Residual Debt Services Limited
(in curatorship)

Audited Annual Financial Statements

30 September 2016

**These financial statements were prepared under the supervision of
G Raubenheimer CA (SA)**

Registration number: 1975/002526/06

**NCR Registration number NCRCP5
An Authorised Financial Services and Registered Credit Provider**

T Winterboer was appointed as curator of Residual Debt Services Limited ((the "Company") previously named African Bank Limited (the "Bank")) on 10 August 2014 by the Minister of Finance of the Republic of South Africa and pursuant to the Banks Act No. 94 of 1990 (as amended) to manage the affairs of the Company subject to the supervision of the Registrar of Banks.

RESIDUAL DEBT SERVICES LIMITED (in curatorship)
Registration number: 1975/002526/06

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for the year ended 30 September 2016

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RESIDUAL DEBT SERVICES LIMITED (in curatorship)
Registration number: 1975/002526/06

ANNUAL FINANCIAL STATEMENTS
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STATEMENT OF RESPONSIBILITY BY THE CURATOR

The curator is responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position at 30 September 2016, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the Framework as stipulated in the Accounting Policies of these Financial Statements and in the manner required by the Companies Act 71 of 2008 of South Africa.

The curators' responsibility includes:
- the management of the Company vested in the curator (subject to the supervision of the Registrar of Banks), and any other person vested with the management of the affairs of the Company was divested thereof from 10 August 2014; and
- the curator became obliged to recover and take possession of all the assets of the Company.

The curator shall:

- subject to the supervision of the Registrar, conduct the management of the Company in such a manner as the Registrar may deem to best promote the interests of the creditors of the Company and of the banking sector as a whole;
- comply with any direction of the Registrar;
- keep such accounting records and prepare such annual financial statements, interim reports and provisional annual financial statements as the Company or its directors would have been obliged to keep or prepare if the Company had not been placed under curatorship;
- convene the annual general meeting or any other meeting of the Company provided for in the Companies Act, and, in that regard, comply with all the requirements with which the directors of the Company would in terms of the Companies Act have been obliged to comply if the Company had not been placed under curatorship; and
- have the power to bring or defend in the name and on behalf of the Company any action or other legal proceedings of a civil nature and, subject to the provisions of any law relating to criminal proceedings, any criminal proceedings.

Due to the nature of the curatorship, the financial statements are not presented on a going concern basis; rather the financial statements have been presented using the **Framework** as stipulated in the Accounting Policies of these Financial Statements. The purpose of the Company during curatorship is to collect all outstanding advances retained by the Company, build the required indemnity cash reserves as required by the SARB and where excess cash is collected to make payment to stub note holders.

The auditor is responsible for reporting on whether the separate annual financial statements are fairly presented in accordance with the applicable financial reporting framework. These annual financial statements have been audited in terms of Section 20(1) of the Companies Act 71 of 2008.

Approval of the annual financial statements

The annual financial statements found on pages 1 to 64 were approved by the curator on 9 February 2017.

T Winterboer
Curator

Midrand

A signed copy of the annual financial statements is available for inspection at the registered office.

CURATOR'S REPORT

Introduction

Residual Debt Services Limited (under curatorship) ("the Company") (named African Bank Limited (under curatorship) prior to 4 April 2016) operates in South Africa. Prior to 4 April 2016 its main business was providing unsecured personal loans, and thereafter, to collect on certain loans that remained following the Transaction (as detailed below).

On 10 August 2014 the Company was placed under curatorship in terms of section 69 of the Banks Act, 1990, as amended by the South African Reserve Bank ("SARB"). The SARB decision followed a period of growing uncertainty surrounding the Company, after a series of financial losses were announced by its then parent company, African Bank Investments Limited ("ABIL"). Furthermore, Ellerine Furnishers (Proprietary) Limited ("Ellerine Furnishers"), the Company's then sister company and business partner, was placed in business rescue on 7 August 2014.

The Minister of Finance appointed T Winterboer as the curator of the Company. The curator was requested to undertake two key tasks, namely:

- to stabilise the operations of the Company and to seek to preserve its operations during the curatorship; and
- to put forward a proposal for the effective resolution for the Company and its business.

The following is the curator's report on the annual financial statements for the year ended 30 September 2016 and covers the following;

A) Curatorship and proposed restructure;
B) The transaction;
C) The way forward; and
D) Statutory disclosures.

A) Curatorship and proposed restructure

Responsibilities of the curator
The curator's responsibilities in terms of the Banks Act are, *inter alia*, as follows:

On appointment of the curator:
- the management of the Company vested in the curator, subject to the supervision of the Registrar of Banks ("the Registrar"), and any other person vested with the management of the affairs of the Company was divested thereof; and
- the curator becomes obliged to recover and take possession of all the assets of the Company.

The curator shall:
- subject to the supervision of the Registrar, conduct the management of the Company in such a manner as the Registrar may deem to best promote the interests of the creditors of the Company and of the banking sector as a whole;
- comply with any direction of the Registrar;
- keep such accounting records and prepare such annual financial statements, interim reports and provisional annual financial statements as the Company or its directors would have been obliged to keep or prepare if the Company had not been placed under curatorship;
- convene the annual general meeting and any other meeting of members of the Company provided for in the Companies Act 71 of 2008, as amended ("Companies Act"), and, in that regard, comply with all the requirements with which the directors of the Company would in terms of the Companies Act have been obliged to comply if the Company had not been placed under curatorship; and
- have the power to bring or defend in the name and on behalf of the Company any action or other legal proceedings of a civil nature and, subject to the provisions of any law relating to criminal proceedings, any criminal proceedings.

CURATOR'S REPORT (*continued*)

Curatorship and proposed restructure (continued)

The Banks Amendment Act, 2015, which came into effect on 29 June 2015 sets out certain amendments to the Banks Act which provide some clarity in relation to the scope of certain aspects of the curatorship.

Reporting to the Registrar

While under curatorship the curator shall, on a monthly basis, furnish the Registrar with a written report containing an exposition of the affairs of the entity concerned. The curator has furnished the Registrar with the required written reports.

Proposed Restructuring

At the time of the announcement of the curatorship, the SARB also announced proposed measures for the curator to consider and investigate in his endeavours to find a resolution for the Company. The proposed measures in the SARB statement included:

- the formation of a consortium consisting of six banks in South Africa ("the Consortium"), the Public Investment Corporation ("PIC") and the SARB to support and underwrite a restructuring;
- the formation of a newly registered bank holding company ("New HoldCo") to hold the so-called Good Bank (based on the structure as envisaged by the SARB in their announcement on 10 August 2014), and to acquire the various insurance entities within the old ABIL group, including the Standard General Insurance Company Limited ("Stangen");
- the injection by the shareholders of R10 billion of equity into New Holdco;
- the splitting of the Company's loan book into a "Good Book" and a "Residual Book";
- the transfer of certain of the assets (including the Good Book) and selected liabilities of the Company to Good Bank;
- the transfer of the senior funding liabilities and retail deposits from the Company to Good Bank, after haircutting the face value of the senior funding liabilities by 10%;
- a proposed listing of New HoldCo in due course.

Refer to the Section below for details of the actual Transaction.

Liabilities of the Company

Following the placing of the Company under curatorship, and in accordance with the powers of the curator, payments of interest and capital on all debt were suspended with the exception of retail savings deposits and trade creditors arising in the ordinary course of business.

Senior unsecured debt holders (wholesale depositors, bondholders, holders of physical or dematerialised debt instruments, wholesale bank deposits, and any other classes of senior unsecured debt) were not receiving payment of interest or principal for the duration of the curatorship of ABL (until the Transaction date). The rights of such senior unsecured debt holders remained intact.

B) The Transaction

The curator issued an Offering Information Memorandum ("OIM") to the affected parties detailing the intended restructure of the Company on 4 February 2016. On 4 April 2016 the resolution of the Company ("the Transaction") took place. Significant steps that took place were as follows:

- a newly registered bank holding company, African Bank Holdings Limited (registration number 2014/176855/06), and a new bank entity, (the new) African Bank Limited (registration number 2014/176899/06) issued with a banking licence, were formed to hold the so-called Good Book and continue as a bank;
- further a new insurance holding company, African Insurance Group Limited, was created to hold an investment in a cell captive and manage the banking-related insurance operations;

The transaction (continued)

- R10 billion of equity was provided to African Bank Holdings Limited (and then on to African Bank Limited) by the new shareholders;
- certain of the Company’s assets (including the Good Book) and selected liabilities were transferred to African Bank Limited (“Good Bank”);
- senior funding liabilities of the Company were settled by way of a 10% cash payment, issuance of a new 10% stub instrument by the Company and the remaining 80% through the issuance of a new instrument by African Bank Limited (“Good Bank”);
- settlement of the subordinated funding liabilities by way of a cash payment totalling R165 million, the issuance of a new instrument by African Bank Limited (“Good Bank”) to the value of R1.485 billion, and the issuance of a new stub instrument by the Company to the value of R3.6 billion; and
- the provision of an indemnity guarantee in favour of African Bank Limited (“Good Bank”) in respect of the Good Book transferred to the value of R3 billion.

To support the Company as part of the Transaction the SARB provided a loan of R3.3 billion. Further to this the SARB also provided an indemnity guarantee of R3 billion in respect of the guarantee provided by the Company to African Bank Limited (“Good Bank”) as noted above.

The Company has since repaid a monthly amount based on the collections for each month, together with cash received from the Transaction and on 1 September 2016 the Company had fully repaid the loan together with interest thereon, provided by the SARB.

C) The way forward

Subsequent performance of the Company

Subsequent to the Transaction on 4 April 2016 the Company no longer originates loans. The Company has continued to collect on the remaining loan book with gross monthly collections varying between R400 million and R330 million between April 2016 and September 2016, as the book runs down. Additional information related to the advances is provided on note 6 and note 31 of these annual financial statements.

Future outlook

The indemnity guarantee noted above is in place for a period of 8 years, commencing 4 April 2016. As a result the Company is expected to continue in existence until at least that date. Since the repayment of the SARB loan the Company is required to hold excess cash in the indemnity reserve to the amount of R3 billion. Once this has been built up any additional cash may be distributed to stub holders.

Post-balance sheet events

There were no matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Company annual financial statements, which significantly affects the financial position at 30 September 2016 or the results of its operations or cash flows for the year then ended. There were no claims made against the indemnity reserve during 2016 financial year.

Going concern

These financial statements are not presented on a going concern basis and use the Framework as stipulated in the notes 1.1.1 and 1.2.2 of Accounting Policies following the successful implementation of the Transaction.

D) Statutory disclosures

Share capital

Ordinary shares

The authorised share capital consist of 133 750 000 (2015: 133 750 000) shares of R1 each.

No shares were issued during the current year (2015: no shares). At 30 September 2016, the issued ordinary share capital totalled 121 251 512 (2015: 121 251 512) shares at par value of R1 each representing R121.3 million (2015: R121.3 million).

No shares were repurchased during the current financial year (2015: nil).

Shareholding in the company

The Company's shares are held by African Phoenix Investments Limited (a new registered name for African Bank Investments Limited). Reference to the old ABIL group in these financial statements should be used in conjunction with the ABIL's new registered name. Since 10 August 2014 the management of the Company has vested in the curator subject to the supervision of the Registrar.

Financial results and reporting Framework

Due to the nature of the curatorship, the financial statements are not presented on a going concern basis; rather the financial statements have been presented using the **Framework** as stipulated in the Accounting Policies of these Financial Statements.

The financial results for the year ended 30 September 2016 are set out on pages 1 to 64 of these annual financial statements. The Company reported a net profit after tax of R2 366 million for the 2016 financial year (2015: loss of R7 212 million).

The table below demonstrates changes in the financial performance of the Company from the first six months to the second six months of the 2016 financial year:

Rmillion	**First six months**	**Second six months**	**Full year**
Interest income on advances	**3 362**	**219**	**3 581**
Non-interest income	**822**	**114**	**936**
Income from operations	**4 184**	**333**	**4 517**
Credit impairment charge	**(1 482)**	**657**	**(825)**
Income from operations	**2 702**	**990**	**3 692**
Other interest income	**520**	**37**	**557**
Interest expense and similar charges	**(2 625)**	**(540)**	**(3 165)**
Operating costs	**(1 368)**	**(408)**	**(1 776)**
Other losses	**(172)**	**(5)**	**(177)**
Indirect taxation: VAT	**(44)**	**(32)**	**(76)**
Loss from operations	**(987)**	**42**	**(945)**
Capital items	**341**	**2 970**	**3 311**
Profit/(Loss) before taxation	**(646)**	**3 012**	**2 366**
Direct taxation: current and deferred	**-**	**-**	**-**
Profit/(Loss) for the year	**(646)**	**3 012**	**2 366**

The Transaction completed in the year gave rise to the transfer of assets for a value in excess of their carrying value, resulting a gain on disposal of R2 654 million. During the year the Company also recovered R657 million on the previously impaired loans to affiliated companies.

Capital expenditures

The Company made additions to its property and equipment and intangible assets of Rnil million (2015: R160 million) during the financial year. All capital assets were disposed to the new African Bank Limited on 4 April 2016.

CURATOR'S REPORT (*continued*)

Statutory disclosures (continued)

Dividends to ordinary shareholders
No dividends were declared or paid during the current financial year (2015: Rnil). No future dividend is expected to arise.

