Audited Integrated

Annual Report 2011

FOR THE YEAR ENDED JUNE 30 2011

Bidvest Bank

(preparation supervised by L de Waal CA (SA) Financial Director)

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Audited Integrated Annual Report for the year ended June 30 2011

Managing Director's report

Highlights

Operating income up 75% to R848 million while profit before taxation moves 165% higher to R389 million.

Constant currency and interest comparison to 2010, reflect negative pre-tax earnings impact of R37 million.

R767 million acquisition of an asset-based finance business well managed and successfully integrated into a strengthened banking entity.

29% growth in equity to R1,268 billion.

5% growth in total assets to R3,6 billion.

9% growth in loans, advances and leased assets book to R2,4 billion.

Low credit loss ratio.

Healthy improvement in return on assets and return on equity.

Deposits up 15% from R1,18 billion to R1,36 billion.

Business strongly cash generative.

The Bank capital adequacy ratio was 16,2% (2010: 21,9%).

Low financial leverage ratio of 2,9 times or 35%.

Significant improvements made in risk, compliance, governance, internal audit and security.

The Bank has no weakening in its asset quality and therefore has no systemic threats and risk in this regard.

Launch of new, competitive products on a regular basis.

Wider corporate customer-base includes an increasing number of large companies.

Level 3 status achieved after sustained improvement in BBBEE scores.

Strong capital position ensures Bank complies well ahead of Basel III deadline.

Further development of the Bidvest Bank brand.

Diversified revenue streams strongly contribute to improved cost to income ratio of 52,6%.

Bank receives recognition awards for quality performance.

Trading conditions

Low interest rates and a strong, relatively stable rand, were earnings negative while lower international travel volumes impacted our travel foreign exchange business. World Cup effects at the start of the year were positive, though extremely brief. Volumes quickly fell away.

Corporate travel remained under pressure as businesses continued to cut costs. Household debt remained high, putting pressure on discretionary spending such as leisure travel.

Caution in the business corporate sector inhibited leasing and asset-based finance activities. Few businesses launched major expansion programmes. Continued revival in retail vehicle sales was positive.

Difficult business conditions in many sectors and the fragile nature of South Africa's economic recovery justified our cautious approach to credit extension.

Performance

The Bank put in a strong performance, benefiting from an expanded and more diversified range of income producing activities.

In June, 2010, the South African Reserve Bank approved the R767 million acquisition of an asset-based finance business, creating a challenge for management to bed-down the acquisition smoothly while scrupulously adhering to all regulatory requirements.

This challenge was successfully met, thanks to appropriate training investment and the enthusiasm and adaptability of existing and new teams. A strong compliance cluster was established, covering compliance, internal audit, risk, security and regulatory matters. Staff numbers in these areas rose to 70.

The Bank has assessed the residual value of its assets and liabilities and where appropriate, adjustments have been made through the income statement or equity. A fundamental error, which arose at acquisition of the asset-based finance business, has been brought to account in the current financial year and the prior year has been restated. The error arose due to the reassessment of the residual values of leased assets. The prior year impact on assets amounted to an audited R149 million after tax, and the current year impact on earnings is R27 million after tax. A further error in terms of accrual for maintenance obligations occurred at the same time which had an impact on other liabilities of an audited amount of R32,4 million after tax and the current year impact on earnings is R5,8 million after tax. Further details are disclosed in note 29.

Significant diversification was achieved without taking on bad debt. There are no 'toxic assets' on the balance sheet. By year-end, the Bank had emerged as one of the largest corporate vehicle and asset leasing businesses in South Africa as well as a leading foreign exchange specialist.

Operating income of R848 million (2010: R485 million), showed pleasing growth of 75% while profit before taxation rose significantly

– up 165% – to R389 million (2010: R147 million). If the asset-based finance business had been acquired on July 1 2009, the 2010 profit before taxation comparative would be restated to reflect R330 million and accordingly the 2011 profit before taxation would reflect an 18% increase on 2010 on a like-for-like basis. There were no material impairments during the year.

Interest paid has increased due to the growth in the Bank's deposits, which partly funded the purchase of new leased assets amounting to R561 million.

Cash generated from operations increased to R702 million (2010: R667 million).

Deposits showed pleasing growth to R1,36 billion (2010: R1,18 billion), reflecting the success of efforts to widen the corporate and private individual customer-base.

Reserves were further strengthened, ensuring that Bidvest Bank currently complies with the Basel III Liquidity Coverage and Net Stable Funding ratios, well ahead of the 2015 and 2018 implementation dates respectively.

Gains across the BBBEE scorecard were registered as the business became a Level 3 value adding contributor, up from Level 4.

Management was tasked with achieving stronger marketplace positioning and by year-end the business enjoyed increasing recognition for creating the most effective pre-paid foreign currency card for overseas travellers, providing the sector's widest range of foreign bank notes and offering a low cost bank account for unlimited banking transactions.

Our reputation as the bank offering the longest banking hours in South Africa became a strong differentiator.

Bidvest Bank won the ACSA Feather Award, as best landside retailer at Johannesburg's O.R. Tambo International Airport. The Bank also took the ACSA Feather Award, as best financial services provider at Cape Town International Airport. In addition, the Bank won the MoneyGram Award as fastest growing 'send' transaction agent in Africa, for our international money transfer service provider.

Bidvest Bank currently carries the Moody's rating of A3.za/P-2/za, with a stable outlook.

Innovation and investment

Strategic widening of the scope of our business was the major change, initially driven by the acquisition of the asset-based finance business, with its strong base in instalment credit, asset-based lending and leasing services.

Capital expenditure on new branch infrastructure dropped, reflecting the slower pace of new branch openings after the pre-World Cup expansion programme. The number of branches rose from 88 to 90.

Branch investment is increasingly focused on modernisation, to service a more diversified banking offering, the improvement of the transaction experience for clients and the effort to create a consistent brand identity. Remodelling also improves efficiencies while creating a congenial working environment for our people.

IT investment totalled R30 million. Work began on a new, improved retail platform. Better integration with financial accounting data is also a priority. The long-term goal is to further enhance the business' environmental credentials by moving toward the paperless office. IT management is tasked to reduce the amount of manual intervention within the Bank's processes.

Expansion of the product range continued. Bidvest Bank became the first South African financial institution to offer Chinese yuan as a standard offering in its range of foreign banknotes. Our range of currency cards was continually expanded, while a growing number of depositors opened call, notice and fixed deposit accounts.

A private foreign exchange banking service was launched, taking advantage of the quality profile of our core customer-base and the relaxation of exchange controls.

The Bank built on its lead as the South African pioneer of internet-based foreign payment and receipt technology, by further collaboration with our global payments service provider, Travelex. By year-end we were preparing to launch a re-branded, updated web-based corporate settlement service – Bidvest Bank Global Payments Online, with added features, benefits and functionality.

The Bank generated new loans of R802 million, compared to R749 million in 2010.

The Bank maintained its low risk lending appetite, with all new loans secured by conservatively valued underlying security. There was modest growth in the vehicle leasing fleet to 11 560 vehicles (2010: 11 503 vehicles), which was achieved without compromising the quality of the lending book.

The Bank generated strong growth in revenues and customers in the corporate travel and general foreign exchange areas of our business. This annuity type of revenue generating activity augurs well for the year ahead.

The Bank's card division continues to grow from strength to strength. In particular, the World Currency Card has become the travel card of choice, reflecting substantial transactional volume and value growth and increased float size.

Our retail foreign exchange branches will benefit from the growth in corporate travel customers, further development of our private foreign exchange banking services and new product initiatives, planned to be launched during the forthcoming year.

The Bank's retail division, Rennies Foreign Exchange, had a difficult year, exacerbated by a strong rand, a drop in corporate and leisure travel, and increased competition from South Africa's major banks. Notwithstanding this scenario, the division produced good results through effective margin and expense management. Retail increased its capacity, at great cost, in anticipation of the 2010 World Cup, which in hindsight, did not meet management's expectations during and post the World Cup event.

R18 million was invested on advertising and marketing, entrenching the Bank’s position as the foreign exchange specialists, while supporting our continued diversification into deposit-taking, lending and asset-based finance.

People, training and skills

We launched a successful effort to create a unified culture, as the leasing business moved from its Rivonia premises to the Bank’s corporate offices in Braamfontein. To support our people, the HR function was significantly strengthened.

Staff numbers rose from 997 to 1 058. Training investment moved up from R14,6 million to R16,4 million. In addition to Seta-aligned training, the business increasingly provides familiarisation courses and coaching, to capture ideas from all operations and drive team integration. Managers receive one-on-one exposure to senior executives, enabling direct feedback while the manager is introduced to strategic dynamics.

The management and staff from the leasing, asset-based finance background, rapidly adjusted to a much broader banking role. They previously worked as an adjunct to vehicle retailing off a dealership floor. Without losing the benefits of their vehicle retailing roots, they increasingly grasped the wider potential offered by new positioning as providers of a wide range of banking services to a broader customer-base.

An executive development programme was launched to provide six months of intensive training in business financial administration to the Bank’s university graduates.

There was a substantial step up in the amount of training and skills development throughout the Bank during the year. Skilled, specialist and well-trained employees is the single most important key attribute for sustainable growth in the Bank.

Investment in enterprise development moved higher to R14,3 million while social economic development totalled R1,9 million. Bursaries amounting to R496,000 were granted to staff during the year.

Sustainability and risk

Strategic risk is unavoidable. Macro-factors such as interest rates and exchange rates cannot be controlled by the business.

Lower interest rates affect revenue at a strongly capitalised bank as reserves earn a lower return. A strong rand also impacts commission, fees and margin income as currency conversion rates are affected. Global and South African macro-economic factors are hard to predict and have a direct material impact on the Bank. The Bank proved its resilience in this regard during the past volatile and uncertain year under review.

Statutory requirements are regularly stepped up, necessitating increased investment in compliance. We maintain close working relationships with local regulators while our cautious approach anticipates many international compliance trends. We eschew high-risk lending and prefer to maintain solid reserves, significantly above the statutory minimum. We foresee no difficulty in meeting growing regulatory demands for higher capital adequacy ratios. We also have sturdy compliance structures in place.

As specialists we are subject to risks associated with a relatively narrow banking franchise. Strategic growth of the business has partly addressed this issue. We remain specialists, but the range of specialisations has widened – from travel foreign exchange and international trade facilitation to asset-based lending, business and individual deposit-taking.

‘People risk’ is common to all South African business. We continually step up our training investment, which remains a key focus.

Future

Management is excited about future prospects. Acquisitive growth made a major contribution to our business in 2011. In the coming year, we expect organic growth to maintain our momentum. We remain a small player in a large, highly competitive industry, but we are encouraged by successful expansion of our base and the opportunities this opens up after growing our asset-base in five years from R506 million to R3,6 billion.

We believe that continued product innovation and diversified revenue streams will foster further growth. The possibility of rising interest rates and rand weakness may also prove positive. Signs of an uptick in corporate travel and renewed credit appetite by business and consumers also support our growth strategy.

The Bank’s high level of capital will provide it with the platform for future organic and acquisitive growth.

A C SALOMON
August 23 2011

Financial highlights

Financial highlights	2011	2010	% Change
Statement of comprehensive income (R'000)			
Net income before direct taxation	**388 826**	146 857	164,8
Profit attributable to ordinary shareholders	**283 517**	108 321	161,7
Statement of financial position (R'000)			
Ordinary shareholders' funds	**1 235 251**	952 858	29,6
Total assets	**3 618 694**	3 455 234	4,7
Loans and advances	**680 246**	548 169	24,1
Leased assets	**1 702 077**	1 640 712	3,7
Deposits	**1 360 381**	1 178 110	15,5
Financial performance			
Return on assets (%)	**5,9**	3,6	
Return on equity (%)	**23,0**	15,9	
Cost-to-income ratio (%)	**52,6**	67,3	
Credit loss ratio (%)	**0,1**	0,1	

Six year review

Consolidated statement of comprehensive income
for the year ended June 30

	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Net interest income	**123 579**	61 534	58 305	45 371	25 646	11 668
Interest income	**93 523**	97 751	107 883	71 940	36 265	18 032
Imputed interest from rental income	**104 457**	9 168	-	-	-	-
Interest expense	**(74 401)**	(45 385)	(49 578)	(26 569)	(10 619)	(6 364)
Net fee and commission income	**144 941**	153 815	147 621	112 145	96 999	88 647
Fee and commission income	**199 582**	200 492	190 606	144 465	118 369	102 897
Fee and commission expense	**(54 641)**	(46 677)	(42 985)	(32 320)	(21 370)	(14 250)
Net leasing income	**314 559**	16 630	959	38	-	-
Leasing income	**419 016**	25 798	3 733	91	-	-
Imputed interest reflected under net interest income	**(104 457)**	(9 168)	(2 774)	(53)	-	-
Net trading income	**262 172**	245 822	251 084	174 768	149 181	118 976
Other operating income	**2 819**	7 023	3 477	3 073	(239)	2 472
Operating income	**848 070**	484 824	461 446	335 395	271 587	221 763
Net credit impairment charges	**(2 239)**	(1 402)	(2 276)	(5 004)	(9 687)	(1 189)
Operating income after credit impairment charges	**845 831**	483 422	459 170	330 391	261 900	220 574
Operating expenditure	**(445 758)**	(326 349)	(271 657)	(205 744)	(174 600)	(165 324)
Employment costs	**(210 794)**	(134 427)	(121 525)	(94 745)	(73 322)	(64 325)
Operating leases	**(66 915)**	(46 998)	(38 534)	(21 820)	(22 178)	(20 971)
Risk control	**(27 041)**	(31 976)	(26 988)	(20 463)	(22 636)	(25 508)
Computing costs	**(23 746)**	(20 737)	(16 234)	(11 755)	(11 880)	(13 340)
Depreciation and amortisation	**(31 309)**	(22 422)	(14 257)	(10 557)	(5 678)	(5 610)
Other operating expenditure	**(85 953)**	(69 789)	(54 119)	(46 404)	(38 906)	(35 570)
Operating income before indirect taxation	**400 073**	157 073	187 513	124 647	87 300	55 250
Indirect taxation	**(11 247)**	(10 216)	(4 748)	(7 987)	(5 105)	(4 201)
Profit before direct taxation	**388 826**	146 857	182 765	116 660	82 195	51 049
Direct taxation	**(105 309)**	(38 536)	(50 134)	(34 904)	(23 742)	(14 639)
Profit for the year	**283 517**	108 321	132 631	81 756	58 453	36 410

Financial highlights (continued)

Six year review

Consolidated statement of financial position
at June 30

	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Assets						
Cash and balances with banks	**927 336**	975 582	752 374	533 175	174 675	238 148
Derivative financial assets	**17 831**	28 123	49 356	9 587	3 165	11 598
Loans and advances	**680 246**	548 169	582 145	538 984	384 071	194 889
Leased assets	**1 702 077**	1 640 712	16 480	1 277	-	-
Investment securities	**82 714**	59 028	62 808	52 596	36 787	16 730
Other assets	**95 373**	96 288	41 620	37 289	45 000	24 004
Equipment	**81 582**	66 276	41 438	26 392	17 416	16 813
Intangible assets	**31 535**	30 046	26 436	4 856	5 114	2 890
Deferred taxation	**-**	8 030	1 882	118	725	1 205
Current taxation	**-**	2 980	-	-	-	-
Total assets	**3 618 694**	3 455 234	1 574 539	1 204 274	666 953	506 277
Equity and liabilities						
Equity	**1 235 251**	952 858	604 983	469 295	389 553	330 896
Share capital	**1 980**	1 980	1 800	1 800	1 800	1 800
Share premium	**435 799**	435 799	165 979	165 979	165 979	165 979
Reserves	**797 472**	515 079	437 204	301 516	221 774	163 117
Liabilities	**2 383 443**	2 502 376	969 556	734 979	277 400	175 381
Intergroup loans	**619 548**	863 036	-	-	-	-
Derivative financial liabilities	**13 376**	17 872	41 492	7 813	433	14 104
Deposits	**1 360 381**	1 178 110	832 386	466 935	200 372	113 543
Other liabilities	**235 105**	242 708	95 110	242 348	65 899	42 750
Deferred taxation	**112 461**	103 150	-	-	-	-
Current taxation	**42 372**	97 062	368	17 683	10 522	4 603
Defined benefit liability	**200**	438	200	200	174	381
Total equity and liabilities	**3 618 694**	3 455 234	1 574 539	1 204 274	666 953	506 277

