash collections are stable and expected to continue into the future, such loans are brought back onto the balance sheet at the net recoverable value by projecting and discounting future cash flows. The projected future cash flows are based on the historic recoveries of previously written off loans and advances which have subsequently been brought back onto the balance sheet in the past, after adjusting for current economic factors, collection procedures and trends. The cash collected on such loans must meet internally set criteria before they qualify to be brought back onto the balance sheet. No impairment allowance account is created for these loans and receivables at the date that they are brought back onto the balance sheet, but should future impairment testing show that the amount recorded as recoverable is doubtful or irrecoverable, an allowance account is raised at the subsequent reporting periods.

Impairment provisions raised during the year are charged to the income statement.

1.15 Derivative financial instruments and hedge accounting

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The group initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the balance sheet at fair value. Derivatives are subsequently re-measured at their fair value with all movements in fair value recognised in the income statement, unless it is a designated and effective hedging instrument.

The group uses derivative financial instruments only for the purpose of economically hedging its exposures to known market risks that will affect the current or future profit or loss of the group, and as a policy will not enter into derivatives for speculative reasons.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described above.

The method of recognising fair value gains or losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if so, the nature of the hedged item. The group is not party to any derivatives that are held for trading. When derivatives are designated in a hedging relationship, the group designates them as either:

- hedges of the fair value of recognised financial assets or liabilities or firm commitments (fair value hedges); or
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedges).

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met. The group documents, at the inception of the hedging relationship, the relationship between the hedged items and the hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships.

The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

1. Principal accounting policies *(continued)*

1.15 Derivative financial instruments and hedge accounting *(continued)*

1.15.1 Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the re-measurement of both the derivative and the hedged item are recognised in the income statement. Fair value adjustments relating to the hedging instrument are allocated to the same income statement category as the related hedged item. Any ineffectiveness is also recognised in the same income statement category as the related hedged item.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued.

1.15.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in the statement of changes in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the income statement in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains or losses that were recognised in equity are immediately transferred to the income statement.

1.16 Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

Non-participating preference shares, which do not carry a mandatory coupon, are not redeemable on a specific date, or at the occurrence of a contingent future event at the option of the shareholder and where the dividend payments are discretionary, are classified as equity. Dividends on such preference shares are accounted for in the statement of changes in equity.

1.17 Cash and cash equivalents

Short-term deposits and cash comprise fixed and notice deposits as well as call and current accounts with financial institutions in South Africa.

For purposes of the balance sheet, South African Reserve Bank cash requirements and prudential liquid assets, together with insurance prudential cash reserves required by the Financial Services Board, are not disclosed as short-term deposits and cash but rather as “statutory assets – bank and insurance”.

For the purposes of the cash flow statement, cash and cash equivalents comprise short-term deposits and cash, net of bank overdrafts, and cash reserves held by the insurance companies.

1. Principal accounting policies *(continued)*

1.18 Policyholder liabilities

All policyholder contracts that transfer significant insurance risk are classified as insurance contracts.

Insurance contracts that are still in force are computed annually at the balance sheet date by the insurance companies' statutory actuary, in accordance with the provisions of the Long-term Insurance Act, 1998 and valued in terms of the Financial Soundness Valuation (FSV) basis in accordance with Professional Guidance Notes (PGN) issued by the Actuarial Society of South Africa and represent the group's total policyholder liabilities. The following PGNs are of relevance to the liability calculations:

- PGN 102 (Mar 1995): Life Offices – HIV/AIDS
- PGN 104 (Jan 2005): Life Offices – Valuation of Long Term Insurers
- PGN 105 (Mar 2007): Recommended AIDS extra mortality bases
- PGN 106 (Jul 2005): Actuaries and Long Term Insurance in South Africa
- PG 110 (Dec 2007): Reserving for minimum investment return guarantees

These Professional Guidance Notes are available on the website of the Actuarial Society of South Africa (www.actuarialsociety.co.za).

Claims incurred prior to the end of the financial year, but not reported until after that date, are brought into account in the valuation of the policyholder liabilities.

The group does not recognise negative reserves (i.e. an asset) that may arise if future insurance premium income is taken into account after allowance for unexpired risk. The statutory actuary sets a discretionary margin, allowed for in terms of PGN 104, such that it is equal to the elimination of the overall negative reserves (i.e. an asset) for insurance contracts.

The transfer to policyholder liabilities under insurance contracts reflected in the income statement as part of assurance income is a result of the changes in actuarial liabilities and net adjustments to contingency and other insurance reserves.

1.18.1 Life fund reserve

The life fund reserve equals the amount of the actuarial valuation of the liability to parties outside the group according to the insurance policies and contracts in force at the balance sheet date.

1.18.2 Statutory contingency reserve

Provision is made for the full amount of the contingency reserve required, in terms of the Short Term Insurance Act, No. 53 of 1998, calculated at 10% of the net written premiums. Transfers to and from this reserve are taken directly to and from distributable reserves.

1.18.3 Group policyholder liabilities

Group policyholder liabilities (which are in the form of credit life reserves) are the actuarial reserves of the life company and the reserves of the short-term insurance company on credit life policies issued to clients of African Bank Limited and the Ellerines group. Such reserves are included in impairment provisions and this results in additional provision coverage to the extent that the policies are ceded by the policyholder to African Bank Limited or the Ellerines group.

1. Principal accounting policies *(continued)*

1.18 Policyholder liabilities *(continued)*

1.18.4 Linked endowment products

Linked endowment products are investment-related products where the risk and reward of the underlying investment portfolio is assumed and accrues directly to the policyholder. These products, which provide for returns based on the change in value of the underlying investments, are initially recorded at cost and reflected as policyholders' investments on the balance sheet. Valuations are adjusted for the effects of changes in foreign currency exchange rates in respect of the underlying investments that are in foreign currencies.

Actuarial liabilities of the linked endowment products are stated at the same value as the underlying supporting investments.

There is no financial risk to the group on these linked endowment products, however the investments and the related liabilities do not qualify for offsetting in terms of IFRS and are therefore shown at their respective gross values.

1.19 Provisions

Provisions represent liabilities of uncertain timing or amount and are measured at the expenditure or cash outflow required to settle the present obligation.

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

1.19.1 Onerous contracts

The present obligations arising under any onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits that are expected to be derived by the group under such contract.

1.19.2 Restructuring

A restructuring provision is recognised when the group has:

- developed a detailed formal plan to carry out any restructuring, and
- raised a valid expectation in those that are or will be affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by such restructuring.

The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring and not costs associated with the ongoing activities of the entity.

1.19.3 Extended warranties

The group sells extended warranty non-insurance products to customers on a voluntary basis. Provisions for warranty costs are recognised at the date of sale of the relevant products, at the estimated future expenditure required to settle the group's obligation under such extended warranty contract. The estimated future expenditure is determined with reference to claims notified and past claims experience in relation to the extended warranty product.

1.19.4 Provision for leave pay

The cost of providing employee benefits is accounted for in the period in which the benefits are earned by employees.

The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render services that give them the right to entitlement of such absence.

1. Principal accounting policies *(continued)*

1.20 Equity

Equity is the residual interest in the assets of the group after deducting all liabilities of the group.

All transactions relating to the acquisition and sale or issue of shares in the company, together with their associated costs, are accounted for in equity.

Ordinary and preference share capital are separately disclosed on the balance sheet and statement of changes in equity.

1.20.1 Share capital

Share capital issued by the company is recorded at the value of the proceeds received less the external costs directly attributable to the issue of the shares. Where shares are issued for consideration other than in cash under a business combination in terms of IFRS 3, the value at which the issued shares are recorded is the market value of the company's shares at the date of issue.

1.20.2 Treasury shares

Where the company or any other member of the group purchases the company's equity share capital, the par value of these treasury shares is deducted from the share capital, whereas the remainder of the cost price is deducted from the share premium until the treasury shares are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Treasury shares are deducted from the issued and weighted average number of shares on consolidation. All dividends received on treasury shares are eliminated on consolidation. The group does not recognise any gains or losses through the income statement when its own shares are repurchased.

1.20.3 Dividends

Dividends to equity holders are recognised as a liability in the period in which they are declared and are accounted for in the statement of changes in equity. Dividends declared after the balance sheet date are disclosed in the dividends note.

1.21 Revenue recognition

Revenue comprises income from sale of merchandise, interest income, net assurance income and non-interest income.

1.21.1 Sale of merchandise

Sale of merchandise is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of discounts and value-added tax, excluding any interest or related charges.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the significant risks and rewards of ownership in the goods have been transferred to the buyer,
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.21.2 Interest income

Interest income is accrued on a yield to maturity basis by reference to the principal outstanding and the interest rate applicable. In instances where a loan is in arrears for greater than six months, an assessment is made regarding the recoverability of the loan or group of loans and if necessary, based on available evidence at that date, the accrual of interest from that date is suspended and not recognised in the income statement.

1. Principal accounting policies *(continued)*

1.21 Revenue recognition *(continued)*

1.21.3 Net assurance income

Premiums receivable from insurance contracts are recognised as revenue in profit or loss when they are due in terms of the contract. Net assurance income consists of premiums received after taking into account any transfers to or from the actuarial policyholder liabilities under insurance contracts and any benefits paid to policyholders.

Premium income is disclosed net of reinsurance premiums but gross of commission. Premium income received in advance is included in trade and other payables.

Insurance benefits and claims incurred under insurance contracts include death, disability, and retrenchment payments and are recognised in profit or loss net of any related reinsurance recoveries. Death, disability and retrenchment claims are recognised when notified. The estimate of the expected settlement value of claims that are notified but not paid at the balance sheet date is included in trade and other payables.

1.21.4 Non-interest income

Non-interest income consists primarily of administration fees on loans and advances, delivery charges, extended warranty fees, club fees as well as any other sundry income.

1.21.4.1 Administration fees

Administration fees charged consist of two components:

- Origination fees on loans granted

  These fees are charged upfront, are capitalised into the loan, and are primarily based on the cost of granting the loan to the individual. In accordance with IAS 18 Revenue, these origination fees are considered an integral part of the loan agreement and therefore recognised as an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest rate method. The deferred portion of the fees is recorded in the balance sheet as a provision for deferred administration fees. The group does not defer any related operating costs, as these are all internal costs which are not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs.

- Monthly servicing fees

  These are fees which form an integral part of the effective interest rate and are charged to the customers on a monthly basis. These fees are recognised as part of the effective interest rate over the shorter of the original contractual term and the actual term of the loans and receivables. Beyond the original contractual term of the loan, the fee is recognised in the income statement as it is charged to the customer on a monthly basis.

While both these components are regarded as integral parts of the effective interest rate, they are not accounted for as interest income, but as non-interest income.

1.21.4.2 Delivery charges

Delivery charges are recognised as income at the date the goods are delivered to the customers.

1.22 Cost of sales

When inventories are sold, the carrying amount in respect of such inventory is recognised as part of cost of sales. Any write-down of inventories to estimated net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period in which the write-down, loss or reversal occurs.

1. Principal accounting policies *(continued)*

1.23 Taxation

1.23.1 Indirect taxation

Indirect taxation in the form of non-claimable value-added tax (VAT) on expenses is disclosed as indirect taxation in the income statement. The non-claimable VAT on the cost of acquisition of fixed assets is amortised over the useful lives of the fixed assets and is included in depreciation in the income statement. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the balance sheet.

1.23.2 Direct taxation

Direct taxation in the income statement consists of South African and foreign jurisdiction corporate income tax, inclusive of capital gains tax (CGT) (currently payable, prior year adjustments and deferred) as well as foreign jurisdiction withholding taxes and secondary tax on companies (STC) (currently payable and deferred).

STC on dividends, net of STC credits earned, is provided for and expensed through the income statement in the period in which the dividend paid is accounted for. STC is payable only on dividends as defined in the Income Tax Act.

1.23.2.1 Current taxation

Current taxation is the expected taxation payable based on the taxable income, inclusive of capital gains, for the year, using taxation rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxation payable in respect of previous years. Taxable income is determined by adjusting the profit before taxation for items which are non-taxable or disallowed in terms of tax legislation.

Taxation in respect of the South African life assurance companies is determined using the four fund method applicable to life insurance companies in terms of the Income Tax Act.

Current tax is charged or credited to the income statement, except to the extent that it relates to items charged or credited directly to the statement of changes in equity, in which case the tax is also dealt with in equity.

STC that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

1.23.2.2 Deferred taxation

Deferred taxation is provided on temporary differences using the balance sheet liability method. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation base. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit or loss nor taxable income. The amount of deferred taxation provided is based on the taxation rates and laws enacted or substantially enacted at the balance sheet date.

Deferred taxation is charged or credited in the income statement, except to the extent that it relates to items charged or credited directly to the statement of changes in equity, in which case the deferred taxation is also dealt with in equity.

The effect on deferred taxation of any changes in taxation rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

1. Principal accounting policies *(continued)*

1.23 Taxation *(continued)*

1.23.2 Direct taxation (continued)

1.23.2.2 Deferred taxation *(continued)*

The deferred taxation related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred tax assets are recognised on the tax effects of income tax losses available for carry-forward, if the group considers it probable that future taxable income will be available against which the unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.24 Share-based payments

Share-based payment transactions of the group primarily relate to the group's long-term incentive scheme for employees. In addition, any issue of new ordinary shares pursuant to the creation of the group's black economic empowerment programme is also treated as a share-based transaction.

1.24.1 Share-based payments under the group's long-term incentive programme (LTIP) for employees

The group has a cash-settled share appreciation rights scheme, in terms of which employees receive units based on an initial value of an ABIL listed share, and receive on the maturity date the market value of the units based primarily on the ABIL share price. This instrument qualifies as share-based payments under IFRS 2 Share-based Payment.

The share appreciation rights instruments have a predetermined vesting profile, which results in a lapsing of the instrument if the employee resigns or is dismissed before the vesting date. In accordance with IFRS 2, where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for those equity instruments, will be received in the future over the vesting period.

In the case of the share appreciation rights scheme, the fair value of the amount payable to the employees is recognised as an expense in profit or loss, with a corresponding increase in liabilities, over the vesting period of the instrument on a straight-line basis. The fair value of the liability is re-measured at each reporting date until settled and any changes in the fair value of the liability are recognised as employment costs in the income statement. No amount is recognised for services received in part if part of the share appreciation rights granted do not vest because of a failure to satisfy a vesting condition.

1.24.2 Measurement of fair value of equity instruments granted

The equity instruments granted by the group are measured at fair value at measurement date using standard option pricing or share appreciation rights valuation models. The valuation technique is consistent with generally accepted valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable and willing market participants would consider in setting the price of the equity instruments.

1. Principal accounting policies *(continued)*

1.24 Share-based payments

1.24.3 ABIL broad based black economic empowerment (BBBEE) share ownership programme

Transactions in which equity instruments are issued at below fair value to historically disadvantaged individuals indirectly are accounted for as share-based payments. Where the transaction is subject to the inclusion of service conditions, the expense is recognised over the period of the service conditions, with a corresponding increase in equity. Where the transaction is not subject to any service conditions, the group recognises the expense in full at grant date, with a corresponding increase in equity.

1.25 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets, that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

1.26 Leased assets

Leases are classified as finance leases or operating leases at the inception of the lease.

Leased assets are classified as operating leases where the lessor effectively retains the risks and benefits of ownership. Obligations incurred under operating leases are recognised in the income statement on a straight-line basis over the term of the relevant lease.

1.27 Translation of foreign currencies

1.27.1 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in South African Rand (the functional currency), by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date, foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the reporting period or in previous annual financial statements are recognised in the income statement in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in the functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.

1.27.2 Net investment in a non South African operation

The results and financial position of a non South African operation are translated into the functional currency being South African Rand using the following procedures:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses are translated at the average exchange rates for the year; and
- all resulting exchange differences are recognised as a separate component of equity.

Foreign exchange differences arising on a monetary item that forms part of a net investment in a non South African operation are recognised initially directly in the foreign currency translation reserve. On the disposal of a non South African operation, any cumulative gains or losses that remain deferred in equity are recognised in the income statement at the time at which the profit or loss on disposal of the non South African operation is recognised.

1. Principal accounting policies *(continued)*

1.28 Retirement benefits

1.28.1 Defined contribution plans

Defined contribution plans have been established for eligible employees of the group, with the assets held in separate trustee administered funds. The group pays contributions on a mandatory, contractual or voluntary basis as determined in terms of the rules of each benefit fund. The group has no further legal or constructive obligations to pay any further contributions once the fixed contributions have been paid to the funds.

Contributions in respect of defined contribution plans are recognised as an expense in profit or loss as they are incurred.

1.28.2 Defined benefit plans

Gains or losses on the curtailment or settlement of defined benefit plans are recognised when it can be demonstrated that there is a commitment to curtailment or settlement.

1.28.3 Post-retirement health care benefit

Post-retirement health care benefits are provided by certain subsidiaries to qualifying employees and retired employees in terms of certain employment contracts. The entitlement to these benefits is usually based on the employee remaining in service up to the retirement age.

The health care benefit costs are determined through annual actuarial valuations by independent consulting actuaries using the projected unit credit method. Such gains or losses are recognised over the expected remaining working lives of the participating members. Adjustments are made annually through profit or loss for provisions held for members who have already retired. Actuarial gains or losses are recognised in full in the period in which they occur.

1.29 Contingent liabilities and commitments

1.29.1 Contingent liabilities

A contingent liability is disclosed when:

- a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the group; or
- the group has a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources will be required to settle such obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.29.2 Commitments

Items are classified as commitments where the group has committed itself at the reporting date to future significant transactions or the acquisition of assets for material amounts.

Notes to the group annual financial statements

for the year ended **30 September 2009**

R million	Group 2009	2008
2. Short-term deposits and cash		
Fixed and notice deposits	**27**	64
Call and current accounts	**3 526**	2 920
	3 553	2 984
3. Statutory assets – bank and insurance		
Treasury bills and debentures: SA Reserve Bank	**661**	550
Cash deposits with the SA Reserve Bank	**387**	272
Insurance prudential cash reserves – bank and cash	**275**	488
Insurance financial assets	**0**	86
	1 323	1 396

Included above are assets pledged with the South African Reserve Bank to the value of R1 048 million (2008: R822 million).

The market value of the treasury bills and debentures is R758 million (2008: R548 million).

Unlisted preference shares included under insurance financial assets comprise of redeemable cumulative non-participatory preference shares which were underwritten by Investec Bank Limited. These were redeemed at cost in September 2009.