Directors and changes in directors

In accordance with Article 13 of the Company's Memorandum of Incorporation one-third of the directors shall retire at each annual general meeting on a rotational basis and retiring directors are eligible for re-election, subject to term limits. However by 30 September 2016 the Company had no directors. Given the purpose of the Company in Curatorship, and the current expectation that Curatorship will continue for the duration of the indemnity guarantee, at which point the Company is expected to cease, it is not anticipated that directors will be appointed to the company.

The Company's board of directors (powers suspended from 10 August 2014, the date the curatorship commenced) were:

Independent non-executive

Nicholas (Nic) Adams	(resigned 10 November 2015)
Mojankunyane Florence (Mojanku) Gumbi	(resigned 23 February 2015)
Jacobus Dorotheus Maria Gerardus (Jack) Koolen #	(deceased)
Nomalizo Beryl (Ntombi) Langa-Royds	(resigned 20 October2015)
Mutle Constantine Mogase	(resigned 16 October 2015)
Morris Mthombeni	(resigned 18 March 2016)
Robert John (Johnny) Symmonds	(resigned 19 October 2015)

Executive

Nithiananthan (Nithia) Nalliah	(resigned 31 March 2015)

Dutch

Company secretary and registered office

As part of the Transaction on 4 April 2016, an outsourcing agreement with African Bank Limited ("Good Bank") was entered into, in terms of which Bruce Unser was appointed as company secretary, effective 12 October 2015. His business and postal address is the registered office of the Company which is set out on page 64 of these annual financial statements.

Remuneration and employee incentive participation schemes

Details in respect of 2015 directors' remuneration and the Company's long term incentive scheme are disclosed in the remuneration note. No payments were made to directors in the financial year ended 30 September 2016.

Special resolutions

No special resolutions have been passed in the current year.

T Winterboer
Curator

Midrand
9 February 2017

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE CURATOR OF RESIDUAL DEBT SERVICES LIMITED

Introduction

We have audited the accompanying financial statements of Residual Debt Services Limited set out on pages 9 to 62, which comprise the Statement of Financial Position as at 30 September 2016, and the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by the Curator using the framework as stipulated in the accounting policies.

The Curator's Responsibility for the Financial Statements

The Curator is responsible for the preparation and fair presentation of these financial statements in accordance with the framework as stipulated in the accounting policies, and for such internal control as the Curator determines is necessary to enable the preparation of 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 judgment, 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.

Basis for Qualified Opinion

The Curator released an Offer Information Memorandum ("OIM") as an annexure to the Applicable Offer Documents to interested parties on 4 February 2016 in which the Curator proposed the transaction for the resolution and restructuring of the company. The "Good Book" transferred to African Bank Limited included both historic Selected Loans and New Loans. The Selected Loans included in the "Good Book" were selected and agreed between the Curator and the Consortium by applying certain criteria as detailed in the OIM. The criteria applied included selecting loans where the credit score at origination met revised borrower criteria in terms of the new more conservative lending model. Our procedures included verifying the criteria for determining which advances were to be transferred to African Bank Limited. However, our procedures were limited with respect to the split dependent on the company's latest lending model.

In this respect, we were able to verify a sample of the inputs into the lending model and assess the accuracy of the split given the credit score assigned but were unable to obtain sufficient appropriate audit evidence about the accuracy, validity and completeness of the credit score calculated per the latest lending model. Accordingly, we were unable to determine whether any adjustments were necessary in the split of the net advances between African Bank Limited and Residual Debt Services Limited.

Furthermore, the company has fully written off its portfolio of advances which have been in arrears for an extended period of time (referred to as the "Memorandum Ledger" or "ML book"). The company historically recognised the ML book on a partially written off basis at the recoverable amount. The recoverable amount was determined by discounting the estimated future cash flows at the original effective interest rate. The recoverable amount of the ML book at 30 September 2016 was estimated at R1 250 million (2015: R831 million). The company has a demonstrated ability and experience in collecting significant cash flows on this portfolio of advances, with recoveries on previously written off advances of R766 million for the current year (2015: R528 million). Given the amount of these post write-off recoveries a full write-down of these advances is not appropriate and therefore the net income, reserves and the net advances are understated by an estimated R419 million,
R831 million and R1 250 million, respectively.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements are prepared, in all material respects, in accordance with the basis of accounting described in Note 1.1.1 and Note 1.2.2 to the financial statements and the requirements of the Companies Act of South Africa.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1.1.1 and Note 1.2.2 to the financial statements, which describe the basis of accounting. The financial statements are prepared in accordance with the company's own accounting policies to satisfy the financial information needs of the company's stakeholders, As a result, the financial statements may not be suitable for another purpose.

As presented in the Statement of Profit or Loss, the company reported a total profit of R2 366 million for the financial year ended 30 September 2016 (2015: R7 212 million loss). Furthermore, as stated in the Curator's Report, Note 1.1.1 and Note 1.2.2, the company is not expected to continue as a going concern into the foreseeable future due to the implementation of the restructure described in the Curator's report.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 September 2016, we have read the Curator's Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the Curator. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Deloitte & Touche
Registered Auditor

Per: Lito Nunes
Partner
9 February 2017

STATEMENT OF FINANCIAL POSITION
at 30 September 2016

Rmillion	Notes	2016	2015
Assets			
Cash and cash equivalents	2	**697**	6 294
Assets classified as held for sale	3	**-**	37 436
Statutory assets	4	**-**	-
Derivative assets	5	**-**	-
Net advances	6	**2 911**	6 767
Loans to affiliated companies	7	**-**	182
Other assets	8	**791**	-
Deferred tax asset	9	-	-
Property and equipment	10	-	-
Intangible assets	11	-	-
Total assets		**4 399**	50 679
Liabilities and equity			
Short-term funding	12	**-**	21 326
Liabilities associated with assets classified as held for sale	3	**-**	4 453
Derivative liabilities	5	**-**	-
Other liabilities	13	**159**	101
Bonds and other long-term funding	14	**-**	26 524
Subordinated bonds, debentures and loans	15	**-**	4 569
Stub instruments liability	15	**8 701**	-
Loans from affiliated companies	16	**-**	535
Total liabilities		**8 860**	57 508
Ordinary share capital	17	**121**	121
Ordinary share premium	17	**14 283**	14 283
Reserves and accumulated losses	18	**(18 865)**	(21 233)
Total equity (capital and reserves)		**(4 461)**	(6 829)
Total liabilities and equity		**4 399**	50 679

RESIDUAL DEBT SERVICES LIMITED (in curatorship)
ANNUAL FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS
for the year ended 30 September 2016

Rmillion	Notes	2016	2015
Interest income on advances	19	**3 581**	8 720
Non-interest income	20	**936**	2 273
Income from operations		**4 517**	10 993
Credit impairment charge	21	**(825)**	(10 816)
Income from operations		**3 692**	177
Other interest income	19	**557**	484
Interest expense and similar charges	22	**(3 165)**	(4 601)
Operating costs	23	**(1 776)**	(2 698)
Other losses	25	**(177)**	(185)
Indirect taxation: VAT	24.1	**(76)**	(59)
Loss from operations		**(945)**	(6 882)
Capital items	25	**3 311**	(330)
Profit/(Loss) before taxation		**2 366**	(7 212)
Direct taxation: current and deferred	24.2	**-**	-
Profit/(Loss) for the year		**2 366**	(7 212)

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 30 September 2016

Rmillion	2016	2015
Profit/(Loss) for the year	**2 366**	(7 212)
Other comprehensive income comprising items that are or may subsequently be reclassified to profit or loss:		
Net change in fair value of available-for-sale financial assets	**2**	(2)
Other comprehensive loss for the year (net of tax)	**-**	(2)
Total comprehensive income/(loss) for the year	**2 368**	(7 214)

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2016

Rmillion	Ordinary share capital	Ordinary share premium	Accumulated profit/ (losses)	Available-for-sale reserve	Total
Balance at 30 September 2014	121	14 283	(14 019)	-	385
Total comprehensive loss for the year	-	-	(7 212)	(2)	(7 214)
Balance at 30 September 2015	121	14 283	(21 231)	(2)	(6 829)
Total comprehensive income for the year	**-**	**-**	**2 366**	**2**	**2 368**
Balance at 30 September 2016	**121**	**14 283**	**(18 865)**	**-**	**(4 461)**

STATEMENT OF CASH FLOWS
for the year ended 30 September 2016

Rmillion	Notes	2016	2015
Cash generated from operations	26	**4 028**	9 354
Cash received from lending activities and cash reserves	27	**5 048**	11 432
Recoveries on advances previously written off		**766**	528
Cash paid to clients, suppliers of funding, employees and agents	28	**(1 786)**	(2 606)
Collection of outstanding advances		**1 507**	509
Decrease / (increase) in statutory assets		**82**	(417)
Decrease / (increase) in customer deposits		**12**	(5)
Indirect and direct taxation paid	29	**17**	(59)
Cash inflow from operating activities		**5 646**	9 382
Cash inflow / (outflow) from investing activities		**519**	(143)
Acquisition of property and equipment (to maintain operations)	10	**-**	(129)
Acquisition of intangible assets (to maintain operations)	11	**-**	(31)
Receipts on loans to affiliated companies		**519**	17
Cash (outflow) / inflow from financing activities		**(9 929)**	1 705
Long term funding redeemed – Bonds		**(9 929)**	-
Long term funding raised – other treasury funding		**-**	-
Short term funding raised		**3 300**	1 842
Short term funding redeemed		**(3 300)**	(137)
Movement in cash and cash equivalents		**(3 764)**	10 944
Cash sold as part of sale of business		**(1 833)**	-
Cash and cash equivalents of disposal group classified as held for sale	3	**-**	(8 232)
Cash and cash equivalents at the beginning of the year		**6 294**	3 582
Cash and cash equivalents at the end of the year	30	**697**	6 294

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2016

1. General information

Residual Debt Services Limited (in curatorship) ("RDS") is a public company incorporated in the Republic of South Africa. The previous holding company, African Bank Investments Limited (a company listed on the JSE with trading of shares currently being suspended), controlled the Company until 10 August 2014, the date at which the curatorship of the Company commenced.

RDS (then African Bank) was placed under curatorship in terms of section 69 of the Banks Act by the SARB. The SARB decision followed a period of growing uncertainty surrounding the Company, after a series of financial losses were announced by the Company's then holding company, African Bank Investments Limited. Furthermore, Ellerine Furnishers Proprietary Limited and Ellerine Holdings Limited, were placed under business rescue on 7 August 2014 and 22 August 2014 respectively.

The Minister of Finance appointed T Winterboer as the curator of the Company. The curator was requested to undertake two key tasks, namely:

- to stabilise the operations of the Company and to seek to preserve its operations during the curatorship; and
- to put forward a proposal for the effective resolution for the Company and its business.

The curator's responsibilities in terms of the Banks Act are, inter alia, as follows:

On appointment of the curator:

- the management of the Company vested in the curator, subject to the supervision of the Registrar of Banks, and any other person vested with the management of the affairs of the Company was divested thereof; and
- the curator became obliged to recover and take possession of all the assets of the Company.

The curator shall:

- subject to the supervision of the Registrar, conduct the management of the Company in such a manner as the Registrar may deem to best promote the interest of the creditors of the Company and of the banking sector as a whole;
- comply with any direction of the Registrar;
- keep such accounting records and prepare such annual financial statements, interim reports and provisional annual financial statements as the Company or its directors would have been obliged to keep or prepare if the Company had not been placed under curatorship;
- convene the annual general meeting or any other meeting of the Company provided for in the Companies Act, and, in that regard, comply with all the requirements with which the directors of the Company would in terms of the Companies Act have been obliged to comply if the Company had not been placed under curatorship; and
- have the power to bring or defend in the name and on behalf of the Company any action or other legal proceedings of a civil nature and, subject to the provisions of any law relating to criminal proceedings, any criminal proceedings.

The registered office and principal place of business of the Company is disclosed on page 64.

1.1 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about income, expenses and the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 September 2016

1.1 Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimates, judgements and assumptions made, predominantly, relate to impairment provisions for loans and advances. Other judgements made relate to classifying financial assets and liabilities into their relevant categories and in the determination of their fair value for disclosure purposes.

The following are the critical judgements and key estimation uncertainties that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the annual financial statements.

1.1.1 Going concern

As discussed earlier in the curator's report, in order to address the Company's capital shortfall, the SARB, together with the Consortium and the curator where appropriate, have implemented the following:

- implemented the restructuring transaction, effective 4 April 2016, which resulted in the creation of New HoldCo (African Bank Holdings Limited) and the new "Good Bank" (African Bank Limited);
- negotiated with the senior creditors on exchanging the Company's bonds for new bonds issued by Good Bank (African Bank Limited); and
- negotiated with other creditors in respect of their claims against the Company.

Accordingly, these financial statements are not presented on a going concern basis; rather the financial statements have been prepared using the **Framework** as stipulated in the Accounting Policies. The purpose of the Company post the implementation of the restructuring is to collect all outstanding advances retained by the Company, build the required indemnity cash reserves as required by the SARB and where excess cash is collected to make payment to stub note holders. As there is no framework which deals with 'run off' accounting, the Curator elected to prepare the financial statements using a Framework as stipulated in the accounting policy note.

1.1.2 Impairment of advances

Impairment allowances are calculated using the accounting policy as described in note 1.4.4.1. In determining the impairment allowance, the timing and amount of the expected cash flows are the most significant judgements applied by the Company. Historical loss rates, probability of default and credit quality of the advances are taken into account in determining the expected cash flow on the advances. The determination of these cash flows requires the exercise of considerable judgement by management involving matters such as local economic conditions and outlook. In addition, the use of statistically assessed historical information is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

1.1.3 Current and deferred taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation in which the Company operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is provided for on the fair value adjustments of assets based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability or asset.