Financial highlights (continued)

Six year review

Statistics, returns and capital adequacy	**2011**	2010	2009	2008	2007	2006
Statistical review						
Statement of comprehensive income						
Net interest income to assets (%)	**2,6**	2,2	4,3	4,9	4,3	2,7
Non-interest income to assets (%)	**23,1**	14,5	28,9	31,0	41,4	48,0
Operating expenses to assets (%)	**14,2**	11,3	19,6	22,0	29,1	37,8
Interest income to interest earning assets (%)	**6,8**	4,2	9,8	10,0	8,7	6,4
Interest expense to funding liabilities (%)	**4,1**	3,2	7,6	8,0	6,8	6,1
Cost to income (%)	**52,6**	67,3	58,9	61,3	64,3	74,5
Non-interest income to total income (%)	**85,4**	86,3	87,2	85,6	91,4	94,7
Credit loss ratio (%)	**0,1**	0,1	0,4	1,1	3,3	0,8
Effective tax excluding indirect tax (%)	**26,3**	24,5	26,7	28,0	27,2	26,5
Effective tax including indirect tax (%)	**29,1**	31,0	29,3	34,4	33,0	34,1
Statement of financial position						
Return on assets (%)	**5,9**	3,6	8,4	6,8	8,8	6,8
Return on equity (%)	**23,0**	15,9	21,9	17,4	15,0	11,0
Loans and leased assets to deposits (%)	**120,3**	109,7	71,9	115,7	191,7	171,6
Regulatory capital to risk-weighted assets	**16,2**	21,9	12,8	12,5	27,7	114,8
Financial leverage (times)	**2,9**	3,6	2,6	2,6	1,7	1,6
Net stable funding ratio	**137,0**					
Liquidity coverage ratio	**193,0**					
Statistical information						
Number of employees	**1 058**	997	699	550	478	464
Number of branches	**90**	88	79	65	61	55
Income per employee (R'000)	**814**	713	660	616	568	478
Expense per employee (R'000)	**434**	452	389	374	365	356
Profit before taxation per employee (R'000)	**378**	256	268	227	183	119
Market indicators						
Exchange rates at June 30						
USD	**6,79**	7,67	7,71	7,85	7,04	7,14
GBP	**10,87**	11,48	12,75	15,66	14,12	13,17
EURO	**9,82**	9,39	10,86	12,38	9,51	9,11
Average exchange rates						
USD	**7,01**	7,59	9,04	7,30	7,22	6,43
GBP	**11,14**	12,03	14,42	14,64	13,95	11,44
EURO	**9,55**	10,57	12,32	10,76	9,41	7,82
Average prime overdraft rate (%)	**9,30**	10,38	14,17	14,29	12,17	11,00

Sustainability report

Key challenges

- Challenging trading conditions in a strong rand and low interest rate environment
- Continued focus on reduction in crime losses
- Succession planning
- Staff training and development
- Improved efficiency, productivity and the elimination of expense waste
- Meeting or exceeding anticipated customer expectations
- Attracting and retaining senior historically disadvantaged individuals

Statistical information

	2011	2010
Operating income (R'ooo)	**848 070**	484 824
Profit before direct taxation (R'ooo)	**388 826**	146 857
BEE procurement (R'ooo)	**711 723**	183 410
Training spend (R'ooo)	**16 401**	14 639
Training spend per employee	**15 502**	14 683
Number of employees trained	**1 058**	997

1. Corporate governance

1.1. Introduction

The Bank is indirectly a wholly-owned subsidiary of The Bidvest Group Limited. The Bank is committed to:

- The diversification of revenue streams without losing focus on its core product offering, being foreign exchange;
- The retention and growth of its extensive customer base;
- The management of the risks associated with banking; and
- The fulfilment of its environmental, health and safety and socio-economic obligations.

1.2 Corporate style, values and ethics

Values and ethics

The Bank is committed to the conduct of its business in accordance with the highest ethical standards, as expressed in its Code of Ethics. The Bank requires all employees to confirm annually that they understand and adhere to the Code of Ethics and to report any instances of non-compliance. A report is submitted to the Audit Committee and to the Board in this regard.

Bank policies and procedures, including the anti-fraud, zero tolerance and anti-money laundering policies, are designed to guide employees in the conduct of business in the furtherance of our goals of integrity, fairness and compliance with the regulatory environment. The Board is satisfied that ethical standards are adhered to in the Bank's operations, and that the ethics programme is effective; if this were not the case, the Board would require management to take immediate action to rectify the situation.

Corporate governance

The Board of Directors ("the Board") recognises the importance of the principles of good corporate governance, and conducts itself in accordance with the Bank's statutes, the Banks Act, the Companies Act, the King Report and Code on Corporate Governance for South Africa ("King III") and its own code of conduct. The Board endorses the Code of Ethics, and its commitment to integrity, confidentiality, compliance with all applicable legislation, and employment equity. The Board's objectives are the development and sustainable growth of the Bank's business in accordance with applicable regulatory requirements, for the benefit of all stakeholders. The achievement of these objectives is dependent on the adherence to good corporate governance throughout the organisation.

King III

The guidelines set out in King III, embodying international best practice, are endorsed by the Board, and will be implemented in the Bank, to the extent that they are appropriate, given the Bank's status as a wholly-owned subsidiary of a JSE-listed company, The Bidvest Group Limited.

2. The Board of directors

2.1 Board composition

At June 30 2011 the Board was composed of two executive and eight non-executive directors. The Board met five times during the year.

2.2 Board Committees

The following Bidvest Bank Holdings Limited sub-committees continue to review the activities of the Bank in accordance with such Committees' terms of reference. The Committees are:

- Audit
- Corporate Governance (formerly Directors' Affairs), incorporating the Remuneration and Nominations Committees
- Risk and Capital Management

A Strategic Development Committee was established during the year, composed of three senior executives and two non-executive directors, to examine business opportunities, and to advise the Board on the Bank's strategic direction.

2 . The Board of directors (continued)

2.3 Meeting attendance

Detail of the attendance by directors at Board and Board sub-committee meetings is set out in the schedule below.

Committee Attendance

	Board	Audit	Risk and Capital Management	Remuneration	Directors' Affairs	Strategic Development
Number of meetings	5	4	4	2	2	1
Mrs LT de Waal – Financial Director #	4	4i	4i		1i	1
Mr E K Diack*@ (Appointed May 23 2011)	1i		1i			
Mr L I Jacobs*	4				2	
Mr B Joffe*	5					
Mr P Nyman*	4	4	4	2	1i	1
Mr J L Pamensky*@	5 Chairman (until May 2011)	4i	1i	2 Chairman (until May 2011)	2 Chairman (until May 2011)	
Mr N G Payne* @	4 (Chairman from May 2011)	4 Chairman	4 Chairman	1 (Chairman from May 2011)	1 (Chairman from May 2011)	1 Chairman
Mr J H Postmus* @ (Retired June 30 2011)	5	4	4		2	
Mr A C Salomon – Managing Director #	5	4i	4i	2i	2i	1
Mr R G H Smith* @ (Retired June 30 2011)	5	4	3		1	

*	Non-Executive director	#	Executive director
@	Independent	i	Attendance by invitation

2.4 Bidvest Bank Holdings sub-committee composition and terms of reference

The following Bidvest Bank Holdings Limited sub-committees continue to review the activities of the Bank in accordance with such committees' terms of reference.

Audit Committee is composed of four non-executive directors. The function of the Committee is, inter alia, to monitor the financial, operational and management reporting processes, to evaluate the adequacy and effectiveness of internal controls, accounting practices and processes, and information systems. The Board is satisfied that the Committee has met its responsibilities under its terms of reference.

Corporate Governance (formerly Directors' Affairs) **Committee** is composed of five non-executive directors, and chaired by the Board chairman. The Committee's remit is to assist the Board to maintain and enhance the process of corporate governance in the Bank. The Committee will in future also undertake the functions of the Remuneration and Nominations Committees, including the appointment, induction and training of directors, and succession planning of the Board and senior management; and the development of remuneration guidelines for executives and senior management.

Risk and Capital Management Committee is composed of four non-executive directors. The Committee's function is principally to review and monitor the risk management strategy and policy, and to co-ordinate risk and capital management assurance activities.

2.5 Bidvest Bank sub-committee composition and terms of reference

The Asset and Liability Committee (ALCO) is chaired by a non-executive director and is composed of the executive directors, and the Heads: Corporate Governance and Compliance, Treasury, Risk, Card and the chief dealer. The Committee's function is the optimum management of the Bank's assets and commitments in accordance with Board mandates and limits. This includes liquidity and cash flow management, and maintaining a strong and sound balance sheet.

The Credit Committee is chaired by a non-executive director, and is composed of the executive directors, the Heads: Corporate Governance and Compliance, Risk and Credit Management. The Committee's role is the effective management of credit risk within the mandate set out in the credit risk management policy.

The Executive Committee is chaired by the Managing Director and is composed of the heads of departments and divisions, and meets formally monthly, but informally more frequently. Its focus is primarily operational, and the assessment and elimination of risk in the business.

Management is responsible for the implementation of the Board's decisions and for the sustainable development and growth of the business. The Board monitors management's performance and is satisfied that succession plans for senior management are in place.

In addition to the aforementioned sub-committees, Internal Audit, the Compliance function and the Forensic Investigations and Security Department address corporate governance in the Bank.

2.6 Board appointments and succession planning

The identification and appointment of non-executive directors with appropriate banking knowledge and experience remains an important issue for the Board. The term of office of the independent non-executive directors was extended to August 2011. The Bank continues to benefit from their experience, business acumen and critical assessment of the Bank's strategic direction and management's implementation of the Board's objectives.

Mr J L Pamensky retired as chairman in May 2011 and remains a director for a further extended year to August 2012, having served the Bank with distinction for eleven years. He has been succeeded by Mr N G Payne. Mr E K Diack was appointed a non-executive director on May 23 2011, and he chairs the Audit and Risk and Capital Management Committees.

Mr J H Postmus and Mr RGH Smith retired from the Board on June 30 2011, having served the Bank with distinction for eleven years.

2.7 Director induction, training and development programmes

New directors receive an induction pack, an introduction to the business through branch and department visits and interviews with senior management. Ongoing director training is provided, including materials on legislative and regulatory changes applicable to the Bank's operations, and seminars by experts on topical banking and financial matters.

2.8 Directors' independence and performance

The King III definition of director independence is adhered to, and five of the non-executive directors meet the definition.

The directors annually assess the effectiveness of the Board, Board sub-committees, their chairmen and the managing director. The results of the assessments are presented to the Corporate Governance Committee. Individual director appraisal is the responsibility of the Board chairman.

The directors are aware of the standard of directors' conduct set out in the Companies Act 2008.

3. Risk Management

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board sub-committees are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board sub-committees report regularly to the Board on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in strategy, products and services offered. The Bank, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board is satisfied that the risk management system and process for identifying, evaluating and managing significant risks is effective, and operated throughout the period of this report, providing reasonable assurance. The Board is further satisfied that the processes will identify and enable it to take adequate action against any undue, unexpected or unusual risks. In the year under review no such risks were identified.

A documented and regularly tested business continuity plan exists to ensure continuity of business-critical activities.

4. Compliance

Regulatory risk management is an independent core risk management function overseen by the Compliance Officer. The Compliance Officer reports administratively to both the Managing Director of the Bank and the Head of Risk, Governance and Compliance and directly to the Risk and Capital Management Committee. A new Compliance Officer was appointed with effect from April 1 2011 and will engage with the Bank Supervision Department of the South African Reserve Bank on a regular basis.

The Bank's compliance framework is based on the principles of effective compliance risk management stated in the Banks Act, 1990, as amended and the Compliance Risk Management Process as recommended by the Compliance Institute of South Africa.

Regulatory risk profiles have been developed which assist in the identification of regulatory risk in each area of the Bank. Regulatory risk management plans have been prepared which outline the processes, procedures and controls currently in place to address adherence to regulatory requirements. An audit tool is used to conduct monitoring and information is provided to senior management to assist in addressing areas of non-compliance.

The compliance function, though independent, interacts with the business in order to promote a compliant culture within the Bank and facilitates effective training to create awareness of regulatory requirements and embed them into standard business practice.

Information derived from compliance monitoring is provided to management at all levels within the Bank and also to the Risk and Capital Management Committee.

The compliance function is also responsible for assessing new legislation as it is enacted appropriately to identify new regulatory risks. A similar process is undertaken for new products prior to launching to ensure that the Bank is compliant with existing legislation.

With recent additions to the Bank, the compliance function has also included more stringent monitoring mechanisms for the review of environmental and health and safety legislation in the interest of its employees, and other stakeholders, and to ensure that it meets its responsibilities as a good corporate citizen.

4.1 Regulatory compliance

The Bank is ultimately governed by the Banks Act 1990 (as amended) and the Regulations relating to banks, which is based on the requirements of the Basel II framework. Basel II, as issued by the Basel Committee on Banking Supervision, sets out international best practices for risk and capital management and was implemented in January 2008.

Within this regulatory environment, the Bank is required to hold adequate capital against its assets to safeguard its solvency and overall economic stability. The Basel II Accord is based on three pillars namely, minimum capital requirements, supervisory review and market discipline. The Bank's primary regulator remains the Bank Supervision Department of the South African Reserve Bank. The Bank maintains a strong relationship with the Regulator, and communication and transparency are regarded as key factors in this relationship.

The Bank continuously monitors new developments within the regulatory environment. One of the latest developments in banking regulation is the new global regulatory standard on bank capital adequacy and liquidity as set out in Basel III. Basel III will impact the global banking environment extensively, and was developed in response to the deficiencies in financial regulation revealed by the global financial crises which started in 2007. It is regarded as an enhancement of the current Basel II Accord and proposes to strengthen global capital and liquidity regulations in order to promote a more resilient banking sector. Basel III will require banks to hold more capital and higher quality capital than currently required under Basel II. It also introduces leverage and liquidity standards to strengthen regulation which will improve the banking sector's ability to absorb shocks arising from financial and economic stress. Basel III will require banks to comply with the new Liquidity Coverage Ratio by January 2015, and the Net Stable Funding Ratio by January 2018.

4.1 Regulatory compliance (continued)

The Bank views these new requirements as an improvement in the financial regulatory environment as it will promote a more resilient banking sector. Although the South African Reserve Bank has not finalised or published the Basel III regulatory limits specific to South Africa, Bidvest Bank Ltd is well capitalised and liquid and currently complies with the requirements of Basel II and the Basel III international framework for liquidity risk measurement, standards and monitoring as published by the Basel Committee on Banking Supervision in December 2010 which includes the Liquidity Coverage Ratio and the Net Stable Funding Ratio.

The Bank continuously strives to improve its regulatory processes and regulatory awareness by ensuring ongoing upgrading and improvement of the Bank's internal governance structures, risk management systems, business models, capital strategies and disclosure standards through the compliance with the Basel frameworks and all other applicable laws, regulations and codes.

4.2 Compliance governance

The Bank strives to promote a strong culture of good compliance governance throughout the organisation. Adherence to applicable legislation and regulations is ensured through the documentation of all legal requirements in internal policies published on the intranet and updated annually. Employees receive regular training on all policies and procedures relevant to their roles and responsibilities. Line management is responsible for ensuring compliance by employees with laws, regulations, policies and procedures. Such compliance is monitored by the Compliance, Internal Audit and Forensic Investigations and Security departments. All instances of non-compliance are reported and the appropriate corrective and disciplinary action taken.

4.3 Key compliance focus areas

Following the acquisition of the leasing business in June 2010, the Compliance team has been significantly expanded. A new Head of Compliance was appointed, who has implemented a new compliance management methodology following best practice as recommended by the Compliance Institute of South Africa.

Ensuring compliance with the Financial Intelligence Centre Act; Exchange Control Rulings and Regulations; and The Banks Act, remain strong focal points for the compliance function. Collaboration with Internal Audit, Forensic Investigations and Security department and Operational Risk, remains ongoing, in order to ensure optimal coverage.
IT Governance has also enjoyed strong focus with the appointment of a dedicated IT Compliance manager. A gap analysis against the requirements of King III has been performed and Compliance is working with the Information Technology Division and executive management to implement the necessary changes to structures, systems and processes.