R million	Group 2009	2008
4. Inventories		
Merchandise and finished goods	**872**	776
Raw materials and consumables	**5**	3
Provision for stock obsolescence	**(18)**	(12)
	859	767
5. Other assets		
Variation margin on LTIP hedges	**12**	0
Prepayments	**5**	54
Other insurance cash reserves	**168**	0
Sundry receivables	**172**	88
	357	142
6. Net advances		
Gross advances	**26 181**	20 938
Deferred administration fees	**(34)**	(110)
Gross advances after deferred administration fees	**26 147**	20 828
Impairment provisions	**(5 661)**	(4 376)
Net advances	**20 486**	16 452

R million	Group 2009	2008
6. Net advances *(continued)*		
Analysis of gross advances by book		
Lending books	**24 702**	20 026
Retail	**16 002**	12 580
Payroll	**626**	552
Credit card	**1 888**	1 080
Mining	**1 171**	1 023
EHL retail	**61**	0
EHL group	**4 954**	4 791
Pay down books	**476**	591
Persal	**186**	198
Saambou Personal Loans Book	**265**	308
Standard Bank JV	**25**	85
Partially written off book (net fair values)	**1 003**	321
Total gross advances	**26 181**	20 938
Analysis of gross advances by type		
Retail/debit order	**16 027**	12 665
EHL group	**4 954**	4 791
Credit card	**1 888**	1 080
Payroll	**1 983**	1 773
Saambou Personal Loans Book	**265**	308
EHL retail	**61**	0
Partially written off book (net fair values)	**1 003**	321
Total gross advances	**26 181**	20 938
Impairment provisions and reserves		
Balance of impairment provisions at the end of the year	**5 624**	4 347
Balance of impairment provisions at the beginning of the year	**4 347**	1 892
Impairment provisions raised (refer note 25)	**2 952**	2 441
Bad debts written off against the impairment provisions	**(3 448)**	(1 784)
Acquisition of subsidiary	**0**	1 140
Bad debts rehabilitated	**1 773**	658
Credit life reserves	**37**	29
Total impairment provisions and reserves	**5 661**	4 376

Impairment provisions are based on an incurred loss model per IAS 39 Financial Instruments: Recognition and measurement. Estimated future cash flows for loans and advances considered to be impaired are discounted using the original effective interest rate.

Credit life insurance reserves are the actuarial reserves held by the group's insurance companies on policies ceded to subsidiaries by customers as security and which provide additional provision coverage. With effect from 1 June 2007, being the date of introduction of the National Credit Act (Act 34 of 2005), to 28 May 2008 clients' credit life policies were prohibited from being ceded to African Bank Limited in respect of unsecured loans without such loan being regarded as secured. The National Credit Act was amended in the Government Gazette dated 29 May 2008 (number 30713) to allow cession (without a loan being regarded as secured) and the change was implemented in African Bank Limited in respect of policies issued on or after 1 July 2008. All loans granted by Ellerines group are secured at origination date and the insurance policies are ceded as further security.

6. Net advances *(continued)*

During the year, the group rehabilitated onto the balance sheet R1 773 million (2008: R658 million) of loans previously written off. The policy regarding rehabilitation of written-off loans requires such loans to be performing above a minimum criteria, with a regular payment profile, before they qualify for reinstatement onto the balance sheet, together with the appropriate impairment provisions. Partially written off advances are reinstated at their net recoverable value determined on a discounted cash flow basis.

The impairment provision for gross advances is classified into two categories i.e. specific impairments and portfolio impairments (IBNR). The specific impairments provision of R5 422 million is in respect of the non-performing loan book whilst the portfolio impairments provision of R202 million is in respect of the performing loan book. The portfolio provision covers losses actually incurred but not yet known in relation to clients who may have already suffered distress in making contractual payments, but such information has not been formally conveyed to the group. The performing loan book does have arrears of up to three cumulative instalments which do not necessarily indicate that all these loans are non-performing, in terms of the group's definition of non performing loans.

	Group	
R million	**2009**	2008
7. Deferred tax asset/liability		
Deferred tax analysis		
Deferred administration fees	**(3)**	23
Incentive schemes	**40**	47
Deferred tax on hedge accounting (swaps)	**17**	5
Portfolio impairment for credit losses	**411**	412
Accelerated capital allowances	**14**	9
Estimated tax losses	**37**	0
Capital gains tax losses	**1**	1
Secondary tax on companies	**3**	0
Other provisions	**96**	97
Instalment sale debtors allowance	**(58)**	(133)
Trademarks	**(254)**	(275)
Other	**(68)**	(16)
	236	170
Disclosed as follows:		
Deferred tax asset	**501**	464
Deferred tax liability	**(265)**	(294)
	236	170
Deferred tax reconciliation		
Balance at the beginning of the year	**170**	143
Balance acquired with the acquisition of Ellerine Holdings Limited	**0**	164
Movement through income statement (refer note 29)	**65**	(174)
Movement through statement of changes in equity	**1**	10
Transfer to liabilities held for sale (refer note 8)	**0**	27
Balance at the end of the year	**236**	170

R million	Group 2009	2008
8. Assets and liabilities held for sale		
Assets		
Inventories	**0**	3
Other assets	**0**	6
Property and equipment	**181**	191
Intangible assets	**0**	3
Goodwill	**0**	12
Total assets	**181**	215
Liabilities and equity		
Other liabilities	**0**	10
Deferred tax liability	**25**	27
Total liabilities	**25**	37
Ordinary shareholders' equity	**156**	178
Total equity (capital and reserves)	**156**	178
Total liabilities and equity	**181**	215

In the prior year, management had identified the Ellerines property portfolio and the Early Bird business as non-core assets in the group. As active steps had commenced in engaging with potential buyers for the Ellerines property portfolio and the Early Bird business, the assets and liabilities were disclosed as held for sale. The Early Bird business has subsequently been disposed off in the current financial year. The agreement for the sale of the Ellerines property portfolio has been concluded with a suspensive condition that the purchaser provides guarantees by a specified date. This date was extended during the year and the properties are still disclosed as held for sale as management is still engaging with the current and potential buyers. Consequently, the assets and liabilities of the Ellerines property portfolio are classified as held for sale and expected to be realised within the next 12 months.

R million	Group Cost 2009	Accumulated depreciation 2009	Carrying value 2009	Cost 2008	Accumulated depreciation 2008	Carrying value 2008
9. Property and equipment						
Furniture	**342**	**(222)**	**120**	345	(230)	115
Computer equipment and software	**584**	**(424)**	**160**	505	(387)	118
Office equipment	**187**	**(125)**	**62**	181	(120)	61
Motor vehicles	**60**	**(36)**	**24**	80	(42)	38
Containers and kiosks	**1**	**0**	**1**	1	0	1
Leasehold improvements	**317**	**(218)**	**99**	294	(188)	106
Land and buildings (owner-occupied)	**141**	**(21)**	**120**	76	(19)	57
Land and buildings (Investment properties)	**0**	**0**	**0**	0	0	0
Total	**1 632**	**(1 046)**	**586**	1 482	(986)	496

The carrying amounts of property and equipment at 30 September 2009 for the group are reconciled as follows:

R million	Group 2009 Carrying value at beginning of year	Additions	Depreciation (refer note 27)	Disposals and write-offs	Revaluations	Carrying value at end of year
9.1 Reconciliation of the carrying amounts of property and equipment						
Furniture	115	52	(47)	0	0	120
Computer equipment and software	118	113	(66)	(5)	0	160
Office equipment	61	19	(18)	0	0	62
Motor vehicles	38	4	(9)	(9)	0	24
Containers and kiosks	1	0	0	0	0	1
Leasehold improvements	106	36	(43)	0	0	99
Land and buildings (owner-occupied)	57	65	(2)	0	0	120
Land and buildings (investment properties)	0	0	0	0	0	0
Total	496	289	(185)	(14)	0	586

R million	Group 2008 Carrying value at beginning of year	On acquisition of subsidiary	Additions	Depreciation (refer note 27)	Disposals and write-offs	Revaluations	Transfer to assets held for sale (refer note 8)	Carrying value at end of year
9. Property and equipment *(continued)*								
9.1 Reconciliation of the carrying amounts of property and equipment *(continued)*								
Furniture	10	111	40	(35)	(11)	0	0	115
Computer equipment and software	45	42	95	(56)	(5)	0	(3)	118
Office equipment	4	52	20	(13)	(2)	0	0	61
Motor vehicles	4	44	2	(12)	0	0	0	38
Containers and kiosks	1	0	0	0	0	0	0	1
Leasehold improvements	34	68	39	(32)	(2)	0	(1)	106
Land and buildings (owner-occupied)	57	179	1	(2)	0	0	(178)	57
Land and buildings (investment properties)	0	7	0	0	0	2	(9)	0
Total	155	503	197	(150)	(20)	2	(191)	496

Ellerine Holdings Limited has committed capital expenditure of R20 million (2008: R41 million) and authorised, but not yet contracted for, capital commitments of R162 million (2008: R145 million) as at 30 September 2009.

The board has delegated an authority to management to incur capital expenditure up to R15 million per contract, and any amounts in excess of this are required to be approved by the board.

A register of properties is available to shareholders for inspection at the registered office of ABIL.

In January 2009 African Bank Limited acquired a building adjacent to its Midrand head office, which was subsequently improved to house the Bank's call centre. The stand measures 19 331 square metres and the purchase consideration was R29 million.

The group has elected not to use the fair value of owner-occupied property as the deemed cost as at 1 October 2004 (the transition date) and accordingly will continue to use the original cost of the asset and to depreciate it in accordance with IAS 16 Property, Plant and Equipment.

R million	Group 2009	2008
10. Intangible assets		
Cost	**1 043**	1 046
Market position 1 – Ellerines, Town Talk, Furncity and Savells Fair Deal	**710**	710
Market position 2 – Beares and Lubners	**174**	174
Market position 3 – Furniture City	**16**	16
Market position 4 – Geen & Richards	**64**	64
Dial-a-Bed and Mattress Factory	**20**	20
Wetherlys and Osiers	**47**	47
Early Bird	**0**	3
Rainbow Loans	**12**	12
Amortisation	**(126)**	(54)
Market position 1 – Ellerines, Town Talk, Furncity and Savells Fair Deal	**(86)**	(36)
Market position 2 – Beares and Lubners	**(20)**	(9)
Market position 3 – Furniture City	**(3)**	(1)
Market position 4 – Geen & Richards	**(7)**	(3)
Dial-a-Bed and Mattress Factory	**(3)**	(1)
Wetherlys and Osiers	**(6)**	(3)
Early Bird	**0**	0
Rainbow Loans	**(1)**	(1)
Impairment	**(11)**	(11)
Rainbow Loans	**(11)**	(11)
Transfer to assets held for sale – Early Bird (refer note 8)	**0**	(3)
Net carrying value	**906**	978
Reconciliation of carrying value		
Balance at the beginning of the year	**978**	0
On acquisition of subsidiary	**0**	1 046
Impairment of trademark	**0**	(11)
Transfer to assets held for sale – Early Bird	**0**	(3)
Amortisation	**(72)**	(54)
Balance at the end of the year	**906**	978

10.1 Trademarks per brand

	Balance at beginning of the year	Amortisation	Impairments	Balance at end of the year
Ellerines	334	(24)	0	**310**
Town Talk	172	(13)	0	**159**
FurnCity	125	(8)	0	**117**
Savells Fair Deal	43	(5)	0	**38**
Beares	115	(8)	0	**107**
Lubners	50	(3)	0	**47**
Furniture City	15	(2)	0	**13**
Geen & Richards	61	(3)	0	**58**
Dial-a-Bed	16	(2)	0	**14**
Mattress Factory	3	0	0	**3**
Wetherleys	38	(3)	0	**35**
Osiers	6	(1)	0	**5**
	978	(72)	0	**906**

Trademarks represent registered rights to the exclusive use of certain trademarks and brand names and have been stated at cost being the fair value determined by external trademark valuation specialists on acquisition of Ellerines, using the royalty relief method.

R million	Group 2009	2008
11. Goodwill		
Net carrying value of goodwill on the acquisition of Ellerine Holdings Limited		
Cost at beginning of the year	**5 472**	0
Acquisition of Ellerine Holdings Limited	**0**	4 739
Goodwill in Ellerine Holdings Limited at acquisition	**0**	767
Transfer to assets held for sale (refer note 8)	**0**	(12)
At acquisition adjustments relating to Ellerines	**0**	(22)
Carrying amount at the end of the year	**5 472**	5 472
11.1 Goodwill relating to Ellerines Holdings Limited (including at acquisition goodwill)		
Market position 1 – Ellerines, Town Talk, Furncity and Savells Fair Deal	**4 561**	4 561
Market position 2 – Beares and Lubners	**351**	351
Market position 3 – Furniture City	**42**	42
Market position 4 – Geen and Richards	**350**	350
Dial-a-Bed and Mattress Factory	**98**	98
Wetherlys and Osiers	**39**	39
Early Bird	**0**	12
Rainbow Loans	**31**	31
Subtotal	**5 472**	5 484
Transfer to assets held for sale – Early Bird (refer note 8)	**0**	(12)
Net carrying value of goodwill in the Ellerines business unit including ABIL acquisition	**5 472**	5 472

Goodwill represents the excess of the purchase consideration over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition purchased as part of a business combination. Factors that contributed to the recognition of goodwill within the total cost of acquisition include the value of the control premium and the potential to market new loan products through a significantly increased number of stores. The fair value of these intangibles could not be individually measured.

Goodwill is tested for impairment annually in accordance with the group's accounting policies.

11.2 Goodwill impairment testing

Trademarks and goodwill acquired through the acquisition of Ellerines have been allocated to the various market positions, representing cash-generating units and have been tested for impairment accordingly.

The recoverable amount of the underlying cash-generating units has been determined based on a value-in-use calculation using the cash flow projections for the forthcoming financial year, as per the financial budgets approved by the directors, adjusted for expected annual growth thereafter in accordance with the group's strategic plan. The average revenue growth rate for the following five years is 12,9% (2008: 17,0%). Thereafter, a perpetuity growth rate of 4,5% (2008: 4,5%) was used. The after-tax discount rate applied to the cash flow projections was 13,9% (2008: 15,5%).

The forecast free cash flows were based on management's strategic plan of achieving at least 20% market share, growing sales of merchandise to between R9 billion and R10 billion per annum, credit sales increasing to 60% of total sales, reducing operating cost to sales to between 30% and 35%, and achieving a return on sales greater than 10% within the next five years. Management believes that any reasonable change in the key assumptions would not cause the carrying amounts of the cash-generating units to exceed the recoverable amounts.

These calculations indicated that there was no impairment in the carrying value of the goodwill or trademarks.

R million	Group 2009	2008
12. Short-term funding		
12.1 Short-term money market-funding	**2 758**	3 779
12.2 Secured short-term funding	**350**	440
	3 108	4 219
12.1 Short-term money market funding		
Demand deposits	**116**	212
Fixed and notice deposits	**1 155**	1 839
Negotiable certificates of deposit	**260**	884
Unsecured short-term loans	**1 227**	844
	2 758	3 779
12.2 Secured short-term funding		
ABSA Bank Limited	**350**	350
Investec Bank Limited	**0**	90
	350	440

The loans of R350 million with ABSA Bank Limited consist of a R150 million loan and a R200 million loan. The R150 million loan bears interest at a fixed rate of 15,10% per annum and is payable in full on 31 March 2010. An interest rate swap agreement has been entered into which effectively adjusts the interest rate to prime less 3,38% in respect of the loan. The R200 million loan with ABSA Bank Limited bears interest at a fixed rate of 13,84% per annum and is payable in full on 9 July 2010. An interest rate swap agreement has been entered into which effectively adjusts the interest rate to prime less 2,87% in respect of the loan.

The R350 million long term loan with ABSA, which was reclassified to short term in 2008 as a result of covenant breaches, has been secured by a guarantee from African Bank Investments Limited. Following the issue of a guarantee by ABIL for R350 million, ABSA has agreed not to call for repayment of these loans until the fixed repayment dates.

The R90 million loan with Investec Bank Limited, which was reclassified to short term in 2008 as a result of covenant breaches, bore interest at rates linked to the prime overdraft rate and was repayable on 5 March 2012. This loan was repaid in full on 23 September 2009.

These loans are secured by a surety issued by Ellerine Holdings Limited and are subject to covenants which include maintaining the following ratios: minimum shareholders' funds to total assets, interest cover and a limitation on total interest bearing borrowings to shareholders' funds.

The breaches on the long term ABSA and Investec Bank loans occurred in January 2008 following the significant adjustments that were processed in the insurance and trading companies in the Ellerines group. These adjustments were the result of changes to the basis of recognition of insurance income that is due and payable on a monthly basis by customers and the method of accounting for re-insurance premiums and commissions. The reduction in the shareholders' equity as a result of these adjustments resulted in the covenant on shareholders equity:interest bearing debt ratio and the interest cover being breached.

R million	Group 2009	2008
13. Other liabilities		
Trade creditors	**361**	393
Advances with credit balances	**32**	53
Liabilities to employees as a result of incentive transactions	**45**	60
Liability for cash-settled converted options (refer note 47)	**17**	24
Liability for cash-settled LTIPs (refer note 47)	**113**	81
Fair value liability (contract for difference)	**85**	10
Teba Credit (Pty) Limited deferred purchase price	**5**	5
Shareholders for odd-lot offer	**13**	13
Shareholders for dividends	**9**	9
Provision for leave pay	**13**	84
Provision for straight lining of leases	**4**	25
Insurance incurred but not recorded provision (IBNR)	**0**	49
Sundry creditors and accruals	**666**	526
	1 363	1 332
14. Life fund reserve		
Movements in the fund during the year:		
Balance at the beginning of the year	**18**	16
Transfer (to)/from the income statement (refer note 23)	**(3)**	2
Balance at the end of the year	**15**	18
The life fund at 30 September 2009 equals the amount of the statutory actuarial valuation of the liability to parties outside the group according to the assurance policies and contracts in force at that date. The statutory basis of valuation of the life fund has been conducted in accordance with applicable Actuarial Society of South Africa Professional Guidance Notes.		
15. Bonds and other long-term funding		
15.1 Unsecured listed bonds	**6 381**	4 434
15.2 Unsecured long-term loans	**8 314**	5 884
15.3 Secured long-term loans (debentures)	**10**	14
Total bonds and other long-term funding	**14 705**	10 332

Bonds and other long-term funding to the nominal amount of R6,28 billion (2008: R3,96 billion) are payable within the next 12 months.