1.1 Critical accounting judgements and key sources of estimation uncertainty (continued)

1.1.4 Fair value estimation

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies fair values measured and/or disclosed according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted market prices
  Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Valuation technique using observable inputs
  Inputs that are observable for assets or liabilities, either directly (prices) or indirectly (derived from prices)
- Level 3: Valuation technique using significant unobservable inputs
  Inputs into the valuation model for assets or liabilities, which are based on unobservable market data and are entity specific.

Level 3 requires significant management judgement regarding the inputs and subsequent determination of the item's fair value. Refer to note 34 for details of the significant judgements applied by the Company in determining the fair values for disclosure purposes of advances and stub instruments.

No financial instruments are measured at fair value on a recurring basis.

1.1.5 Provisions

By their nature, various assumptions are applied in arriving at the carrying value of provisions that the Company recognises.

Management further relies on input from the Company's legal counsel (internal and external) in assessing the probability of matters of a significant nature.

The Company recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the deferred tax assets recorded at the end of the reporting period could be impacted.

1.2 Significant accounting policies

The significant accounting policies set out below have been applied in the preparation and presentation of the Residual Debt Services Limited (in curatorship) annual financial statements in dealing with items that are considered material by the Company during this reporting period.

1.2.1 Statement of compliance

The annual financial statements are prepared in accordance with the **Framework** as stipulated in the accounting policies and the requirements of the Companies Act.

1.2.2 Basis of preparation- "Framework"

The Company financial statements have been prepared on a "run-down" basis due to implementation of the restructure described in the Curator's report. Due to the run down business model, the Company as a legal entity is no longer regarded as a going concern.

1.2.2 Basis of preparation (continued)

The statement of financial position is presented in order of liquidity with the exception of certain long term liabilities which reflect the original timeframe and intention of the instrument entered into for the prior period. Reference to the current maturities of these financial liabilities is disclosed in the notes and in the analysis of financial assets and liabilities. Refer to note 38 for an explanation of the impact curatorship has had on the contractual and expected maturities of the Company's financial liabilities.

Functional and presentation currency

The annual financial statements are presented in the currency of the primary economic environment in which the entity operates.

The annual financial statements are presented in South African Rand, which is the Company’s functional currency. All monetary information and figures have been rounded to the nearest million rand (Rmillion), unless otherwise stated.

1.3 Disposal groups

Disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through a sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale or distribution within 12 months from the date of classification.

Immediately before classification as held for sale or held for distribution, the assets, or components of a disposal group, are remeasured in accordance with the group’s accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less estimated cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or employee benefit assets which continue to be measured in accordance with the group’s applicable accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

1.4 Financial instruments

The Company recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date.

The Company has financial assets classified into the following categories:
- loans and receivables

The Company has financial liabilities classified into the following categories:
- financial liabilities at amortised cost.

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

1.4.1 Initial measurement

All financial instruments are measured initially at fair value plus transaction costs, except for stub instruments. Financial liabilities arising from the issue of stub instruments are recognised at their face value upon initial recognition.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

1.4 Financial instruments (continued)

1.4.2 Subsequent measurement

Subsequent to initial measurement, financial instruments are measured at amortised cost.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
The Company's advances are included in the loans and receivable category.

These advances arise when the Company provides money, goods or services directly to a debtor with no intention to trade the receivable. Loans and advances originated by the Company are in the form of personal unsecured loans and are either paid back in fixed equal instalments or, in the case of credit cards, are revolving credit facilities.

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

- Financial liabilities at amortised cost

All financial liabilities are measured at amortised cost.

1.4.3 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees that form an integral part of the effective interest rate) through the expected life of the financial asset/liability or, where appropriate, a shorter period. Where a change in estimation of expected future cash flows occurs on fixed rate instruments, the change in estimate calculated is recognised as part of interest income/expense.

1.4.4 Impairment of financial instruments

1.4.4.1 Assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that an asset or group of assets is impaired.

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

1.4.4.1 Assets carried at amortised cost (continued)

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the recoverable amount.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate that reflects the portfolio of advances' original effective interest rate. The effective interest method is a method of calculating the amortised cost and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including loan origination fees and monthly service fees) through the expected life of the loan, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The carrying amount of the financial asset due to the impairment calculated is reduced through the use of an allowance account and the amount of the loss is recognised in the credit impairment charge line of the statement of total comprehensive income.

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

Currently, all advances are assessed for impairment on a portfolio basis due to the large number of insignificant balances within the portfolio.

The Company estimates the recoverable amount on a portfolio basis using portfolio statistics derived from past performance of similar financial assets, taking into account any changes to collection procedures and projected future market conditions.

For portfolio (collective) assessment of impairment, financial assets are grouped on the basis of similar credit characteristics which indicate the borrower's ability to pay in accordance with the contractually agreed terms. For the purposes of portfolio impairment assessment, the impairment provisioning is divided into the following categories:

- Provision for IBNR (incurred but not yet reported)
- Portfolio specific impairments;
- Specific impairments; and
- Written off portfolio.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

1.4.4.1.1 Provision for IBNR

In order to provide for the latent losses in a group of loans that have not yet been identified as specifically impaired, an impairment for incurred but not yet reported ("IBNR") losses is recognised on historical loss patterns and estimated emergence periods. Loans and receivables that are neither past due nor impaired are collectively assessed for the IBNR impairment provision. Neither past due nor impaired is defined by the Company as loans and receivables that are contractually up to date with all payments due.

1.4.4.1.2 Portfolio specific impairments

Loans and receivables that have missed up to 3 payments contractually are assessed collectively for portfolio specific impairment provisioning. These loans are still considered to be part of the performing loan portfolio.

1.4.4.1.3 Specific impairments

Loans and receivables that have missed 4 or more instalments are assessed for specific impairments. These loans form the non-performing loan portfolio.

1.4.4.1.4 Written off portfolio

A write off is effected against the allowance account (effectively derecognised) when the debtor is deemed to be impaired and not recoverable. Any cash subsequently recovered from the debtor is recorded as bad debt recovered and included in the credit impairment charge in the statement of total comprehensive income.

1.4.5 Derecognition of financial instruments

1.4.5.1 Financial assets

The Company derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when the contractual rights to the cash flows arising from the financial asset have expired or the Company transfers the financial asset and the transfer qualifies for de-recognition.

A transfer of the financial assets requires that the Company either transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

1.4.5.2 Financial liabilities

The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification to the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

Where the Company purchases its own debt, the debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in gains or losses on bond buy backs in the statement of total comprehensive income.

1.4.6 Offsetting

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

1.5 Cash and cash equivalents

Short-term deposits and cash comprise fixed and notice deposits as well as call and current accounts with financial institutions that have a maturity of less than three months from date of acquisition.

For the purposes of the statement of cash flows, cash and cash equivalents comprise short-term deposits and cash, net of bank overdrafts.

1.6 Provisions

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

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

1.6.1 Onerous contracts

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

1.6.2 Restructuring

A restructuring provision is recognised when the Company has:

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

The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring and not costs associated with the ongoing activities of the company. Future operating costs or losses are not provided for.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

1.7 Equity

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

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

1.7.1 Share capital and share premium

Shares issued by the Company are recorded at the value of the proceeds received less the external costs directly attributable to the issue of the shares.

1.7.2 Dividends

Dividends to equity holders are recognised as a liability in the period in which they are declared and are accounted for as a movement in reserves in the statement of changes in equity. Dividends declared after the statement of financial position date are not recognised.

1.8 Revenue

Revenue comprises income from interest income and non-interest income.

1.8.1 Interest income

Interest income is accrued on a yield to maturity basis by reference to the principal outstanding and the interest rate applicable.

- Origination fees on loans granted

  Origination fees on loans granted are charged upfront and capitalised into the loan. These fees are primarily based on the cost of granting the loan to the individual. These origination fees are considered an integral part of the loan agreement and are therefore recognised as an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest rate method. The deferred portion of the fees is recorded in the statement of financial position as a provision for deferred administration fees.

- Monthly service fee

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

Whilst both these components are regarded as an integral part of the effective interest rate, they are not disclosed as interest income, but as non-interest income.

1.8.2 Rendering of services

When the transaction involves the rendering of services and the outcome can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

1.8.2 Rendering of services (continued)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.8.3 Non-interest income

Non-interest income consists primarily of administration fees on loans and advances, commission charged as well as any other sundry income.

1.9 Taxation

1.9.1 Indirect taxation

Indirect taxation in the form of non-claimable value-added tax (VAT) on expenses is disclosed as indirect taxation in profit or loss and not as part of the taxation charge. The non-claimable VAT on the cost of acquisition of fixed assets is amortised over the useful lives of the fixed assets and is included in depreciation in profit or loss. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

1.9.2 Direct taxation

Direct taxation in profit or loss consists of South African jurisdiction corporate income tax, inclusive of capital gains tax (CGT) (currently payable, prior year adjustments and deferred).

1.9.2.1 Current taxation

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

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

1.9.2.2 Deferred taxation

Deferred taxation is provided on temporary differences using the balance sheet liability method. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation base. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit or loss nor taxable income. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation is charged or credited in profit or loss, except to the extent that it relates to items charged or credited directly to the statement of changes in equity, in which case the deferred taxation is also dealt with in equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

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

1.9.2.2 Deferred taxation (continued)

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

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

1.10 Borrowing costs

The Company does not have qualifying assets against which borrowing costs are to be capitalised against. All borrowing costs are therefore recognised in profit or loss in the period in which they are incurred.

1.11 Foreign currency transactions and balances

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

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

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

1.12 Contingent liabilities and commitments

1.12.1 Contingent liabilities

A contingent liability is disclosed when:

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

1.12.2 Commitments

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

1.13 Comparative figures

Where necessary, comparative figures within notes have been reclassified to conform to changes in presentation in the current year and to enhance disclosure of certain items.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 September 2016

		2016	2015
2	**Short-term deposits and cash**	**Rm**	Rm
	Call deposits (1)	**294**	6 725
	Short notice deposits (2)	**403**	7 759
	Current accounts (3)	**-**	42
		697	14 526
	Transferred to assets classified as held for sale (refer to note 3)	**-**	(8 232)
		697	6 294

(1) Rand denominated call deposits are with SA banks and bear interest at rates varying from 6.6% and 6.9% NACM (2015: 3.75% and 5.85%) . Money on call deposits constitutes amounts withdrawable on demand.

In the prior period, foreign denominated call deposits consisted of foreign currency which the Company used to mitigate against the changes in cash flows arising from changes in foreign currency rates where the debt was denominated in a currency other than the functional currency (note 32).

(2) Short notice deposits are deposits with SA banks bearing interest at market related rates.

(3) In the prior period, the current accounts were floating interest rate assets with interest rates generally linked to prime.

Maximum exposure to credit risk	**697**	6 294

Refer note 31 Credit risk management for ratings of counterparties

3 Sale of disposal group classified as held for sale

In the prior period, the group of assets and liabilities that would be subject to the restructuring proposal to establish the new Good Bank were reclassified as a disposal group held for sale.

Assets which were classified as held for sale:

- Operational assets which are comprised of statutory assets, fixed assets, immovable property, assets arising in terms of hedging arrangements, other operational contracts, intellectual property and certain intangible assets.
- The Good Book to be transferred includes both historic selected loans and new loans. Cash, including collateral cash held in terms of hedging arrangements.

Liabilities associated with assets classified as held for sale:

- Operational liabilities which comprises certain specified day-to-day trading and operational liabilities of the Company (including the hedging liabilities, but excluding, any remaining liabilities arising out of any other hedging or facility agreement) which have not been settled in the ordinary course of business.
- Obligations in respect of retail savings deposits.

The Company determined that the fair value (less costs to sell) of the disposal group was higher than the aggregate carrying amount of the related assets and liabilities and therefore, no impairment loss was recognised on the date of reclassification of the assets and liabilities as held for sale, nor as at 30 September 2015.

On 4 April 2016, the restructuring transaction was implemented, whereby African Bank Limited ("Good Bank") acquired the disposal group in exchange for the transfer of the Top Up Cash Amount and the assumption of the Company's retail deposits.

On the same day the banking licence of the Company was cancelled and the Company ceased to advance new loans and take new deposits. However the Company continued trading activities related to collection of outstanding advances and of servicing the Company's liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

		2016	2015
3 Sale of business and assets classified as held for sale (continued)		**Rm**	Rm

The major classes of assets and liabilities of the disposal group at year end are as follows:

	Notes	**2016 Rm**	2015 Rm
Short-term deposits and cash	2	-	8 232
Statutory assets	4	-	3 905
Derivatives	5	-	4 515
Net advances	6	-	20 145
Other assets	8	-	129
Property and equipment	10	-	436
Intangible assets	11	-	74
Assets classified as held for sale		-	37 436
Short-term funding	12	-	(4 025)
Derivatives	5	-	(39)
Other liabilities	13		(305)
Bonds and other long-term funding	14.3	-	(84)
Liabilities associated with assets classified as held for sale		-	(4 453)
Disposal group held for sale		-	32 983
Profit on disposal of disposal group	25	**2 654**	-

4 Statutory assets

	2016	2015
Treasury bills and debentures with the South African Reserve Bank	-	802
Bonds with the South African Reserve Bank (inflation linked)	-	447
Cash deposits	-	2 656
	-	3 905
Transferred to assets classified as held for sale	-	(3 905)
	-	-

In the prior period, statutory assets had been pledged with the South African Reserve Bank in terms of the Banks Act and regulations thereto. In the prior period, all statutory assets were transferred to the disposal group held for sale in anticipation of the restructuring transaction. The Company ceased to operate as a Bank on 4 April 2016 and is therefore no longer required to hold statutory assets.