4.4 Regulatory developments

The promulgation of the Protection of Personal Information Act (POPI) is awaited. The Bank has the necessary resources to ensure the Bank's compliance with legislation impacting on its information technology systems.

New draft regulations in terms of the Banks Act have been published. The requirements have been communicated to executive management.

5. Forensic Investigations and Security Department

Security

The department is responsible for the prevention and investigation of all unlawful activity against the Bank, either by third parties, or Bank employees, and this includes any money laundering activity. The head of the department is the Bank's money laundering control officer. The department conducted 1156 surprise cash counts from July 2010 to June 2011 and found only R8,813 in differences in a total of R78,416,619 counted. Limits are checked weekly. During the period 61 branch inspections were conducted to assess branch physical security, and adherence to security operating procedures.

Security visits for new or revamped branches are conducted, to ensure that the security features purchased have been installed and are working correctly. All security programmes are continuously updated and enhanced to suit the Bank's requirements.

The 24/7 card fraud monitoring division was opened in April 2010. From July 2011 this division will not only be monitoring card fraud but will now include transactional monitoring and is composed of eight employees. On average the department handles 6 908 exception reports per month and has direct contact with 302 customers regarding their transactions. This is expected to double due to the new rules pertaining to transactional monitoring. Card fraud in South Africa is on the increase and it is anticipated that the Bank will be affected by this increase.

The Bank has implemented a vehicle tracking system to enhance the security of Bank vehicles. Included in this tracking system is a rule affecting any Bank car driven between 11pm and 6am which was implemented for the safety of Bank employees.

The Bank has implemented an on-site and off-site camera monitoring system at the Leasing Division in Elandsfontein.

Anti-Money laundering

The Bank has a number of control measures aimed at facilitating the detection and investigation of money laundering. These measures include a risk-based approach to customer identification, enhanced due diligence and the treatment of politically exposed persons.

Branch visits are conducted to ensure that employees comply with the Financial Intelligence Centre Act and other regulatory provisions. Bank systems have been upgraded to comply with threshold reporting and suspicious transactional reporting obligations for each business unit.

Ongoing employee training and workshops on the requirements of applicable legislation are conducted, and the department, Compliance and Internal Audit conduct branch inspections to assess the level of compliance.

6. Going concern

The directors confirm that the Bank has adequate resources available to continue in operational existence for the foreseeable future, and for this reason they adopt the going concern basis in the preparation of the financial statements. On June 1 2010 the Bank acquired an asset-based finance business asset financing business. The business has been successfully integrated into the Bank, is subject to all Bank controls and policies, and has made a significant contribution to the performance of the Bank in the 2011 year.

7. Information technology

The Bank has made substantial investment in Information Technology during the year in the form of technical skills, infrastructure and systems. Disaster recovery has been enhanced and successfully tested during the year.

8. Employee relations

8.1 Remuneration

Remuneration of employees is based on regular performance reviews and is informed by industry guidelines and prevailing market conditions. Executive directors' employment contracts do not contain unusual leave or other benefit provisions, and are terminable on reasonable notice. Directors and senior management's remuneration are approved by the Corporate Governance Committee. The Bank does not offer a share incentive scheme but executives participate in the share incentive scheme of The Bidvest Group Limited.

8.2 Staff development and retention

Training and development is ongoing, and the Bank offers bursaries to employees. In addition every year the Bank conducts learnership programmes to train candidates from previously disadvantaged communities for employment in the Bank or in the industry. Assessment and coaching is provided for all senior and management staff.

The Executive Team at Bidvest Bank introduced an Executive Development Programme for staff at the Bank. The duration of Executive Development Programme is six months comprising of lectures, business simulations and practical exercises. All 21 participating employees have university degrees and have committed ongoing employment with the Bank as a return on the training investment by the Bank.

8.3 Employee wellbeing

The Bank provides a 24 hour confidential support service through ICAS (Independent Counselling and Advisory Services Organisation) to employees and their immediate families to assist them to deal with personal problems which impact on their personal and work lives. In addition, the Bank subscribes to on-line health and wellness programmes for employees and their families. The online e-Care service provides valuable interactive information on nutrition, medical conditions, drug related issues and tests procedures.

The Bank provides a crèche for children of employees during the December holiday season.

8.4 Talent management

The Bank is committed to employee development and retention. At the end of June 2011 the Bank had 1 058 employees, and its employee turnover rate (resignations, retrenchments, dismissals and death) was 22,62%. The resignation rate was 14,65%.

8.5 Health and safety

No incidents were reported during the 2011 financial year. The Bank complies with the health and safety requirements of the Occupation Health and Safety Act.

8.6 HIV/AIDS

There were no incidents of HIV or AIDS-related illness during the financial year. Affected employees are eligible for assistance from the Bank's medical aid society.

8.7 Environment

The Bank makes use of recycling initiatives to ensure that its waste paper is disposed of in an environmentally acceptable manner.

9. Transformation

Bidvest Bank Limited achieved a Level 3 B-BBEE rating from Empowerdex verification agency.

9.1 Enterprise development

The Bank spent R14 million (2010: R5 million) on enterprise development during the year. This initiative related to the Western Cape Primary Science Programme Trust, SMMT Kagiso Trust and other initiatives.

9.2 Preferential procurement

The Bank's Broad-Based Black Economic Empowerment spend amounted to R711 million.

9.3 Skills development

The Bank submitted its skills plan and workplace skills report to the Bank Seta during the year, and R975,675 (2010: R722,094) was received from the Bank Seta for the 2010/11 year.

9.4 Learnerships

A total of 7 learners from previously disadvantaged communities participated in a Bank learnership programme. Total spend on learnerships was R157 598.

9.5 Bursaries

Bursaries were granted to permanent employees totalling R496,159 (2010: R288,734).

9.6 Employment equity

The employment equity report is submitted to the Department of Labour on an annual basis by October. The Bank complies with Employment Equity Regulations.

The Bank has excellent black representation across junior management levels, providing a pool of advancement candidates.

Demographic breakdown of staff complement:

Black males	238	22,5%
Black females	435	41,1%
White males	159	15,0%
White females	226	21,4%
Total	1 058	100,0%

9.7 Social economic development

The Bank acknowledges its place in the community and every year the Bank donates funds to worthy causes. The Bank spent R2 million (2010: R1 million) in the current year on social economic development. In addition employees perform charity work in their own time.

10. Direct exchanges with government

	2011 R'000	2010 R'000
Employees tax	**34 519**	27 414
Value Added Tax	**43 187**	7 077
Rates and taxes	**1 341**	918
Licences	**12 369**	1 312
Skills development levies	**1 952**	1 373
Unemployment insurance fund	**2 113**	1 449
Workman's compensation	**292**	151
Income taxation	**110 074**	70 187
	205 847	109 881

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the Bank financial statements, comprising the directors' report, consolidated statement of financial position at June 30 2011, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes 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 control relevant to the preparation and fair presentation of these Bank 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 Bank's ability to continue as a going concern and there is no reason to believe that the business will not be a going concern in the year ahead.

The independent auditors are responsible for reporting on whether the Bank financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The Bank financial statements were approved by the Board of directors on August 23 2011 and signed on its behalf by :

A C SALOMON
Managing Director

L T DE WAAL
Financial Director

Report of the Audit Committee to the members of Bidvest Bank Limited

The Committee is composed of four non-executive directors, two of whom are independent non-executive directors. The work of the Committee is specified by its charter, and the provisions of the Banks Act, 1990. The Committee is specifically tasked with the review of the activities of Bidvest Bank Limited ("the Bank"). The Committee reviewed the Bank financial statements, and assessed whether these accurately represented the financial position of the Bank. The Committee assessed the directors' opinion that the Bank has adequate resources available to continue in operational existence for the foreseeable future, and the directors' decision to adopt the going concern basis in the preparation of the consolidated financial statements. The Committee further reviewed the Bank's accounting policies, and the reports of the internal and external audit functions, and of the compliance officer. The Committee reviewed the activities of the Bank's Credit Committee. The Audit Committee met quarterly, and the chairman of the Committee reported on the work of the Committee to the Board. The Committee is satisfied that it has discharged all its responsibilities.

The Committee reviewed the work of the external auditors, Deloitte & Touche, including the audit plan and budget, and recommended to the Board and shareholders the appointment of the auditors.

E K DIACK
Chairman

To the members of Bidvest Bank Limited

We have audited the group annual financial statements of Bidvest Bank Limited, which comprise the consolidated statement of financial position as at June 30 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 21 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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the 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 judgement, including the assessment of the risks of 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 financial position of Bidvest Bank Limited as at June 30 2011, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche.

Deloitte & Touche
W Klaassen
Partner
Registered Auditor
September 16 2011

Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
2052

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Risk Advisory NB Kader Tax & legal Services L Geeringh Consulting L Bam Corporate Finance JK Mazzocco Human Resources CR Beukman Finance TJ Brown Clients NT Mtoba Chairman of the Board MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor/AAA (certified by Empowerdex)

General information

Bidvest Bank Limited ("the Bank") is a wholly owned subsidiary of Bidvest Bank Holdings Limited. The Bank's ultimate holding company is The Bidvest Group Limited ("Bidvest") which is listed on the JSE South Africa. The Bank and its subsidiaries, Viamax (Pty) Ltd, Viamax Fleet Solutions (Pty) Ltd, Bidvest Capital (Pty) Ltd and McCarthy Retail Finance (Pty) Ltd, ("the Group") are incorporated and domiciled in South Africa.

Nature of business

The Bank is a registered commercial bank. All the subsidiaries of the Bank are in the business of full maintenance leasing and asset financing.

Financial results

The financial results are set out in the financial statements and accompanying notes for the year ended June 30 2011. With effect from June 1 2010 the Bank acquired its asset-based financing division.

Share capital

Details of the authorised and issued share capital appear in note 19 of the financial statements.

Interest of directors and officers

No contracts were entered into in which directors or officers of the Bank had an interest and which significantly affected the business of the Bank. The emoluments and services of executives are determined by the Remuneration Committee. No long term service contracts exist between executive directors and the Bank. Transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

Directorate

During the financial year end up to the date of this report, the board consisted of the following members:

Executive directors

Alan Salomon
CA(SA), BSc (London) (with honours)

Managing Director appointed June 6 2006

Alan is a director of Bidvest. Alan has 32 years' experience in the fields of manufacturing, distribution and treasury management. Alan is a member of the Asset and Liability Committee, the Credit Committee and chairman of the Executive Committee.

Lydia de Waal
(CA)SA

Financial Director appointed March 30 2005

Lydia has 11 years' banking experience. Lydia is a member of the Asset and Liability Committee, the Credit Committee and Executive Committee.

Non-executive directors

Joseph Pamensky
CA(SA), OMSG

Appointed May 16 2000

Joseph is a non-executive director of Bidvest with over 53 years' experience in the financial, insurance and banking industries and the recipient of a number of business and public awards. He serves as a non-executive director on the Boards of public and private companies, both locally and internationally, and is a member of a number of Audit and Remuneration Committees. Joseph was formerly a director of ABSA Group Limited. Joseph was the chairman of the Board from May 16 2000 to May 23 2011.

Brian Joffe
CA(SA)

Appointed May 16 2000

Brian is the chief executive of Bidvest. Brian has over 33 years of South African and international commercial experience. He was one of the Sunday Times top five businessmen in 1992 and is a past recipient of the Jewish Business Achiever of the Year award. Brian was voted South Africa's Top Manager of the Year in 2002 in the Corporate Research Foundation's publication "South Africa's Leading Managers" and represented South Africa at the coveted "Ernst & Young World Entrepreneur of the Year" award in 2003. Awarded an honorary doctorate in May 2008 by Unisa.

Peter Nyman
CA(SA), HDip Tax Law, CMA

Appointed February 16 2001

Peter is the chairman of the Asset and Liability Committee and the Credit Committee and a member of the Audit Committee, Risk and Capital Management Committee, and Corporate Governance Committees. He is the chairman of the trustees of the Bidcorp Group Pension Fund, Bidcorp Group Provident Fund and the Quantum Medical Aid Society. Peter has extensive local and international financial experience in a diverse range of industries specialising in tax. Peter is the chairman of McSure Limited and McLife Assurance Company Limited.

Guy Smith
CA(SA)

Appointed May 16 2000
(Retired June 30 2011)

Guy is a former senior partner of KPMG Inc. Guy is a member of the Audit Committee and Risk and Capital Management Committee as well as a member of the Directors' Affairs Committee.

John Postmus
BCom

Appointed February 16 2001
(Retired June 30 2011)

John is a former General Manager: Exchange Control of the South African Reserve Bank. John is a member of the Audit, Directors' Affairs and Risk and Capital Management Committees.

Lionel Jacobs
BCom, MBA

Appointed May 16 2000

Director of numerous Bidvest subsidiaries, Bassap Investments (Pty) Limited and Dinatla Investment Holdings (Pty) Limited. Lionel is an entrepreneur with extensive negotiating and investment skills and established Bassap Investments (Pty) Limited, a core shareholder in the Dinatla consortium, to further his commitment to the principles of black economic empowerment. Lionel is a member of the Directors' Affairs Committee.

Nigel Payne
BCom (Hons), CA(SA), MBL

Appointed August 1 2009 – Appointed chairman of the Board May 23 2011

Nigel is a director of a number of listed companies, including Bidvest, JSE Limited, Mr Price Group Limited, BSi Steel Limited. He is a leading authority on corporate governance and risk management and is a member of the King Committee. Nigel was the chairman of the Audit Committee and Risk and Capital Management Committee and was appointed chairman of the Board on May 23 2011.

Eric Diack
BAcc (CA)SA, AMP (Harvard), AMP (UCT)

Appointed May 23 2011

Eric is a chartered accountant and was formerly the CEO of Anglo American Ferrous and Industries Division. He is currently a non-executive director of Adcock Ingram and chairman of the Audit Committee. He has previously been a director of numerous major listed and unlisted companies. He was appointed chairman of the Audit Committee and Risk and Capital Management Committee on May 23 2011.

Distribution of dividends

No dividends were declared during the current or prior financial year.

Company secretary and registered office

D J Crawley

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Registration Number 2000/006478/06

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Website
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Auditors
Deloitte & Touche were the appointed auditors during the year.

Events after the reporting date
There was an issue of shares for cash of R90 million on September 1 2011 and part of the funds were utilised to repay R82,3 million of the intergroup loan from The Bidvest Group Limited (refer note 21).

Certificate from the Company Secretary
In terms of section 88(2)(e) of the Companies Act, 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the Bank has lodged with the Registrar of Companies, for the financial year ended June 30 2011, 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.