R million	Group Face value 2009	Interest capitalised 2009
15. Bonds and other long-term funding *(continued)*		
15.1 Unsecured listed bonds		
ABL4, ABL5 and ABL6, ABL7, ABLI01, ABL8A and ABL8B bonds issued on the South African Bond Exchange	6 242	143
Discount amortised	0	0
Less: Held by group subsidiary	(49)	0
Total	**6 193**	**143**
ABL4 bonds with an original face value of R500 million, increased to R800 million as a result of further issues in 2006, are redeemable on 31 August 2010. Interest is calculated and payable semi-annually at a coupon rate of 9,00%. R93 million was redeemed in the current year (2008: R200 million).	507	4
ABL5 bonds with an original face value of R750 million, issued on 11 August 2006, are redeemable on 11 August 2011. Interest is calculated and payable semi-annually at a coupon rate of 9,70%. R152 million was redeemed during 2008.	598	8
ABL6 bonds with an original face value of R1,05 billion, issued on 18 June 2007, are redeemable on 18 June 2012. Interest is calculated and payable semi-annually at a coupon rate of 10,25%. R288 million was redeemed during the year (2008: R316 million).	446	13
ABL7 bonds with an original face value of R1 billion, issued on 18 February 2008, are redeemable on 18 February 2013. Interest is calculated and payable semi-annually at a coupon rate of 11,85%. R179 million was redeemed during the year (2008: nil).	821	12
ABLI01 bonds with an original nominal value of R149 million, issued on 24 April 2008, are redeemable on 31 March 2013. It was issued as a replica of the R189 inflation linked bond and at issue the inflation adjusted face value was R246 million. Interest is calculated and payable semi-annually at a fixed coupon rate of 6,25% adjusted by the inflation index	246	29
ABL8A bonds with an original face value of R725 million, issued on 19 September 2008, are redeemable on 19 September 2013. Interest is calculated and payable semi-annually at a coupon rate of 13,00%. R85 million was redeemed during the year (2008: nil).	640	3
ABL8B bonds with an original face value of R525 million, issued on 19 September 2008, are redeemable on 19 September 2013. Interest is calculated and payable quarterly at the three month JIBAR rate plus 3,00%. R85 million was redeemed during the year (2008: nil).	440	1
ABL9 bonds with an original face vale of R550 million, issued on 19 February 2009, are redeemable on 19 February 2012. Interest is calculated and payable quarterly at the three month JIBAR rate plus 3,30%. R26 million was redeemed during the year.	524	6
ABLI02 bonds with an original face value of R2,02 billion, issued on 8 May 2009, are redeemable on 8 May 2014. Interest is calculated and payable semi-annually at a fixed coupon rate of 8,00% adjusted by the inflation index	2 020	67
Less: Held by group subsidiary	(49)	0
Total	**6 193**	**143**

		Group			
Unamortised discount 2009	Net liability 2009	Face value 2008	Interest capitalised 2008	Unamortised discount 2008	Net liability 2008
49	6 434	4 428	68	(11)	4 485
0	0	0	0	0	0
(4)	(53)	(51)	0	0	(51)
45	6 381	4 377	68	(11)	4 434
(1)	510	600	5	(2)	603
(1)	605	598	8	(1)	605
0	459	734	22	(1)	755
(2)	831	1 000	14	(3)	1 011
(1)	274	246	14	(1)	259
(2)	641	725	3	(3)	725
0	441	525	2	0	527
0	530				0
56	2 143				
(4)	(53)	(51)	0	0	(51)
45	6 381	4 377	68	(11)	4 434

R million	Group Face value 2009	Group Interest capitalised 2009
15. Bonds and other long-term funding *(continued)*		
15.2 Unsecured long-term loans		
Promissory notes	4 486	87
Fixed deposits	3 607	134
Negotiable certificates of deposit	0	0
Total	**8 093**	**221**

The promissory notes consist of zero coupons, quarterly coupons and semi-annual coupons, with the rates varying from 7,56% to 13,15% NACQ, NACS and NACA. These notes have various maturities, ranging from 2 October 2009 to 24 March 2014. Promissory notes with a nominal value of R3 118 million (2008: R1 741 million) are payable within the next 12 months.

The fixed deposits consists of zero coupons, monthly coupons, quarterly coupons and semi-annual coupons, with interest rates varying from 7,50% to 14,65% NACM, NACQ, NACS and NACA. These fixed deposits have various maturities, ranging from 2 October 2009 to 29 July 2013. Fixed deposits with a nominal value of R2 655 million (2008: R2 191 million) are payable within the next 12 months.

Negotiable certificates of deposit consisted of zero coupons with rates of 12,05% NACA. These negotiable certificates of deposit matured on 4 February 2009.

R million	Group 2009	Group 2008
15.3 Secured debentures		
The debentures, which have a nominal value of R23 million and bear interest at a fixed rate of 13,86% per annum, are repayable in 2011. They are secured by a first mortgage bond over property with a carrying value of R70,5 million, a guarantee by Ellerine Holdings Limited and a cession of all rentals on the property. The lender has subscribed for additional shares in the underlying subsidiary for a consideration of R28 million. The shares and the purchase consideration are to be delivered and paid, respectively in 2011. As Ellerine Holdings Limited has acquired the right to these shares, the net present value of the deferred proceeds on the issue of the shares of R9,5 million has been offset against the amount due to the lender	10	14
Total	**10**	**14**

		Group			
Unamortised discount 2009	**Net liability 2009**	Face value 2008	Interest capitalised 2008	Unamortised discount 2008	Net liability 2008
0	**4 573**	2 867	85	0	2 952
0	**3 741**	2 783	122	0	2 905
0	**0**	25	2	0	27
0	**8 314**	5 675	209	0	5 884

R million	Group Face value 2009	Group Interest capitalised 2009
16. Subordinated bonds, debentures and loans		
Subordinated bonds	1 300	37
Subordinated debentures	225	39
Subordinated IFC loan	350	2
Subordinated Proparco loan	100	0
Total	1 975	78

Subordinated bonds (ABLS1) with a face value of R300 million, issued on 8 August 2007, are redeemable on or after 8 August 2012, but not later than 8 August 2017. Interest up to 8 August 2012 is calculated at the three month JIBAR plus 1,6% and payable quarterly. On 8 August 2012 the rate resets to the three month JIBAR plus 3,6% with the same payment intervals.

Subordinated bonds (ABLS2 A) with an original face value of R520 million, issued on 13 July 2009, are redeemable on 13 July 2016. Interest is calculated and payable semi-annually at a coupon rate of 15,50%.

Subordinated bonds (ABLS2 B) with a face vale of R480 million, issued on 13 July 2009, are redeemable on 13 July 2016, interest is calculated at the three month JIBAR plus 6,30% and payable quarterly.

Subordinated debentures with a face value of R200 million, issued on 6 August 2008, are redeemable on or after 6 August 2015, but not later than 6 August 2020. These debentures are zero coupon, with interest being calculated at the three month JIBAR plus 5% and capitalised quarterly. On 6 August 2015 the rate resets to the three month JIBAR plus 7,5%.

Subordinated debentures with a face value of R25 million, issued on 2 April 2009, are redeemable on or after 2 April 2021. These debentures are zero coupon, with interest being at the three month JIBAR plus 5% and capitalised quarterly. On 2 April 2016 the rate resets to the three month JIBAR plus 7,5%.

Subordinated IFC loan with a face value of R350 million, issued on 12 January 2009, are redeemable on or after 15 December 2015, but not later than 15 December 2020. Interest up to 15 December 2015 is calculated at the three month JIBAR plus 3,65% and payable quarterly. On 15 December 2015 the rate resets to the three month JIBAR plus 7,65% with the same payment intervals.

Subordinated Proparco loan with a face value of R100 million, issued on 28 April 2009, is redeemable on or after 15 September 2016, but not later than 13 September 2021. Interest up to 15 September 2016 is calculated at the three month JIBAR plus 5,775% and payable quarterly. On 15 September 2016 the rate resets to the three month JIBAR plus 9,775% with the same payment intervals.

			Group			
	Unamortised discount 2009	**Net liability 2009**	Face value 2008	Interest capitalised 2008	Unamortised discount 2008	Net liability 2008
	(1)	**1 336**	300	6	0	306
	0	**264**	200	5	0	205
	(6)	**346**	0	0	0	0
	(2)	**98**	0	0	0	0
	(9)	**2 044**	500	11	0	511

	Group			
	2009		2008	
	Number of shares	R million	Number of shares	R million
17. Ordinary share capital and premium				
Authorised				
Ordinary shares of 2,5 cents each	**1 000 000 000**	**25**	1 000 000 000	25
Issued				
Ordinary shares of 2,5 cents each	**804 175 200**	**20**	804 175 200	20
Ordinary shares at par value of 2,5 cents each		**20**		20
Ordinary share premium		**9 131**		9 131
		9 151		9 151

Unissued shares

The directors have no general authority to issue any of the unissued share capital. The directors have the authority to contract ABIL or any subsidiary to acquire shares not exceeding 3% of the issued share capital.

Shares issued during the year

No shares were issued during the current financial year.

Shares issued during the previous year

At a general meeting held on 15 October 2007, the shareholders of ABIL consented to the making of an offer by the company to all of the ordinary shareholders of Ellerine Holdings Limited (Ellerines) for 100% of their shares in Ellerines to be settled by the issue of no more than 294 711 277 new ABIL ordinary shares to such Ellerines shareholders as consideration for their ordinary shares in Ellerines. 294 706 784 shares were issued at R31,01 per share as the purchase consideration and were listed on the JSE on 14 January 2008. At the same meeting, shareholders also agreed to place 11 557 109 shares under the authority and control of the directors for the purpose of facilitating a black economic empowerment transaction focusing on the Ellerines business, its preferred black economic empowerment partners and its other stakeholders. These shares were issued to Hlumisa Investment Holdings Limited (previously called Masonge Investment Holdings Limited), ABIL's second BEE company, at their par value of 2,5 cents per share and listed on the JSE on 30 September 2008.

The ordinary share premium arose when 294 706 784 shares were issued at R31,01 to the shareholders of Ellerine Holdings Limited. The share premium is the difference between the market value and the par value.

Treasury shares

As at 30 September 2009 the ABIL Employee Share Trust held 482 254 (2008:486 254) shares.

R million	Group 2009	2008
18. Reserves		
Reserves comprise the following:		
Retained earnings	**2 436**	2 201
Share-based payment reserve	**597**	586
Cash flow hedging reserve	**(32)**	(14)
Treasury shares held by the ABIL Employee Share Trust	**(13)**	(13)
Insurance contingency reserve	**43**	1
Foreign currency translation reserve	**(8)**	17
Total reserves	**3 023**	2 778

Insurance contingency reserve

In terms of the Short Term Insurance Act, the group's insurance subsidiaries are required to hold contingency reserves equivalent to 10% of their net premiums written during the year.

	Group 2009		2008	
	Number of shares	**R million**	Number of shares	R million
19. Preference shareholders' equity				
Authorised				
Preference shares of 1 cent each	**5 000 000**	**0**	5 000 000	0
Issued	**5 000 000**	**0**	5 000 000	0
Preference shares at par value of 1 cent each		**0**		0
Preference share premium		**483**		483
		483		483

Five million non-redeemable, non-cumulative, non-participating preference shares with a par value of R0,01 each were issued on 23 March 2005. The shares were issued at a premium of R99,99 per share and share issue expenses of R17 million were set-off against the preference share premium. ABIL will not declare an ordinary dividend unless a preference dividend has been declared. Preference dividends will be calculated at 69% of the daily average prime overdraft rate which prevailed in respect of the period for which the dividend is calculated.

R million		Group 2009	2008
20.	**Revenue**		
	Sale of merchandise (refer note 21)	**4 196**	3 092
	Interest income on advances (refer note 22)	**5 437**	4 285
	Net assurance income (refer note 23)	**2 081**	2 045
	Non-interest income (refer note 24)	**2 251**	1 768
	Interest received on cash reserves (refer note 22)	**358**	328
	Dividends received on statutory assets (refer note 22)	**9**	9
		14 332	11 527
21.	**Gross margin on retail business**		
	Sale of merchandise	**4 196**	3 092
	Cost of sales	**(2 405)**	(1 779)
		1 791	1 313
22.	**Interest and investment income**		
	Interest income on advances	**5 437**	4 285
	Other interest and investment income	**367**	342
	Interest received on cash reserves	**358**	328
	Other investment income	**9**	14
	Dividends received on statutory assets	**9**	9
	Profit on investments	**0**	5
		5 804	4 627
23.	**Net assurance income**		
	Premiums received	**2 562**	2 441
	Less: Reinsurance premiums paid net of claims experience refund	**0**	(151)
	Net premiums received	**2 562**	2 290
	Less: Benefits to policyholders	**(484)**	(243)
	Paid to policyholders	**(476)**	(214)
	Movement in incurred and reported (IAR) credit life reserves (refer note 6)	**(8)**	(29)
	Assurance income before transfer	**2 078**	2 047
	Transferred from/(to) the life fund (refer note 14)	**3**	(2)
		2 081	2 045
24.	**Non-interest income**		
	Loan origination fees	**519**	468
	Collection charges and service fees	**1 193**	886
	Credit card fees	**238**	162
	Delivery charges	**180**	125
	Rental income – investment properties	**21**	14
	Other	**100**	113
		2 251	1 768

In accordance with IAS 18 – Revenue, loan origination fees are considered an integral part of the loan agreement, and accordingly are amortised to the income statement over the contractual life of the loan using the effective interest rate method, with the unamortised portion of the fees recorded as deferred administration fees.

R million	Group 2009	2008
25. Charge for bad and doubtful advances		
Increase in impairment provisions (refer note 6)	2 952	2 441
Release of fair value adjustment provision	(286)	(367)
Loss on repossessions	17	23
Bad debts recovered	(172)	(241)
	2 511	1 856
26. Interest expense		
Subordinated bonds and debentures	135	44
Unsecured listed bonds	624	302
Unsecured long-term loans	742	579
Secured long-term loans	2	1
Demand deposits	20	18
Fixed and notice deposits	160	129
Negotiable certificates of deposit	81	49
Unsecured short-term loans	46	48
Interest on bank overdraft	179	130
Other interest	36	13
	2 025	1 313
27. Operating costs		
Advertising and marketing costs	189	168
Amortisation of trademarks (refer note 10)	72	54
Auditors' remuneration	16	12
Audit fees – current year	15	11
Fees for other services	1	1
Bank charges	216	176
Collection costs	104	84
Depreciation on property and equipment (refer note 9.1)	185	150
Information technology costs	0	100
Operating lease premiums	668	537
Leasehold fixed property	592	464
Motor vehicles	53	48
Computers and other equipment	23	25
Printing, stationery and courier costs	127	95
Professional fees	50	40
Legal fees	4	4
Management fees	5	8
Consultants and other professional fees	41	28

R million	Group 2009	2008
27. Operating costs *(continued)*		
(Profit)/loss on sale of property and equipment	**6**	0
Property and equipment written off	**0**	0
Property expenses	**105**	69
Motor vehicle costs	**135**	133
Employment costs	**2 098**	1 737
Basic remuneration	**1 660**	1 386
Bonuses and incentives	**140**	141
Charge for share-based incentives	**76**	52
Executive directors' remuneration (paid by subsidiaries):		
Basic remuneration	**15**	12
Bonuses	**9**	12
Charge for share-based incentives	**8**	8
Commissions paid to sales employees	**190**	126
Non-executive directors' remuneration:	**4**	3
Fees paid by subsidiaries	**3**	2
Fees paid by holding company	**1**	1
Telephone, fax and other communication costs	**174**	155
Other expenses	**427**	221
	4 576	3 734
28. Black Economic Empowerment (BEE) charge		
Income statement charge	**0**	291
In order to maintain the level of black equity ownership in ABIL post the acquisition of Ellerine Holdings Limited and to achieve a broad-based BEE shareholding in ABIL of over 10% by 2015, 11 557 109 new ABIL ordinary shares were issued to Hlumisa Investment Holdings Limited (previously called Masonge Investment Holdings Limited), ABIL's second BEE programme in the 2008 financial year.		
29. Indirect taxation and direct taxation		
Indirect taxation charge per the income statement	**18**	56
Direct taxation charge per the income statement: STC	**159**	149
Direct taxation charge per the income statement	**776**	783
SA normal taxation	**764**	761
Withholding taxation	**4**	5
Foreign taxation – normal	**8**	17
Total taxation charge per the income statement	**953**	988
	%	%
All-in tax rate (calculated as the total taxation charge per the income statement expressed as a percentage of net income before any indirect and direct taxation)	**33,9**	38,8
29.1 Indirect taxation		
Value-added tax (VAT)	**18**	56
Indirect taxation charge per the income statement	**18**	56

R million	Group 2009	2008
29. Indirect taxation and direct taxation *(continued)*		
29.2 Direct taxation		
Secondary tax on companies (STC)		
Current year	**161**	149
Deferred	**(2)**	0
Withholding taxes	**4**	5
SA normal tax		
Current year	**839**	619
Prior years' over provision	**(6)**	(32)
Foreign taxation – normal		
Current year	**6**	17
Prior years' over provision	**(4)**	0
Deferred tax		
Current year	**(64)**	146
Prior years' under provision of deferred tax asset	**1**	28
Direct taxation charge per the income statement	**935**	932
The group does not have any significant unutilised STC credits.		
29.3 Tax rate reconciliation		
Profit before taxation (amount used as the denominator in the tax rate reconciliation)	**2 790**	2 492
	%	%
Total taxation charge (direct and indirect) for the year as a percentage of the above	**34,2**	39,6
Indirect taxation: Value-added tax	**(0,7)**	(2,2)
Effective rate of taxation	**33,5**	37,4
Secondary tax on companies	**(5,7)**	(6,0)
Withholding taxes	**(0,1)**	(0,2)
Capital gains tax impact	**0,1**	0,1
Deferred tax adjustment as a result of the reduction in the statutory tax rate	**0,0**	(0,1)
Capital items	**(0,0)**	(0,0)
Non-taxable income	**0,6**	0,0
Disallowable expenses	**(0,4)**	(3,4)
Other (including prior year tax adjustments)	**0,0**	0,2
Standard rate of South African taxation	**28,0**	28,0

R million		
30. Capital items		
Impairment of goodwill (Early Bird)	**(7)**	0
Impairment of trademark (Rainbow Loans)	**0**	(11)
Amount per the income statement	**(7)**	(11)
Taxation thereon	**0**	3
	(7)	(8)
The above items have been added back for the purposes of calculating headline earnings.		