5 Derivatives

	2016	2015
Derivative assets	-	4 515
Exchange rate derivatives	-	4 164
Interest rate derivatives	-	351
Transferred to assets classified as held for sale	-	(4 515)
	-	-
Derivative liabilities	-	(39)
Interest rate derivatives	-	(39)
Transferred to assets classified as held for sale	-	39
	-	-

The Company used interest rate swaps and currency swaps to mitigate against changes in cash flows of certain variable rate debt. The objective was to mitigate against changes in future interest cash flows resulting from the impact in changes in market interest rates.

The Company also used currency swaps to mitigate against the changes in cash flows arising from changes in foreign currency rates where the debt was denominated in a currency other than the functional currency.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

6 **Net advances**	**Gross advances 2016**	Gross advances 2015	Assets classified as held for sale 2015	Total Advances 2015
Gross advances	**7 011**	15 767	29 030	44 797
Deferred administration fees	**36**	53	(37)	16
Gross advances after deferred administration fees	**7 047**	15 820	28 993	44 813
Impairment provisions	**(4 136)**	(9 053)	(8 848)	(17 901)
	2 911	6 767	20 145	26 912
Analysis of total gross advances by class of asset				
Total	**7 011**	15 767	29 030	44 797
Loan	**6 630**	13 996	22 619	36 615
Credit card	**381**	1 771	6 411	8 182
Maximum exposure to credit risk*	**7 047**	15 820	28 993	44 813

*The Company has no conditionally revocable retail loan commitments.

The gross value of the written off book at 30 September 2016 was R21.7 billion (2015: R35 billion).The recoverable value of the written off book as at 30 September 2016 was estimated at R1.3 billion (2015: R831 million).

Refer to note 31 for more information on credit risk management and the credit quality of the advances book.

	2016 Rm	2015 Rm
Impairment provisions		
Balance of impairment provisions at the beginning of the year	**9 053**	20 452
Impairment provisions raised (note 21)	**1 591**	11 344
Bad debt (write-offs) / rehabilitations	**(6 314)**	(13 895)
Written off (gross)	**(6 314)**	(13 893)
Rehabilitated	**-**	(2)
Transferred to assets classified as held for sale	**-**	(8 848)
Impairment provision de- recognised on sale of advances	**(194)**	-
Balance of impairment provisions at the end of the year	**4 136**	9 053

Analysis of reconciliation of impairment provision by class of asset

	2016 Rm			2015 Rm		
	Loans	**Credit Cards**	**Total**	Loans	Credit Cards	Total
Balance at the beginning of the year	**8 400**	**653**	**9 053**	18 687	1 765	20 452
Bad debt charge/(released)	**1 094**	**497**	**1 591**	9 177	2 167	11 344
Bad debt (written off)	**(5 541)**	**(773)**	**(6 314)**	(12 066)	(1 829)	(13 895)
Transferred to assets classified as held for sale	**(19)**	**(175)**	**(194)**	(7 398)	(1 450)	(8 848)
Balance of impairment provision at the end of the year	**3 934**	**202**	**4 136**	8 400	653	9 053

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 September 2016

7 **Loans to affiliated companies**	**2016 Rm**	2015 Rm
Cost	**1 360**	1 915
African Bank Investments Limited (1)	**174**	447
Gilt Edged Management Services (Pty) Ltd (part of the old ABIL group)(1)	**-**	23
Ellerine Furnishers (Pty) Ltd (part of the old ABIL group in business rescue) (2)	**-**	42
Ellerine Holdings Limited (part of the old ABIL group in business rescue) (2)	**1 186**	1 403
Accumulated impairment losses	**(1 360)**	(1 733)
Balance at the beginning of the year	**(1 733)**	(1 403)
Impairment losses reversed/(recognised) during the year	**373**	(330)
	-	182

(1) Loans to affiliated companies were recovered through offset arrangements via the exchange offer process against loans from affiliated companies (refer note 16) where the residual claim from affiliate companies was extinguished via a combination of issuance of new debt by African Bank Limited ("Good Bank") and cash.

(2) During the current year, the Company received part repayment and the outstanding amounts due to the Company have been provided for in full.

8 **Other assets**		
Financial		
Receivable from African Bank Limited ("Good Bank")	**731**	-
Sundry receivables	**60**	74
Non- Financial		
Prepayments	**-**	55
	791	129
Transferred to assets classified as held for sale	**-**	(129)
Total	**791**	-

Due to the short term nature of financial receivables, the carrying amount approximates its fair value.
Accounts receivable are neither past due nor impaired.

9 **Current and deferred tax assets/liability**		
Current tax asset	**-**	-
Deferred tax asset	**-**	-
	-	-

9.1 Current tax asset

The Company has open tax matters with the South African Revenue Services (SARS) relating to the deductibility of impairment provisions on the Company's advances book and the application of SARS's directive regarding the treatment of doubtful debts by banks.

During the current financial year, the Company reassessed the recognition of a current tax asset. The Company is of the view that a current tax asset cannot be recognised because of the uncertainty around the resolution of this matter as negotiations with SARS remain ongoing. The Company continues to pursue this matter, however the ultimate conclusion of this matter could vary from the amounts recognised and is dependent upon the outcome of negotiations with SARS. At this stage the Company has no certainty regarding the outcome of this matter and the Company cannot provide the amount expected to be recovered/(paid) from/(to) the taxation authorities.

Due to the losses in the current and prior financial years and the expectation that these losses will persist for the near future, the Company deemed it improbable that sufficient taxable profit will be available against which the deferred tax asset will be recoverable. Therefore, the Company has not recognised a deferred tax asset because of the losses incurred during the current and previous financial years.

10 Property and equipment	**Cost 2016 Rm**	**Accumulated depreciation 2016 Rm**	**Carrying value 2016 Rm**	Cost 2015 Rm	Accumulated depreciation 2015 Rm	Transfer to assets classified as held for sale 2015 Rm	Carrying value 2015 Rm
Furniture	-	-	-	125	(71)	(54)	-
Information technology equipment	-	-	-	390	(268)	(122)	-
Office equipment	-	-	-	48	(24)	(24)	-
Motor vehicles	-	-	-	20	(17)	(3)	-
Leasehold improvements	-	-	-	95	(57)	(38)	-
Land and buildings (owner-occupied)	-	-	-	219	(24)	(195)	-
Total	-	-	-	897	(461)	(436)	-

Reconciliation of the carrying amounts of property and equipment 2016	**Carrying value at beginning of year Rm**	**Additions Rm**	**Deprecia-tion Rm**	**Disposals, write-offs and transfers Rm**	**Transfer to assets classified as held for sale Rm**	**Carrying value at end of year Rm**
Furniture	-	-	-	-	-	-
Information technology equipment	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-
Land and buildings (owner-occupied)	-	-	-	-	-	-
Total	-	-	-	-	-	-
2015						
Furniture	74	9	(21)	(8)	(54)	-
Information technology equipment	90	79	(45)	(2)	(122)	-
Office equipment	2	27	(7)	2	(24)	-
Motor vehicles	6	-	(3)	-	(3)	-
Leasehold improvements	84	14	(40)	(20)	(38)	-
Land and buildings (owner-occupied)	199	-	(4)	-	(195)	-
Total	455	129	(120)	(28)	(436)	-

The Company has no authorised, but not yet contracted for, capital commitments at the end of the financial year.

11 Intangible assets	Cost 2016 Rm	Accumulated amortisation and impairment 2016 Rm	Carrying value 2016 Rm	Cost 2015 Rm	Accumulated amortisation and impairment 2015 Rm	Transfer to assets classified as held for sale 2015 Rm	Carrying value 2015 Rm
Software	-	-	-	227	(153)	(74)	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

Reconciliation of the carrying amounts of intangible assets 2016	Carrying value at beginning of year Rm	Additions Rm	Amortisa-tion Rm	Disposals and write-offs Rm	Transfer to assets classified as held for sale Rm	Carrying value at end of year Rm
Software	**-**	**-**	**-**	**-**	**-**	**-**
2015						
Software	107	31	(54)	(10)	(74)	-

12 Short-term funding	**2016 Rm**	2015 Rm
Call deposits (1)	**-**	4 348
Fixed and notice deposits (2)	**-**	20
Contractually matured funding not repaid (refer note 14 and Note 38) (3)	**-**	20 983
	-	25 351
Transferred to assets classified as held for sale	**-**	(4 025)
	-	21 326

[#] In the prior year, the amortised cost of the funding liabilities is based on the original contractual terms

(1) Call deposits with monthly coupon payments had interest rates varying from 3.75% to 5.77% NACM.

(2) Fixed deposits with zero, monthly and quarterly coupon payments had interest rates varying from 5.69% to 10.04% NACA, NACM and NACQ.

(3) In accordance with the powers of the curator, the payment of interest and capital on all debt (except retail depositors) was suspended effective 10 August 2014. Debt and interest coupons that reached its original contractual maturity since curatorship date was transferred from Bonds and other long term funding (note 14) and recorded above (refer note 38 for a detailed analysis).

13 Other liabilities		
Financial		
Advances with credit balances	**8**	48
Sundry payables and accruals	**151**	258
Insurance premiums due	**-**	43
Non Financial		
Liability for share based payments	**-**	3
Leave pay accrual	**-**	49
Provision for straight lining of leases	**-**	5
	159	406
Transferred to assets classified as held for sale	**-**	(305)
	159	101

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 September 2016

14 Bonds and other long-term funding	2016 Rm	2015 Rm
Unsecured bonds (listed on JSE – suspended from trading) (note 14.1)	-	7 384
Unsecured bonds (listed on foreign stock exchanges – suspended from trading) (note 14.2)	-	15 682
Unsecured long-term loans (note 14.3)	-	3 458
	-	26 524

In terms of the restructuring transaction, the Company entered into exchange offers with senior debt holders (note 14) and subordinated debt holders (note 15) whereby the Company fully and finally discharge all of its obligations in terms of the relevant existing senior debt and subordinated loans by delivering the following:

- a new senior debt instrument issued by African Bank Limited ("Good Bank");
- a senior stub Instrument in the Company (refer note 15);
- cash payment for principal amounts outstanding; and
- for selected instruments, a coupon service payment.

14.1 Unsecured bonds listed on JSE

Unsecured bonds (listed on JSE)	-	7 384

Unsecured bonds were issued as part of the Old Bank's DMTN Programme registered on the JSE's interest rate board

Fixed rate bonds		
• 11.5%	-	*-
JIBAR linked bonds		
• ranging from JIBAR +199bpts to JIBAR +400bpts	-	*3 494
Inflation linked bonds		
• Ranging from 3.2% to 5.75% plus inflation index	-	*3 890
	-	*7 384

The bonds maturities ranged from earliest redeeming in 2015 and latest redeeming in 2018.

*Matured bonds and outstanding payments on interest coupons which the Company was unable to honour were transferred to short term funding (refer note 12) in the prior period.

These bonds were subject to the exchange offer executed on 4 April 2016 and were derecognised by the Company

14.2 Unsecured bonds listed on foreign stock exchanges

Unsecured bonds listed on foreign stock exchanges	-	15 682
USD denominated bonds		
• ranging from 2.4% to 8.125% with maturity dates ranging between 2015 and 2017	-	*9 800
CHF denominated bonds		
• ranging from 4% to 5.5% with maturity dates ranging between 2015 and 2018	-	*5 882
	-	*15 682

*Matured bonds and outstanding payments on interest coupons which the Company was unable to honour were transferred to short term funding (refer note 12) in the prior period.

These bonds were subject to the exchange offer executed on 4 April 2016 and were derecognised by the Company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

	2016	2015
14.3 Unsecured long-term loans	**Rm**	Rm
Promissory notes (1)	**-**	*2 832
Fixed deposits (2)	**-**	*710
	-	3 542
Transferred to assets classified as held for sale	**-**	(84)
	-	3 458

(1) Promissory notes consist of zero, quarterly and semi-annual coupon payments, with interest rates varying from 7.81% to 11.20% NACQ, NACS and NACA. These notes have various maturities, ranging from 1 October 2015 to 8 April 2021.

(2) Fixed deposits consist of zero, quarterly and semi-annual coupon payments, with interest rates varying from 5.70% to 10.34% NACQ, NACS and NACA. These deposits have various maturities, ranging from 5 October 2015 to 26 April 2021.

*Matured bonds and outstanding payments on interest coupons which the Company was unable to honour were transferred to short term funding (refer note 12) in the prior period.

Unsecured long-term loans were subject to the exchange offer executed on 4 April 2016 and were derecognised by the Company.

15 Subordinated bonds, debentures and loans	**Rm**	Rm
Stub instruments	**8 701**	-
Subordinated debt	**-**	4 569
	8 701	4 569

15.1 Stub instruments issued as part of restructuring		
Senior unsecured stub instrument	**4 859**	-
Subordinated unsecured stub instrument	**3 842**	-
	8 701	-

Stub instrument:

- are unsecured unlisted claims against the Company;
- the senior stub instrument is subordinated in favour of SARB and shall only be repayable once all operational and run-off expenses have been paid or provided for in full and the Indemnity Reserve (refer note 33) has been established or released and will rank pari passu with the other unsecured unsubordinated creditors of the Company; and has no fixed maturity or interest payment date. Subordinated stub instruments are subordinated in favour of all of the above, including the senior stub instruments.