D J CRAWLEY
Company Secretary
August 23 2011

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the year ended June 30	Notes	2011 R'000	Restated 2010 R'000
Net interest income	6.1	**19 122**	52 366
Interest income		**93 523**	97 751
Interest expense		**(74 401)**	(45 385)
Net fee and commission income		**144 941**	153 815
Fee and commission income		**199 582**	200 492
Fee and commission expense		**(54 641)**	(46 677)
Net income from leasing activities		**419 016**	25 798
Leasing income	6.2	**945 327**	77 521
Depreciation		**(288 100)**	(44 021)
Other costs		**(238 211)**	(7 702)
Net trading income		**262 172**	245 822
Other income	6.3	**2 819**	7 023
Operating income		**848 070**	484 824
Net credit impairment charges	13.2	**(2 239)**	(1 402)
Operating income after credit impairment charges		**845 831**	483 422
Operating expenditure		**(445 758)**	(326 349)
Employment costs	7	**(210 794)**	(134 427)
Operating leases	8.1	**(66 915)**	(46 998)
Risk control		**(27 041)**	(31 976)
Computing costs		**(23 746)**	(20 737)
Depreciation and amortisation		**(31 309)**	(22 422)
Other operating expenditure	8.2	**(85 953)**	(69 789)
Operating income before indirect taxation		**400 073**	157 073
Indirect taxation	9.1	**(11 247)**	(10 216)
Profit before direct taxation		**388 826**	146 857
Direct taxation	9.2	**(105 309)**	(38 536)
Profit for the year		**283 517**	108 321
Other comprehensive income, net of income tax			
Fair value reserve through equity on available for sale assets		**(1 729)**	1 651
Total comprehensive income for the year attributable to equity holder of the Company		**281 788**	109 972

Consolidated statement of cash flows

Consolidated statement of cash flows for the year ended June 30	Notes	2011 R'000	Restated 2010 R'000
Cash flows from operating activities			
Cash generated by operations before interest	10.1	**702 298**	666 388
Net interest income		**19 122**	52 366
Interest received		**93 523**	97 751
Interest paid		**(74 401)**	(45 385)
Cash generated by operations after interest		**721 420**	718 754
Taxation paid	10.2	**(110 074)**	(70 187)
Net cash flows from operating activities		**611 346**	648 567
Cash flows from investing activities		**(416 104)**	(939 835)
Proceeds on disposal of equipment and leased assets		**209 006**	22 797
Dividends received		**1 581**	1 731
Acquisition of leased assets		**(544 755)**	(183 778)
Acquisition of equipment		**(45 537)**	(33 616)
Acquisition of intangible assets		**(10 984)**	(8 010)
Disposal of investment securities	10.3	**4 667**	4 365
Acquisition of investment securities	10.3	**(30 082)**	-
Business acquisition	10.4	**-**	(743 324)
Cash flows from financing activities		**(243 488)**	514 476
Proceeds from share issues		**-**	270 000
Decrease/increase in intergroup loans		**(243 488)**	244 476
Net decrease/increase in cash and cash equivalents		**(48 246)**	223 208
Cash and cash equivalents at beginning of year		**975 582**	752 374
Cash and cash equivalents at end of year	10.5	**927 336**	975 582

Consolidated statement of financial position

Consolidated statement of financial position at June 30	Notes	2011 R'000	Restated 2010 R'000
Assets			
Cash and balances with banks	11	**927 336**	975 582
Derivative financial assets	12	**17 831**	28 123
Loans and advances	13	**680 246**	548 169
Leased assets	14	**1 702 077**	1 640 712
Investment securities	15	**82 714**	59 028
Other assets	16	**95 373**	96 288
Equipment	17	**81 582**	66 276
Intangible assets	18	**31 535**	30 046
Deferred taxation	24	**-**	8 030
Current taxation		**-**	2 980
Total assets		**3 618 694**	3 455 234
Equity and liabilities			
Equity		**1 235 251**	952 858
Share capital	19	**1 980**	1 980
Share premium	20	**435 799**	435 799
Retained earnings		**798 014**	513 892
Fair value reserve		**(542)**	1 187
Liabilities		**2 383 443**	2 502 376
Intergroup loans	21	**619 548**	863 036
Derivative financial liabilities	12	**13 376**	17 872
Deposits	22	**1 360 381**	1 178 110
Other liabilities	23	**235 105**	242 708
Deferred taxation	24	**112 461**	103 150
Current taxation		**42 372**	97 062
Defined benefit liability		**200**	438
Total equity and liabilities		**3 618 694**	3 455 234

Consolidated statement of changes in equity

Consolidated statement of changes in equity for the year ended June 30	2011 R'000	Restated 2010 R'000
Share capital	**1 980**	1 980
Opening balance at July 1	**1 800**	1 800
Transactions with owners		
- issue of shares	**180**	180
Share premium	**435 799**	435 799
Opening balance at July 1	**435 799**	165 979
Transactions with owners		
- issue of shares	**-**	269 820
Fair value reserve	**(542)**	1 187
Opening balance at July 1	**1 187**	(464)
Items recognised directly in equity		
- fair value adjustment on investment	**(1 729)**	2 236
- deferred tax effect on fair value adjustment	**-**	(585)
Retained earnings	**798 014**	513 892
Opening balance at July 1	**513 892**	437 668
Profit for the year	**283 517**	108 321
Premium on the acquisition of subsidiary	**-**	(32 400)
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Share based payment transactions	**605**	303
Closing balance at June 30	**1 235 251**	952 858
Total equity		
Opening balance at July 1	**952 858**	604 983
Transactions with owners	**605**	270 303
- issue of shares	**-**	270 000
- share based payments	**605**	303
Total comprehensive income	**281 788**	77 572
Items recognised directly in equity	**(1 729)**	(30 749)
Profit for the year	**283 517**	108 321
Closing balance at June 30	**1 235 251**	952 858

1 Reporting entity

Bidvest Bank Limited and its subsidiaries ("the Bank") are domiciled in South Africa.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the preparation of the financial statements for the year ended June 30 2010. The Group, has, however, adopted the following new and modified standards and interpretations, in response to changes to IFRS: IAS 39 (revised) – *Financial instruments: Recognition and Measurement*, IAS 24 (revised) – *Related Party Disclosure*, IAS 32 (revised) – *Financial Instruments: Presentation*, IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, and IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*.

The adoption of the new and modified standards and interpretations has had no impact on the Group's results.

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- financial instruments at fair value through profit or loss.
- financial assets classified as available-for-sale.

2.3 Functional currency

The financial statements are presented in South African rand ("rand"), which is the Bank's functional currency. All financial information presented has been rounded to the nearest thousand.

2.4 Basis of consolidation

Subsidiaries

Subsidiary undertakings are those entities that are controlled by the Bank. The Bank financial statements include the assets, liabilities and results of the Bank plus subsidiaries, controlled by the Bank from the date of acquisition until the date the Bank ceases to control the subsidiary.

Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Bank owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, unless, in exceptional circumstances, it can clearly be demonstrated that such ownership does not constitute control.

The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are taken into account when assessing whether the Bank has control.

Intragroup balances, transaction, income and expenses, and profits and losses are eliminated in preparation of the Bank financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Refer to note 28 for key assumptions made. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Acquisitions from entities under common control

Business combinations arising from the acquisition of entities that are under the control of the shareholder that controls the Bank are accounted for at the date transfers of interests were established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Bank controlling shareholder's consolidated financial statements. Goodwill and intangible assets that forms part of the carrying amount that was recognised previously in the Bank controlling shareholder's consolidated financial statements are also recognised. Any excess of the purchase consideration over the net asset value obtained is recognised in equity as a notional distribution to owners and presented in the common control reserve. If the net asset value exceeds the consideration, the credit is recognised in equity as a capital contribution and presented in the common control reserve.

3.2 Foreign currency

Foreign currency transactions

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to rand at foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency transactions are translated at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the statement of financial position date. Gains and losses arising on translation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised directly in other comprehensive income.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash and balances with central banks, short term highly liquid investments with maturities of three months or less when purchased and call deposits placed at other banking institutions. Bank overdrafts that are repayable on demand and form an integral part of the Bank's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Where legal right of setoff can be applied and the intention exists to settle on a net basis, bank balances have been shown net of overdraft.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.4 Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities. All financial instruments are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. All financial instruments are initially measured at fair value, plus, in the case of financial assets or liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent measurement

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

Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method less any impairment losses.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances are measured at amortised cost using the effective interest method, less any impairment losses.

Origination transaction costs and fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate.

Fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Derivative financial instruments

The Bank holds derivative financial instruments to hedge its foreign currency exposures.

Derivative financial instruments (continued)

Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

Available-for-sale financial assets

Available for sale financial assets are non-derivative investments that do not fall into another category of financial assets and are recognised in this category. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Other fair value changes are recognised directly in other comprehensive income until the investment is derecognised or impaired and the balance in equity is reclassified to profit or loss.

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method or comparison to similar instruments for which market observable prices exist.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Deposits

Deposits are initially measured at fair value plus transaction costs and subsequently at their amortised cost using the effective interest method.

Impairment of financial assets

Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative impact on the expected future cash flows of the asset that can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower will enter bankruptcy, the disappearance of an active market for security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or economic conditions.

In assessing collective impairment the Bank uses management's judgement whether current economic and credit conditions are such that losses are likely to occur. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in the impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset.

Available-for-sale financial assets (continued)

In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, the cumulative loss that has been recognised in other comprehensive income, measured as the difference between the acquisition cost (net of any principal repayment or amortisation) and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from equity and is recognised in profit or loss.

If, in subsequent periods, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. An impairment loss in respect of an available-for-sale equity instrument is not reversed through the profit or loss but recognised in other comprehensive income.

Maximum credit risk

Credit risk arises principally from loans and advances to clients, investment securities derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

Collateral

Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral, is not recognised by the Bank, as the Bank does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the Bank takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the Bank's accounting policies are applied from the date of recognition.

Cash collateral is recognised when the Bank receives the cash and is reported as amounts received from depositors.

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

3.5 Financial guarantee contracts

A financial guarantee contract is a contract that requires the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

These financial guarantee contracts are classified as insurance contracts as defined in IFRS 4 Insurance Contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the statement of financial position date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Bank performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liabilities is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Bank discounts all expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made through profit or loss.

3.6 Leased assets

The leased assets are moveable assets rented to customers under operating leases. The leased assets are depreciated over the shortest period of the lease or the useful life of the asset. The maintenance costs are borne by the Bank and are expensed as they are incurred.

The fair value of leased assets is assessed bi-annually against the historical realisable value on sale of assets at end of term.

3.7 Equipment

Equipment, furniture, motor vehicles and other tangible assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of equipment.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Bank and the cost of the item can be measured reliably. Maintenance and repairs, which do not meet these criteria, are recognised in profit or loss as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are recognised in profit or loss.

Items of equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to the current values of their expected residual values. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date and the depreciation method is reviewed annually and adjusted if appropriate.

The estimated useful lives of equipment for the current and comparative financial year are as follows:

- computer equipment	3-5 years
- motor vehicles	5 years
- office equipment	4-10 years
- furniture and fittings	3-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the differences between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

There has been no change to useful lives from those applied in the previous financial year.

3.8 Intangible assets

Goodwill

The goodwill relates to the acquisition by the Bank of certain businesses from the Bidvest Group Limited in prior periods. The goodwill recognised is the proportionate carrying amount that was recognised previously in the Bank controlling shareholder's consolidated financial statements that related to these businesses.

Computer software

Computer software that is acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Development costs

Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, cost can be measured reliably, future economic benefits are probable and the Bank has sufficient resources to complete development. The expenditure capitalised includes all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date or whenever there is an indication that they are impaired. Other intangible assets are amortised from the date they are available for use. The estimated useful lives of the current and prior years are as follows:

- computer software	2-10 years
- development costs	3 years

3.9 Maintenance contracts

The Group provides for its future maintenance obligations attributable to revenue that has aleady been earned in terms of maintenance contracts for leased assets.

3.10 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12 Leases

Bank as lessee

Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Bank as lessor

Lease and instalment sale contracts are primarily financing transactions, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances on the statement of financial position.

Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return.

Leases of assets under which the Bank effectively retains all the risks and benefits of ownership are classified as operating leases. Rentals received under operating leases, are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

3.13 Deposits, intergroup loans and trade payables

Deposits, intergroup loans and trade payables are initially measured at fair value plus transaction cost and subsequently at their amortised cost using the effective interest method.

3.14 Employee benefits

The Bank contributes to a defined contribution pension fund and provident fund for all its employees based on a percentage of pensionable earnings funded by both employer and employees. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due for payment and are included in the operating expenditure note.

Leave benefits due to employees are recognised as a liability in the financial statements. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Bank has an obligation for post-employment medical aid, to past and current employees. For past service, the Bank recognises and provides for the actuarially determined present value of post-employment medical aid employer contributions on an accrual basis using the projected unit credit method. Independent qualified actuaries carry out valuations of these obligations every 3 years. Unrecognised actuarial gains or losses are accounted for over a period not exceeding the remaining working life of active employees.

3.15 Share-based payment transactions

The Bidvest Group Limited share incentive scheme allows Bank employees to acquire shares in the ultimate holding company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using a binomial method taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

3.16 Share capital

Share capital is carried at issued cost.

3.17 Share premium

Share premium is carried net of share issue costs.

3.18 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities at amortised cost on an effective interest basis:
- interest on available-for-sale investment securities on an effective interest basis.

3.19 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

3.20 Net leasing income

Net leasing income comprises revenue and expenses directly attributable to full maintenance leasing activities. Rental income arising on leased assets is accounted for on a straight-line basis over the lease term on ongoing leases.

Profit on sale of assets held for resale is recognised when goods are delivered and title has passed.

3.21 Net trading income

Net trading income comprises gains and losses related to trading assets and liabilities and includes all realised and unrealised foreign exchange differences.

3.22 Other income

Other income comprises investment income, admin fees and profits from the sale of assets.

Dividend income is recognised in profit or loss on the date the Bank's right to receive payment is established.

3.23 Taxation

Normal tax

Income tax expense comprises current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.23 Taxation (continued)

Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Indirect tax

Indirect taxes, including non-recoverable Value Added Tax (VAT) and skills development levies are separately disclosed in the statement of comprehensive income.

3.24 Distributions to shareholders

Distributions to shareholders are accounted for once they have been approved by the Board. Additional income taxes that arise from distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

4. Financial risk management

4.1 Introduction and overview

The Bank has exposure to the following major risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks
- reputational risk

This note presents information about the Bank's exposure to each of the above-mentioned risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Risk and Capital Management Committee, Asset and Liability Committee, and Credit Committee, which are responsible for developing and monitoring the Bank's risk management policies in specified areas. The Risk and Capital Management Committee comprises non-executive directors, and executives attend by invitation. The Asset and Liability Committee and the Credit Committee each have a non-executive chairman and executives as members.

In addition, an Operational Risk Committee comprises executive members from key business areas in the Bank, and reports quarterly to the Risk and Capital Management Committee.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in strategy and products and services offered. The Bank, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Risk and Capital Management Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee assesses the appropriateness of risk-related provisions.

4.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers.

Credit risk is managed within the risk appetite of the Bank. Acceptable credit risk identified in a credit application is mitigated through sufficient underlying security. To enhance the return on funds, and therefore shareholder value, a certain amount of risk has to be taken in the lending activities of the Bank. The risk tolerance of the Bank is, however, low and therefore all credit is mitigated through sound credit principles, and all lending done against appropriate security, except where other factors deem it not necessary to obtain specific security.

The basic principle governing the Bank's lending philosophy is the need for management to satisfy themselves that the business of the borrower has the capacity to deploy its assets in a way that will generate the earnings/cash flows on a sustainable basis to facilitate the repayment of any facilities granted.

4.2 Credit risk (continued)

Management of credit risk

The Bank's Board of Directors is ultimately responsible for the maintenance of effective risk management in the Bank. In discharging its responsibilities, the Board has to play a critical role in overseeing the credit granting and credit risk management functions of the Bank. The Board, as a minimum:

- approves the credit risk management policy and review it at least bi-annually;
- ensures that the Bank operates within sound and well-defined credit-granting criteria;
- ensures the senior management is fully capable of managing credit activities conducted by the Bank;
- ensures through independent inspection and audit adherence to the policy, techniques, controls, procedures and information systems;
- reviews all significant credit exposure of the Bank;
- reviews all significant delinquent credits and management's actions taken or contemplated for their recovery;
- reviews any credit granted in conflict of the written credit risk management policy;
- reviews trends in the quality of, and concentration in the Bank's credit portfolio, to identify emerging problems and take action to deal with the problems;
- ensures that the Bank's remuneration policy is in line with the credit risk strategy and does not reward imprudent activities of credit staff.

The Board has delegated responsibility for the management of credit risk to its Credit Committee, which is chaired by a non-executive director. The role and responsibilities of the Credit Committee, as reported in the Credit Committee Charter, is to support the Board in fulfilling its duties and responsibilities regarding the management of credit risk. Senior management who are members of the Credit Committee have the responsibility of implementing the credit risk strategy approved by the Board and of developing policies and processes for identifying, measuring, monitoring and controlling credit risk. Such policies and processes address credit risk in all of the Bank's credit activities and at both the individual credit and portfolio levels. A separate Credit Department is responsible for oversight of the Bank's credit risk, including:

- *formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- *establishing the authorisation structure for the approval and renewal of credit facilities*. All facilities require approval by the Head of Credit, Credit Committee or the Board of Directors according to authorisation limits;
- *reviewing and assessing credit risk*. The Credit Department assesses all credit exposures prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process;
- *limiting concentration of exposure* to counterparties, geographies, products and industries;
- *reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Credit Committee on the credit quality of portfolios and appropriate corrective action is taken;
- *providing advice, guidance and specialist skills* to business units to promote best practice throughout the Bank in the management of credit risk.