R million	Group 2009	2008
31. Reconciliation between basic earnings and headline earnings and per share statistics		
Reconciliation between basic earnings and headline earnings		
Basic earnings (profit for the year) attributable to:	**1 855**	1 560
Preference shareholders	**52**	49
Ordinary shareholders	**1 803**	1 511
Basic earnings (profit for the year) attributable to ordinary shareholders	**1 803**	1 511
Add-back charge for BEE transaction	**0**	291
Basic earnings attributable to ordinary shareholders before the BEE charge	**1 803**	1 802
Basic earnings (profit for the year) attributable to ordinary shareholders	**1 803**	1 511
Adjusted for:		
Capital items	**7**	11
Tax thereon	**0**	(3)
Headline earnings	**1 810**	1 519
Headline earnings	**1 810**	1 519
Add-back charge for BEE transaction	**0**	291
Headline earnings before the BEE charge	**1 810**	1 810
Per share statistics		
Basic earnings per share (cents)	**224,3**	210,5
Fully diluted basic earnings per share (cents)	**224,3**	210,4
Headline earnings per share (cents)	**225,2**	211,6
Fully diluted headline earnings per share (cents)	**225,2**	211,6
Headline earnings per share before the BEE charge (cents)	**225,2**	252,1
Fully diluted headline earnings per share before the BEE charge (cents)	**225,2**	252,1

	Group					
	2009			2008		
Million	**Total number of shares in issue**	**Weighted number of shares in issue**	**Fully diluted number of shares in issue**	Total number of shares in issue	Weighted number of shares in issue	Fully diluted number of shares in issue
32. Number of shares						
Number of shares in issue at the beginning of the year	**804,2**	**804,2**	**804,2**	497,9	497,9	497,9
Shares issued during the year	**0**	**0**	**0**	306,3	220,7	220,7
Treasury shares on hand	**(0,5)**	**(0,5)**	**(0,5)**	(0,5)	(0,6)	(0,6)
Dilution as a result of outstanding options	**0,0**	**0,0**	**0,1**	0,0	0,0	0,1
	803,7	**803,7**	**803,8**	803,7	717,9	718,0

R million	Group 2009	2008
33. Ordinary and preference dividends		
33.1 Ordinary dividends		
Final dividend number 16 of 105 cents per ordinary share (2008: 130 cents)	**844**	647
Interim dividend number 17 of 85 cents per ordinary share (2008: 105 cents)	**684**	832
Total ordinary and special dividends paid during the year	**1 528**	1 479
Interim dividend number 17 of 85 cents per ordinary share (2008: 105 cents)	**684**	832
Final dividend number 18 of 100 cents per ordinary share (2008: 105 cents)	**804**	844
Total ordinary and special dividends relating to income for the year	**1 488**	1 676
Final dividend number 18 of 100 cents per ordinary share was approved by the board on 23 November 2009. No provision has been made for these dividends and their related STC in the financial statements for the year ended 30 September 2009.		
33.2 Preference dividends		
Final preference dividend number 8 of 551 cents per preference share (2008: 460 cents)	**28**	23
Interim preference dividend number 9 of 475 cents per preference share (2008: 525 cents)	**24**	26
Total preference dividends paid during the year	**52**	49
Interim preference dividend number 9 of 475 cents per preference share (2008: 525 cents)	**24**	26
Final preference dividend number 10 of 367 cents per preference share (2008: 551 cents)	**18**	28
Total preference dividends relating to the year	**42**	54

Preference dividend number 10 of 367 cents per preference share was approved by the board on 23 November 2009. No provision has been made for these dividends and their related STC in the financial statements for the year ended 30 September 2009.

All dividends declared are out of revenue reserves, payable in cash and are subject to STC.

	Group 2009 Number of shares (million)	Group 2009 R million	Group 2008 Number of shares (million)	Group 2008 R million
34. ABIL Employee Share Trust transactions				
Shares issued to employees out of the ABIL Employee Share Trust on a FIFO basis	**0**	**0**	(0,3)	(6)
Average cost to employees to acquire these shares	**0**	**0**	0,3	1
ABIL dividends received in the ABIL Employee Share Trust	**n/a**	**2**	n/a	1
Tax effect of the loss incurred on group employees acquiring ABIL Employee Share Trust shares	**n/a**	**0**	n/a	1
Loss incurred on group employees acquiring ABIL Employee Share Trust shares	**0**	**2**	0	(3)

R million	Group 2009	Group 2008
35. Cash generated from operations		
Profit from operations	**2 797**	2 503
Adjusted for:		
Indirect taxation	**18**	56
Decrease in deferred administration fees	**(76)**	(245)
Increase in impairment provisions	**2 952**	2 441
Increase in credit life reserves	**8**	29
Depreciation on property and equipment	**185**	150
BEE charge	**0**	291
Amortisation of intangible assets (trademarks)	**72**	54
Conversion option charges accounted for in equity	**0**	1
Hedge variation margin and fee accounted for in equity	**15**	(22)
Mark to market adjustment of option liability	**2**	(3)
Fair value of investment properties	**0**	(2)
Losses/(profit) on investments	**1**	(5)
Foreign exchange translation accounted for in equity	**(25)**	17
Incentive accruals	**73**	44
Transfer (to)/from life fund in respect of third party policies	**(3)**	2
Other non-cash items	**7**	9
	6 026	5 320

R million	Group 2009	2008
36. Cash received from lending and insurance activities, sale of merchandise and cash reserves		
Sale of merchandise (refer note 21)	**4 196**	3 092
Interest and investment income (refer note 22)	**5 804**	4 627
Net premiums received (refer note 23)	**2 562**	2 290
Non-interest income (refer note 24)	**2 251**	1 768
Non-cash items included in the above	**(57)**	(184)
	14 756	11 593
37. Cash paid to funders, employees, suppliers and insurance beneficiaries		
Interest expense (refer note 26)	**(2 025)**	(1 313)
Basic remuneration, bonuses and incentives to employees and executive directors (refer note 27)	**(1 824)**	(1 551)
Commissions paid to sales agents (refer note 27)	**(190)**	(126)
Bank charges (refer note 27)	**(216)**	(176)
Operating lease premiums (refer note 27)	**(668)**	(537)
Cost of merchandise sold (refer note 21)	**(2 405)**	(1 779)
Other cash operating costs	**(1 098)**	(818)
Insurance claims paid (refer note 23)	**(476)**	(214)
	(8 902)	(6 514)
38. Increase in gross advances		
Opening balance of gross advances	**20 938**	10 890
Less: Closing balance of gross advances	**(26 181)**	(20 938)
Movement in gross advances	**(5 243)**	(10 048)
Less: Bad debts written off (refer note 6)	**(3 448)**	(1 784)
Add: Bad debts rehabilitated (refer note 6)	**1 773**	658
Add: Advances acquired with Ellerines	**0**	5 058
	(6 918)	(6 116)
39. Indirect and direct taxation paid		
Decrease in tax liability	**(161)**	(162)
(Increase)/decrease in prepaid tax	**(13)**	5
Indirect and direct taxation charged to the income statement	**(953)**	(988)
Deferred tax portion of amount charged to the income statement (refer note 7)	**(65)**	174
Taxation effect of incentive related entries accounted for in equity	**0**	1
	(1 192)	(970)

R million	Group 2009	2008
40. Cash inflow/(outflow) from equity accounted incentive transactions		
Cash inflow/(outflow) as a result of shares purchased into the ABIL Employee Share Trust net of shares issued to employees (refer note 34)	**0**	6
Cash inflow/(outflow) as a result of losses incurred on group employees acquiring ABIL Employee Share Trust shares	**1**	(4)
	1	2
41. Other investing activities		
Increase in statutory assets (excluding insurance statutory cash reserves)	**(140)**	(228)
Decrease/(increase) in policyholders' funds	**12**	(4)
Other	**0**	(9)
	(128)	(241)
42. Cash inflow from funding activities		
Funding raised	**7 059**	7 941
Bonds issued	**2 570**	2 443
Subordinated bonds issued (tier 2 capital)	**1 475**	200
Other treasury funding	**3 014**	5 298
Funding redeemed	**(2 411)**	(2 792)
Bonds	**(756)**	(617)
Short term funding	**(4)**	(408)
Other treasury funding	**(1 651)**	(1 767)
	4 648	5 149
43. Cash and cash equivalents		
Short-term deposits and cash	**3 553**	2 984
Statutory cash reserves – insurance (refer note 3 and note 5)	**443**	488
	3 996	3 472

44. Financial risk

44.1 Interest rate risk

The subsidiaries are exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on their financial positions and cash flows. The table below summarises the subsidiaries' exposure to interest rate risk through grouping assets and liabilities into repricing categories, determined to be the earlier of the contractual repricing date or maturity.

R million	Up to one month	One to three months	Four to twelve months	Beyond twelve months	Non-interest sensitive items	Total
30 September 2009						
Assets						
Short-term deposits and cash	1 743	1 810	0	0	0	3 553
Statutory assets – bank and insurance	320	616	0	0	387	1 323
Inventories	0	0	0	0	859	859
Other assets and taxation	0	0	142	0	235	377
Net advances	777	2 056	5 758	11 895	0	20 486
Deferred tax asset	0	0	0	0	501	501
Assets held for sale	0	0	0	0	181	181
Policyholders' investments	0	0	0	0	15	15
Property and equipment	0	0	0	0	586	586
Intangible assets	0	0	0	0	906	906
Goodwill	0	0	0	0	5 472	5 472
Total assets	**2 840**	**4 482**	**5 900**	**11 895**	**9 142**	**34 259**
Liabilities and equity						
Short-term funding	1 734	465	909	0	0	3 108
Other liabilities and taxation	162	3	70	59	1 146	1 440
Deferred tax liability	0	0	0	0	265	265
Liabilities held for sale	0	0	0	0	25	25
Life fund reserve	0	0	0	0	15	15
Bonds and other long-term funding	3 373	4 606	3 344	3 382	0	14 705
Subordinated bonds, debentures and loans	521	983	18	522	0	2 044
Shareholders' equity	0	0	0	0	12 657	12 657
Total liabilities and equity	**5 790**	**6 057**	**4 341**	**3 963**	**14 108**	**34 259**
On-balance sheet interest sensitivity	(2 950)	(1 575)	1 559	7 932	(4 966)	0

Assuming the financial assets and liabilities on hand at 30 September 2009 were to remain on hand until maturity or settlement without any action by the subsidiaries to alter the resulting interest rate risk exposure, an immediate and sustained 1% parallel decline in the yield curve could result in the net interest income of the group for the next twelve months declining by R88 million.

44. Financial risk *(continued)*

44.1 Interest rate risk *(continued)*

R million	Up to one month	One to three months	Four to twelve months	Beyond twelve months	Non-interest sensitive items	Total
30 September 2008						
Assets						
Short-term deposits and cash	2 920	64	0	0	0	2 984
Statutory assets – bank and insurance	806	225	23	70	272	1 396
Inventories	0	0	0	0	767	767
Other assets and taxation	0	0	0	0	150	150
Net advances	782	1 542	4 950	9 178	0	16 452
Deferred tax asset	0	0	0	0	464	464
Assets held for sale	0	0	0	0	215	215
Policyholders' investments	0	0	0	0	19	19
Property and equipment	0	0	0	0	496	496
Intangible assets	0	0	0	0	978	978
Goodwill	0	0	0	0	5 472	5 472
Total assets	4 508	1 831	4 973	9 248	8 833	29 393
Liabilities and equity						
Short-term funding	1 944	839	1 436	0	0	4 219
Other liabilities and taxation	1	0	1	0	1 568	1 570
Deferred tax liability	0	0	0	0	294	294
Liabilities	0	0	0	0	37	37
Life fund reserve	0	0	0	0	18	18
Bonds and other long-term funding	532	492	3 194	6 114	0	10 332
Subordinated bonds and debentures	0	11	0	500	0	511
Shareholders' equity	0	0	0	0	12 412	12 412
Total liabilities and equity	2 477	1 342	4 631	6 614	14 329	29 393
On-balance sheet interest sensitivity	2 031	489	342	2 634	(5 496)	0

R million	Up to one month	One to three months	Four to twelve months	Beyond twelve months	Total
44. Financial risk *(continued)*					
44.2 Liquidity risk					
Assets and liabilities maturities as at 30 September 2009					
Assets					
Short-term deposits and cash	1 743	1 810	0	0	3 553
Statutory assets – bank and insurance	707	616	0	0	1 323
Inventories	246	429	184	0	859
Other assets and taxation	195	97	17	68	377
Net advances	777	2 056	5 758	11 895	20 486
Deferred tax asset	0	0	0	501	501
Assets held for sale	0	0	181	0	181
Policyholders' investments	0	0	0	15	15
Property and equipment	0	0	0	586	586
Intangible assets	0	0	0	906	906
Goodwill	0	0	0	5 472	5 472
Total assets	3 668	5 008	6 140	19 443	34 259
Liabilities and equity					
Short-term funding	1 734	465	909	0	3 108
Other liabilities and taxation	593	229	559	59	1 440
Deferred tax liability	0	0	0	265	265
Liabilities held for sale	0	0	25	0	25
Life fund reserve	0	0	0	15	15
Bonds and other long-term funding	431	717	5 451	8 106	14 705
Subordinated bonds and debentures	15	10	18	2 001	2 044
Shareholders' equity	0	0	0	12 657	12 657
Total liabilities and equity	2 773	1 421	6 962	23 103	34 259
Net liquidity gap	895	3 587	(822)	(3 660)	0

R million	Up to one month	One to three months	Four to twelve months	Beyond twelve months	Total
44. Financial risk *(continued)*					
44.2 Liquidity risk					
Assets and liabilities maturities as at 30 September 2008					
Assets					
Short-term deposits and cash	2 920	64	0	0	2 984
Statutory assets – bank and insurance	992	225	23	156	1 396
Inventories	220	383	164	0	767
Other assets and taxation	52	70	24	4	150
Net advances	782	1 542	4 950	9 178	16 452
Deferred tax asset	0	0	0	464	464
Assets held for sale	0	0	215	0	215
Policyholders' investments	0	0	0	19	19
Property and equipment	0	0	0	496	496
Intangible assets	0	0	0	978	978
Goodwill	0	0	0	5 472	5 472
Total assets	4 966	2 284	5 376	16 767	29 393
Liabilities and equity					
Short-term funding	1 504	1 279	1 436	0	4 219
Other liabilities and taxation	618	257	680	15	1 570
Deferred tax liability	0	0	0	294	294
Liabilities held for sale	0	0	37	0	37
Life fund reserve	0	0	0	18	18
Bonds and other long-term funding	532	492	3 194	6 114	10 332
Subordinated bonds and debentures	0	11	0	500	511
Shareholders' equity	0	0	0	12 412	12 412
Total liabilities and equity	2 654	2 039	5 347	19 353	29 393
Net liquidity gap	2 312	245	29	(2 586)	0

The tables above analyse the group's financial assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of financial assets and liabilities are fundamental to the management of risk within the group. It is unusual for bank and bank-controlling companies ever to be completely matched since the business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of financial assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the group and its exposure to changes in interest rates.

44. Financial risk *(continued)*

44.3 Facility unutilised

The group has unutilised facilities of R814 million (2008: R684 million) which were available at 30 September 2009. The total unutilised credit facilities granted to African Bank credit card holders amount to R344 million (2008: R156 million).

44.4 Credit risk

All loans by African Bank are granted in the Republic of South Africa as unsecured loans. Credit granted by Ellerines to customers for the purchase of furniture and appliances is secured over the items sold with title to such goods not passing to the customer until the full outstanding amount due is paid.

The group manages its exposure to credit losses by assessing affordability of repayment of the loan, customers' risk profile, employment status and stability, etc and prices such credit appropriately. Collection of instalments is done by way of cash repayments in store, electronic debit order payments directly from customer bank accounts and payroll deductions. All arrear accounts are actively managed on an ongoing basis from the day after the account goes into arrears using various methods which include deferred arrangements and legal collections to minimise the arrear loan book. Further details can be found in the risk management report on the website at www.abil.co.za.

The group is exposed to credit risk in terms of interest rate swaps that the group has entered into with various other South African banks to the value of approximately R32 million (2008: R39 million).

The group maintains cash and cash equivalents and short-term investments with various financial institutions and in this regard it is the group's policy to limit its exposure to any one financial institution. Deposits are placed only with South African banks and limited to the big five banks within South Africa.

44.5 Currency risk

The group's foreign currency exposure is within the Ellerines business unit in respect of business conducted by subsidiaries in Botswana, Lesotho, Namibia, Swaziland and Zambia as well as the import of merchandise by subsidiaries in South Africa.

The Ellerines business unit adopts a prudent approach to forward cover. In this regard, at 30 September 2009, all forward exchange contracts related to specific items that the group is contractually committed to purchase and all significant foreign trade exposures were fully covered. The writing of option contracts is prohibited, thus currency options are only purchased as a cost effective alternative to forward exchange contracts. Details of outstanding forward exchange contracts at 30 September 2009 are presented below. All these commitments mature within one year.

	2009			2008		
	Foreign currency	**Rand at fair value**	**Rand at contract rate**	Foreign currency	Rand at fair value	Rand at contract rate
	US$/EUR million	**R million**	**R million**	US$ million	R million	R million
US Dollars	**7**	**57**	**61**	6	56	50
EUR	**0,05**	**1**	**1**	0	0	0

The mark-to-market profit of R4 million (2008: R6 million) has been recognised in the income statement. There was no net uncovered transaction exposure at 30 September 2009 (2008: nil).

44. Financial risk *(continued)*

44.6 Capital adequacy risk (banking)

Capital adequacy risk is the risk that the bank will not have sufficient capital reserves to meet materially adverse market conditions beyond that which has already been factored into the business model.

Capital adequacy is measured by expressing capital as a percentage of risk-weighted assets. The Banks Act (number 94 of 1990, as amended), specifies the minimum capital holding required in relation to risk-weighted assets.

African Bank Limited's capital adequacy ratio at 30 September 2009 was 30,1% (2008: 25,5%) compared to the regulatory requirement of 20,5% (being 19,5% prescribed by the South African Reserve Bank plus the 1% buffer determined by the board of directors) (2008: 20,5%).

44.7 Life assurance risk

Insurance risk

Insurance risk is the risk assumed under any one insurance contract that the insured event occurs. By the very nature of an insurance contract, this risk is random and unpredictable. The majority of insurance claims are paid to the group's operating companies (as a cessionary) in respect of credit life.

Capital adequacy risk (insurance)

Capital adequacy risk is the risk that there are insufficient reserves to provide for adverse variations in actual claims experience as compared with that which has been assumed in the financial soundness valuation. The capital adequacy requirement (CAR) ratio is 3,3 times (2008: 6,8 times), which is well in excess of the minimum regulatory requirement of 1.

44.8 Insurance risk management

Exposure to insurance risk

Ellerines underwrites risks that natural persons and other entities wish to transfer to an insurer. Such risks include the perils around physical loss, theft, damage, death, disability and loss of employment that may give rise to an insured event. As such Ellerines is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of the claims are greater than expected. Insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated and experienced in prior periods. The product features of insurance contracts that have an effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts in Ellerines are set out below:

- Death and disability – provides indemnity for death and disability to the insured;
- Physical loss of goods – provides indemnity for losses sustained through accidental loss or other similar acts;
- Theft of goods – provides indemnity for losses sustained through theft or other similar acts;
- Damage to goods – provides indemnity for accidental damages to items insured;
- Loss of employment – provides indemnity for losses on group credit exposure in relation to involuntary loss of employment.