Senior unsecured stub instruments		
Face value at issuance	**4 622**	-
Interest accrued	**237**	-
Balance at year end	**4 859**	-

Transferable and non- transferable floating rate senior unsecured stub instrument, issued on 4 April 2016. Interest is calculated and capitalised quarterly at the three month JIBAR rate plus 3.00%.

Subordinated unsecured stub instruments		
Face value at issuance	**3 621**	-
Interest accrued	**221**	-
Balance at year end	**3 842**	-

Transferable floating rate subordinated unsecured stub instrument, issued on 4 April 2016. Interest is calculated and capitalised quarterly at the three month JIBAR rate plus 5%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

15.2 Subordinated bonds, debentures and loans	**2016 Rm**	2015 Rm
Subordinated bonds		
• Fixed rate of 15.5% with a maturity in 2016	-	*537
• Variable rate ranging between JIBAR + 4% and JIBAR + 6.3% with maturity ranging between 2016 and 2024	-	*2 842
Subordinated debentures		
• Variable rate of JIBAR + 7.5% with latest maturity date being 2021	-	503
Tier II capital qualifying loans		
• Variable rate ranging between JIBAR + 3.65% and JIBAR + 5.775% with maturity ranging between 2016 and 2020	-	687
	-	4 569

*Outstanding payments on interest coupons which the Company was unable to honour were transferred to short term funding (refer note 12) in the prior period.

These subordinated bonds, debentures and loans were subject to the exchange offer executed on 4 April 2016 and were derecognised by the Company.

16 Loans from affiliated companies	**Rate**	**Type**	**Maturity**		
African Bank Investments Limited (in business rescue) (1)	0.00%	Call	On demand	-	6
African Bank Investments Limited (in business rescue) (1)	5.40%	Call	On demand	-	461
Customer Protection Insurance Company Ltd (2)	5.40%	Call	On demand	-	2
Gilt Edged Management Services (Pty) Ltd (1)	0.00%	Loan	On demand	-	64
Miners Credit Guarantee (Pty) Ltd (2)	0.00%	Loan	On demand	-	2
				-	535

(1) Loans to affiliated companies (note 7) were offset via the exchange offer process against loans from affiliated companies where the residual claim from affiliate companies was extinguished via a combination of issuance of new debt by African Bank Limited ("Good Bank") and cash.

(2) Via the exchange offer process, loans were extinguished via a combination of issuance of new debt by African Bank Limited ("Good Bank") and cash.

17 Share capital	**2016 Number of shares**	**2016 Rm**	2015 Number of shares	2015 Rm
Authorised				
Ordinary shares of R1 each	**133 750 000**	**134**	133 750 000	134
Issued				
Ordinary shares at par value of R1 each	**121 251 512**	**121**	121 251 512	121
Ordinary share premium		**14 283**		14 283
		14 404		14 404

During the year the Company issued no shares (2015: Nil). The Company had 12 498 488 (2015: 12 498 488) unissued ordinary shares.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

	2016	2015
18 Reserves and accumulated losses	**Rm**	Rm
Reserves comprise of the following:		
Accumulated losses	**(18 865)**	(21 231)
Revaluation reserve attributable to available-for-sale financial assets	**-**	(2)
	(18 865)	(21 233)

19 Interest income		
Interest income on advances	**3 581**	8 720
Other interest income	**557**	484
Interest received on cash reserves	**511**	438
Sundry interest income	**46**	46
	4 138	9 204

20 Non-interest income		
Loan origination fees	**173**	413
Service fees	**221**	563
Credit card fees	**234**	545
Commission income	**235**	716
Other income	**73**	36
	936	2 273

Loan origination and monthly service fees are considered an integral part of the loan agreement and accordingly are amortised to the statement of profit or loss over the contractual life of the loan using the effective interest rate method, with the unamortised portion of the fees recorded as deferred administration fees.

21 Credit impairment charge		
Increase in impairment provisions (refer note 6)	**1 591**	11 344
Recoveries on advances previously written off	**(766)**	(528)
	825	10 816

22 Interest expense and similar charges		
Unsecured listed bonds	**978**	1 830
Unsecured long-term loans	**6**	577
Call deposits	**976**	1 016
Fixed deposits	**96**	14
Negotiable certificates of deposit	**113**	6
Interest on stub instruments	**458**	-
Subordinated debt	**274**	516
Interest on short-term facilities	**62**	77
Interest expense and similar charges from financial instruments at fair value through profit or loss	**-**	442
Other interest	**202**	123
	3 165	4 601

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

		2016	2015
23	**Operating costs**	**Rm**	Rm
	Advertising and marketing costs	**39**	59
	Amortisation of intangible assets (refer note 11)	**-**	54
	Auditors remuneration	**10**	18
	Audit fees – current year	**7**	11
	Audit fees – prior year under provision	**3**	7
	Bank charges	**96**	205
	Card transaction costs	**33**	82
	Collection costs	**69**	153
	Depreciation on property and equipment (refer note 10)	**-**	120
	Impairment on property and equipment	**74**	-
	Direct selling and commissions	**9**	17
	Information technology costs	**37**	59
	Loss on disposal of property and equipment	**-**	28
	Loss on disposal of intangible assets	**-**	10
	Operating leases	**108**	190
	Leasehold fixed property – external	**97**	176
	Computers and other equipment	**11**	14
	Printing, stationery and courier costs	**28**	60
	Professional fees	**191**	329
	Legal fees	**-**	2
	Consultants and other professional fees	**191**	327
	Staff cost	**588**	1 119
	Basic remuneration	**467**	879
	Bonuses and incentives	**121**	139
	Contribution to provident fund	**-**	96
	Charge for share-based incentives	**-**	3
	Executive directors' remuneration (refer note 44.1)	**-**	2
	Basic remuneration	**-**	2
	Non-executive directors' fees (refer note 44.3)	**-**	1
	Telephone, fax and other communication costs	**48**	86
	Value share commissions paid to Ellerines	**-**	59
	Service level agreement / commission paid to African Bank Limited ("Good Bank")	**379**	-
	Other expenses	**67**	49
		1 776	2 698

		2016	2015
24	**Indirect and direct taxation**		
	Indirect charge per the statement of profit or loss (refer note 24.1)	**76**	59
	Direct charge per the statement of profit or loss: SA normal taxation (refer note 24.2)	**-**	-
	Total taxation charge per the statement profit or loss	**76**	59
	All-in tax rate (calculated as the total taxation charge per the statement of profit or loss expressed as a percentage of net income before any indirect and direct taxation) (%)	**3.2**	(0.8)

		2016	2015
24.1	**Indirect taxation**		
	Value-added tax (VAT)	**76**	59
	Indirect taxation charge per the statement of profit or loss	**76**	59

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

24.2 Direct taxation	2016 Rm	2015 Rm
Current taxation – SA	-	-
Current year	-	-
Prior year	-	-
Deferred taxation – SA	-	-
Current year	-	-
Prior year	-	-
Direct taxation charge per statement of profit or loss	-	-

24.3 Tax rate reconciliation

	2016	2015
Profit/(Loss) before taxation	**2 366**	(7 212)
	%	%
Total taxation charge (direct and indirect) for the year as a percentage of the above	**(3.2)**	(0.8)
Indirect taxation: value-added tax	**3.2**	0.8
Effective rate of taxation	**(0.0)**	(0.0)
Capital items	**-**	2.6
Tax assets not recognised	**28.0**	25.4
Other	**-**	-
Standard rate of South African taxation	**28.0**	28.0

25 Other gains / (losses) and capital items

25.1 Other gains / (losses)

	2016	2015
Fair value movement on derivatives	**701**	2 203
Foreign currency losses	**(878)**	(2 388)
	(177)	(185)

25.2 Capital items

	2016	2015
Movement in impairment of loans to affiliated companies	**657**	(330)
Profit on sale of business	**2 654**	-
	3 311	(330)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

		2016 Rm	2015 Rm
26	**Cash generated from operations**		
	Profit/(Loss) before taxation	**2 366**	(7 212)
	Adjusted for:		
	Indirect taxation: VAT	**76**	59
	(Decrease) / increase in deferred administration fees (refer note 6)	**17**	(26)
	Increase in impairment of advances (refer note 6)	**1 591**	11 344
	Impairment of intragroup loan (refer note 7)	**5**	330
	Amortisation of intangible assets (refer note 11)	**-**	54
	Depreciation (refer note 10)	**-**	120
	Loss on disposal of property and equipment	**-**	28
	Loss on disposal of intangible assets	**-**	10
	Available-for-sale asset fair value movement	**-**	(2)
	Fair value movement on derivatives	**177**	801
	Share based payment expense	**-**	2
	Movement in accruals (debtors, creditors)	**4**	(345)
	Movement in provisions (leases, leave pay)	**-**	5
	Movement in interest income accrual (income earning assets)	**(47)**	(19)
	Movement in interest expense accrual (funding (incl. swaps) and customer deposits)	**458**	4 205
	Other non- cash items	**(619)**	-
		4 028	9 354

		2016 Rm	2015 Rm
27	**Cash received from lending activities and cash reserves**		
	Interest income (adjusted for non-cash items)	**4 095**	9 185
	Non-interest income (adjusted for non-cash items)	**953**	2 247
		5 048	11 432

		2016 Rm	2015 Rm
28	**Cash paid to clients, suppliers of funding, employees and agents**		
	Interest paid (adjusted for non-cash items)	**(204)**	(396)
	Remuneration, bonuses and incentives paid to employees and directors	**(588)**	(1 105)
	Other operating expenses paid	**(994)**	(1 105)
		(1 786)	(2 606)

		2016 Rm	2015 Rm
29	**Indirect and direct taxation paid**		
	Movement in current and indirect tax balance	**93**	-
	Indirect and direct taxation charged to statement of profit or loss (refer note 24)	**(76)**	(59)
	Deferred tax portion of amount charged to statement of profit or loss	**-**	-
		17	(59)

		2016 Rm	2015 Rm
30	**Cash and cash equivalents**		
	Cash and cash equivalents (refer note 2)	**697**	14 526
	Transferred to assets classified as held for sale	**-**	(8 232)
		697	6 294

Risk management

On 4 April 2016, the restructuring transaction was implemented, whereby African Bank Limited ("Good Bank") acquired the disposal group (refer note 3) in exchange for the transfer of the Top Up Cash Amount and the assumption of the Company's retail deposit.

On the same day the banking licence of the Company was cancelled and the Company ceased to advance new loans and take new deposits. However the Company continued commercial activities related to collection of the advances book and maintenance of the Company's liabilities.

The Company retained a portion of the advances book ("Residual Book'), which the Company continues to collect. A master service agreement was entered into between the Company and African Bank Limited ("Good Bank') whereby African Bank Limited ("Good Bank") was appointed to collect and administer the Residual Book and will provide a variety of services, including:

- Collection services;
- Debtors' administration services
- Payment services
- Financial services
- Treasury services
- Forensic services
- Credit services
- Legal services (in house general counsel)
- Compliance services
- Information Technology services
- Service Call Centre services
- Anti-money laundering services; and
- Consumer Advocate's office services.

The Company relies on the risk management processes of African Bank Limited ("Good Bank"), as these have effectively been outsourced to African Bank Limited ("Good Bank") and the information below relates to "Good Bank's" internal risk management processes:

Outsourced risk management framework

The African Bank Holdings Limited ("ABHL", "new holding company" of "Good Bank") Risk and Capital Management Committee ("RCMC") is constituted as a Committee of the Board, in terms of its Memorandum of Incorporation ("MOI") and is answerable to the Board and reports to the Board. The prime objective and mandate of the RCMC and its subcommittees are to assist the ABHL Board in discharging responsibilities in terms of the management of risk, capital and compliance across the ABHL Group as well as its obligations under the master service agreement entered into with the Company.

The RCMC is responsible for the execution of the relevant business performance and risk management frameworks, regulatory risk management frameworks, Internal Capital Adequacy Assessment Process ("ICAAP") and treasury and funding risks including asset liability mismatch, interest rate risk and foreign currency risk. The RCMC is responsible for the evaluation of the adequacy and efficiency of all risk models in use in all of the businesses and reports directly to the Board. The RCMC is responsible for the approval of all risk and capital related frameworks within ABHL.

The RCMC has delegated specific responsibilities relating to credit risk to the Credit and Capital Technical Committee ("CCTC") and market risk management to the Asset and Liability Committee ("ALCO"). The RCMC has approved the terms of reference of each of these subcommittees during the current financial period.

The CCTC is responsible for managing credit risk. Within the context of the master service agreement, the role includes setting of credit policy and risk control. The CCTC monitor these risks and report on a quarterly basis to the RCMC. The CCTC is supported by the Credit Management Structure headed by the Group Executive: Credit and Direct Marketing.

The role of the ALCO is to manage the Company's liquidity and funding position, with specific reference to the stub instruments and the indemnity reserve the Company is required to build in terms of the indemnity arrangement entered into with the SARB which formed part of the restructuring transaction ("ALCO Risks"). The prime function of the ALCO is to monitor and provide guidance to the relevant executives mandated to manage the ALCO risks associated with those functions.