The Bank operates within sound, well-defined credit granting criteria. These criteria include a clear indication of the Bank's target market and a thorough understanding of the borrower or counterparty.

The Bank adopted the standardised approach for the measurement of its exposure to credit risk and applies the requirements of Regulation 23 and 24 of the Regulations relating to Banks to its credit exposures. Information disclosed is consistent with the manner in which the Board of directors and senior management assess and manage risk exposures.

Exposure to credit risk

The following table provides a breakdown of the Bank's assets that are considered for credit risk:

Exposure to credit risk	Gross maximum exposure 2011 R'000	2010 R'000
Loans and advances (excluding banks)		
Individually impaired		
Exceptional credit quality	**-**	-
Good credit quality	**-**	-
Average credit quality	**411**	666
Deteriorated credit quality	**1 631**	1 096
Total	**2 042**	1 762
Specific allowance for impairment	**(1 329)**	(1 127)
Carrying amount	**713**	635
Collectively impaired		
Exceptional credit quality	**34 572**	52 792
Good credit quality	**174 735**	53 851
Average credit quality	**72 624**	104 243
Deteriorated credit quality	**12 977**	4 910
Total	**294 908**	215 796
Portfolio allowance for impairment	**(2 357)**	(3 840)
Carrying amount	**292 551**	211 956
Neither past due nor impaired		
Exceptional credit quality	**259 324**	146 519
Exceptional credit quality (banks)	**30 750**	25 929
Good credit quality	**24 386**	50 740
Average credit quality	**72 235**	33 326
Deteriorated credit quality	**287**	79 064
Total	**386 982**	335 578
Total carrying amount of loans and advances	**680 246**	548 169
Other financial assets		
Exceptional credit quality	**179 220**	239 785
Exceptional credit quality (banks)	**833 242**	809 465
Good credit quality	**110 792**	109 771
Average credit quality	**-**	-
Deteriorated credit quality	**-**	-
Total of other financial assets	**1 123 254**	1 159 021
Non-financial assets as per statement of financial position		
Leased assets	**1 702 077**	1 640 712
Equipment	**81 582**	66 276
Intangible assets	**31 535**	30 046
Deferred taxation	**-**	8 030
Current taxation	**-**	2 980
Total of non-financial assets	**1 815 194**	1 748 044
Total assets	**3 618 694**	3 455 234

4.2 Credit risk (continued)

Exposure to credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset including derivatives in the statement of financial position. Instalment sales and finance lease agreements have been included in the above credit risk analysis.

Where a company has a rating issued by a recognised rating agency, that rating has been applied. If not, an internal risk-based rating process has been applied. In the latter case, the Bank determines the financial condition of a borrower by calculating certain financial ratios and changes to certain ratios in order to determine the Internal Credit Rating allocated to the borrower.

On June 1 2010, the Bank acquired a 100% interest in an asset-based finance business from The Bidvest Group Limited. At date of acquisition, the exposure to credit risk in the leasing business was warranted by The Bidvest Group Limited. All warranted loans are reflected as exceptional credit quality, net of impairments, which is recovered from The Bidvest Group Limited.

Leased assets

The leased assets are moveable assets rented to customers under operating leases. This is in the range of 3 to 5 years tenor. The leased assets are depreciated over the shortest period of the lease or the useful life of the asset. The maintenance costs are borne by the Bank and are expensed as they are incurred. Leased assets are disclosed at fair value, and tested for impairment on a bi-annual basis. The fair value is determined by comparing the realisable value of a sold asset at end of term to the recorded value.

Impaired loans

An impaired loan is a loan which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement.

Impairment policy

The Bank writes off loans (and any related allowance for impairment losses) when the Credit Committee determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance loans, impairment decisions generally are based on a product specific past due status.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of anticipated losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significance exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

4.2 Credit risk (continued)

Security held

The Bank holds financial collateral and other security against loans and advances to customers in the form of mortgage bonds over property, assets financed, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of security assessed at the time of borrowing, and are updated regularly. The Bank applies the comprehensive approach for credit risk mitigation as set out in Regulation 23 of the Regulations relating to banks.

Security value	Note	Loans and advances 2011 R'000	2010 R'000
Against individually impaired			
Movable assets		**312**	20
Cash, debtors, stock		**-**	-
Property		**21**	26
Guarantees		**-**	-
Total secured		**333**	46
Unsecured		**380**	589
Total		**713**	635
Collectively impaired			
Moveable assets		**175 909**	97 563
Cash, debtors, stock		**13 358**	68 166
Property		**63 518**	27 042
Guarantees		**21 744**	10 339
Total secured		**274 529**	203 110
Unsecured		**18 022**	8 846
Total		**292 551**	211 956
Neither past due nor impaired			
Moveable assets		**100 429**	25 929
Guarantees		**286 553**	309 649
Total		**386 982**	335 578
Carrying value	13	**680 246**	548 169

4.2 Credit risk (continued)

Security valuation

Type	Tangible value
Rand Cash (cession over deposit account)	100%
Foreign cash (cession over CFC account)	90%
Pledge of Shares (JSE top 100) Quarterly statements are obtained from the customer's Broker.	50%
Cession of Unit Trusts Monthly statements are obtained from the customer's Broker.	50%
Gold coins	50%
Cession of Insurance / Endowment Policy Valuated at the time the Cession is signed by obtaining surrender values directly from the Assurance company.	Extra security, no commercial value
Cession of Debtors Valuated monthly upon submission of debtor lists to the Bank.	25% excluding arrears, depending on the quality of the book
General Notarial Bond over Stock Valuated monthly upon submission of stock lists to the Bank.	25%
Mortgage Bonds over property Valuation conducted by an independent Valuator approved by the Bank when the deal is initiated.	60%
A1 rated guarantees	100%
Suretyships	0%
Movable assets	100%

The Bank monitors concentration of credit risk by sector.
An analysis of concentration of credit risk at the reporting date is shown hereafter:

Credit risk by sector

Concentration by sector	Note	Loans and advances 2011 R'000	Loans and advances 2010 R'000	Investment securities 2011 R'000	Investment securities 2010 R'000
Agriculture, Hunting, Forestry & Fishing		**2 965**	3 548	**-**	-
Manufacturing		**37 295**	38 557	**-**	-
Mining & Quarrying		**38 633**	47 767	**-**	-
Construction		**27 425**	26 216	**-**	-
Wholesale and retail trade		**103 003**	189 811	**-**	-
Transport, storage and communication		**83 808**	102 107	**-**	-
Financial intermediation and insurance		**221 748**	48 016	**20 150**	21 080
Real estate		**42 742**	21 660	**-**	-
Business services		**26 227**	24 301	**-**	-
Community, social and personal services		**80 481**	13 941	**-**	-
Private households		**14 135**	31 371	**-**	-
Utilities		**908**	-	**-**	-
Other		**876**	874	**62 564**	37 948
Total	13	**680 246**	548 169	**82 714**	59 028
Of which:					
Sovereign		**76 664**	7 991	**62 564**	37 948

4.2 Credit risk (continued)

Credit risk by sector (continued)

The Bank also monitors concentration of credit risk by geographical area and apart from accounts at foreign banks, the majority of all other credit exposure is in South Africa.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, or other assets as contractually agreed.

External credit assessment

In calculating the required amount of capital to be held against credit risk, the Bank applies the long term, international credit ratings as published by Moody's Investors Service. Where no rating has been published, the following rating agencies are used:

- Fitch
- Standard & Poor's

Carrying value (gross less impairment) of banking and other advances for which collateral is held.

2011	Gross	(Impairment)	Net	Guarantees & suretyships	Pledge of assets	Total	Carrying value for which no collateral is held	Net
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Not past due	681 994	(3 290)	678 704	308 098	352 351	660 449	18 255	678 704
Past due 0-30 days	134	(2)	132	-	132	132	-	132
Past due 31-180 days	1 274	(11)	1 263	-	1 263	1 263	-	1 263
Past due 181-365 days	530	(383)	147	-	-	-	147	147
Total	683 932	(3 686)	680 246	308 098	353 746	661 844	18 402	680 246

2010	Gross	(Impairment)	Net	Guarantees & suretyships	Pledge of assets	Total	Carrying value for which no collateral is held	Net
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Not past due	551 374	(3 840)	547 534	319 988	218 701	538 689	8 845	547 534
Past due 0-30 days	1 252	(737)	515	-	45	45	470	515
Past due 31-180 days	-	-	-	-	-	-	-	-
Past due 181-365 days	510	(390)	120	-	-	-	120	120
Total	553 136	(4 967)	548 169	319 988	218 746	538 734	9 435	548 169

4.2 Credit risk (continued)

Counterparty credit risk

The Bank nets its exposures with counterparty banks where there are formal legal netting agreements in place. Capital requirements for credit risk are calculated by making use of daily average balances for all overdraft, corporate, money market and overnight loan exposures as required in terms of Regulation 23(3) of the Regulations relating to banks. The gross month end exposures reflected above are representative of these average balances.

4.3 Liquidity risk

Liquidity risk is the risk that the Bank may be unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn without incurring unacceptable losses. Liquidity risk can be divided into 2 sub-categories:

- 2.1 Market Liquidity Risk: The ease with which assets can be liquidated;
- 2.2 Funding Liquidity Risk: The ease with which additional funding can be raised e.g. in the interbank or wholesale markets.

Effective liquidity risk management is a daily process to monitor and project cash flows to ensure adequate liquidity is maintained. The mismatch of cash flows could lead to situations where cash outflows exceed cash inflows in a given period. This may result in the Bank's failure to meet its obligations to pay creditors, repay depositors and fulfil commitments to lend.

In summary, liquidity management is the process to meet the Bank's commitments as they fall due, at an appropriate cost, whilst maintaining market confidence in the Bank.

Management of liquidity risk

Active management of liquidity is critical to the continued solvency of the Bank. At all times, the Bank must be able to meet its financial commitments as they fall due. In this context, the Bank is concerned with the management of future cash flows so that at no stage is the Bank unable to fund net cash outflows from either the market or through the sale of liquid assets.

Liquidity management is applied on an overall balance sheet approach, which consolidates all sources and uses of liquidity and aims to maintain a balance between liquidity and cost of funding. The Bank measures, monitors and manages on-balance sheet and off-balance sheet liquidity mismatch risk taking cognisance of contractual and business-as-usual liquidity conditions, stress liquidity scenarios, guidelines and limits as set by the Asset and Liability Committee (ALCO), regulatory requirements and requirements in terms of best practice liquidity risk management.

The Bank recognises that the analysis of net funding requirements is only one aspect of a sound liquidity management framework. The Bank's ability to withstand a net funding requirement in a liquidity crisis also depends on the calibre of its formal contingency plans. Another critical liquidity management practice is the maintenance of sufficiently diversified sources of funding to limit the exposure to any particular segment of the market. The Bank distinguishes between day-to-day and stress liquidity management.

At June 30 2011, the Bank holds a committed borrowing facility of R494 million (2010: R617 million) from The Bidvest Group Limited. This facility is contractually repayable in equal annual instalments of R123 million on June 30 of each year. Any unutilised portion of this committed facility remains available on demand and can be accessed to meet liquidity needs.

The Bank also has a standing internal limit (referred to as the Liquidity Cushion) that the greater of R200 million, or 25% of its call deposits plus next day notice deposits pay-outs, will be covered at all times by immediately available funds. At June 30 2011, immediately available funds (comprising central bank, interbank and intergroup call and current accounts) totalled R953 million.

There are a number of other liquidity management techniques, which contribute to the overall soundness of the Bank's liquidity. These include daily monitoring of the liquidity position, adequate diversification of funding, building strong relationships with providers of funding, investment of surplus liquidity, and internal control processes and contingency plans for managing liquidity risk.

Management, in conjunction with ALCO, recommends changes to the Bank's liquidity risk policy documents and these policy changes are reviewed by the Risk and Capital Management Committee for recommendation to the Board for approval. All policy and strategy changes require Board approval prior to implementation.

4.3 Liquidity risk (continued)

Residual contractual maturities of financial liabilities

	Gross value	Contractual undiscounted cash flows	6 months or less	6–12 months	1-5 years
June 30 2011	R'000	R'000	R'000	R'000	R'000
Non-derivative liabilities					
Intergroup loans	**(619 548)**	**(767 627)**	**(155 038)**	**(141 460)**	**(471 130)**
Other liabilities	**(167 143)**	**(167 143)**	**(167 143)**	**-**	**-**
Deposits	**(1 360 381)**	**(1 368 183)**	**(1 346 154)**	**(22 029)**	**-**
Derivative liabilities					**-**
Trading: outflow (liabilities)	**(13 376)**	**(13 387)**	**(13 387)**	**-**	**-**
	(2 160 448)	**(2 316 340)**	**(1 681 722)**	**(163 489)**	**(471 130)**
June 30 2010					
Non-derivative liabilities					
Intergroup loans	(863 036)	(1 050 097)	(266 558)	(141 358)	(642 181)
Other liabilities	(178 824)	(178 824)	(178 824)	-	-
Deposits	(1 178 110)	(1 191 257)	(1 167 655)	(23 348)	(254)
Derivative liabilities					
Trading: outflow (liabilities)	(17 872)	(18 147)	(17 732)	(415)	-
	(2 237 842)	(2 438 325)	(1 630 769)	(165 121)	(642 435)

Residual contractual maturities of financial liabilities (continued)

The cash flows are included as per the contract and are not discounted for the time value of money. The gross value of the liabilities will therefore differ from the total contractual cash flows. In circumstances where there are no fixed terms of repayment, the liability is included on the basis of the earliest date on which the operation can be required to pay.

4.3 Liquidity risk (continued)

Maturity analysis of financial assets held for managing liquidity risk

	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years
June 30 2011	R'000	R'000	R'000	R'000	R'000
Cash and balances with banks	**927 336**	**927 336**	**-**	**-**	**-**
Loans and advances	**680 246**	**259 534**	**39 319**	**341 198**	**40 195**
Investment securities	**82 714**	**25 074**	**-**	**57 640**	**-**
Other assets	**95 373**	**95 373**	**-**	**-**	**-**
	1 785 669	**1 307 317**	**39 319**	**398 838**	**40 195**
June 30 2010					
Cash and balances with banks	975 582	975 582	-	-	-
Loans and advances	548 169	377 998	12 759	147 801	9 611
Investment securities	59 028	48 948	-	4 906	5 174
Other assets	96 288	96 288	-	-	-
	1 679 067	1 498 816	12 759	152 707	14 785

4.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in ALCO. The Risk Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Department in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years
June 30 2011	R'000	R'000	R'000	R'000	R'000
Financial assets/(liabilities)					
Cash and balances with banks	**927 336**	**927 336**	**-**	**-**	**-**
Loans and advances	**680 246**	**640 551**	**747**	**38 948**	**-**
Investment securities	**82 714**	**25 074**	**-**	**57 640**	**-**
Other assets	**95 373**	**95 373**	**-**	**-**	**-**
Intergroup loans	**(619 548)**	**(630 376)**	**-**	**10 828**	**-**
Deposits	**(1 360 381)**	**(1 319 753)**	**(40 628)**	**-**	**-**
	(194 260)	**(261 795)**	**(39 881)**	**107 416**	**-**
June 30 2010					
Financial assets/(liabilities)					
Cash and balances with banks	975 582	975 582	-	-	-
Loans and advances	548 169	530 390	17 779	-	-
Investment securities	59 028	21 079	27 869	4 906	5 174
Other assets	96 288	96 288	-	-	-
Intergroup loans	(863 036)	(863 036)	-	-	-
Deposits	(1 178 110)	(1 146 288)	(31 602)	(220)	-
	(362 079)	(385 985)	14 046	4 686	5 174

4.4 Market risk (continued)

Analysis based on interest terms	2011	2010	2011	2010
	Effective rate of interest		R'000	R'000
Loans and advances				
Loans and advances with floating interest rates*	**8,00%**	9,51%	**669 701**	544 817
Loans and advances with fixed interest rates	**10,78%**	10,04%	**39 722**	25 929
			709 423	570 746
Less impairment			**(29 177)**	(22 577)
			680 246	548 169
Deposits				
Deposits with floating interest rates*	**3,85%**	4,91%	**(1 228 028)**	(1 137 395)
Deposits with fixed interest rates	**6,02%**	7,55%	**(132 353)**	(40 715)
			(1 360 381)	(1 178 110)

* The current floating interest rate as at June 30

Interest rate sensitivities

The Bank performs well in an environment of high interest rates (increasing the return on its lending book). As this market indicator has a significant impact on the Bank, fluctuations in the Bank's prime lending rates are closely monitored.