Benefits are primarily paid to settle the outstanding debt owing by the customer to the group or repair/replace the item sold.

All insurance risks underwritten for non-group companies were curtailed by 30 September 2008 with the result that all insurance is now predominantly to clients in respect of transactions with the group.

Limiting exposure to insurance risk

The exposure to insurance risk is limited through an underwriting strategy, limits and adopting appropriate risk assessment techniques. It is not the group's policy to reinsure risks that are within its risk appetite. All significant and material insurance arrangements in respect of underlying business transactions not concluded by group companies have been terminated during the year. In this regard the risk base of the group is not concentrated in any one region or sector of the economy and the average individual insured losses are approximately R7 000 per claim.

44. Financial risk *(continued)*

44.9 Underwriting risk

Underwriting risk is the risk that the actual claims will exceed the expected claims and the premium income received. Insured events are random and the actual number and amount of claims will vary from estimates. These risks are managed through product development and underwriting processes.

The development of claims liabilities provides a measure of the ability to estimate the ultimate value of claims. The group does not underwrite long-term risks and consequently the uncertainty about the amount and timing of claim payments is limited. Regular estimates of claims are performed in reviewing the adequacy of the claims provisions and corrective action is taken where necessary. Claims development is reviewed by management on a regular basis.

Underwriting results of each risk class are monitored on a regular basis and corrective measures are actioned where applicable.

Bi-annual actuarial valuations are also performed for the long-term insurance business in order to assist in the timely identification of experience variances.

44.10 Market price risk

Market price risk is the risk that the value of a financial asset will fluctuate as a result of changes in the market prices or changes in market interest rates. Investment in marketable securities are valued at fair value and are therefore susceptible to market fluctuations. The fair value of all financial assets approximates the carrying value on the balance sheet. Risk is also managed by diversification and investing in highly rated financial institutions.

Investment decisions are delegated by the board to the ALCO which has the ultimate responsibility for the investment portfolio's risk profile and the related investment decisions.

45. Contingent liabilities at year-end

The group has deposits with The Standard Bank of South Africa Limited (SBSA) for electronic funds transfer (EFT) and electricity guarantees totalling R5,1 million (2008: R6,1 million). It also has a FNB encashment facility of R120 million and electricity guarantees of R1,0 million (2008: R12,0 million and R1,0 million respectively).

An indemnity of R0,7 million was issued to SBSA on 29 June 2006 to cover a guarantee made to VISA in respect of credit card transactions (2008: R0,7 million).

One of the group's insurance subsidiaries, Stangen, has not provided for outstanding level life claims amounting to R106 million (2008: R103 million) as, after extensive efforts, the beneficiaries of deceased policyholders could not be traced. The amount is made up of 27 236 (2008:25 908) policies whereof, in more than 91% of the policies, the insured event occurred more than two years ago. In the current financial year an outside party was contracted to trace the next of kin of all unclaimed level life policies and this exercise resulted in R5,7 million (under 1 178) policies being paid to beneficiaries. The probability of any claims being subsequently made is, from prior experience and based on the result of the exercise by the third party, extremely low and hence only a R200 000 provision is carried in the financial statements. Should any claims be made they will be taken as losses in the relevant period after the provision has been depleted.

Gilt Edged Management Services (Pty) Limited (GEMS), a subsidiary of the group via Theta Investments (Pty) Limited, has a contingent liability to clients as a result of a court order issued in 2004, to pay reparations to clients who might have been prejudiced by actions of the company between 1999 and 2002. The terms of the court order require each client to sign an acceptance and waiver form before the settlement can be made. In terms of the court order the maximum amount of potential reparations was R60,1 million of which in excess of R40,0 million was paid by the end of September 2008. In the current financial year, an additional R0,1 million of reparations was paid to GEMS clients (2008: R0,1 million).

The group has a contingent exposure to legal claims of R0,5 million (2008: R0,7 million).

R million	Group 2009	2008
46. Operating lease commitments		
Payable within one year	**520**	543
Property	**493**	502
Equipment	**2**	4
Motor vehicles	**25**	37
Payable between one and five years	**808**	901
Property	**783**	847
Equipment	**3**	1
Motor vehicles	**22**	53
Payable thereafter	**0**	100
Total operating lease commitments	**1 328**	1 544

47. Long-term incentive plan (LTIP) commitments

The R17 million (2008: R24 million) liability for the converted option instrument and the R113 million (2008: R81 million) liability for the LTIPs issued in October 2006, October 2007 and October 2008 has been included in other liabilities (refer note 13). Refer to the remuneration report on pages 69 to 78 for a full analysis of the converted option instrument and the LTIP scheme.

48. Retirement and post-retirement benefits

The group contributes to defined contribution pension funds and defined contribution provident funds. These funds are registered under the Pension Funds Act, 1956.

The schemes are funded by both member and company contributions, which are charged to the income statement as they are incurred.

The defined contribution schemes are exempt from regular actuarial valuations as no actuarial shortfall is anticipated.

48.1 Pension and provident fund benefits

Subsidiary companies contribute to separate pension and provident funds which are governed by the Pension Funds Act, 1956, and are in the nature of defined contribution plans. These funds are managed by employer and employee elected trustees. Separate administrators are contracted to run the fund on a day-to-day basis. An independent consultant has also been appointed to the fund to oversee the operations and provide professional advice to the trustees.

The funds cover the eligible employees other than those employees who opt to be or are required by legislation to be members of various industry funds. Employees may choose which fund they wish to belong to. All eligible employees are members of the funds.

48.2 Post retirement medical benefits

The group subscribes to third party medical aid societies and the group provides certain post-retirement medical benefits by subsidising a portion of the medical aid contribution of retired members. The liability in respect of post-retirement medical benefits which has been fully provided for and included in provisions, amounts to R11 million (2008: R13 million).

49. Related party information

49.1 Relationship between holding company and subsidiaries

African Bank Investments Limited holds 100% of *(inter alia)* African Bank Limited (ABL), Ellerine Holdings Limited, Theta Investments (Pty) Limited and The Standard General Insurance Company Limited (Stangen). Details of investment in subsidiaries/controlled entities are disclosed in appendix C on page 199. The group also has a 40% interest in a joint venture (SBSA JV) with The Standard Bank of South Africa Limited. The SBSA JV agreement between the two parties was terminated in respect of new business effective 1 June 2007 and as such the loan book is winding down. Other than for the SBSA JV, all group subsidiaries were 100% held at 30 September 2009.

49.2 Related party transactions

African Bank Investments Limited (ABIL) has entered into financial services transactions with its subsidiaries.

R million	**2009**	2008
Loan owing to ABL by ABIL	**0**	(3)
Loan owing to ABIL by ABL	**51**	0
	51	(3)

The highest balance during the year of the loan between African Bank Limited and African Bank Investments Limited was R56 million (2008: R3 million). The loan is unsecured, interest free and has no fixed repayment terms.

Director-related transactions

Through his legal practice, TWB Attorneys, Ashley Tugendhaft is one of the legal advisors to the group. Legal fees paid to TWB Attorneys for the year amounted to R0,7 million (2008: R0,7 million).

There were no other material transactions with directors apart from interests in share capital and share options and emoluments as disclosed in the directors' report, note 27, and the remuneration report on pages 69 to 78.

50. Short-term insurance regulatory ratios

The regulatory solvency margin at the year-end for the short-term insurance subsidiaries (all housed within the Ellerines business unit) was as follows:

%	**2009**	2008
Customer Protection Insurance Company Limited	**n/a**	81
Relyant Insurance Company Limited	**36**	56

The regulatory minimum solvency margin is 15%.

51. Restatement and reclassification of comparatives

IFRS 3 Business Combinations – Advances fair value adjustment

The group made a preliminary at-acquisition fair value adjustment to the carrying value of the Ellerines advances of R403 million. The value of this initial adjustment was calculated by taking into account the pre-acquisition book's expected performance based on assumptions at acquisition.

This book has performed materially worse than expected and hence an additional and final R250 million fair value adjustment was required, bringing the total at-acquisition fair value adjustment to R653 million. The final adjustment of R250 million has, in terms of IFRS 3 Business Combinations, been made retrospectively to acquisition date, which results in the restatement of the gross advances, net advances, deferred taxation asset and goodwill as at 30 September 2008.

R million	Gross advances	Net advances	Deferred taxation asset	Goodwill
As previously reported	20 908	16 702	394	5 292
Partially written off advances (refer below)	280			
Fair value adjustment	(250)	(250)	70	180
Restated	20 938	16 452	464	5 472

Advances

Partially written off book

The group previously showed the fair value of written off loans as a reduction in the impairment provision rather than as part of gross advances. This has been changed in the current year and this amount is included within gross advances and comparatives have been restated by increasing gross advances and provisions by R280 million.

Furthermore, rehabilitated bad debts were netted off against the bad debts written off. These are now disclosed on a gross basis.

Impairment provisions

R million	As previously reported	Adjustment	Restated
Balance at the beginning of the year	1 892	0	1 892
Impairment provision raised	2 441	0	2 441
Bad debts written off against the provision	(1 406)	(378)	(1 784)
Acquisition of impairment provision	1 140	0	1 140
Bad debts rehabilitated	0	658	658
Total impairment provisions	4 067	280	4 347

Cash flow statement

Ellerine Holdings short term funding was previously reported as 'bank overdrafts'. This has been reclassified to short term to more accurately reflect its nature.

	As previously reported	Adjustment		Restated
Cash inflow from financing activities	4 029	(408)	a	3 621
Cash inflow from funding activities	5 557	(408)	a	5 149
Increase in cash and cash equivalents	1 275	(408)	a	867
Cash and cash equivalents acquired on acquisition of EHL	(741)	1 252	b	511
Cash and cash equivalents at the end of the year	2 628	844	c	3 472

a represents the repayment of short term funding during the period.
b represents the short term funding balance on acquisition of EHL.
c represents the short term funding balance at 30 September 2008.

51. Restatement and reclassification of comparatives *(continued)*

Goodwill allocation to cash generating units (CGUs)

The initial allocation of goodwill to cash generating units, arising on the acquisition of Ellerines, had not been completed at the end of the prior year.

In terms of IAS 36 this can be completed at the end of the first annual period after the acquisition.

R million	As previously reported	Fair value adjustment	Reallocation to CGUs	Restated
Market position 1	3 140	180	1 241	4 561
Market position 2	841	0	(490)	351
Market position 3	235	0	(193)	42
Market position 4	424	0	(74)	350
Dial-a-Bed and Mattress Factory	154	0	(56)	98
Wetherlys and Osiers	467	0	(428)	39
Rainbow Loans	31	0	0	31
	5 292	180	0	5 472

52. Key assumptions concerning the future and sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the group's results and financial position, based upon materiality and significant judgements and estimates, are discussed below.

Advances impairment allowances

The group regularly reviews its advances to assess for impairment. Impairment allowances are established to recognise incurred impairment losses in its advances. In determining whether an impairment has occurred at the balance sheet date the group considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings. Where this is the case, the impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cash flows discounted at the advance's original effective interest rate.

Impairment allowances are calculated using formulae which take into account factors such as the length of time that the customers' accounts have been in arrears, historical loss rates and the credit quality of the advances. The determination of these allowances requires the exercise of considerable judgement by management involving matters such as local economic conditions. The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment allowances and consequently these allowances can be subject to variation as time progresses.

Goodwill, trademarks and brands

The group reviews the goodwill for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. The group's trademarks and brands are assessed for impairment when events or changes in economic circumstances indicate that impairment may have taken place.

Impairment reviews are performed by projecting future cash flows, based upon budgets and plans and making appropriate assumptions about rates of growth and discounting these using a rate that takes into account prevailing market interest rates and the risks inherent in the business.

If the present value of the projected cash flows is less than the carrying value of the underlying net assets, including trademarks, brands and goodwill, an impairment charge is required in the income statement. This calculation requires the exercise of significant judgement by management; if the estimates made prove to be incorrect or performance does not meet expectations, which affects the amount and timing of future cash flows, goodwill, trademarks and brands may become impaired in future periods.

53. Standards and interpretations issued but not yet effective

IFRS/IFRIC	Title and Details	Effective for reporting periods commencing on or after
IFRIC 15	**Agreements for the Construction of Real Estate** The interpretation clarifies when real estate sales should be accounted for in terms of IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation is not applicable to the Group.	1 January 2009
IFRIC 17	**Distribution of Non-cash Assets to Owners** The interpretation clarifies how an entity should measure distribution of assets other than when it pays cash dividends to its owners. These assets will be measured at their fair value, and the difference between the fair value and the carrying will be recorded in the profit or loss for the period. The impact of this interpretation on the group is not considered to be significant.	1 July 2009
IFRIC 18	**Transfers of Assets from Customer** The interpretation clarifies how an entity should treat items of property, plant and equipment from its customers that must be used to connect those customers to a network and provide them with ongoing access to a supply of commodities such as electricity, gas or water. An entity could also receive cash from customers for the acquisition or construction of such items of property, plant and equipment. This interpretation applies to the accounting for such transfers. The interpretation is not applicable to the group.	1 July 2009
IFRS 1	**First-time Adoption of International Financial Reporting Standards** Full-cost oil and gas assets. Entities using the full cost method may elect exemption from retrospective application of IFRSs for oil and gas assets. Entities electing this exemption will use the carrying amount under its old GAAP as the deemed cost of its oil and gas assets at the date of first-time adoption of IFRSs. Determining whether an arrangement contains a lease If a first-time adopter with a leasing contract made the same type of determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by IFRIC 4 Determining whether an Arrangement Contains a Lease, but at a date other than that required by IFRIC 4, the amendments exempt the entity from having to apply IFRIC 4 when it adopts IFRSs. These amendments are not applicable to the group.	1 January 2009
IFRS 2	**Group cash-settled share-based payment transactions** Amendments clarify the accounting for group cash-settled share-based payment transactions. The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2–Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. This amendment is not expected to significantly affect the results of the group.	1 January 2010

53. Standards and interpretations issued but not yet effective *(continued)*

IFRS/IFRIC	Title and Details	Effective for reporting periods commencing on or after
IFRS 1 and IAS 27 (revised)	**Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate** The amendments to IFRS 1 allow first-time adopters of IFRS 1 to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. This amendment will not impact the group as the group adopted IFRS in full in the financial year ending 30 September 2005. Consequently, IFRS 1 is no longer appropriate.	1 January 2009
IFRS 2 (amended)	**Vesting Conditions and Cancellations** The amendments to IFRS 2 clarify that vesting conditions are performance conditions and service conditions only. The amendments also clarify that cancellations of share options by parties other than the entity are to be accounted for in the same way as cancellations by the entity. This amendment is not expected to impact the group's results significantly.	1 January 2009
IFRS 3 and IAS 27 (revised)	**Revision to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements** The revised IFRS 3 retains the current basic requirements. The most significant amendments are that the acquisition related costs will now be recognised as an expense in the income statement when incurred, rather than included in goodwill. The revised IFRS 3 also states that contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in the income statement rather than by adjusting goodwill. The amendment to IAS 27 requires that changes in a parent's ownership interest in a subsidiary that does not result in a loss of control to be accounted for within equity. The amendments are expected to affect the group's accounting for business combinations that may arise after the effective date.	1 July 2009
IFRS 7	**Financial Instruments: Disclosures** The amendments to IFRS 7 will require enhanced disclosures about fair value measurements and liquidity risk. The amendments affect the disclosures in the annual financial statements, and does not affect measurement and recognition. The amendment will not affect the financial position or results but will result in additional disclosure.	1 January 2009
IFRS 8	**Operating Segments** IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable operating segments. Operating segments are components of an entity about which separate financial information is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. The standard addresses disclosure in the annual financial statements and will not affect recognition and measurement. The amendment will not affect the financial position or results but will result in additional disclosure.	1 January 2009

53. Standards and interpretations issued but not yet effective *(continued)*

IFRS/IFRIC	Title and Details	Effective for reporting periods commencing on or after
IAS 1 (revised)	**Presentation of Financial Statements** IAS 1 is comprehensively revised including requiring a statement of comprehensive income. The amendments will not affect the financial position or results but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the group.	1 January 2009
IAS 23 (amended)	**Borrowing Costs** The amendment removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The capitalisation of borrowing costs as part of the cost of such assets is therefore now required. The group's existing accounting policy is to capitalise borrowing costs incurred on qualifying assets. The amendment will therefore not have an effect on the group's results.	1 January 2009
IAS 32 (amended)	**Financial Instruments Puttable at Fair value** The amendment to IAS 32 requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro rata share of the entity only on liquidation as equity. The amendment sets out specific criteria that are to be met to present the instruments as equity together with related disclosure requirements. This amendment is not expected to have an impact to the group.	1 January 2009
IAS 32 (amended)	**Classifications of rights issues** The amendment to IAS 32 requires rights issues offered for a fixed amount of foreign currency to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all of an entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. This amendment is not expected to have an impact to the group.	1 January 2009
IAS 39 (amended)	**Eligible Hedged Items** The amendment clarifies that inflation may only be hedged in instances where changes in inflation are contractually specified portions of cash flows of a recognised financial instrument. It also clarifies that an entity is permitted to designate purchased or net purchased options as a hedging instrument in a hedge of a financial or non-financial item and to improve effectiveness, an entity is allowed to exclude the time value of money from the hedging instrument. This amendment is not expected to have a significant impact to the Group.	1 July 2009
Annual Improve-ments	**Annual Improvements Project** As part of its annual improvements projects, the IASB has issued its editions of annual improvements. The annual improvements projects' aim is to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement.	
	The first annual improvements project.	1 July 2009
	The second annual improvements project.	1 January 2010
	These improvements are not expected to have a significant impact to the group.	

54. Analysis of financial assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on pages 114 to 133 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities in the balance sheet per class and category of financial instruments to which they are assigned. An estimate of the fair value per class of the financial instrument is also provided.