The RCMC mandates the ALCO to monitor and manage the balance sheet within the context of the identified market risks. These are defined as:

- Interest rate risk (note 32.1)
- Liquidity and funding risk (note 33); and
- Regulatory (and Legal) risks in the ALCO context.

31 Credit risk

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial and contractual obligations when due. The Company's primary focus is the collection of unsecured loans and accordingly, credit risk features as a dominant financial risk within the Company.

Credit risk management

As a result of restructuring the Company ceased to be a bank and stopped granting the loans. The Company has outsourced collection of the remaining book ("Residual Book") to African Bank Limited ("Good Bank").

Per the master service agreement, African Bank Limited ("Good Bank") is tasked to manage the Residual Book in relation to:

- gathering and compiling information in respect of the Residual Book;
- analysing the Residual Book and, from time to time and in relation thereto, providing reports to the Company and the relevant departments in such form as the Company may reasonably request from time to time. These reports shall include scheduled reports (i.e. monthly, quarterly and/or annual basis) and ad hoc reports and analytics; and
- with the Company's authorisation, migrating credit within the Residual Book between "Performing Loans", "Non-Performing Loans" and "Write-Offs".

The CCTC is mandated by the RCMC to manage the Residual Book. The CCTC is therefore responsible for approving all credit related models relating to impairments, all collection scorecards, ICAAP models and any other models to be utilised by African Bank Limited ("Good Bank") to manage the Residual Book. The CCTC oversees the recommendations for the changes identified as necessary to the credit and other risk policies from its oversight process.

The CCTC is supported by the Credit Management Structure headed by the Group Executive: Credit and Direct Marketing and the underlying credit sub-departments. The CCTC meet on a monthly basis and report to the RCMC on a quarterly basis.

The duties and responsibilities of the CCTC include:

- the establishment of an inventory of the models in use in the Bank and the management thereof;
- the validation of models as it deems necessary;
- the review of the models at least annually; and
- ensuring that an appropriate governance process is in place to ensure that the necessary documentation / information is in place to facilitate the effective validation of the models;
- responsible for action to mitigate risk identified by any individual model; and
- specifically to report to the Asset and Liability Management Committee ("ALCO") any matters or issues identified in the validation process of the ICAAP or Treasury models.

The Company's exposure to credit risk can be divided into two categories

- Residual Book
- Financial assets (other than the Residual Book).

Residual Book
The Company's residual book is made up of unsecured retail loans and credit cards which were not transferred to African Bank Limited ("Good Bank") as part of the restructure.

The nature of the residual book is such that it is made up of smaller sized loans across a spectrum of economic sectors and provinces. By its nature, the carrying amount at year end for unsecured loans and credit cards contained in the Residual Book represents the Company's maximum exposed to credit risk.

All of the Company's business is conducted in the Republic of South Africa. The demographic credit characteristics of the customer base exposes the Company to systemic credit risk. The Company does have insurance cover to credit events arising from the death of customers; permanent and temporary disability and retrenchments.

Collection and restructures

The collections function outsourced to African Bank Limited ("Good Bank") relates to the effective collections of any monies due and payable by the customer. Core to the collection function is the monitoring of the payment patterns of accounts and to encourage customers to pay their accounts timeously and pay their arrears in the shortest timeframe as possible. African Bank Limited uses various debit strike platforms and each allows African Bank Limited with different striking capabilities and options. African Bank Limited utilises the regulated non-authenticated early debit order system (NAEDOS) to collect instalments from customers. Deduction mandates are obtained from customers in their loan contracts and are made from their primary bank account (where the customer's salary is deposited).
Where collection is unsuccessful, arrears follow up is performed initially through the call centre.

African Bank Limited ("Good Bank") operates two types of restructures – namely, informal indulgences and formal restructures. Informal indulgences are where customers request a lower debit order amount referred to as a promise to pay. Formal restructures relate to debt counselling, administration orders and court orders. From an impairment perspective, these advances are still aged through the contractual CD buckets based on their original contractual instalments and obligations.

External recovery
The Transfer Policy as defined by African Bank Limited ("Good Bank") processes, prescribes when an account will move into the Legal Collections division. Once an account has been transferred into Legal Collections, the account will be allocated to a department either in In-house or Outsourced Collections based on current internal business rules.

Credit monitoring

African Bank Limited ("Good Bank") utilises various reporting and monitoring tools to engage in and control ongoing credit risk within the credit life-cycle. These include specifically for the collection of the Residual Book, the following:

- Credit aging reports to manage and control loan delinquency and provisioning; and
- Active payment, collection and integrity trend analysis to control and manage underlying risks and movement within the day to day operational procedures.

African Bank Limited's credit management team reviews exception reports produced by the reporting and monitoring tools on a daily, weekly and monthly basis, depending on the type of exception report produced by the credit monitoring system and acts as early warning indicators which the credit management team actively manages. The respective credit management team members report directly to the senior credit executive. Trends and early warning indicators identified are discussed at CCTC meetings and where necessary preventative action is initiated, if not done so already by the senior credit executive.

Impairment
The two product portfolios within the Residual Book which carry credit impairment are the unsecured loan portfolio and the credit card portfolio. The same model methodology is applied against both portfolios to determine the level of credit impairment required.

Balances within the Residual Book are considered impaired if and only if, there is objective evidence of impairment as a result of events that occurred after the initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be measured reliably. African Bank Limited ("Good Bank", as part of its master service agreement with the Company, conservatively applies the principle of objective evidence and views "one cent-one day" late payment as objective evidence of impairment.

CD ("Contractual Delinquency") classification is utilised for the purposes of identifying the type of impairment to be calculated within the portfolio. Contractual CD is defined as the total receivable to date minus cash received divided

by the original contractual instalment. The result is then rounded up to the closest inter number (i.e. CD 0.1 would be categorised as CD1).
The categories used to identify impairment are as follows:

Contractual CD	Explanation of CD	Time buckets	Provision type
CD 0	Performing advances that are not past due and are within the contractual term. The advances in this category were never in default.	<30 days	Incurred but not yet reported
CD 1 – 3	Non-performing advances where between 1 and 3 instalments have been missed, or where instalments have been received after their contractual date of repayment.	31 – 90 days	Portfolio specific provision
>CD 4	Non-performing advances where 4 or more instalments have been missed.	91 – 182 days	Specific provision
>CD 6 recency 6	More than 6 instalments have been missed and no payments have been received over the past 6 months	>182 days	Full impaired

For balances categorised as CD 0, an impairment provision classified as incurred but not reported (IBNR) is raised. For all advances, where at least part of an instalment was missed (CD 1 – >CD 4), an impairment provision for the portfolio specific impairment (PSI) and specific impairment (SI) is raised. For all advances where more than 6 instalments have been missed and payments have not been received over the past 6 months, the entire advance is fully impaired and treated as if written off for accounting purposes.

The Residual Book comprise a large number of small, homogenous assets. Statistical techniques are used to calculate impairment allowances collectively, based on historical default and recovery rates per category of CD. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical loss experience on the eventual losses encountered from similar delinquent portfolios.

In outline, the statistical analyses are performed on a portfolio basis as follows:

The impairment charge for IBNR provision for CD 0 advances:
- The impairment calculation utilises the results of the statistical analyses referred to above to estimate the proportion of assets in each portfolio that are likely to display objective evidence of impairment over the emergence period.
- Emergence period - also referred to as LEP (loss emergence period), represents an estimate (for accounting purposes) of the average amount of time from the point at which a loss is incurred (but not yet identified) to the point at which the loss is observed and confirmed. A 90 day emergence period is utilised.
- In considering the occurrence of a loss event over the life of a loan, it is assumed that there is a constant risk of the loss event occurring at any point in the life of the loan.

The impairment charge for PSI and SI provision for CD 1 to >CD 4 advances:
- Balances are monitored on a product basis, with each month's advances being treated as a discrete portfolio, on which an analysis of the run-off of recoveries, in period buckets and ratified between default statistics, is performed in order to develop an historical base for statistics on probability of default (PD).

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- These derived statistics, based on actual experience, are used in plotting default values on a model curve that reflects the risk profile of the portfolio.
- The expected amount outstanding when default occurs that is not subsequently recovered, or the loss given default (LGD), is taken into account in calculating the impairment allowance.

For fully impaired/write offs:
Advances greater than CD 6 (and where payments have not been received for 6 months) are fully impaired and netted off against the impairment allowance account for specific impairment. Such write-off is recorded as impairment through a direct reduction of carrying value of the financial asset. Therefore, gross advances reflected is net of advances that have been written off.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between loss estimates and actual loss experience.

All impaired loans and advances are reviewed on a monthly basis and any changes to the amount and timing of the expected future cash flows compared to previous estimates will result in a change to the charges for impairment of loans and advances in profit or loss.

Credit quality
For the purposes of analysing the credit quality of the performing book, the at origination credit scores were used to categorise the quality of the performing book (see table below).

	2016 Rm		
	Loan	**Credit card**	**Total**
Financial assets that are neither past due nor specifically impaired	**981**	**3**	**984**
Low risk*	**711**	**2**	**713**
Medium risk	**177**	**1**	**178**
High risk*	**93**	**-**	**93**
Financial assets that are past due subject to collective impairment	**312**	**9**	**321**
One instalment missed	**95**	**3**	**98**
Two instalment missed	**110**	**3**	**113**
Three instalment missed	**107**	**3**	**110**
Financial assets specifically impaired	**5 337**	**369**	**5 706**
Total credit exposure	**6 630**	**381**	**7 011**
Total impairments	**(3 935)**	**(201)**	**(4 136)**
Incurred but not yet reported (IBNR)	**(128)**	**-**	**(128)**
Portfolio specific impairment	**(99)**	**(2)**	**(101)**
Specific impairment	**(3 708)**	**(199)**	**(3 907)**
Deferred administration fees	**36**	**-**	**36**
Net advances	**2 731**	**180**	**2 911**

	2015 Rm						
	Net advances			Assets classified as held for sale			
	Loan	Credit card	Sub total	Loan	Credit card	Sub total	Total
Financial assets that are neither past due nor specifically impaired	2 726	660	3 386	12 330	3 752	16 082	19 468
Low risk*	1 413	271	1 684	10 155	1 842	11 997	13 681
Medium risk	982	162	1 144	1 927	1 001	2 928	4 072
High risk*	331	227	558	248	909	1 157	1 715

Financial assets that are past due subject to collective impairment	1 267	270	1 537	2 572	1 046	3 618	5 155
One instalment missed	400	138	538	954	591	1 545	2 083
Two instalment missed	438	73	511	874	263	1 137	1 648
Three instalment missed	429	59	488	744	192	936	1 424
Financial assets specifically impaired	10 003	841	10 844	7 717	1 613	9 330	20 174
Total credit exposure	13 996	1771	15 767	22 619	6 411	29 030	44 797
Total impairments	(8 400)	(653)	(9 053)	(7 398)	(1 450)	(8 848)	(17 901)
Incurred but not yet reported (IBNR)	(143)	(42)	(185)	(634)	(226)	(860)	(1 045)
Portfolio specific impairment	(556)	(57)	(613)	(1 171)	(205)	(1 376)	(1 989)
Specific impairment	(7 701)	(554)	(8 255)	(5 593)	(1 019)	(6 612)	(14 867)
Deferred administration fees	53	-	53	(37)	-	(37)	16
Net advances	5649	1118	6 767	15 184	4 961	20 145	26 912

*At the point of application, the Company groups clients into distinct risk segments (bands) based upon their unique characteristics and bureau profiles.

- Low risk refers to first 6 score bands (50 to 55)
- High risk refers to last 6 score bands (62 to 67)

Concentration risk

Credit concentration risk is the risk of loss to the Company arising from an excessive concentration of exposure to a single counterparty, industry, market, product, region or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

Although the Company is exposed only to unsecured loans and credit cards, the Bank's credit risk portfolio is well diversified across industries and provinces, as the Bank is in all the major South African industries and actively monitors exposure to each industry.

Financial assets (other than Residual Book)

All financial assets other than advances are made up of cash and cash equivalents, derivative assets and trade receivables.

The Company maintains cash and cash equivalents and short term investments with various financial institutions and in this regard it is the Company's policy to limit its exposure to any one financial institution. Deposits are placed only with South African banks (refer to note 2).

Trade receivables are evaluated on an entity by entity basis. The Company limits the tenure and size of the debt to ensure that it does not pose a material risk to the Company. For further information refer to Note 8.

32 Market risk

Market risk is the risk that changes in the market prices, such as interest rates and foreign exchange rates will affect the fair value and future cash flows of a financial instrument. The Company is exposed to market risk in the current period from open positions in interest rates and foreign currencies both which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk management is delegated by the Curator to the ALCO of African Bank Limited ("Good Bank") which has the ultimate responsibility for the assets' risk profiles and the related investment decisions.

The Company has a low market risk appetite. Currency risk appetite is zero and at the end of the financial period, the Company held no exposure to currency risk.

Market risk includes the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

32.1 Interest rate risk management

Interest rate risk for the purposes of these financial statements is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has interest rate risk arising in its financial assets, from its holdings in cash and cash equivalents, which earn interest at a variable rate however the Company's most significant financial asset is the fixed rate balance contained within the Residual Book.

The Company is not exposed to interest rate risk on the fixed rate Residual Book, since neither the carrying amount nor the future cash flows will fluctuate because of changes in market interest rates.

As the Company is in run off and due to the restructure, the Company is funded via the stub instruments (refer note 15) which although bear interest at a 3 month JIBAR linked rate, are only payable if there is sufficient cash flow available after all costs and the indemnity reserve have been met. If there is insufficient cash flow available, the stub instrument holders do not receive any payments.