Average prime lending rate	2011	2010
For the current year ended June 30	**9,30%**	10,43%
For the prior year ended June 30	**10,43%**	14,30%

Interest rate sensitivity based on movements in prime lending rate:	R'000	R'000
Decrease before tax in net interest income for the year	**(13 928)**	(14 714)

The management of interest rate risk against interest rate gaps is accomplished through monitoring the sensitivity of the Bank's financial assets and liabilities to various standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise. An analysis of the Bank's forward-looking sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	200bp parallel movement	
Monthly impact before tax on net interest income	Increase R'000	Decrease R'000
As at June 30 2011	**2 513**	**(2 513)**
As at June 30 2010	2 131	(2 131)

Overall non-trading interest rate risk positions are managed by the Treasury Department, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

4.4 Market risk (continued)

Overall non-trading interest rate risk positions are managed by the Treasury Department, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

Foreign exchange rate sensitivities

Currency profile

R'000	ZAR	GBP	USD	EUR	OTHER	TOTAL
2011						
Assets						
Cash and balances with banks	**830 081**	**8 597**	**50 419**	**20 173**	**18 066**	**927 336**
Derivative financial assets	**17 831**	**-**	**-**	**-**	**-**	**17 831**
Loans and advances	**676 456**	**-**	**3 790**	**-**	**-**	**680 246**
Leased assets	**1 702 077**	**-**	**-**	**-**	**-**	**1 702 077**
Investment securities	**82 714**	**-**	**-**	**-**	**-**	**82 714**
Other assets	**95 373**	**-**	**-**	**-**	**-**	**95 373**
Equipment	**81 582**	**-**	**-**	**-**	**-**	**81 582**
Intangible assets	**31 535**	**-**	**-**	**-**	**-**	**31 535**
	3 517 649	**8 597**	**54 209**	**20 173**	**18 066**	**3 618 694**
Commitments to purchase foreign currency	**-**	**45 018**	**916 833**	**231 023**	**87 958**	**1 280 832**
Total assets	**3 517 649**	**53 615**	**971 042**	**251 196**	**106 024**	**4 899 526**
2010	3 318 014	9 170	87 039	18 541	22 470	3 455 234
Commitments to purchase foreign currency	-	51 751	1 185 487	206 015	99 422	1 542 675
Total assets	3 318 014	60 921	1 272 526	224 556	121 892	4 997 909
2011						
Equity and liabilities						
Share capital	**1 980**	**-**	**-**	**-**	**-**	**1 980**
Share premium	**435 799**	**-**	**-**	**-**	**-**	**435 799**
Reserves	**797 472**	**-**	**-**	**-**	**-**	**797 472**
Intergroup loans	**619 548**	**-**	**-**	**-**	**-**	**619 548**
Derivative financial liabilities	**13 376**	**-**	**-**	**-**	**-**	**13 376**
Deposits	**1 028 835**	**41 381**	**199 614**	**61 119**	**29 432**	**1 360 381**
Other liabilities	**235 105**	**-**	**-**	**-**	**-**	**235 105**
Deferred tax	**112 461**	**-**	**-**	**-**	**-**	**112 461**
Current taxation	**42 372**	**-**	**-**	**-**	**-**	**42 372**
Defined benefit liability	**200**	**-**	**-**	**-**	**-**	**200**
	3 287 148	**41 381**	**199 614**	**61 119**	**29 432**	**3 618 694**
Commitments to sell foreign currency	**-**	**11 489**	**779 173**	**183 133**	**84 413**	**1 058 208**
Total equity and liabilities	**3 287 148**	**52 870**	**978 787**	**244 252**	**113 845**	**4 676 902**
2010	3 264 034	31 926	101 964	44 035	13 275	3 455 234
Commitments to sell foreign currency	-	36 584	1 163 353	180 429	103 164	1 483 530
Total equity and liabilities	3 264 034	68 510	1 265 317	224 464	116 439	4 938 764

This currency profile analyses the assets and liabilities in terms of their originating currencies. These totals are then expressed in South African rand at the closing spot exchange rate.

4.4 Market risk (continued)

Foreign currency profile (continued)

	GBP R'000	USD R'000	EUR R'000	OTHER R'000	TOTAL R'000
Net open position					
June 30 2011	**745**	**(7 745)**	**6 944**	**(7 821)**	**(7 877)**
June 30 2010	(7 589)	7 209	92	5 453	5 165

Closing spot exchange rate

	GBP	USD	EUR
June 30 2011	**R10,87**	**R6,79**	**R9,82**
June 30 2010	R11,48	R7,67	R9,39

Average exchange rate

	GBP	USD	EUR
For the year ended June 30 2011	**R11,14**	**R7,01**	**R9,55**
For the year ended June 30 2010	R12,03	R7,59	R10,57
For the year ended June 30 2009	R14,42	R9,04	R12,32

Foreign currency sensitivity based on movements in exchange rate:

	2011 R'000	2010 R'000
Decrease before tax in operating income for the year	**(22 657)**	(34 245)

Foreign currency net open position sensitivity based on a 10% movement in exchange rate:

	2011	2010
GBP	**74**	759
USD	**775**	721
EUR	**695**	9
Other	**782**	545

4.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses not part of operational risk with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The Operational Risk Committee is responsible for oversight of the Bank's operational risks.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

4.6 Reputational risk

The Bank manages reputational risk by an integrated strategy, understanding the correlation between sustainable performance and reputation, and between corporate image and corporate reputation.

The following basic strategies are followed to manage reputational risk:

- fostering a reputation-conscious culture
- linking corporate social responsibility to reputation
- measuring the impact of media coverage, perceptions and stakeholder impressions
- developing plans to develop and protect reputation
- monitoring potential reputation-damaging issues
- proactively exploiting good news and having a crisis communication plan to respond in times of bad news
- transforming potential disasters into opportunities.

4.7 Capital management

Regulatory capital

The South African Reserve Bank ("SARB"), sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements the SARB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets, market risk exposure and operational risk exposure. The Bank follows the Standardised approach under Basel II and calculates requirements for market risk in its banking portfolios based upon the Bank's market risk models and uses both external and internal gradings as the basis for risk weightings for credit risk.

The Bank's regulatory capital is analysed into two categories:

- Primary capital, which includes ordinary share capital, share premium and appropriated retained earnings.
- Secondary capital, which includes not yet appropriated retained earnings, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures.

The Bank's internal capital adequacy assessment process (ICAAP) is formalised and approved by the Board. The Bank's policy is to maintain a strong capital base so as to maintain investor, credit and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its operations have complied with all externally imposed capital requirements throughout the year and previous year.

There have been no material changes in the Bank's management of capital during the period.

The Bank's ICAAP reflects its internal assessment of risk. The ICAAP determines the most suitable level of economic capital, i.e. the capital required to remain solvent under conditions that are extreme in nature. For potential losses arising from risk types that are statistically quantifiable, economic capital reflects the worst case loss, taking risk-adjusted returns on capital into account.

4.7 Capital management (continued)

The final economic capital level determined through the ICAAP reflects the capital to be held for risks as assessed by management instead of implicated by a prescribed regulatory formula. The economic capital requirement is then compared to the regulatory capital requirement to determine the buffer to be held for uncertainties to ensure adequate capitalisation for the Bank.

Statement of financial position forecasting based on business and strategy planning allows management to ensure that minimum required capital ratios are adhered to.

5. Related party information

Parent company

The holding company of the Group is Bidvest Bank Holdings Limited.

Related-party transactions

The Group, in the ordinary course of business, enters into various financial services transactions with other divisions and subsidiaries within The Bidvest Group Limited as well as with directors and key management of the Group. These transactions are governed by terms no less favourable than those arranged with third parties. No impairment of loans at year end was considered necessary.

Key management personnel

Key management personnel has been defined as: Bidvest Bank Limited's board of directors.

5. Related party information (continued)

	2011 R'000	Restated 2010 R'000
Related party balances – *outstanding at year end*		
Advances		
Loans to fellow subsidiaries	**200 146**	187 639
Derivative assets with fellow subsidiaries	**2 954**	2 547
Loans to senior employees and key management	**190**	872
Deposits		
Deposits from fellow subsidiaries	**(49 674)**	(195 465)
Deposits from directors, senior employees and key management	**(9 037)**	(6 371)
Derivative liabilities with fellow subsidiaries	**(328)**	(3 766)
Accounts payable to fellow subsidiaries	**(23)**	(124)
Related party transactions – *fellow subsidiaries*		
Income		
Net interest income	**(1 110)**	(23 016)
Commission and fees	**(1 228)**	(1 293)
Administration fee received	**(7 340)**	(5 541)
Other	**(3 175)**	(1 829)
Expenses		
Advertising	**1 100**	-
Administration fee paid	**4 500**	11 333
IT charges	**776**	2 299
Property rentals	**3 790**	3 667
Office equipment rental	**-**	89
Security fees	**10 784**	9 748
Stationery	**2 754**	2 290
Storage fees	**-**	458
Royalties paid	**90**	-
Offices services	**1 904**	-
Related party transactions – *key management*		
Savings deposits		
Credit balance July 1	**964**	474
Interest income	**35**	10
Net new investments	**69**	480
Balance June 30	**1 068**	964
Call and notice deposits		
Balance July 1	**5 407**	196
Interest income	**392**	169
Net new investments	**2 170**	5 042
Balance June 30	**7 969**	5 407
Other fees		
Fees and commissions	**5**	-
Nominal value	**13 663**	-

5. Related party information (continued)

Key management compensation

2011	Salaries and other short-term benefits R'000	Share based payments R'000	Benefit arising on exercise of share options R'000	Services as directors R'000	Total R'000
L T de Waal	**2 060**	**97**	**-**	**-**	**2 157**
E K Diack	**-**	**-**	**-**	**38**	**38**
J L Pamensky*	**-**	**-**	**-**	**237**	**237**
N G Payne*	**-**	**-**	**-**	**233**	**233**
J H Postmus	**-**	**-**	**-**	**212**	**212**
A C Salomon*	**6 000**	**67**	**-**	**-**	**6 067**
R G H Smith	**-**	**-**	**-**	**182**	**182**
	8 060	**164**	**-**	**902**	**9 126**

2010	Salaries and other short-term benefits R'000	Share based payments R'000	Benefit arising on exercise of share options R'000	Services as directors R'000	Total R'000
L T de Waal	1 660	18	492	-	2 170
J L Pamensky	-	-	-	143	143
N G Payne	-	-	-	128	128
J H Postmus	-	-	-	168	168
A C Salomon	5 500	636	27 321	-	33 457
R G H Smith	-	-	-	163	163
	7 160	654	27 813	602	36 229

Executives participate in The Bidvest Group Limited's share incentive scheme (see note 27).

The above key management compensation reflects expenses only paid by Bidvest Bank Limited. For a full listing of key management compensation for directors that sit on the board of The Bidvest Group Limited refer to the Directors' report on pages 138 to 140 in the Bidvest Group Limited Annual Financial Statements for the year ended June 30 2011 which can be found on www.bidvest.co.za.

* Directors that sit on the board of The Bidvest Group Limited.

Related party off balance sheet transactions - *Fellow subsidiaries*

Letters of credit	**1 399**	4 554
Guarantees	**3 040**	4 270
Notional value of FECs with fellow subsidiaries	**(48 061)**	(159 345)
Notional value of FECs with fellow subsidiaries	**99 879**	79 800

Director-related transactions

There are no material contracts with directors. Executive directors are permanently employed on the same terms and conditions as other employees. Directors have no long-term service contracts.

6. Income

6.1 Net interest income

	2011 R'000	Restated 2010 R'000
Interest income	**93 523**	97 751
- cash and cash equivalents	**34 574**	34 520
- loans and advances to banks	**2 865**	3 870
- loans and advances to customers	**46 250**	56 115
- investment securities	**3 424**	3 136
- other	**6 410**	110
Interest expense	**(74 401)**	(45 385)
- deposits from banks	**(87)**	(438)
- deposits from customers	**(74 314)**	(44 947)
Net interest income	**19 122**	52 366
Included within various captions under interest income for the year is interest accrued on impaired financial assets.	**4 420**	238
Included in interest income relating to available-for-sale financial assets.	**3 424**	3 136

6.2 Leasing income

	2011 R'000	Restated 2010 R'000
Contingent rentals included in leasing income	**23 582**	1 290

6.3 Other income

	2011 R'000	Restated 2010 R'000
Dividends on investment securities	**1 581**	1 731
Other	**-**	5 292
Profit on disposal of bonds	**1 238**	-
	2 819	7 023

7. Employment costs

	2011 R'000	Restated 2010 R'000
Salaries	**189 719**	117 988
Contributions to the provident fund	**12 096**	6 057
Contributions to the defined contribution pension fund	**1 190**	1 268
Decrease/increase in liability for the defined benefit plan	**(238)**	238
Share based payment expense	**605**	303
Performance incentive	**7 422**	8 573
	210 794	134 427

8 Operating expenditure

8.1 Operating leases

	2011 R'000	Restated 2010 R'000
- property rentals	**65 462**	45 943
- office equipment	**1 477**	61
- vehicles	**8**	131
- straight lining of leases	**(32)**	863
	66 915	46 998

8.2 Other operating expenditure

Other operating expenditure includes:

	2011 R'000	Restated 2010 R'000
Auditors' remuneration	**4 713**	2 599
Audit fees	**4 067**	1 959
Fees for other services	**646**	640
Consulting fees	**974**	2 456
Amortisation of intangible assets	**6 812**	4 762
Directors' emoluments	**9 126**	8 416
- for services as non-executive directors	**902**	602
- for services as executive directors	**8 224**	7 814
Profit/loss on disposal of equipment and leased assets	**(5 299)**	14 301

9 Taxation

9.1 Indirect taxation

	2011 R'000	Restated 2010 R'000
- value added tax	**9 211**	8 823
- skills development levy	**2 036**	1 393
	11 247	10 216

9.2 Direct taxation

	2011 R'000	Restated 2010 R'000
South African normal taxation	**(58 364)**	(57 035)
- current	**(84 977)**	(51 864)
- prior year over/under provision	**26 613**	(5 171)
Deferred taxation	**(46 945)**	18 499
- origination and reversal of temporary differences	**(20 332)**	18 499
- prior year under provision	**(26 613)**	-
	(105 309)	(38 536)

Tax rate reconciliation	**%**	%
Effective rate	**27,08**	26,24
Disallowed expenditure	**-**	6,71
Non-taxable income	**1,10**	(1,85)
Prior year under provision	**-**	(3,10)
Other	**(0,18)**	-
Standard taxation rate	**28,00**	28,00

10. Notes to the statement of cash flows

10.1 Reconciliation of cash generated by operations

	2011 R'000	Restated 2010 R'000
Profit before tax	**388 826**	146 857
Adjustments		
Depreciation of equipment and leased assets	**312 597**	61 681
Amortisation of intangible assets	**6 812**	4 762
Profit/loss on disposal of equipment and leased assets	**(5 299)**	14 301
Interest received	**(93 523)**	(97 751)
Interest paid	**74 401**	45 385
Share-based payments	**605**	303
Non-cash portion of tax adjustment	**(29 604)**	-
Dividends	**(1 581)**	(1 731)
Operating profit before changes in working capital	**653 234**	173 807
Decrease/increase in net derivative financial instruments	**5 796**	(2 387)
Increase in other assets	**915**	19 499
Decrease in other liabilities	**(7 841)**	(131 048)
Increase/decrease in loans and advances	**(132 077)**	260 793
Increase in deposits	**182 271**	345 724
	702 298	666 388

10.2 Taxation paid

	2011 R'000	Restated 2010 R'000
Opening balance	**(94 082)**	(368)
Acquisition of business	**-**	(107 602)
Normal taxation charge	**(58 364)**	(57 035)
Closing balance	**42 372**	94 082
Taxation paid	**(110 074)**	(70 187)

10.3 Movement in investment securities

	2011 R'000	Restated 2010 R'000
Opening balance at fair value	**59 028**	62 808
Decrease/increase in fair value adjustments during the year	**(1 729)**	585
Additions during the year	**30 082**	-
Closing balance	**(82 714)**	(59 028)
Disposals during the year	**4 667**	4 365

10. Notes to the statement of cash flows (continued)

10.4 Acquisition of business

	Notes	2011 R'000	Restated 2010 R'000
Comprising:			
Cash		-	55 953
Other assets		-	74 167
Equipment		-	9 407
Intangible assets		-	362
Leased assets		-	1 520 714
Loans and advances		-	226 817
Current and deferred taxation		-	(223 103)
Non-current liabilities		-	(618 560)
Other liabilities and provisions		-	(278 880)
Net asset value		-	766 877
Premium paid on acquisition		-	32 400
Cash received on acquisition of subsidiary		-	(55 953)
Net cash outflow on acquisition of subsidiary		-	743 324

10.5 Cash and cash equivalents

	Notes	2011 R'000	Restated 2010 R'000
Cash and balances with banks	11	**927 336**	975 582

11 Cash and balances with banks

	2011 R'000	Restated 2010 R'000
Cash on hand and in transit	**116 657**	155 627
Interbank investments		
- current accounts	**98 278**	17 574
- money on call	**638 979**	756 171
- South African Reserve Bank	**45 948**	35 134
- Restricted cash held at South African Reserve Bank	**27 474**	11 076
	927 336	975 582

12. Derivative financial instruments

	2011 R'000	Restated 2010 R'000
Foreign exchange contracts (FECs)		
- derivative financial assets	**17 831**	28 123
- derivative financial liabilities	**(13 376)**	(17 872)
Net fair values	**4 455**	10 251
Notional amount	**1 601 377**	2 374 160

The notional amount is the sum of the absolute value of all bought and sold contracts. The amount does not represent the market risk or credit risk exposure of the Bank, and should only be used in assessing the Bank's participation in derivative contracts. Derivatives are held for banking purposes.