54.1 Analysis of financial assets

R million	Notes	Advances	Statutory assets and cash	Other	Non-financial instruments	Total
30 September 2009						
Assets						
Short-term deposits and cash	2	0	3 553	0	0	3 553
Statutory assets – bank and insurance	3	0	1 323	0	0	1 323
Inventories	4	0	0	0	859	859
Other assets	5	0	0	220	83	303
Derivative Instruments		0	0	54	0	54
Taxation receivable		0	0	0	20	20
Net advances	6	20 486	0	0	0	20 486
Deferred tax asset	7	0	0	0	501	501
Assets held for sale	8	0	0	0	181	181
Policyholders' investments		0	0	15	0	15
Property and equipment	9	0	0	0	586	586
Intangible assets	10	0	0	0	906	906
Goodwill	11	0	0	0	5 472	5 472
Total assets		20 486	4 876	289	8 608	34 259
Fair value		20 612	4 973	987		
Categories of financial Instruments						
Fair value						
Derivatives designated as cash flow hedging investments		0	0	54	0	54
Designated fair value through profit and loss		0	0	15	0	15
Amortised cost						
Held-to-maturity – Statutory assets		0	1 048	0	0	1 048
Loans and receivables		20 486	3 828	220	0	24 534
Non-financial instruments		0	0	0	8 608	8 608
		20 486	4 876	289	8 608	34 259

54. Analysis of financial assets and liabilities *(continued)*

54.1 Analysis of financial assets *(continued)*

R million	Notes	Advances	Statutory assets and cash	Other	Non-financial instruments	Total
30 September 2008						
Assets						
Short-term deposits and cash	2	0	2 984	0	0	2 984
Statutory assets – bank and insurance	3	0	1 396	0	0	1 396
Inventories	4	0	0	0	767	767
Other assets	5	0	0	74	61	135
Derivative Instruments		0	0	7	0	7
Taxation		0	0	0	8	8
Net advances	6	16 452	0	0	0	16 452
Deferred tax asset	7	0	0	0	464	464
Assets held for sale	8	0	0	7	208	215
Policyholders' investments		0	0	19	0	19
Property and equipment	9	0	0	0	496	496
Intangible assets	10	0	0	0	978	978
Goodwill	11	0	0	0	5 472	5 472
Total assets		16 452	4 380	107	8 454	29 393
Fair value		17 126	4 378	107		
Categories of financial Instruments						
Fair value						
Derivatives designated as cash flow hedging instruments		0	0	7	0	7
Held for trading		0	0	6	0	6
Designated fair value through profit and loss		0	1	19	0	20
Amortised cost						
Held-to-maturity – Statutory assets		0	1 023	0	0	1 023
Loans and receivables		16 452	3 356	75	0	19 883
Non-financial instruments		0	0	0	8 454	8 454
		16 452	4 380	107	8 454	29 393

Income statement effect of financial instruments by category

R million	**2009**	2008
Interest income recognised – loans and receivables	**5 743**	4 575
Interest income recognised – held to maturity assets	**61**	47
Net gains on held-for-trading derivatives	**0**	5
	5 804	4 627

54. Analysis of financial assets and liabilities *(continued)*

54.2 Analysis of financial liabilities

R million	Notes	Amortised cost Listed funding	Amortised cost Unlisted funding	Fair value Other	Equity and reserves	Other non-financial instru-ments	Total
30 September 2009							
Liabilities and equity							
Short-term funding	12	0	3 108	0	0	0	3 108
Other liabilities	13	0	46	4	0	1 228	1 278
Derivative instruments	13	0	0	85	0	0	85
Taxation payable		0	0	0	0	77	77
Deferred tax liability	7	0	0	0	0	265	265
Liabilities held for sale	8	0	0	0	0	25	25
Life fund reserve	14	0	15	0	0	0	15
Bonds and other long-term funding	15	6 395	8 310	0	0	0	14 705
Subordinated bonds, debentures and loans	16	2 044	0	0	0	0	2 044
Shareholders' equity	17, 18, 19	0	0	0	12 657	0	12 657
Total liabilities and equity		8 439	11 479	89	12 657	1 595	34 259
Fair value		8 488	12 417	89			
30 September 2008							
Liabilities and equity							
Short-term money market funding	12	0	4 219	0	0	0	4 219
Other liabilities	13	0	770	0	0	552	1 322
Derivative instruments	13	0	0	10	0	0	10
Taxation payable		0	0	0	0	238	238
Deferred tax liability	7	0	0	0	0	294	294
Liabilities held for sale	8	0	1	0	0	36	37
Life fund reserve	14	0	18	0	0	0	18
Bonds and other long-term funding	15	4 434	5 898	0	0	0	10 332
Subordinated bonds and debentures	16	306	205	0	0	0	511
Shareholders' equity	17,18,19	0	0	0	12 412	0	12 412
Total liabilities and equity		4 740	11 111	10	12 412	1 120	29 393
Fair value		4 676	10 951	10			

Income statement effect of financial instruments by category

R million	**2009**	2008
Interest expense recognised for financial liabilities at amortised cost	**2 025**	1 313
	2 025	1 313

55. Market risk management

55.1 Interest rate risk management

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group has significant fair value interest rate risk arising from its fixed rate advances portfolio. In order to mitigate this risk, the group seeks to achieve funding that is at a similarly fixed rate. This not only reduces the fair value interest rate exposure but also achieves a fixed cost of lending for the group.

It is not always feasible to issue fixed rate funding and therefore the group makes use of derivative instruments in order to reduce the cash flow risk arising from changes in interest rates. In terms of the treasury mini-manual the bank is required to maintain a risk sensitivity limit of 1,75% given a 200 basis point shift in applicable interest rates. The hedges transacted by the bank are in response to this limit. Where possible, the group designates these derivatives as effective cash flow hedges. This accounting treatment results in an economically represented income statement but does create accounting volatility within equity.

Sensitivity analysis based on 100 basis point increase in interest rates

IFRS 7 requires that a sensitivity analysis be provided for changes in interest rates. The sensitivity analysis below has been determined based on exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Given the extent of the risk and the current risk mitigants, a more sophisticated (eg value-at-risk) analysis is not considered necessary.

The sensitivity analysis below is based on an increase in rates. Given the linear structure of the group's portfolio, a 100 basis point decrease in interest rates would result in a corresponding net decrease of R17 million (2008: R14 million) in net income before tax and a R23 million (2008: R51 million) decrease in equity.

R million	Carrying value at year-end	Amount exposed to market risk	Index to which interest rate is linked	Income statement impact Pre-tax	Income statement impact Post-tax	Equity impact Pre-tax	Equity impact Post-tax
55. Market risk management *(continued)*							
55.1 Interest rate risk management *(continued)*							
30 September 2009							
Financial assets							
Interest rate swaps	**21**	**1 121**	**JIBAR**	**0**	**0**	**6**	**5**
CPI linked swaps	**21**	**246**	**CPI**	**0**	**0**	**9**	**7**
Statutory assets	**296**	**296**	**Prime**	**5**	**4**	**0**	**0**
Cash and equivalents	**3 498**	**3 498**	**JIBAR**	**35**	**0**	**0**	**0**
Cash and equivalents	**55**	**55**	**Prime**	**1**	**1**	**0**	**0**
Total financial assets	**3 891**	**5 216**		**41**	**5**	**15**	**12**
Financial liabilities							
Debentures	**264**	**264**	**JIBAR**	**5**	**4**	**0**	**0**
Promissory notes	**4 573**	**902**	**JIBAR**	**9**	**6**	**0**	**0**
Fixed deposits	**3 741**	**400**	**JIBAR**	**4**	**3**	**0**	**0**
Interest rate swaps	**(85)**	**4 850**	**JIBAR**	**(5)**	**(3)**	**(8)**	**(6)**
Unsecured short-term funding	**1 059**	**1 059**	**Prime**	**11**	**8**	**0**	**0**
Total financial liabilities	**9 996**	**7 475**		**24**	**18**	**(8)**	**(6)**
Net effect on profit and loss and equity				**17**	**(13)**	**23**	**18**
30 September 2008							
Financial assets							
Interest rate swaps	1	675	JIBAR	0	0	10	7
CPI linked swaps	6	260	CPI	0	0	11	8
Statutory assets	537	537	Prime	5	4	0	0
Cash and equivalents	2 907	2 907	JIBAR	29	21	0	0
Cash and equivalents	77	77	Prime	1	1	0	0
Total financial assets	3 528	4 456		35	26	21	15
Financial liabilities							
Debentures	205	205	JIBAR	2	1	0	0
Promissory notes	2 952	485	JIBAR	5	3	0	0
Fixed deposits	4 744	496	JIBAR	5	4	0	0
Interest rate swaps	10	1 587	JIBAR	0	0	(30)	(22)
Bank overdraft	844	844	Prime	8	6	0	0
Unsecured short-term funding	90	90	Prime	1	1	0	0
Total financial liabilities	8 845	3 707		21	15	(30)	(22)
Net effect on profit and loss and equity				14	11	51	37

55. Market risk management *(continued)*

55.2 Foreign exchange rate risk management

The group undertakes a limited number of transactions, in respect of the Ellerines trading requirements, that are denominated in a foreign currency. The group has a very strict policy in terms of these transactions and forward cover is taken out for each transaction. These transactions are economically hedged, but IAS 39 hedge accounting is not applied.

Sensitivity analysis based on 10% increase in exchange rates

IFRS 7 requires that a sensitivity analysis be provided for changes in exchange rates. The sensitivity analyses below have been determined based on the exposure to exchange rates for both derivatives and non-derivative instruments (foreign trade creditors) at the balance sheet date. The analysis is prepared assuming the amount at the balance sheet date was outstanding for the whole year. Given the policy applied by management a 10% sensitivity adjustment is applied so as to ensure compliance with the strategy and that there are no open exchange rate exposures.

R million	Carrying value at year-end	Amount exposed to market risk	Index to which currency is linked	Income statement impact Pre-tax	Income statement impact Post-tax	Equity impact Pre-tax	Equity impact Post-tax
30 September 2009							
Financial assets							
Foreign exchange exposure	**7**	**58**	**USD/Euro**	**6**	**4**	**0**	**0**
Total financial assets	**7**	**58**		**6**	**4**	**0**	**0**
Financial liabilities							
Foreign trade creditors	**56**	**56**	**USD/Euro**	**6**	**4**	**0**	**0**
Total financial liabilities	**56**	**56**		**6**	**4**	**0**	**0**
30 September 2008							
Financial assets							
Foreign exchange exposure	6	56	USD	6	4	0	0
Total financial assets	6	56		6	4	0	0
Financial liabilities							
Foreign trade creditors	53	53	USD	6	4	0	0
Total financial liabilities	53	53		6	4	0	0

56. Liquidity analysis

Liquidity risk management

Liquidity risk is defined as the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities.

The group risk and capital management committee, through the group ALCO, has set limits and benchmarks in order to mitigate liquidity risk to the appropriate levels. These policies have been described in the financial review section on page 39.

The following table represents the group's undiscounted contractual cash flows of liabilities per remaining maturity and includes all cash outflows related to the principal amount as well as the future payments. The analysis is based on the earliest date on which the group can be required to pay and is not necessarily the date at which the group is expected to pay. Where an effective hedging relationship exists, the net cash fixed flows per hedged item have been disclosed.

The analysis of cash flows will not agree directly with balances on the balance sheet and therefore an analysis of carrying values has been provided.

R million	Carrying amount	Less than 1 month	1 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Beyond 5 years	Total
30 September 2009								
Financial liabilities								
Promissory notes	**4 574**	**174**	**1 177**	**2 078**	**478**	**941**	**0**	**4 848**
Fixed deposits	**4 895**	**547**	**1 544**	**1 979**	**418**	**797**	**0**	**5 285**
Negotiable certificates of deposit	**260**	**119**	**144**	**0**	**0**	**0**	**0**	**263**
Demand deposits	**511**	**511**	**0**	**0**	**0**	**0**	**0**	**511**
Unsecured short-term funding	**2 203**	**1 853**	**150**	**200**	**0**	**0**	**0**	**2 203**
Other liabilities	**885**	**0**	**691**	**0**	**0**	**0**	**0**	**691**
Liabilities held for sale	**0**	**0**	**0**	**0**				**0**
Life fund reserve	**15**	**0**	**0**	**0**	**0**	**15**	**0**	**15**
Bonds and other long-term funding	**8 453**	**36**	**413**	**938**	**1 919**	**7 596**	**2 210**	**13 112**
Total liabilities	**21 796**	**3 240**	**4 119**	**5 195**	**2 815**	**9 349**	**2 210**	**26 928**
30 September 2008								
Financial liabilities								
Promissory notes	2 952	215	320	1 525	1 053	201	0	3 314
Fixed deposits	4 744	741	848	2 600	223	569	0	4 981
Negotiable certificates of deposit	911	0	181	778	0	0	0	959
Demand deposits	212	212	0	0	0	0	0	212
Unsecured short-term funding	1 284	1 284	0	0	0	0	0	1 284
Other liabilities	771	196	575	0	0	0	0	771
Liabilities held for sale	1	0	1	0	0	0	0	1
Life fund reserve	18	0	0	0	0	18	0	18
Bonds and other long-term funding	4 958	0	65	461	1 669	4 216	1 585	7 996
Total liabilities	15 851	2 648	1 990	5 364	2 945	5 004	1 585	19 536

57. Interest rate risk hedging

In terms of the group's interest rate hedging strategy, it has entered into a number of interest rate swap agreements that convert the floating rate of interest paid on an identified underlying financial liability into a fixed rate. This enables the group to mitigate the cash flow risk arising from the change in interest rates on the issued variable rate liabilities. In terms of IAS 39 these swaps have been documented and designated as effective cash flow hedges. The hedged risk is either quarterly resetting JIBAR or the effect of changes in CPI and the derivative instruments are settled on a net basis at each cash flow date.

The fair value of the derivative instruments is determined using accepted valuation methodologies and the applicable market rate on date of valuation. The average interest rate is based on the outstanding balances at the end of the financial year.

The table below illustrates the outstanding notional values of each of the hedges, the weighted average fixed interest rate and the full fair value of the derivative (including accrued interest) as at year-end. The hedges have also been segmented based on their contractual maturity.

Cash flow hedges

R million	Average contracted	Hedged amount	Fair value asset	Fair value liability
30 September 2009				
Less than 1 year	**9,54%**	**2 553**	**0**	**(34)**
1 to 2 years	**8,58%**	**646**	**0**	**(12)**
2 to 5 years	**9,23%**	**2 320**	**23**	**(39)**
Greater than 5 years	**8,39%**	**698**	**18**	**0**
Net carrying amount		**6 217**	**41**	**(85)**
30 September 2008				
Less than 1 year	11,40%	375	1	0
1 to 2 years	11,26%	891	0	(4)
2 to 5 years	10,46%	1 145	6	(6)
Greater than 5 years		0	0	0
Net carrying amount		2 411	7	(10)

In terms of the IAS 39 hedge accounting requirements, the change in fair value of the hedging instrument found to be effective will be recognised in the statement of changes in equity in the hedging reserve. Complete ineffectiveness will be recognised directly in profit or loss for the period where the hedge effectiveness exceeds the 80% to 125% threshold. To the extent that the change in the fair value of the hedged item is over-effective (i.e. greater than 125%), the amount of over-effectiveness will be recognised in profit and loss. All hedges in the current period were found to be effective.

Given the hedging methodology applied, only the fair value adjustment on the derivative is recognised in equity and any interest accrual on the derivative is recognised in interest expense, therefore no amounts (other than ineffectiveness) are transferred out of equity to income statement directly. The hedging reserve will reduce to zero in line with the pull to par effect on the swap.

Interest rate hedging reserve reconciliation

R million	2009	2008
Balance at the beginning of the year	**14**	0
Net gains/(losses) recognised	**43**	20
Tax effect	**(7)**	(6)
Amount recognised in profit or loss	**(17)**	0
Balance at the end of the year	**33**	14

58. Long-term share incentive scheme hedge

In terms of the group's long-term share incentive scheme, the group is exposed to changes in its underlying share price as a result of the IFRS 2 charge. In order to hedge the risk arising from the employee LTIPs, the group has entered into a series of total return equity swaps with a highly rated financial institution. In terms of this hedge, the group is covered from changes in its own equity price. In terms of the hedge designation, any increase in the group's share price is hedged. This enables the group to mitigate the cash flow risk arising when the LTIPs given to employees vest and become payable. In terms of IAS 39 these swaps have been documented and designated as effective cash flow hedges.

The fair value of the derivative instruments is determined using accepted valuation methodologies and the applicable market rate on date of valuation.

The hedge is constructed so as to mirror the expected vesting of the LTIP options.

In terms of the IAS 39 hedge accounting requirements the change in fair value of the hedging instrument found to be effective will be recognised in the statement of changes in equity in the hedging reserve. Complete ineffectiveness will be recognised directly in profit or loss for the period where the hedge effectiveness exceeds the 80% to 125% threshold. To the extent that the change in the fair value of the hedged item is over-effective (i.e. greater than 100%) but still within the 80% to 125% threshold, the amount of over-effectiveness will be recognised in profit and loss. To the extent that the relationship is under-effective (but within the threshold) the full amount of the change will be recognised in equity. All hedges in the current period were found to be effective.

The table below represents the reconciliation of the LTIP hedging reserve.

LTIP hedging reserve reconciliation

R million	**2009**	2008
Balance at the beginning of the year	**140**	119
Net gains/(losses) on hedging instrument recognised in equity	**(15)**	27
Amount transferred to profit and loss	**0**	(1)
Tax effect	**4**	(5)
Balance at the end of the year	**129**	140

The amounts transferred to profit and loss are recognised as part of operating expenses.

59. Credit risk

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's primary focus is the underwriting of unsecured loans and accordingly, credit risk features as a dominant financial risk within the group. The credit risk management framework setting out the policies and procedures applied by the group is set out in the risk management report on the website at www.abil.co.za.

The group continually monitors the performance of each loan. Where payments are missed, the loan repayment period might be extended to ensure repayment of all required instalments. In other circumstances the group may be required under law to renegotiate a loan. However, these loans remain either past due or impaired and therefore the group does not provide a separate analysis of renegotiated items in terms of IFRS 7.