It is therefore concluded by the Company, that the Residual Book and the stub instruments are non-interest sensitive items.

Risk measurement and management
The ALCO view interest rate in the banking book to comprise of the following:

- re-pricing risk (mismatch risk), being the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Company's assets and liabilities; and
- yield curve risk, which includes the changes in the shape and slope of the yield curve.

ALCO has concluded, that in light of the run off nature of the Company, the Company is not exposed to interest rate risk except for cash and cash equivalents.

The table below summarises the exposure to interest rate risk through grouping assets and liabilities into categories reflecting the date of maturity.

2016	Demand and up to 1 month Rm	Greater than 1 month up to 3 months Rm	Greater than 3 months up to 12 months Rm	Greater than 12 months up to 24 months Rm	Greater than 24 months Rm	Non-interest sensitive items Rm	Non-financial assets Rm	Total Rm
Assets								
Cash and cash equivalents	**697**	**-**	**-**	**-**	**-**	**-**	**-**	**697**
Other assets	**-**	**-**	**-**	**-**	**-**	**791**	**-**	**791**
Net advances	**-**	**-**	**-**	**-**	**-**	**2 911**	**-**	**2 911**
Total assets	**697**	**-**	**-**	**-**	**-**	**3 702**	**-**	**4 399**
Liabilities and equity								
Other liabilities	**-**	**-**	**-**	**-**	**-**	**159**	**-**	**159**
Bonds and other long-term funding	**-**	**-**	**-**	**-**	**-**	**8 701**	**-**	**8 701**
Ordinary shareholder's equity	**-**	**-**	**-**	**-**	**-**	**-**	**(4 461)**	**(4 461)**
Total liabilities and equity	**-**	**-**	**-**	**-**	**-**	**8 860**	**(4 461)**	**4 399**
On balance sheet interest sensitivity	**697**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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32.1 Interest rate risk management (continued)

2015	Demand and up to 1 month* Rm	Greater than 1 month up to 3 months Rm	Greater than 3 months up to 12 months Rm	Greater than 12 months up to 24 months Rm	Greater than 24 months Rm	Non-interest sensitive items Rm	Non-financial assets Rm	Total Rm
Assets								
Short-term deposits and cash	6 294	-	-	-	-	-	-	6 294
Assets classified as held for sale	10 544	2 737	7 130	5 684	9 045	1 786	510	37 436
Short-term deposits and cash	3 316	2 042	2 757	-	-	117	-	8 232
Statutory assets	1 918	-	-	-	447	1 540	-	3 905
Derivatives and other assets	1	-	1 422	2 286	806	129	-	4 644
Net advances	5 309	695	2 951	3 398	7 792	-	-	20 145
Property and equipment	-	-	-	-	-	-	436	436
Intangible assets	-	-	-	-	-	-	74	74
Current tax asset	-	-	-	-	-	-	-	-
Net advances	1 247	259	1 098	1 264	2 899	-	-	6 767
Deferred tax asset	-	-	-	-	-	-	-	-
Loans to affiliated companies	182	-	-	-	-	-	-	182
Total assets	18 267	2 996	8 228	6 948	11 944	1 786	510	50 679
Liabilities and equity								
Short-term funding	(21 326)	-	-	-	-	-	-	(21 326)
Liabilities associated with assets classified as held for sale	(4 109)	(1)	(26)	(1)	(11)	(248)	(57)	(4 453)
Short-term funding	(4 025)	-	-	-	-	-	-	(4 025)
Derivatives and other liabilities		(1)	(26)	(1)	(11)	(248)	(57)	(344)
Bonds and other long-term funding	(84)	-	-	-	-	-	-	(84)
Derivatives and other liabilities	-	-	-	-	-	(81)	(20)	(101)
Bonds and other long-term funding	(26 524)	-	-	-	-	-	-	(26 524)
Subordinated bonds, debentures and loans	(4 569)	-	-	-	-	-	-	(4 569)
Loans from affiliated companies	(535)	-	-	-	-	-	-	(535)
Ordinary shareholder's equity	-	-	-	-	-	-	6 829	6 829
Total liabilities and equity	(57 063)	(1)	(26)	(1)	(11)	(329)	6 752	(50 679)
On balance sheet interest sensitivity	(38 796)	2 995	8 202	6 947	11 933	-	-	-

*All debt funding (excluding derivatives as these were reinstated) was determined to be due and payable as a consequence of the Company being placed under curatorship, and as such, it was categorised as demandable. In accordance with the powers of the curator payments of interest and capital on all debt was suspended.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

32.1 Interest rate risk management (continued)

Sensitivity analysis based on a 100 basis point increase in interest rates

Sensitivity analysis is provided for changes in interest rates. The sensitivity analyses have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at statement of financial position date was outstanding for the whole year. A 100 basis point movement is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates. Given the extent of the risk and the current risk mitigants, a more sophisticated (e.g. value-at-risk) analysis is not considered necessary.

The sensitivity analysis below is based on an increase in rates. Given the linear structure of the Bank's portfolio, a 100 basis point increase in interest rates would result in a corresponding net increase of R4 million (2015: decrease R154 million) in net income (before tax).

	Carrying value at end of the year	Amount exposed to market risk	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax)
2016				
Financial assets				
Cash and cash equivalents	**697**	**697**	**JIBAR**	**4**
Net effect on the statement of profit or loss				4
2015				
Financial assets				
Cash and cash equivalents	6 294	6 294	JIBAR	63
Included in assets classified as held for sale	21 613	28 602		147
Credit card advances	4 961	6 411	REPO	50
Cash and cash equivalents	8 232	8 232	JIBAR	82
Statutory assets	3 905	2 365	CPI/JIBAR	24
Interest rate swaps	4	1 509	JIBAR	2
CPI linked swaps	347	2 869	CPI	(63)
Currency swaps	4 164	7 216	JIBAR	52
Credit card advances	1 118	1 771	REPO	14
Intergroup loans	182	-	JIBAR	-
	29 207	36 667		224
Financial liabilities				
Included in liabilities associated with assets classified as held for sale	4 148	6 153		(17)
Short-term funding	4 005	4 005	JIBAR	(40)
Fixed and notice deposits	104	-	JIBAR	-
Interest rate swaps	39	2 148	JIBAR	23
Subordinated bonds and loans	4 569	4 032	JIBAR	(39)
Bonds	7 384	7 384	CPI/JIBAR	(74)
Promissory notes	2 832	2 832	JIBAR	(28)
Fixed and notice deposits	625	432	JIBAR	(4)
Short-term funding	21 861	21 614	JIBAR	(216)
Loans from affiliated companies	41 419	42 447	JIBAR	(378)
Net effect on the statement of profit or loss				(154)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
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32.2 Foreign currency risk management

Foreign currency risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates. Currency risk arises as a result of foreign currency denominated borrowings. In prior financial periods, the Company's primary risk objective was to protect the net earnings against the impact of adverse exchange rate movements. Hedging of currency exposures was achieved through the use of approved derivative instruments transacted with approved financial institutions.

The Company used cross-currency swaps to hedge its foreign currency risk. The principal terms of these swaps were substantially similar to those of the hedged items with regard to maturity dates, interest reset dates, nominal values and amortisation profile.

The Company didn't have instruments denominated in foreign currency at the end of the 2016 financial year.

Details of derivative instruments denominated in foreign currency as at 30 September 2015 are presented below:

Financial liabilities	**Foreign currency 2016 USD/CHFm**	**ZAR at amortised cost 2016 Rm**	Foreign currency 2015 USD/CHFm	ZAR at amortised cost 2015 Rm
Foreign denominated bonds (USD) (refer note 14.2)	-	-	(700)	(9 800)
Foreign denominated bonds (CHF) (refer note 14.2)	-	-	(405)	(5 882)
Short-term funding (USD) (refer note 38)	-	-	(32)	(460)
Short-term funding (CHF) (refer note 38)	-	-	(150)	(2 254)
Total liabilities		-		(18 396)
Short-term deposits and cash (USD)	-	-	93	1 293
Short-term deposits and cash (CHF)	-	-	201	2 851
Statutory assets (USD)	-	-	192	2 656
Foreign currency swaps (USD)	-	-	450	6 353
Foreign currency swaps (CHF)	-	-	350	5 226
Effect of foreign currency hedges		-		18 379
Net open position (USD)	-	-	3	42
Net open position (CHF)	-	-	(4)	(59)

Sensitivity analysis based on 10% increase in exchange rates

A sensitivity analysis has been provided for changes in exchange rates. The sensitivity analyses have been determined based on the exposure to exchange rates for both derivatives and non-derivative instruments (foreign denominated bonds) at the statement of financial position date. A 10% sensitivity adjustment is applied and the analysis is prepared assuming the amount at the statement of financial position date was outstanding for the whole year.

Given the linear structure of the Company's portfolio, a 10% increase in exchange rates, and its related impact on the forward discount curve, would result in a net decrease of R43 million in net income (before tax) in the 2015 year. There was no exposure to foreign currency risk in the 2016 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 September 2016

32.2 Foreign currency risk management

Sensitivity analysis based on 10% increase in exchange rates

2015 **Financial assets**	**Carrying value at end of year** **Rm**	**Amount exposed to market risk** **Rm**	**Currency**	**Statement of profit or loss impact (pre-tax)** **Rm**
Short-term deposits and cash (USD)	1 293	1 293	USD	129
Short-term deposits and cash (CHF)	2 851	2 851	CHF	285
Statutory assets (USD)	2 656	2 656	USD	266
Cross-currency swaps (USD)	2 974	3 328	USD	676
Cross-currency swaps (CHF)	1 190	3 889	CHF	574
	10 964	14 017		1 930
Financial liabilities				
Short-term funding (USD)	1 382	1 382	USD	(138)
Short-term finding (CHF)	2 605	2 605	CHF	(261)
Foreign denominated bonds (USD)	9 800	9 800	USD	(983)
Foreign denominated bonds (CHF)	5 882	5 882	CHF	(591)
	19 669	19 669		(1 973)
Net effect on profit or loss				(43)

32.3 Interest rate and currency risk hedging

The Company did not have any economic hedging instruments as at 30 September 2016. The details related to the currency and interest rate hedging for the 2015 financial year are presented below.

In terms of the Company's interest rate hedging strategy, it had entered into a number of interest rate and cross-currency swap agreements that convert the variable cash flows on an identified underlying financial liability into fixed cash flows. The derivative instruments related to interest rate hedging converting the floating rate of interest paid on an identified underlying financial liability into a fixed rate. The cross-currency swaps entered into by the Company ensured a conversion of the floating interest rate cash flows denominated in foreign currency into the fixed interest rate cash flows denominated in South African rand. The cross-currency swaps also fixed the rate at which the final capital repayments on bonds denominated in foreign currency would be made. This enabled the Company to mitigate the cash flow risk arising from the change in interest rates and foreign currency fluctuations on the issued variable rate liabilities (denominated in South African rand or foreign currency). The hedged risk was either quarterly resetting JIBAR or the effect of changes in CPI and / or currency movements and the derivative instruments were settled on a net basis at each cash flow date.

The fair value of the derivative instruments were determined using accepted valuation methodologies and the applicable market rates on date of valuation. The average interest rate was based on the outstanding balances as at year end.

The table below illustrates the outstanding notional values of each of the hedges, the weighted average fixed interest rate and the full fair value of the derivative (including accrued interest) as at the 2015 financial year end. The hedges have also been segmented based on their contractual maturity.

32.3 Interest rate and currency risk hedging

Interest rate hedges 2015	Average contracted interest rate %	Hedged amount Rm	Fair value asset Rm	Fair value liability Rm
Contractual maturity				
Less than 1 year	8.10	2 864	4	(27)
Greater than 1 year up to 2 years	9.73	960	124	(1)
Greater than 2 years up to 5 years	10.52	2 702	223	(11)
		6 526	351	(39)

Currency hedges (contractual maturity) 2015	Average contracted interest rate %	Hedged amount Rm	Fair value asset Rm	Fair value liability Rm
Contractual maturity				
Less than 1 year	12.58	1 397	1 419	-
Greater than 1 year up to 2 years	12.17	3 095	2 162	-
Greater than 2 years up to 5 years	12.43	2 725	583	-
		7 217	4 164	-

The restructuring of the debt, as a consequence of curatorship, has created uncertainty as to the timing of the forecast transaction (expected funding cash flows according to the original contractual terms), which is no longer expected to occur as documented at inception of the hedging relationship. Thus the Company ceased hedge accounting from 10 August 2014, the date of curatorship, as the hedges were not expected to be effective. As a result, the related cumulative gain or loss on the hedging instruments that has been recognised in other comprehensive income from the period when the hedge was effective was reclassified from equity to profit and loss as a reclassification adjustment.

33 Liquidity risk

Liquidity risk is defined by the RCMC as the risk that the Company is unable to meet its payment obligations as they fall due. These payment obligations could result from lower than expected receipts from customers, higher than expected operational, tax or dividend flows, or the inability to roll over maturing debt. Another form of liquidity risk is that in a stressed liquidity event, the Company would be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations.

The Company experienced a stressed liquidity event and was placed into curatorship in 2014. Post the restructure, the Company is in run-down phase and all cash flows generated by the Residual Book will be applied according to the principles defined in the Distribution Waterfall.