13. Loans and advances

13.1 Analysis of loans and advances to customers

	2011 R'000	Restated 2010 R'000
Call and term loans	**253 115**	219 514
Mortgage loans	**62 121**	31 005
Finance leases	**363 437**	294 298
	678 673	544 817
Less impairment (note 13.2)	**(29 177)**	(22 577)
Balance at end of year	**649 496**	522 240
Loans and advances to banks		
Finance leases	**30 750**	25 929
Total loans and advances	**680 246**	548 169

13. Loans and advances (continued)

13.2 Movement in impairments

	2011 R'000	Restated 2010 R'000
Specific impairments		
Call and term loans	**(1 225)**	(1 101)
Opening balance	**(1 101)**	(1 229)
Charge against income	**(124)**	(1 266)
Bad debts written off	**-**	1 394
Mortgage loans	**(5)**	(6)
Opening balance	**(6)**	(10)
Release to income	**1**	4
Finance leases	**(25 590)**	(17 630)
Opening balance	**(17 630)**	(87)
Charge against income	**(23 441)**	(1 079)
Net bad debts written off	**15 481**	-
Bad debts written off	**29 897**	-
Warranty claim	**(14 416)**	-
Bad debts recovered	**-**	303
On acquisition of business	**-**	(16 767)
Portfolio impairment	**(2 357)**	(3 840)
Opening balance	**(3 840)**	(4 781)
Release to income	**1 483**	941
Carrying value at end of the year		
Specific impairments - warranted debt	**(25 491)**	(17 610)
Specific impairments	**(1 329)**	(1 127)
Portfolio impairment	**(2 357)**	(3 840)
	(29 177)	(22 577)
Net charge against income		
Call and term loans	**(124)**	(1 266)
Mortgage loans	**1**	4
Instalment sale	**(15 952)**	(1 079)
- increase in provision	**(23 441)**	(1 079)
- warranty claim	**7 489**	-
General portfolio	**1 483**	941
Provision release/charge net of warranty claim	**11 953**	(2)
Bad debts recovered	**400**	-
Total	**(2 239)**	(1 402)

13. Loans and advances (continued)

13.3 Maturity of finance leases

2011	Gross R'000	Unearned finance charges R'000	Net R'000
Due within 1 year	**201 912**	**7 443**	**194 469**
Between 1-5 years	**218 878**	**49 910**	**168 968**
	420 790	**57 353**	**363 437**

2010	Gross R'000	Unearned finance charges R'000	Net R'000
Due within 1 year	127 837	2 803	125 034
Between 1-5 years	213 481	44 217	169 264
	341 318	47 020	294 298

Under the terms of the lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment. The accumulated allowance for uncollectable minimum lease payments receivable included in the allowance for impairments at the reporting date is R26 million (210: R18 million).

14. Leased assets

	2011 R'000	Restated 2010 R'000
Carrying value at beginning of year	**1 640 712**	16 480
Cost	**2 178 106**	19 285
Accumulated depreciation	**(595 243)**	(2 805)
Capital work in progress	**57 849**	-
	61 365	1 624 232
Acquisition of business (including capital work in progress)	**-**	1 520 714
Additions and acquisitions	**561 201**	172 066
Disposals	**(195 290)**	(36 239)
Depreciation	**(288 100)**	(44 021)
Capital work in progress	**(16 446)**	11 712
Carrying value at end of year	**1 702 077**	1 640 712
Cost	**2 343 998**	**2 178 106**
Accumulated depreciation	**(683 324)**	**(595 243)**
Capital work in progress	**41 403**	**57 849**

Leased assets are made up of motor vehicles and material handling equipment.

All operating leases are cancellable.

15. Investment securities

	2011 R'000	Restated 2010 R'000
Available-for-sale securities		
- investment in RSA Government bonds	**62 564**	37 948
- listed preference shares	**18 751**	20 724
- listed equities	**1 383**	340
- unlisted shares at directors' valuation	**16**	16
	82 714	59 028

Government bonds, listed preference shares and listed equities are held as available-for-sale and are valued by using the market quoted prices. The movement in the fair value is recognised directly in other comprehensive income (refer consolidated statement of changes in equity).

16. Other assets

Accounts receivable	**67 181**	54 765
Uncleared effects	**6 500**	8 945
Payments in advance	**4 064**	4 319
Encashed traveller's cheques	**979**	2 304
Other	**4 599**	6 822
Terminated leased assets available for resale	**12 050**	19 133
	95 373	96 288

17. Equipment

	2011 R'000	Restated 2010 R'000
Office equipment	**6 304**	6 838
Cost	**14 377**	14 814
Accumulated depreciation and accumulated impairment	**(8 073)**	(7 976)
Furniture and fittings	**43 879**	29 864
Cost	**72 402**	59 529
Accumulated depreciation and accumulated impairment	**(28 523)**	(29 665)
Computer equipment	**11 988**	10 254
Cost	**27 976**	36 145
Accumulated depreciation and accumulated impairment	**(15 988)**	(25 891)
Motor vehicles	**19 411**	19 320
Cost	**39 256**	40 756
Accumulated depreciation and accumulated impairment	**(19 845)**	(21 436)
	81 582	66 276

Movement in equipment

	2011 R'000	Restated 2010 R'000
Carrying value at beginning of year	**66 276**	41 438
Cost	**151 244**	76 513
Accumulated depreciation	**(84 968)**	(35 075)
Acquisition of business	**-**	9 407
Additions and acquisitions	**45 537**	33 616
Office equipment	**1 970**	4 640
Furniture and fittings	**23 865**	8 865
Computer equipment	**7 525**	6 615
Motor vehicles	**12 177**	13 496
Disposals	**(5 734)**	(525)
Office equipment	**(305)**	(81)
Furniture and fittings	**(1 605)**	(231)
Computer equipment	**-**	(68)
Motor vehicles	**(3 824)**	(145)
Depreciation	**(24 497)**	(17 660)
Office equipment	**(2 230)**	(1 686)
Furniture and fittings	**(8 154)**	(6 554)
Computer equipment	**(5 852)**	(4 586)
Motor vehicles	**(8 261)**	(4 834)
Carrying value at end of year	**81 582**	66 276
Cost	**154 011**	151 244
Accumulated depreciation	**(72 429)**	(84 968)

18. Intangible assets

	2011 R'000	Restated 2010 R'000
Goodwill at cost	**14 831**	14 831
Computer software	**15 563**	15 057
Cost	**40 024**	41 951
Accumulated amortisation and accumulated impairment	**(24 461)**	(26 894)
Development costs	**1 141**	158
Cost	**1 193**	187
Accumulated amortisation and accumulated impairment	**(52)**	(29)
	31 535	30 046
Movement in intangible assets		
Carrying value at beginning of year	**30 046**	26 436
Cost	**56 969**	44 637
Accumulated amortisation	**(26 923)**	(18 201)
Acquisition of business	**-**	362
Disposals	**(2 683)**	-
Computer software	**(2 593)**	-
Development costs	**(90)**	-
Additions and acquisitions	**10 984**	8 010
Computer software	**9 888**	8 010
Development costs	**1 096**	-
Amortisation	**(6 812)**	(4 762)
Computer software	**(6 789)**	(4 530)
Development costs	**(23)**	(232)
Carrying value at end of year	**31 535**	30 046
Cost	**56 047**	56 969
Accumulated amortisation	**(24 512)**	(26 923)

No impairment of intangible assets was considered necessary during the financial year.

Basis of assessment of carrying value of goodwill

Value in use of the businesses purchased was determined by using the projected annual profit before tax of each underlying operation and multiplying the result with the appropriate price earnings ratio. The method assumptions described above may change as economic and market conditions may change.

19. Share capital

	2011 R'000	Restated 2010 R'000
19.1 Authorised		
360 000 000 ordinary shares of 1 cent each	**3 600**	3 600
19.2 Issued		
198 000 000 ordinary shares of 1 cent each	**1 980**	1 980

The unissued shares are under the control of the directors until the forthcoming annual general meeting of shareholders.

20. Share premium

Opening balance	**435 799**	165 979
Arising on shares issued	**-**	269 820
	435 799	435 799

21. Intergroup loans

The Bidvest Group Limited	**136 376**	148 864
Bid Industrial Holdings (Pty) Limited	**494 000**	714 172
Bidvest Share Incentive Trust	**(10 828)**	-
	619 548	863 036

The Bidvest Group Limited loan is interest free and is payable within 6 months of year end.

The Bid Industrial Holdings (Pty) Limited loan bears interest at prime less 3% and needs to be repaid in instalments of R123 million per annum. The full amount was repaid after year end but the facility remains available should it be required.

The share incentive loan bears interest at 0,25% and has no fixed terms of repayment.

22. Deposits

Deposits from banks		
- fixed	**10 158**	10 187
Deposits from customers		
- fixed and notice	**511 435**	420 282
- call	**838 788**	747 641
	1 360 381	1 178 110

The maturity analysis of deposits and other accounts is based on the contractual period to maturity from the statement of financial position as reflected in note 4.3.

23. Other liabilities

	2011 R'000	Restated 2010 R'000
- Vat	**886**	-
- Accrual for maintenance obligations	**64 768**	60 657
- Warranty claim	**-**	5 087
- Trade accruals	**131 058**	114 638
- Outstanding bank credits	**9 093**	6 855
- Outstanding cheques	**10 240**	13 502
- Straight lining of leases	**3 194**	3 227
- Foreign suppliers and customers	**11 852**	36 375
- Other	**4 014**	2 367
	235 105	242 708

24. Deferred taxation liability

	2011 R'000	Restated 2010 R'000
Balance at beginning of year	**(95 120)**	1 882
Current year movement		
- charged to the statement of comprehensive income	**(20 332)**	6 733
- charged to equity	**-**	(585)
- prior year adjustment	**2 991**	-
Deferred tax liability of business acquired	**-**	(103 150)
Balance at end of year	**(112 461)**	(95 120)

The deferred tax liability consists of temporary differences arising from:

	2011 R'000	Restated 2010 R'000
Assets	**(144 106)**	(110 956)
Trademark	**(34)**	41
Accruals and prepayments	**31 679**	15 477
Operating leases	**-**	903
Fair value of investment securities	**-**	(585)
Balance at end of year	**(112 461)**	(95 120)

25. Contingent liabilities and commitments

25.1 Capital commitments

	2011 R'000	Restated 2010 R'000
Authorised and contracted for	**285 863**	170 189

Funds to meet capital expenditure commitments will be provided from the Bank's internal resources.

25.2 Off balance sheet transactions

	2011 R'000	Restated 2010 R'000
Guarantees issued on behalf of group companies	**(3 040)**	(4 270)
Guarantees issued on behalf of third parties	**(2 099)**	(3 583)
Letters of credit issued on behalf of third parties	**(7 141)**	(1 380)
Letters of credit issued on behalf of group companies	**(1 399)**	-
	(13 679)	(9 233)

Guarantees are both payment and performance related guarantees on behalf of customers. Management have assessed the probability that a liability should be raised and are satisfied that the liability adequacy test indicated that there is no present obligation to raise a liability.

Letters of credit include documentary letters of credit with customers regarding imports and exports.

The amount relating to corporate card clients represents credit card balances where the Bank bears the credit risk in the event of default. This amount does not form part of the Bank's loans and advances.

25.3 Future operating lease commitments

	2011 R'000	Restated 2010 R'000
Property leases		
- payable within one year	**64 188**	49 478
- payable between one and five years	**101 925**	83 196
Equipment		
- payable within one year	**916**	-
- payable between one and five years	**518**	-
	167 547	132 674

Some property rentals include a turnover clause as additional rental.

Escalations are between 8% and 10%.

26. Classification of assets and liabilities

Accounting classification and fair values

	Note	Held for trading	Loans and receivables	Available for sale	Other amortised cost	Non-financial assets/ liabilities	Total
		R'000	R'000	R'000	R'000	R'000	R'000
2011							
Assets							
Cash and balances with banks		-	927 336	-	-	-	927 336
Derivative financial assets		17 831	-	-	-	-	17 831
Loans and advances		-	680 246	-	-	-	680 246
Leased assets		-	-	-	-	1 702 077	1 702 077
Investment securities		-	-	82 714	-	-	82 714
Other assets		-	83 323	-	-	12 050	95 373
Equipment		-	-	-	-	81 582	81 582
Intangible assets		-	-	-	-	31 535	31 535
		17 831	1 690 905	82 714	-	1 827 244	3 618 694
2011							
Liabilities							
Intergroup loans		-	619 548	-	-	-	619 548
Derivative financial liabilities		13 376	-	-	-	-	13 376
Deposits		-	-	-	1 360 381	-	1 360 381
Other liabilities		-	-	-	167 143	67 962	235 105
Deferred taxation		-	-	-	-	112 461	112 461
Current taxation		-	-	-	-	42 372	42 372
Defined benefit liability		-	-	-	-	200	200
		13 376	619 548	-	1 527 524	222 995	2 383 443
2010							
Assets							
Cash and balances with banks		-	975 582	-	-	-	975 582
Derivative financial assets		28 123	-	-	-	-	28 123
Loans and advances		-	548 169	-	-	-	548 169
Leased assets		-	-	-	-	1 640 712	1 640 712
Investment securities		-	-	59 028	-	-	59 028
Other assets		-	77 155	-	-	19 133	96 288
Equipment		-	-	-	-	66 276	66 276
Intangible assets		-	-	-	-	30 046	30 046
Deferred taxation		-	-	-	-	8 030	8 030
Current taxation		-	-	-	-	2 980	2 980
		28 123	1 600 906	59 028	-	1 767 177	3 455 234
2010							
Liabilities							
Intergroup loans		-	863 036	-	-	-	863 036
Derivative financial liabilities		17 872	-	-	-	-	17 872
Deposits		-	-	-	1 178 110	-	1 178 110
Other liabilities		-	-	-	178 824	63 884	242 708
Deferred taxation		-	-	-	-	103 150	103 150
Current taxation		-	-	-	-	97 062	97 062
Defined benefit liability		-	-	-	-	438	438
		17 872	863 036	-	1 356 934	264 534	2 502 376

26. Classification of assets and liabilities (continued)

26.1 Fair value estimation

Effective July 1 2009, the Bank adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by using the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Bank's assets and liabilities that are measured at fair value at June 30 2011:

	Note	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
Assets					
Investment securities	15	82 698	-	16	82 714
Derivative financial assets	12	-	17 831	-	17 831
Total assets		**82 698**	**17 831**	**16**	**100 545**

	Note	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
Liabilities					
Derivative financial liabilities	12	-	13 376	-	13 376
Total liabilities		**-**	**13 376**	**-**	**13 376**

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as available-for-sale securities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

26. Classification of assets and liabilities (continued)

26.2 Fair value of financial instruments

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position. For all other instruments the carrying value is equal to or a reasonable approximation of fair value.