IFRS 7 requires disclosure of the fair value of collateral for those items considered impaired. The group takes collateral only in very rare circumstances (for example within the Ellerines business unit). The collateral predominantly takes the form of non-financial assets, the nature of which renders it impracticable to determine their fair value.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

R million	Retail	Payroll	Credit Card	Mining	Ellerines	Pay down portfolio	Total
59. Credit risk							
59.1 Credit risk: African Bank business unit							
Analysis of credit quality							
30 September 2009							
Financial assets that are neither past due nor impaired							
Advances	8 591	298	1 254	693	58	8	10 902
Low risk	379	0	358	203	0	0	940
Medium risk	3 443	287	315	338	58	8	4 449
High risk	4 769	11	581	152	0	0	5 513
Financial assets that are past due but not yet impaired	2 332	130	234	185	3	58	2 942
Financial assets that are impaired	1 784	81	187	76	0	170	2 298
Carrying amount	5 080	197	400	294	0	409	6 380
Provision for impairment	(3 296)	(116)	(213)	(218)	0	(239)	(4 082)
Total credit exposure	12 707	509	1 675	954	61	236	16 142
Deferred administration fees							(7)
Incurred but not reported provision							(157)
Credit life reserves							0
Partially written off advances							777
Net advances							16 755
Reconciliation of allowance account							
Balance at the beginning of the year	1 936	141	150	240	0	275	2 742
Bad debt charge net of recoveries	1 819	26	159	61	0	(61)	2 004
Bad debt (write-offs)/ rehabilitations	(459)	(51)	(96)	(83)	0	25	(664)
Balance at the end of the year	3 296	116	213	218	0	239	4 082

	0 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
Ageing of financial assets that are past due but not impaired	2 942	0	0	0	2 942

R million	Retail	Payroll	Credit Card	Mining	Pay down portfolio	Total
59. Credit risk *(continued)*						
59.1 Credit risk: African Bank business unit *(continued)*						
Analysis of credit quality						
30 September 2008						
Financial assets that are neither past due nor impaired						
Advances	7 624	229	701	593	10	9 157
Low risk	4 291	15	418	151	4	4 879
Medium risk	2 547	214	189	282	6	3 238
High risk	786	0	94	160	0	1 040
Financial assets that are past due but not yet impaired	1 928	135	170	160	101	2 494
Financial assets that are impaired	1 092	47	59	30	205	1 433
Carrying amount	3 028	188	209	270	480	4 175
Provision for impairment	(1 936)	(141)	(150)	(240)	(275)	(2 742)
Total credit exposure	10 644	411	930	783	316	13 084
Deferred administration fees						(64)
Incurred but not reported provision						(96)
Credit life reserves						(29)
Partially written off advances						280
Net advances						13 175
Reconciliation of allowance account						
Balance at the beginning of the year	1 242	90	47	197	254	1 830
Bad debt charge net of recoveries	1 291	(16)	105	174	(35)	1 519
Bad debt (write-offs)/rehabilitations	(597)	67	(2)	(131)	56	(607)
Balance at the end of the year	1 936	141	150	240	275	2 742

	0 to 3 months	3 to 6 months	6 to 9 months	Greater than 9 months	Total
Ageing of financial assets that are past due but not impaired	2 494	0	0	0	2 494

R million	Market position 1	Market position 2	Market position 3	Market position 4	Other	Total
59. Credit risk *(continued)*						
59.2 Credit risk: Ellerines business unit						
Analysis of credit quality						
30 September 2009						
Financial assets that are neither past due nor impaired						
Advances	1 185	505	174	181	8	2 053
Low risk	89	131	111	98	2	431
Medium risk	567	278	43	59	4	951
High risk	529	96	20	24	2	671
Financial assets that are past due but not yet impaired	659	220	48	56	17	1 000
Financial assets that are impaired	625	111	24	18	10	788
Carrying amount	1 673	309	68	49	28	2 127
Provision for impairment	(1 048)	(198)	(44)	(31)	(18)	(1 339)
Total credit exposure	2 469	836	245	255	35	3 841
Deferred administration fees						(27)
Incurred but not reported provision						(46)
Credit life reserve						(37)
Net advances						3 731
Reconciliation of allowance account						
Balance at the beginning of the year	1 211	153	33	24	29	1 450
Bad debt charge net of recoveries	627	195	45	32	2	901
Bad debt write-offs	(790)	(150)	(34)	(25)	(13)	(1 012)
Balance at the end of the year	1 048	198	44	31	18	1 339

	0 to 3 months	3 to 6 months	6 to 9 months	Greater than 9 months	Total
Ageing of financial assets that are past due but not impaired	712	147	77	64	1 000

R million	Market position 1	Market position 2	Market position 3	Market position 4	Other	Total
59. Credit risk *(continued)*						
59.2 Credit risk: Ellerines business unit *(continued)*						
Analysis of credit quality						
30 September 2008						
Financial assets that are neither past due nor impaired						
Advances	987	422	135	147	44	1 735
Low risk	18	41	64	35	0	158
Medium risk	533	331	68	111	8	1 051
High risk	436	50	3	1	36	526
Financial assets that are past due but not yet impaired	922	235	45	69	36	1 307
Financial assets that are impaired	280	39	8	6	7	340
Carrying amount	1 491	192	41	30	36	1 790
Provision for impairment	(1 211)	(153)	(33)	(24)	(29)	(1 450)
Total credit exposure	2 189	696	188	222	87	3 382
Deferred administration fees						(46)
Incurred but not reported provision						(59)
Net advances						3 277
Reconciliation of allowance account						
Balance at acquisition	798	140	23	24	17	1 002
Bad debt charge net of recoveries	780	98	28	13	48	967
Bad debt write-offs	(367)	(85)	(18)	(13)	(36)	(519)
Balance at the end of the year	1 211	153	33	24	29	1 450

	0 to 3 months	3 to 6 months	6 to 9 months	Greater than 9 months	Total
Ageing of financial assets that are past due but not impaired	968	213	89	37	1 307

60. Segmental report

ABIL is currently managed in terms of two primary segments, the Banking and Ellerines business units

	Revenue Year ended 30 Sep		Profit for the year Year ended 30 Sep		Net operating assets Year ended 30 Sep	
	2009	2008	**2009**	2008	**2009**	2008
Banking business unit	**7 407**	6 019	**2 314**	2 259	**3 802**	3 129
Ellerines	**6 964**	5 511	**476**	524	**3 959**	4 626
Sub total	**14 371**	11 530	**2 790**	2 783	**7 761**	7 755
Inter segmental	**(39)**	(3)	**0**	0	**0**	0
Taxation	**0**	0	**(935)**	(932)	**0**	0
BEE charge	**0**	0	**0**	(291)	**0**	0
Goodwill	**0**	0	**0**	0	**4 717**	4 717
Total group	**14 332**	11 527	**1 855**	1 560	**12 478**	12 472

Company balance sheet as at 30 September 2009

R million	Notes	Company 2009	2008
Assets			
Short-term deposits and cash	2	**1**	2
Other assets	3	**26**	26
Deferred tax asset		**1**	1
Investment in subsidiaries	4	**10 973**	10 948
Total assets		**11 001**	10 977
Liabilities and equity			
Other liabilities	5	**24**	22
Total liabilities		**24**	22
Ordinary share capital	6	**20**	20
Ordinary share premium	6	**9 131**	9 131
Reserves	7	**1 343**	1 321
Ordinary shareholders' equity		**10 494**	10 472
Preference shareholders' equity	8	**483**	483
Total equity (capital and reserves)		**10 977**	10 955
Total liabilities and equity		**11 001**	10 977

Company income statement for the year ended 30 September 2009

R million	Notes	Company 2009	2008
Revenue			
Non-interest income	9	**1 611**	1 560
Total revenue		**1 611**	1 560
Operating costs	10	**(9)**	(8)
BEE charge	11	**0**	(291)
Profit before taxation		**1 602**	1 261
Direct taxation: STC	12	**0**	0
Direct taxation: SA normal	12	**0**	0
Profit for the year		**1 602**	1 261
Basic earnings (profit for the year) attributable to:		**1 602**	1 261
Preference shareholders		**52**	49
Ordinary shareholders	13	**1 550**	1 212

Company statement of changes in equity

for the year ended **30 September 2009**

R million	Notes	Ordinary share capital and premium	Distributable reserves	Share-based payment reserve	Preference share capital and premium	Total
		Company				
Balance at 30 September 2007		12	862	435	483	1 792
Issue of new shares	6	9 139	0	0	0	9 139
Dividends paid	14	0	(1 479)	0	(49)	(1 528)
IFRS 2 reserve transaction (BEE transaction)	11	0	0	291	0	291
Profit for the year		0	1 212	0	49	1 261
Balance at 30 September 2008	6, 7, 8	**9 151**	**595**	**726**	**483**	**10 955**
Dividends paid	14	**0**	**(1 528)**	**0**	**(52)**	**(1 580)**
Profit for the year		**0**	**1 550**	**0**	**52**	**1 602**
Balance at 30 September 2009	6, 7, 8	**9 151**	**617**	**726**	**483**	**10 977**

Company cash flow statement

for the year ended **30 September 2009**

R million	Notes	Company 2009	2008
Cash generated from operations	15	**1 631**	1 552
Decrease in working capital		**2**	1
Decrease in sundry debtors		**0**	2
Increase/(decrease) in other liabilities		**2**	(1)
Indirect and direct taxation recovered/(paid)	16	**0**	0
Cash outflow from financing activities		**(51)**	0
Increase in loans to subsidiaries		**(51)**	0
Cash outflow from investing activities		**(3)**	(23)
Direct costs relating to the acquisition of Ellerine Holdings Limited		**0**	(26)
(Decrease)/increase in loans from subsidiary		**(3)**	3
Dividends paid to preference shareholders		**(52)**	(49)
Dividends paid to ordinary shareholders		**(1 528)**	(1 479)
(Decrease)/increase in cash and cash equivalents		**(1)**	2
Cash and cash equivalents at the beginning of the year		**2**	0
Cash and cash equivalents at the end of the year	17	**1**	2

Notes to the company annual financial statements

for the year ended **30 September 2009**

1. Principal accounting policies

The annual financial statements of African Bank Investments Limited are prepared according to the same principles used in preparing the consolidated annual financial statements of the ABIL group. For detailed accounting policies please refer to pages 114 to 133 of this report.

	Company	
R million	**2009**	2008
2. Short-term deposits and cash		
Call and current accounts	**1**	2
	1	2
3. Other assets		
Sundry receivables	**26**	26
	26	26
4. Investment in subsidiaries		
Unlisted		
Shares at cost less impairments	**10 922**	10 951
Indebtedness to the company	**51**	0
	10 973	10 951
Indebtedness by the company	**0**	(3)
	10 973	10 948
See appendix B for information relating to subsidiaries.		
5. Other liabilities		
Sundry creditors and accruals	**2**	0
Shareholders for odd-lot offer	**13**	13
Shareholders for unclaimed dividends	**9**	9
	24	22

	Company			
	2009		2008	
	Number of shares	**R million**	Number of shares	R million
6. Ordinary share capital and premium				
Authorised				
Ordinary shares of 2,5 cents each	**1 000 000 000**	**25**	1 000 000 000	25
Issued				
Ordinary shares of 2,5 cents each	**804 175 200**	**20**	804 175 200	20
Ordinary shares at par value of 2,5 cents each		**20**		20
Ordinary share premium		**9 131**		9 131
		9 151		9 151

Unissued shares

The directors have no authority to issue any of the unissued share capital. The directors have the authority to contract African Bank Investments Limited or any subsidiary to acquire shares not exceeding 3% of the issued share capital.

Shares issued during the year

No shares were issued during the 2009 financial year.

Shares issued during the previous year

At a general meeting held on 15 October 2007, the shareholders of ABIL consented to the making of an offer by the company to all of the ordinary shareholders of Ellerine Holdings Limited (Ellerines) for 100% of their shares in Ellerines to be settled by the issue of no more than 294 711 277 new ABIL ordinary shares to such Ellerines shareholders as consideration for their ordinary shares in Ellerines. 294 706 784 shares were issued at R31,01 per share as the purchase consideration and were listed on the JSE on 14 January 2008. At the same meeting, shareholders also agreed to place 11 557 109 shares under the authority and control of the directors for the purpose of facilitating a black economic empowerment transaction focusing on the Ellerines business, its preferred black economic empowerment partners and its other stakeholders. These shares were issued to Hlumisa Investment Holdings Limited, ABIL's second BEE company, at their par value of 2,5 cents per share and listed on the JSE on 30 September 2008.

The ordinary share premium arose when 294 706 784 shares were issued at R31,01 to the shareholders of Ellerine Holdings Limited. The share premium is the difference between the market value and the par value.

	Company	
R million	**2009**	2008
7. Reserves		
Reserves comprise the following:		
Distributable reserves	**617**	595
Share-based payment reserve	**726**	726
Total reserves	**1 343**	1 321

	Company			
	2009		2008	
	Number of shares	**R million**	Number of shares	R million
8. Preference shareholders' equity				
Authorised				
Preference shares of 1 cent each	**5 000 000**	**0**	5 000 000	0
Issued				
Preference shares of 1 cent each	**5 000 000**	**0**	5 000 000	0
Preference shares at par value of 1 cent each		**0**		0
Preference share premium		**483**		483
Share issue expenses		**0**		0
		483		483

Five million non-redeemable, non-cumulative, non-participating preference shares with a par value of R0,01 each were issued on 23 March 2005. The shares were issued at a premium of R99,99 per share and share issue expenses of R17 million were set-off against the preference share premium. ABIL will not declare an ordinary dividend unless a preference dividend has been declared. Preference dividends will be calculated at 69% of the daily average prime rate which prevailed in respect of the period for which the dividend is calculated.

	Company	
R million	**2009**	2008
9. Non-interest income		
Dividends received from subsidiary companies	**1 611**	1 560
	1 611	1 560
10. Operating costs		
Auditors' remuneration	**3**	1
Audit fees – current year	**2**	1
Prior year underprovision	**1**	0
Non-executive directors' remuneration	**1**	1
Other expenses	**5**	6
	9	8
11. BEE charge		
Charge in the income statement	**0**	291

In order to maintain the level of black equity ownership in ABIL which existed before the Ellerines acquisition and to achieve a broad-based BEE shareholding in ABIL of over 10% by 2015, 11 557 109 new ABIL ordinary shares were issued to Hlumisa Investment Holdings Limited in the 2008 financial year.

R million		Company 2009	2008
12.	**Direct taxation**		
	Direct taxation charge per the income statement: STC	**0**	0
	Direct taxation charge per the income statement: SA normal	**0**	0
	Total taxation charge per the income statement	**0**	0
12.1	**Direct taxation**		
	Secondary tax on companies (STC)		
	Current year	**0**	0
	SA normal tax		
	Current year	**0**	0
	Deferred tax		
	Current year	**0**	0
	Direct taxation charge per the income statement	**0**	0
12.2	**Tax rate reconciliation**		
	Profit before taxation (amount used as the denominator in the tax rate reconciliation)	**1 602**	1 261
		%	%
	Total taxation charge for the year as a percentage of profit before taxation	**0,0**	0,0
	Effective rate of taxation	**0,0**	0,0
	Secondary tax on companies	**0,0**	0,0
	Capital gains tax	**0,0**	0,0
	Dividend income	**28,2**	34,6
	Disallowable expenses	**(0,2)**	(6,6)
	Standard rate of South African taxation	**28,0**	28,0
13.	**Reconciliation between basic earnings and headline earnings**		
	Basic earnings (profit for the year) attributable to:	**1 602**	1 261
	Preference shareholders	**52**	49
	Ordinary shareholders	**1 550**	1 212
	Basic earnings (profit for the year) attributable to ordinary shareholders	**1 550**	1 212
	Add-back charge of BEE transaction	**0**	291
	Normalised earnings	**1 550**	1 503
	Basic earnings attributable to ordinary shareholders	**1 550**	1 212
	Adjusted for:		
	Other capital items	**0**	0
	Capital gains tax thereon	**0**	0
	Headline earnings	**1 550**	1 212

R million	Company 2009	2008
14. Ordinary and preference dividends		
14.1 Ordinary dividends		
Final dividend number 16 of 105 cents per ordinary share (2008: 130 cents)	**844**	647
Interim dividend number 17 of 85 cents per ordinary share (2008: 105 cents)	**684**	832
Total ordinary and special dividends paid during the year	**1 528**	1 479
Interim dividend number 17 of 85 cents per ordinary share (2008: 105 cents)	**684**	832
Final dividend number 18 of 100 cents per ordinary share (2008: 105 cents)	**804**	844
Total ordinary and special dividends relating to income for the year	**1 488**	1 676
Final dividend number 18 of 100 cents per ordinary share was approved by the board on 23 November 2009. No provision has been made for these dividends and their related STC in the financial statements for the year ended 30 September 2009.		
14.2 Preference dividends		
Final preference dividend number 8 of 551 cents per preference share (2008: 460 cents)	**28**	23
Interim preference dividend number 9 of 475 cents per preference share (2008: 525 cents)	**24**	26
Total preference dividends paid during the year	**52**	49
Interim preference dividend number 9 of 475 cents per preference share (2008: 525 cents)	**24**	26
Final preference dividend number 10 of 367 cents per preference share (2008: 551 cents)	**18**	28
Total preference dividends relating to the year	**42**	54

Preference dividend number 10 of 367 cents per preference share was approved by the board on 23 November 2009. No provision has been made for these dividends and their related STC in the financial statements for the year ended 30 September 2009.

All dividends declared are out of revenue reserves and are subject to STC.

R million	Company 2009	2008
15. Cash generated from operations		
Profit before taxation	**1 602**	1 261
Adjusted for:		
Reversal of intergroup provision for diminution in value of loan in Goodbye Property	**0**	(3)
Write-off of loan in Goodbye Property	**0**	3
IFRS 2 reserve transaction (BEE transaction)	**0**	291
Impairment of Theta Investments (Proprietary) Limited	**29**	0
	1 631	1 552
16. Direct taxation paid		
Direct taxation charged to the income statement	**0**	0
	0	0
17. Cash and cash equivalents		
Short-term deposits and cash	**1**	2
	1	2

18. Facility unutilised

African Bank Investments Limited does not have any unutilised credit facilities.

19. Contingent liabilities at year-end

African Bank Investments Limited has guaranteed a R350 million term loan owing by Ellerine Holdings Limited.

20. Related party information

African Bank Investments Limited holds 100% of *(inter alia)* Ellerine Holdings Limited, African Bank Limited, Theta Investments (Pty) Limited and The Standard General Insurance Company Limited. Details of investment in subsidiaries/controlled entities are disclosed in appendix B on page 198. For details on loans to/from the company, refer note 4.

Director-related transactions

There were no material transactions with directors other than interests in share capital and share options and emoluments as disclosed in the directors' report, note 10, and the remuneration report on pages 69 to 78 respectively.