Assets	2011 Carrying value R'000	Fair value R'000
Total advances at amortised cost	**680 246**	**680 156**

27. Share-based payments

Share options scheme

The Bidvest Group Limited (the Company) has an incentive scheme which grants options and advances loans to employees of the Group to acquire shares in the Company. Both the share options scheme and share purchase scheme have been classified as equity-settled schemes, and therefore an equity-settled share-based payment reserve has been recognised.

A Conditional Share Plan, which awards employees with a conditional right to receive shares in the Company, free of any cost, is also operated by the Group. As it is anticipated that the participants will receive shares in settlement of their awards, a share-based payment reserve has been recognised.

Share options scheme

The Group elected to account only for the cost of options granted subsequent to November 7 2002 which had not vested by January 1 2005 in terms of the transitional provisions on conversion to IFRS.

The terms and conditions of the options are:

Option holders are only entitled to exercise their options if they are in the employment of the Group in accordance with the terms referred to hereafter, unless otherwise recommended by the Board of the Company to the Trustees of the Bidvest Share Incentive Trust.

Option holders in the Scheme may exercise the options at such times as the option holder deems fit, but not so as to result in the following proportions of the holder's total number of instruments being purchased prior to: 50% of total number of instruments at the expiry of three years; 75% of total number of instruments at the expiry of four years; and 100% of total number of instruments at the expiry of five years from the date of the holder's acceptance of an option. All options must be exercised no later than the tenth anniversary on which they were granted unless approval is obtained from the trustees.

The number and weighted average exercise prices of share options are:

	2011		2010	
	Number	Average price R	Number	Average price R
Beginning of the year	**168 136**	**55,72**	514 036	51,36
Granted	**50 000**	**135,11**	-	100,00
Lapsed	**-**	**54,17**	-	55,37
Exercised	**-**	**52,30**	(345 900)	47,17
End of the year	**218 136**	**96,51**	168 136	55,72

The options outstanding at June 30 2011 have an exercise price in the range of R39,10 to R135,15 (2010: R35,03 to R112,00) and a weighted average contractual life of 1,0 to 9,5 years (2010: 1,0 to 8,5 years). The average share price of The Bidvest Group Ltd during the year was R147,07 (2010: R123,28).

27. Share-based payments (continued)

Share options scheme (continued)

Share options outstanding at June 30 by year of grant are:

	2011		2010	
	Number	Average price R	Number	Average price R
2003 and prior	**26 500**	**39,68**	26 500	40,53
2004	**18 000**	**50,57**	18 000	50,53
2005	**22 890**	**69,37**	22 890	69,18
2011	**50 000**	**135,11**	-	
	117 390	**135,11**	67 390	55,72

The fair value of services received in return for shares allotted is measured based on a binomial model. The contractual life of the option is used as an input into this model.

The fair value of the shares allotted during the current year and the assumptions used are:

	2011	2010
Fair value at measurement date (Rand)	**55,62-53,68**	19,01
Exercise price (Rand)	**135,15,126,50**	100,00
Expected volatility (%)	**39,07-39,03**	31,21
Option life (years)	**3,50-5,50**	3,25-4,25
Distribution yield (%)	**2,76-3,07**	4,72
Risk-free interest rate (based on National Government Bonds) (%)	**7,01-7,88**	7,19

The volatility is based on the historic volatility.

Share purchase scheme

In terms of the share purchase scheme, the Scheme advances loans to employees to acquire shares in the Company. Interest is charged on the loans at interest rates determined by the Board of directors of the Company, the loans must be settled no later than the tenth anniversary on which the shares were allotted and the shares are held by the Scheme as security for the loans.

The employees are entitled to settle the loans at such times as they deem fit, but not so as to result in the following proportions of the employees' total number of allotted shares being paid for prior to: 50% of total number of allotted shares at the expiry of three years; 75% of total number of allotted shares at the expiry of four years; and 100% of total number of allotted shares at the expiry of five years from the date of the holder's acceptance of the allotted share, unless otherwise determined by the Board.

Distributions arising on the allotted shares are utilised to settle any interest or income tax obligations with any excess being applied to settle the outstanding liability.

27. Share-based payments (continued)

The number and weighted average exercise prices of shares allotted in terms of the share purchase scheme are:

Share purchase scheme (continued)

	2011 Number	2011 Average price R	2010 Number	2010 Average price price R
Beginning of the year	**104 173**	**110,76**	107 093	111,03
Repurchased	**-**	**110,51**	(2 920)	111,00
End of the year	**104 173**	**109,26**	104 173	110,76

The fair value of services received in return for shares allotted is measured based on a binomial model. The expected contractual life of the loan obligation is used as an input into this model.

No shares were allotted during the year (2010: Nil).

	2011 R'000	Restated 2010 R'000
Share-based payment expense recognised relating to the share options and share purchase scheme	**605**	303

28. Key assumptions

In preparing the financial statements, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances. An impairment of an investment security will be considered if there is an indication of permanent diminution of value in the security.

Leased asset residual values and estimated useful lives are assessed on an annual basis. The residual values of vehicles are estimated based on published second hand vehicle values as well as trading history.

28.1 Credit impairment losses on loans and advances

Performing loans

The Bank assesses its loan portfolio for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for economic conditions. Annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Non-performing loans

Loans are individually impaired if the amounts are due and unpaid at year end. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Managements' estimates of future cash flows on individually impaired loans are based on historical loss experience for the lending book. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Estimated security values are taken into account when determining the impairment requirement.

28.2 Income taxes

The tax charged to the accounts is subject to determination of the South African Revenue Services. When the final tax outcome upon agreement of assessment differs from the amounts initially recorded such differences are adjusted in subsequent periods.

28.3 Impairment of non-financial assets

The carrying amount of the Bank's assets other than financial assets is reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication of impairment exists, the assets recoverable amount is established. This estimation requires significant judgement. An impairment loss is recognised in profit or loss whenever the carrying amount exceeds the recoverable amount.

28.4 Residual value of leased assets

Residual values of leased assets are assessed on a yearly basis for purposes of determining the depreciable amounts of leased assets. Any changes to the depreciable amounts are accounted for as a change in estimate.

The residual value estimation is based on a combination of the most recent resale profits and losses on leased assets as well as industry valuation guides. This estimation requires significant judgement.

29. Prior period errors and related restatements

29.1 Reclassification of loans and advances to operating leases

In the prior year certain operating rental agreements were incorrectly classified as loans and advances. The 2010 comparatives have been restated as follows:

	Effect on 2010 R'000
Consolidated statement of financial position:	
Increase in leased assets	132 986
Increase in accumulated depreciation	(21 878)
Decrease in loans and advances	(111 108)
Consolidated statement of comprehensive income:	
Increase in rental income	23 897
Increase in depreciation	(19 073)
Decrease in interest income	(4 824)

This prior period error was a classification error and did not impact profit for the period and retained earnings. The reclassification had no tax impact.

29.2 Revision of residual values of leased assets

In the prior year material net profits on the realisation of leased assets were realised by the acquired subsidiary Bidvest Capital (Pty) Ltd which was indicative that residual values of leased assets required reassessment in terms of IAS 16 Property, Plant and Equipment. The non-reassessment of the residual values post the inception of rental agreements gave rise to cumulative depreciation charged on leased assets being overstated and the carrying value of leased assets being understated. The purchase price paid by the Company to The Bidvest Group Limited was based on the net asset value as at June 1 2010. As a result of the foregoing the purchase price required adjustment. The 2010 comparatives have been restated to correct this error as follows:

Decrease in accumulated depreciation on acquired leased assets	206 755
Increase in deferred taxation	(57 891)
Increase in amount due to holding company	148 864

29.3 Reclassification of net profit on disposal of leased assets

In the prior year net profit on the disposal of leased assets was disclosed as part of other income in the statement of comprehensive income. In terms of the requirements of IAS 16 Property, Plant and Equipment the net profit on disposal has been reclassified to leasing income.

	Notes	Effect on 2010 R'000
Increase in leasing income		3 370
Decrease in other income		(3 370)
Net		-

29. Prior period errors and related restatements

29.4 Accrual for maintenance obligations

In the prior year the accrual for maintenance obligations on leased assets at the acquisition date of Bidvest Capital (Pty) Ltd was understated. The adjustment to the net asset value at the date of acquisition gave rise to a premium being paid which was charged against equity. The 2010 comparatives have been restated to correct this error as follows:

	Effect on 2010 R'000
Increase in other liabilities - accrual for maintenance obligations	45 000
Decrease in deferred taxation	(12 600)
Premium on acquisition of subsidiary charged against equity	(32 400)
Net	-

Summary of the restated amounts of the 2010 restated comparatives are as follows:

Consolidated statement of financial position:

	Notes	Effect on 2010 R'000
Leased assets		
Carrying value of leased assets as previously stated		1 322 849
Reclassification adjustment for operating leases		111 108
Adjustment for the revision of residual values		206 755
Restated carrying value of leased assets	14	1 640 712
Loans and advances		
Carrying value of loans and advances as previously stated		659 277
Reclassification adjustment for operating leases		(111 108)
Restated carrying value of loans and advances	13	548 169
Intergroup loans		
Carrying value of intergroup loans as previously stated		714 172
Adjustment for the revision of residual values		148 864
Restated carrying value of intergroup loans	21	863 036
Other liabilities		
Carrying value of other liabilities - accrual for maintenance obligations as previously stated		15 657
Adjustment for the revision of accrual for maintenance obligations		45 000
Restated carrying value of other liabilities - accrual for maintenance obligations	23	60 657

Summary of the restated amounts of the 2010 restated comparatives (continued)

	Notes	Effect on 2010 R'000
Deferred taxation		
Deferred taxation as previously stated		49 829
Adjustment for the revision of residual values		57 891
Adjustment for the revision of other liabilities - accrual for maintenance obligations		(12 600)
Restated deferred taxation	24	95 120
Consolidated statement of comprehensive income:		
Interest income		
Interest income as previously stated		102 575
Reclassification adjustment for operating leases		(4 824)
Restated interest income	6.1	97 751
Leasing income		
Leasing income as previously stated		50 254
Reclassification adjustment for operating leases		23 897
Reclassification of other income to leasing income		3 370
Restated leasing income		77 521
Depreciation charge		
Depreciation charge as previously stated		24 948
Reclassification adjustment for operating leases		19 073
Restated depreciation charge	14	44 021
Other income		
Other income as previously stated		10 393
Reclassification of other income to leasing income		(3 370)
Restated other income	6.2	7 023
Consolidated statement of cash flows:		
Note 10.4 to the cash flow statement - Acquisition of business		
Leased assets acquired as previously stated		1 313 959
Adjustment for the revision of residual values		206 755
Restated leased assets acquired	10.4	1 520 714
Current and deferred taxation acquired as previously stated		(177 812)
Adjustment for the revision of residual values		(57 891)
Adjustment for the revision of other liabilities - accrual for maintenance obligations		12 600
Restated current and deferred taxation	10.4	(223 103)
Other liabilities and provisions acquired as previously stated		(233 880)
Adjustment for the revision of other liabilities - accrual for maintenance obligations		(45 000)
Restated other liabilities and provisions acquired	10.4	(278 880)

The consolidated statement of cash flows has been updated to reflect the impact of the restatements above.

30. Standards and interpretations issued but not yet effective

The group will comply with the following new, revised and amended standards and interpretations applicable to its business from the stated effective date.

- *IAS 24 Related Party Disclosures (2009)*

  Applies to annual periods beginning on or after January 1 2011.

  The amendment removes certain of the disclosure requirements for government related entities and clarifies the definition of a related party.

  This amendment addresses disclosure in the annual financial statements and will not affect recognition and measurement. The impact on the revised disclosure is not expected to be significant.

- *IAS 27 Separate Financial Statements (2011)*

  Applicable to annual reporting periods beginning on or after January 1 2013.

  Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 *Consolidated and Separate Financial Statements*. Requirements for consolidated financial statements are now contained in IFRS 10 *Consolidated Financial Statements*. The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 *Financial Instruments*. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

  It is not expected that this amendment will have a significant impact on the Group.

- *IAS 28 Investments in Associates and Joint Ventures (2011)*

  Applicable to annual reporting periods beginning on or after January 1 2013.

  This Standard supersedes IAS 28 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

  This standard is currently not applicable to the Group.

- *IFRS 9 Financial Instruments (2009 and 2010)*

  Applies to annual periods beginning on or after January 1 2013.

  IFRS 9 introduces new requirements for classifying and measuring financial assets. A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

  The Group is in the process of assessing the impact that IFRS 9 would have on the financial statements. Until the process is completed, the Group is unable to determine the significance of the impact of IFRS 9.

- *IFRS 10 Consolidated Financial Statements*

  Applicable to annual reporting periods beginning on or after January 1 2013.

  Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*.

  The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

  It is not expected that this standard will have a significant impact on the Group.

- *IFRS 11 Joint Arrangements*

  Applicable to annual reporting periods beginning on or after January 1 2013.

  Replaces IAS 31 *Interests in Joint Ventures*. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

  This standard is currently not applicable to the Group.

30. Standards and interpretations issued but not yet effective (continued)

- *IFRS 12 Disclosure of Interests in Other Entities*

  Applicable to annual reporting periods beginning on or after January 1 2013.

  Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

  This standard addresses disclosure in the annual financial statements and will not affect recognition and measurement. The impact on the revised disclosure is not expected to be significant for the Group.

- *IFRS 13 Fair Value Measurement*

  Applicable to annual reporting periods beginning on or after January 1 2013.

  Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

  IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs. Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

  This standard mainly addresses disclosure in the annual financial statements and is not expected to be significant to the Group.

Amendments

- *Prepayments of a Minimum Funding Requirement*

  Applies to annual periods beginning on or after January 1 2011 (applied retrospectively from the beginning of the earliest comparative period presented).

  Makes limited-application amendments to IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment applies in limited circumstances when an entity is subject to minimum funding requirements and makes a voluntary early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

  This amendment is not expected to have an impact to the Group.

- *Improvements to IFRSs (2010)*

  Generally effective for annual reporting periods beginning on or after January 1 2011.

  Amends seven pronouncements (plus consequential amendments to various others) as a result of the IASB's 2008-2010 cycle of annual improvements.

  These amendments are not expected to have a significant impact on the Group.

- *Amendments to IFRS 7 Financial Instruments: Disclosures*

  Applies to annual periods beginning on or after July 1 2011.

  The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

  This amendment currently does not apply to the Group.

- *Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)*

  Applicable to annual periods beginning on or after January 1.

  Amends IAS 12 *Income Taxes* to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale.

  This amendment currently does not apply to the Group.

- *IAS 19 Employee Benefits (2011)*

  Applicable to annual reporting periods beginning on or after January 1 2013.

  An amended version of IAS 19 *Employee Benefits* with revised requirements for pensions and other postretirement benefits, termination benefits and other changes.

  This amendment currently does not apply to the Group.

30. Standards and interpretations issued but not yet effective (continued)

Amendments (continued)

- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1)

  Applicable to annual reporting periods beginning on or after July 1 2012.

  Amends IAS 1 *Presentation of Financial Statements* to revise the way other comprehensive income is presented.

  It is not expected that this amendment will have a significant impact on the Group.

New and revised interpretations

- *IFRIC 19 Extinguishing Liabilities with Equity Instruments*

  Applies to annual periods beginning on or after July 1 2010 (applied retrospectively from the beginning of the earliest comparative period presented).

  The interpretation provides guidance on the accounting treatment of transactions where a financial liability is extinguished by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. This amendment is not expected to impact the Group's results significantly.

Annexure A
Interest in subsidiaries

Investment in:	Number of shares in issue	Number of shares held	Effective % held	2011 R'000	2010 R'000
Direct					
Viamax (Pty) Ltd	10 000 000	10 000 000	100%	**763 215**	763 215
McCarthy Retail Finance (Pty) Ltd	99	99	100%	**1 452**	1 452
Indirect subsidiary					
Bidvest Capital (Pty) Ltd	8 001	8 001	100%		
Viamax Fleet Solutions (Pty) Ltd	40 000 000	40 000 000	100%		