APPENDIX A

Group structure and profile

- **African Bank Investments Limited**
  - African Bank Limited – Credit Banking 100%
    - Standard Bank JV [1] – 40%
  - The Standard General Insurance Company Limited – Life Assurance 100%
  - CreditSave – 100%
  - ABIL Employee Share Trust ♦[1] – 100%
  - Theta Investments (Proprietary) Limited – Investments 100%
    - African Contractor Finance [2] – 100%
    - Gilt Edged Management Services [2] – 100%
    - Miners Credit Guarantee and extended group • – 100%
    - A1 Taxi House •▲ – 100%
    - A1 Taxi Finance •▲ – 100%
    - Soletrade Seven ▲ – 100%
  - Ellerine Holdings Limited and extended group * – Investments 100%

* Ellerine Holdings Limited detailed organogram is on page 197

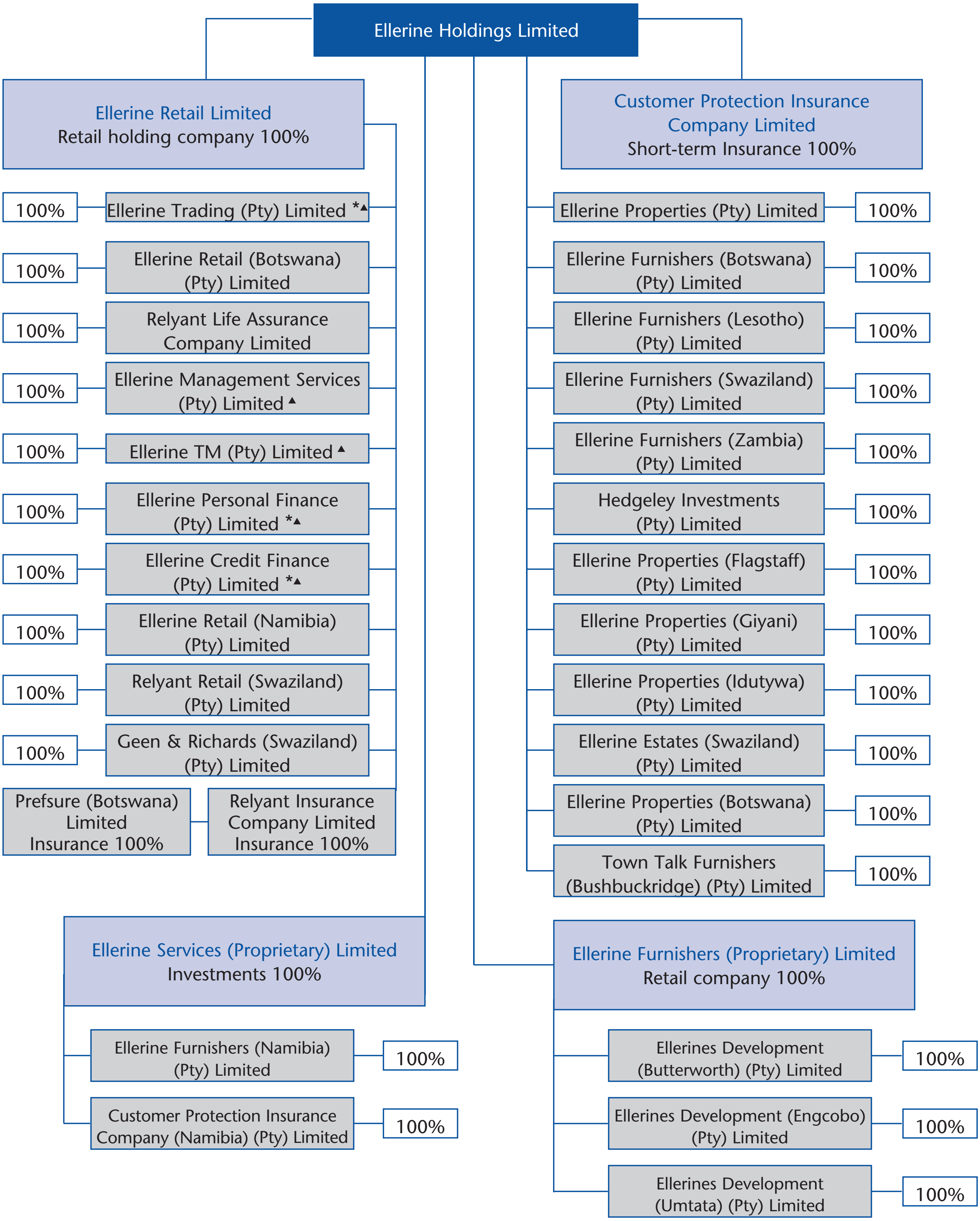
▲ Dormant

• Has been divisionalised into African Bank Limited

♦ Trust

[1] Ceased granting loans on 1 June 2007 and sold its advances book in November 2009 to African Bank Limited

[2] Being wound down



* Has been transferred into Ellerine Furnishers (Pty) Limited
▲ Dormant

APPENDIX B

Investment in subsidiaries/controlled entities

	Type of business	Issued share capital 2009 R million	Issued share capital 2008 R million	Effective percentage held 2009 %	Effective percentage held 2008 %	Investment (at cost and impairments) 2009 R million	Investment (at cost and impairments) 2008 R million	Loans 2009 R million	Loans 2008 R million
Held by African Bank Investments Limited:									
African Bank Limited	Credit bank	**121**	121	**100**	100	**1 539**	1 539	**51**	(3)
Theta Investments (Pty) Limited	Investments	**0**	0	**100**	100	**64**	64	**0**	0
Theta Investment (Pty) Limited – impairment		**0**	0	**100**	100	**(29)**	0	**0**	0
Goodbye Property (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0	**0**	0
Credit Indemnity Property (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0	**0**	0
Standard General Insurance Company Limited – cost	Assurance	**5**	5	**100**	100	**539**	539	**0**	0
Standard General Insurance Company Limited – impairment						**(338)**	(338)		
Creditsave (Pty) Limited	Dormant	**0**	0	**100**	100	**8**	8	**0**	0
ABIL Employee Share Trust – cost	Share trust	**0**	0	**100**	100	**200**	200	**0**	0
ABIL Employee Share Trust – impairment						**(200)**	(200)		
Ellerine Holdings Limited	Retail	**6**	6	**100**	100	**9 139**	9 139	**0**	0
						10 922	10 951	**51**	(3)
Held by African Bank Limited and Theta Investments (Pty) Limited:									
Unity Financial Services Limited – cost	Dormant	**0**	0	**100**	100	**69**	69		
Unity Financial Services Limited – impairment						**(69)**	(69)		
Teba Credit (Pty) Limited	Dormant	**20**	20	**100**	100	**419**	419		
Teba Credit (Pty) Limited – impairment						**(419)**	(399)		
African Contractors Finance Corporation (Pty) Limited	Dormant	**0**	0	**100**	100	**15**	15		
African Contractors Finance Corporation (Pty) Limited – impairment						**(13)**	(13)		
Gilt Edged Management Services (Pty) Limited	Dormant	**0**	0	**100**	100	**16**	16		
Credit Indemnity (Pty) Limited	Dormant	**0**	0	**100**	100	**39**	39		
Credit Indemnity (Pty) Limited – impairment						**(39)**	(39)		
Miners Credit Guarantee (Pty) Limited	Financial services	**0**	0	**100**	100	**50**	50		
Miners Credit Guarantee (Pty) Limited – impairment						**(49)**	(31)		
Soletrade Seven (Pty) Limited trading as Quatro	Dormant	**0**	0	**100**	100	**0**	0		
A1 Taxi House (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0		
A1 Taxi Finance (Pty) Limited – cost	Dormant	**0**	0	**100**	100	**1**	1		
A1 Taxi Finance (Pty) Limited – impairment						**(1)**	(1)		

All subsidiaries are incorporated in the Republic of South Africa.

The following companies held by African Bank Investments Limited were deregistered during the year:

Goodbye property (Pty) Limited

Credit Indemnity Property (Pty) Limited

The following companies held by African Bank Limited and Theta Investments (Pty) Limited were deregistered during the year:

Unity Financial Services Limited

Teba Credit (pty) Limited

Credit Indemnity Property (Pty) Limited

APPENDIX C

Interest in joint venture

The group had a 40% interest in a joint venture, entered into with The Standard Bank of South Africa Limited (SBSA), which provided products and services in the credit banking industry. The joint venture partnership ceased granting loans with effect from 1 June 2007, whereafter the joint venture loan book will run down over time, with the partners sharing costs and revenues in existing ratios. ABIL does not expect that the winding down of the joint venture will negatively affect the attainment of its stated short- and medium-term objectives. See post balance sheet events in directors report on page 105.

The following represents the group's share of the assets, liabilities, revenue and expenses of the joint venture and are included in the consolidated balance sheet and income statement:

	Group	
R million	**2009**	2008
Interest-bearing assets	**14**	125
Non-interest-bearing assets	**0**	0
Interest-bearing borrowings	**0**	60
Provisions for liabilities and charges	**0**	1
(Loss)/profit before taxation	**(10)**	(10)
Taxation	**3**	3
(Loss)/profit after taxation	**(7)**	(7)
Profit distribution	**(42)**	(34)
Proportionate interest in joint venture commitments	**0**	0

Shareholder information

Dividend declaration

	Ordinary shares	Preference shares
Share code	ABL	ABLP
ISIN	ZAE000030060	ZAE000065215
Dividend number	18	10
Dividends per share (cash dividends)	100 cents	367 cents
Declaration date	Monday, 23 November 2009	Monday, 23 November 2009
Last date to trade cum-dividend	Thursday, 10 December 2009	Thursday, 10 December 2009
Shares commence trading ex-dividend	Friday, 11 December 2009	Friday, 11 December 2009
Record date	Friday, 18 December 2009	Friday, 18 December 2009
Dividend payment date	Monday, 21 December 2009	Monday, 21 December 2009

Share certificates may not be dematerialised or rematerialised between Friday, 11 December 2009 and Friday, 18 December 2009, both days inclusive.

Shareholders' diary

Event	Date
Annual General Meeting	February 2010
First quarter trading update	February 2010
Interim results	24 May 2010
Third quarter trading update	August 2010
Financial year end	30 September
Annual results presentation	22 November 2010

Listings information

Stock exchange codes

Listings exchange	JSE Limited	
Sector	General financial	
Sub-sector	Consumer finance	
Share codes Ordinary shares Preference shares	 JSE: ABL Reuters: ABLJ.J Bloomberg: ABL SJ Equity JSE: ABLP Reuters: ABLPp.J	
ISIN codes Ordinary shares Preference shares	 ZAE000030060 ZAE000065215	
Bond codes	ABL4 ABL5 ABL6 ABL7 ABL8A ABL8B	ABL9 ABLI 01 (inflation linked) ABLI 02 (inflation linked) ABLS1 (subordinated) ABLS2A ABLS2B
ADR programme ADR symbol Conversion ratio	Level 1 AFRVY One ADR is equivalent to five ordinary shares	

Credit rating

Moody's Investors Service reaffirmed African Bank Limited's credit rating on 21 September 2009 with a stable outlook.

	Short term	**Long term**
National scale rating	Prime-1.za	A1.za
Global scale rating	P-2	Baa2

JSE statistics

	2009	2008	2007	2006	2005
Traded price (cents per share)					
Close	**2 950**	2 520	3 131	2 210	2 125
High	**3 174**	3 718	3 510	3 430	2 305
Low	**1 940**	2 196	2 110	1 910	1 299
Market capitalisation (Rm)	**23 723**	20 265	15 590	11 004	10 590
Value of shares traded (Rm)	**24 507**	26 027	15 945	14 632	6 943
Value traded as % of market capitalisation	**103**	128	102	133	66
Volume of shares traded (millions)	**936**	930	541	556	396
Volume traded as % of number in issue	**116**	116	109	112	80
PE ratio	**15,0**	8,8	13,2	10,1	12,2
Dividend yield	**6,4**	9,3	6,9	6,8	5,1
Earnings yield	**6,7**	11,3	7,6	9,9	8,2
Period-end market price/NAV	**1,9**	1,7	6,3	5,0	4,8
Average number of shares in issue (millions)	**804**	718	497	497	471
Shares issued/(repurchased) (millions)		306,3#		(0,5)*	21
Number of shareholders	**11 019**	13 766	11 114	9 772*	34 301

 # ABIL acquired the Ellerines group in January 2008. The consideration was settled by means of a fresh issue of 294,7 million shares. Another 11,6 million shares were issued in terms of the Ellerines BEE programme

** ABIL made an odd-lot offer to shareholders with fewer than 100 shares in March 2006 which resulted in the reduction in the number of shareholders*

Shareholders' profile

Top fund managers holding/managing ABIL shares

Manager	Origin	Holding	%
Investec Asset Management		92 406 185	11,5
Public Investment Corporation (PIC)	ZA	86 799 415	10,8
STANLIB Asset Management	ZA	60 401 769	7,5
ABIL's BEE programmes*	ZA	52 034 424	6,5
JPMorgan Asset Management		51 861 085	6,5
Coronation Fund Managers	ZA	42 177 321	5,2
Mondrian Investment Partners		34 093 584	4,2
Directors' holdings	ZA	31 238 511	3,9
FMR LLC		27 281 440	3,4
Barclays Global Investors		25 459 162	3,2
Sanlam Investment Management	ZA	22 395 194	2,8
Old Mutual Asset Managers		18 314 212	2,3
Morgan Stanley Investment Management Limited	UK	13 773 039	1,7
Emerging Markets Management LLC	US	12 059 993	1,5
Lloyds Banking Group		11 236 063	1,4
Wood C	ZA	10 074 533	1,3
Metropolitan Asset Managers	ZA	10 067 685	1,3
Dimensional Fund Advisors		9 404 117	1,2
The Vanguard Group Inc	US	8 978 746	1,1

Major shareholders

Beneficial owner	Origin	Holding	%
Government Employees Pension Fund (PIC)	ZA	94 114 245	11,7
ABIL's BEE programmes*	ZA	52 034 424	6,5
Liberty Life Association of Africa	ZA	44 434 006	5,5
JPM Investment Funds	LU	21 581 955	2,7
Ishares MSCI Emerging Markets Index Fund	US	19 683 494	2,5
Leon Kirkinis	ZA	16 250 000	2,0
Eskom Pension Fund	ZA	14 572 386	1,8
Investec Value Fund	ZA	14 133 058	1,8
Investment Solutions	ZA	13 963 540	1,8
Gordon Schachat	ZA	12 000 000	1,5

***ABIL's BEE programmes**

Eyomhlaba Investment Holdings Limited	ZA	37 024 174	4,6
Hlumisa Investment Holdings Limited	ZA	15 010 250	1,9

Analysis of ordinary shareholders for the year ended 30 September 2009

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
Range				
1 – 999	5 525	50,14	1 799 905	0,2
1 000 – 9 999	4 142	37,59	11 252 694	1,4
10 000 – 99 999	895	8,12	25 740 866	3,2
100 000 – more	457	4,15	765 381 735	95,2
Total	**11 019**	**100,00**	**804 175 200**	**100,0**
Shareholder spread				
Non-public	11	0,01	32 781 371	4,1
Directors	9	0,01	31 238 511	3,9
Development trust	1	0,00	1 060 606	0,1
Share trust	1	0,00	482 254	0,1
Public	11 008	99,99	771 393 829	95,9
Total	**11 019**	**100,00**	**804 175 200**	**100,0**
Distribution of shareholders				
Individuals	9 576	86,90	46 568 463	5,8
Banks	120	1,09	220 665 869	27,4
Pension/provident funds	278	2,52	97 018 476	12,1
Growth funds/unit trusts	233	2,11	259 892 082	32,3
Investment companies	2	0,02	52 034 424	6,5
Nominees and trusts	416	3,78	38 727 408	4,8
Limited companies	7	0,06	6 697 233	0,8
Insurance companies	18	0,16	64 037 273	8,0
Private companies	219	1,99	10 413 778	1,3
Medical aid schemes	19	0,17	4 161 344	0,5
Other corporate bodies	23	0,21	2 787 009	0,3
ABIL employee share trust	1	0,01	482 254	0,1
Close corporations	107	0,97	689 587	0,1
Totals	**11 019**	**100,00**	**804 175 200**	**100,0**

Analysis of preference shareholders

for the year ended 30 September 2009

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
Range				
1 – 999	469	37,4	214 172	4,3
1 000 – 9 999	709	56,5	1 738 238	34,8
10 000 – 99 999	67	5,3	1 565 612	31,3
100 000 – more	9	0,7	1 481 978	29,6
Total	**1 254**	**100,0**	**5 000 000**	**100,0**
Shareholder spread				
Non-public	0	0,0	0	0,0
Public	1 254	100,0	5 000 000	100,0
Total	**1 254**	**100,0**	**5 000 000**	**100,0**
Distribution of shareholders				
Individuals	901	71,9	2 005 946	40,1
Growth funds/unit trusts	28	2,2	749 643	15,0
Nominees and trusts	249	19,9	913 440	18,3
Insurance companies	3	0,2	268 000	5,4
Limited companies	6	0,5	87 104	1,7
Close corporations	13	1,0	253 531	5,1
Private companies	47	3,7	680 916	13,6
Other corp bodies	7	0,6	41 420	0,8
Totals	**1 254**	**100,0**	**5 000 000**	**100,0**
Top beneficial shareholders				
Umbhaba Estates (Pty) Limited			248 740	4,97
Hollard Insurance Company Limited			246 000	4,92
SAHD			178 000	3,56
ABSA Stockbrokers (Pty) Limited			154 318	3,09
Coronation Preference Share Fund CI			136 827	2,74
SBSA ITF Grindrod Diversified			132 040	2,64
Stanlib Quants Fund			110 000	2,20
Platinum/The Waterford Family Trust			100 000	2,00

Corporate information

Board of directors

MC Mogase (Chairman), G Schachat (Deputy Chairman)*, L Kirkinis (CEO)*, N Adams, A Fourie*, DB Gibbon, N Nalliah*, MEK Nkeli, S Sithole, TM Sokutu*, RJ Symmonds, A Tugendhaft, DF Woollam*

*Executive

Company Secretary

Y Mistry

African Bank Investments Limited

(Incorporated in the Republic of South Africa)
(Registered bank controlling company)
(Registration number 1946/021193/06)
(Ordinary share code: ABL) (ISIN: ZAE000030060)
(Preference share code: ABLP) (ISIN: ZAE000065215)

Registered office

59 16th Road
Midrand, 1685

Share transfer secretaries

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Websites

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www.africanbank.co.za
www.ellerines.co.za

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African Bank ethics email address:
abfraudethics@africanbank.co.za
African Bank ethics telefax:
+27 11 207 3811
African Bank call centre number
0861 111 011

Electronic communications

Shareholders may elect to receive communications (annual reports, interim reports and other company communications) electronically, provided that they have internet access and a valid email address. To obtain more information, and to register for this service, shareholders should log on to www.abil.co.za. To register, shareholders will need their shareholder reference number, which is set out on their share certificate or monthly share statement. If you have any questions about this service, please contact ABIL's investor relations department.

Disclaimer

Certain statements made in this document are forward-looking. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by the forward-looking statements. Words such as expect, anticipate, estimate, target, predict, believe and other similar expressions, and future or conditional verbs such as will, should, would, and could are intended to identify such forward-looking statements. Readers should not rely solely on the forward-looking statements. These statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements.

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AFRICAN BANK
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For more information please visit our website at
www.abil/investorcentre.co.za