Cash flows generated by the Company will be applied to the Distribution Waterfall in the following manner:

- Discharge run-off expenses and day-to-day operational costs;
  - Costs are defined as fees due to African Bank Limited ("Good Bank") for rendering services under the Master Service Agreement;
  - Any top-up payment obligations in respect of the Top-Up Cash amount;
  - Curator's fees as and when they become due; and
  - To adequately provide for future anticipated run-off expenses and operational costs Residual Bank will build up, maintain and replenish an operating float. The operating float will be topped-up out of collections under the Residual Book over time. The operating float at transaction date was determined to be R500 million.
- SARB loan and SARB Indemnity Facility
  - All amounts collected over and above the operating float will be applied exclusively to repay all fees, interest, capital and other amounts owing to SARB or arising from the SARB Indemnity Facility, the SARB Transaction Loan and/or guarantee payments made by SARB in terms of the Good Bank Indemnity (collectively referred to as "SARB Outstandings"). SARB loan was fully repaid during 2016 financial year.

33 Liquidity risk (continued)

Distribution Waterfall (continued)

- SARB Indemnity Reserve
  - All cash collected over and above the operating float and the SARB outstandings are required to be retained and pledged in favour of SARB, until a reserve equal to the Indemnity Reserve has been established (R3 billion). The ring fenced amount will be established to provide for any potential indemnification claims under the Good Bank Indemnity.
- Stub Instruments
  - Senior unsecured stub instrument holders: Available cash will be applied first to the payment of interest on the Stub instruments and then applied to outstanding principle amounts, thereafter
  - Subordinated unsecured stub instrument holders: Available cash will be applied first to the payment of interest on the Stub instruments and then applied to outstanding principle amounts.

  Senior stub holders rank alongside any other unsubordinated creditors that may arise with regard to the period prior to the Transaction. Creditors arising in the ordinary course of the Curatorship are settled as part of the operational costs noted above.
- Residual cash flow
  - To the extent that there is available cash, the Company may at its absolute discretion distribute any collections that may become available to creditors.

An asset and liability maturity analysis although provided in the current period does not provide useful information in assessing the Company's liquidity risk, however for comparative purposes, the following tables have been prepared to analyse the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

Assets and liability maturities as at 30 September 2016

	Demand and up to 1 month* Rm	Greater than 1 month up to 3 months Rm	Greater than 3 months up to 12 months Rm	Greater than 12 months up to 24 months Rm	Greater than 24 months Rm	Non-financial assets and liabilities Rm	Total Rm
Assets							
Short-term deposits and cash	**697**	**-**	**-**	**-**	**-**	**-**	**697**
Other assets	**791**	**-**	**-**	**-**	**-**	**-**	**791**
Net advances	**100**	**190**	**748**	**735**	**1 138**	**-**	**2 911**
Total assets	**1 588**	**190**	**748**	**735**	**1 138**	**-**	**4 399**
Liabilities and equity							
Other liabilities	**159**	**-**	**-**	**-**	**-**	**-**	**159**
Bonds and other long-term funding	**-**	**-**	**-**	**-**	**8 701**	**-**	**8 701**
Ordinary shareholder's equity	**-**	**-**	**-**	**-**	**-**	**(4 461)**	**(4 461)**
Total liabilities and equity	**159**	**-**	**-**	**-**	**8 701**	**(4 461)**	**4 399**
Net liquidity gap	**1 429**	**190**	**748**	**735**	**(7 563)**	**-**	**-**

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33 Liquidity risk (continued)

Assets and liability maturities as at 30 September 2015

	Demand and up to 1 month* Rm	Greater than 1 month up to 3 months Rm	Greater than 3 months up to 12 months Rm	Greater than 12 months up to 24 months Rm	Greater than 24 months Rm	Non-financial assets and liabilities Rm	Total Rm
Assets							
Short-term deposits and cash	6 294	-	-	-	-	-	6 294
Assets classified as held for sale	4 870	3 436	9 705	7 213	11 702	510	37 436
Short-term deposits and cash	3 433	2 042	2 757	-	-	-	8 232
Statutory assets	802	-	-	-	3 103	-	3 905
Derivatives and other assets	1	129	1 422	2 286	806	-	4 644
Net advances	634	1 265	5 526	4 927	7 793	-	20 145
Property and equipment	-	-	-	-	-	436	436
Intangible assets	-	-	-	-	-	74	74
Current tax asset	-	-	-	-	-	-	-
Net advances	217	431	1 877	1 342	2 900	-	6 767
Deferred tax asset	-	-	-	-	-	-	-
Loans to affiliated companies	182	-	-	-	-	-	182
Total assets	11 563	3 867	11 582	8 555	14 602	510	50 679
Liabilities and equity							
Short-term funding	(21 326)	-	-	-	-	-	(21 326)
Included in liabilities directly associated with assets classified as held for sale	(4 357)	(1)	(26)	(1)	(11)	(57)	(4 453)
Short-term funding	(4 025)	-	-	-	-	-	(4 025)
Derivatives and other liabilities	(248)	(1)	(26)	(1)	(11)	(57)	(344)
Bonds and other long-term funding	(84)	-	-	-	-	-	(84)
Derivatives and other liabilities	(81)	-	-	-	-	(20)	(101)
Bonds and other long-term funding	(26 524)	-	-	-	-	-	(26 524)
Subordinated bonds, debentures and loans	(4 569)	-	-	-	-	-	(4 569)
Loans from affiliated companies	(535)	-	-	-	-	-	(535)
Ordinary shareholder's equity	-	-	-	-	-	6 829	6 829
Total liabilities and equity	(57 392)	(1)	(26)	(1)	(11)	6 752	(50 679)
Net liquidity gap	(45 829)	3 866	11 556	8 554	14 591	7 262	-

*All debt funding (excluding derivatives as these were reinstated) was determined to be due and payable as a consequence of the Company being placed under curatorship, and as such, it was categorised as demandable. In accordance with the powers of the curator payments of interest and capital on all debt is suspended.

33 Liquidity risk (continued)

The following table represents the Company's undiscounted cash flows of liabilities per remaining maturity and includes all cash flows related to the principal amounts as well as future payments. The analysis is based on the earliest date on which the Company can be required to pay and is not necessarily the date at which the Company is expected to pay.

The analysis of cash flows will not necessarily agree with the balances on the statement of financial position and therefore an analysis of carrying values has been provided.

2016 **Financial liabilities**	**Carrying amount** **Rm**	**Greater than 5 years** **Rm**
Stub instruments liabilities	**8 701**	**8 701**

2015 **Financial liabilities**	**Carrying amount** **Rm**	**Demand and up to 1 month*** **Rm**
Short-term funding	21 326	21 467
Included in liabilities associated with assets classified as held for sale	4 414	4 444
Short-term funding	4 025	4 027
Other liabilities	305	305
Fixed deposits	84	112
Promissory notes	2 832	3 396
Fixed deposits	626	681
Subordinated bonds and debentures	4 569	5 593
Other liabilities	101	101
Bonds (listed)	23 066	25 040
Loans to affiliated companies	535	629
	57 469	61 351

* All debt funding (excluding derivatives as these were reinstated) was determined to be due and payable as a consequence of the Company being placed under curatorship, and as such, it was categorised as demandable. In accordance with the powers of the curator payments of interest and capital on all debt is suspended.

34 Assets and liabilities measured at fair value or for which fair values are disclosed

34.1 Valuation models

General
The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

The Company measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

34.1 Valuation models(continued)

For instruments measured and presented at amortised cost, in determining the fair value for disclosure purposes, the Company uses its own valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include net advances and the stub instruments for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and selection of appropriate discount rate.

Fair value estimates obtained from models include adjustments to take account of the credit risk of the Company and the counterparty where appropriate.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions and experiences. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair values, and management judgement is required to select the most appropriate point in the range.

Valuation framework
The Company has an established control framework with respect to the measurement of fair values. This framework includes formalised policies and the approval and review process.

When third party information is used to measure fair value the following procedures are performed:

- verifying that the third party is approved for use in pricing the relevant type of financial instrument; and
- understand how the fair value has been arrived at and the extent to which it represents actual market transactions.

34.2 Recurring fair value measurements recognised in the statement of financial position

The Company did not measure any of its assets and liabilities at fair value at the end of the 2016 financial year.

The following table provides an analysis of financial instruments that are measured at fair value as at 30 September 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Rmillion	Level 1	Level 2	Level 3	Total
30 September 2015				
Financial assets				
Statutory assets	3 103	802	-	3 905
Derivative instruments	-	4 515	-	4 515
Total	3 103	5 317	-	8 420
Financial liabilities				
Derivative instruments	-	39	-	39
Total	-	39	-	39

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

34.2 Recurring fair value measurements recognised in the statement of financial position

Valuation techniques, significant unobservable inputs and sensitivity of level 2 financial instruments measured at fair value

The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 2 assets and liabilities for which fair value is measured as at 30 September 2015:

2015				
Assets				
Statutory assets	Discounted cash flow	Discount rates	100 bps	(25)
Cross-currency swaps	Discounted cash flow	Discount rates	10% in spot rate	1 251
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	(61)
Liabilities				
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	23

34.3 Assets and liabilities for which fair value is disclosed

Rmillion	Level 1	Level 2	Level 3	Total
2016				
Financial assets				
Net advances	**-**	**-**	**5 243**	**5 243**
Total	**-**	**-**	**5 243**	**5 243**
Financial liabilities				
Bonds and other long term funding	**-**	**-**	*	**-**
Total	**-**	**-**	**-**	**-**

The following items fair value is not disclosed as these assets and liabilities closely approximate their carrying amount due to their short term or on demand repayment terms:
- Cash and cash equivalents;
- Other assets - financial; and
- Other liabilities – financial.
*Please refer below for additional disclosure on the fair value of funding liabilities.

Rmillion	Level 1	Level 2	Level 3	Total
2015				
Financial assets				
Cash deposited with financial institutions	6 294	-	-	6 294
Assets classified as held for sale	11 337	5 317	21 101	37 755
Cash deposited with financial institutions	8 234	-	-	8 234
Statutory assets	3 103	802	-	3 905
Other assets	-	-	129	129
Derivative assets	-	4 515	-	4 515
Net advances	-	-	20 972	20 972
Net advances	-	-	9 614	9 614
Loans to affiliated companies	-	-	182	182
Total	17 631	5 317	30 897	53 845

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
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34.3 Assets and liabilities for which fair value is disclosed
2015

Rmillion	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Short term funding	-	-	175	175
Included in liabilities directly associated with assets classified as held for sale	-	39	330	369
Short term funding	-	-	21	21
Other liabilities	-	-	228	228
Derivative liabilities	-	39	-	39
Other long term funding	-	-	81	81
Other liabilities	-	-	101	101
Unsecured listed bonds	-	-	-	-
Other long term funding	-	-	-	-
Subordinated debt	-	-	-	-
Loans from affiliated companies	-	-	66	66
Total	-	39	672	711

Level 3 fair value disclosure

Net advances (refer note 6)
The fair value of the advances book (including the partially written off book) has been derived using a discounted cash flow technique. The Company has modelled the expected future cash flows by extrapolating the most recent observed cash flows on the advances book. The key assumptions the Company has taken in deriving the aforementioned expected cash flows are as follows:

- The cash flows have been reduced by the net insurance premiums the Company expects to pay across to insurance providers;
- The credit card portfolio has been treated as a rundown book, i.e. future re-advances have not been considered;
- The cash flows have been reduced by an assumed cost of collection, based on a combination of fixed and variable costs to collect the book;
- Appropriate adjustments to observed cash flows have been made where in the Company's view such cash flows are not expected to reoccur in the future.

The fair value has been estimated by discounting the expected future cash flows at 14.0% (2015: 12%), being the expected rate of return that a potential acquiror would require. The discount rate is a weighted cost of capital based on an assumed long-term debt to equity ratio, consistent with the capital levels required within the banking industry.

Amortised cost and fair value are both based upon present value of future cash flow techniques, however the following significant differences exist between the impairment (amortised cost) and fair value methodologies:

- Fair value includes all expected cash flows, whereas impairments are limited to incurred loss events;
- The impairment cash flows are not reduced by the net insurance premiums the Company expects to pay across to insurance providers;
- The impairment cash flows are not reduced by expected cost of collection; and
- Amortised cost requires the future cash flows to be discounted at the advance's effective interest rate whereas the fair value methodology discounts the expected cash flows at a required rate of return.

Stub instruments(refer note 15.1)
In the current year, as part of the restructure and exchange offer the Company extinguished its existing funding liabilities and simultaneously recognised a new funding liability – namely the stub instruments.

In line with the Company’s accounting policy the stub instruments were initially recognised at their face value and subsequently measured at amortised cost.

In estimating fair value of liabilities, the Company made a number of assumptions that gave rise to a range of projected outcomes. In practice, it is possible that a combination of outcomes would materialise and that these potential outcomes may fall anywhere within the ranges projected.

The expected future cash flows have been modelled based on the various possible outcomes mentioned above. A discounted cash flow valuation technique has been applied to estimate the projected outcome under each of these outcomes.

The projected outcomes under each of the scenarios described have been classified as Level 3.

Given that there is no active or directly observable market for the stub instruments on which a fair value, using level 1 or level 2 inputs could be derived, the fair value of the new stub instruments as at 30 September 2016 would require a level 3 input valuation technique to be performed in order to arrive at an appropriate fair value at the financial year end. An appropriate valuation technique includes a discounted cash flow valuation using expected cash flows.

The key assumptions the Company has taken in deriving the aforementioned expected cash flows are as follows:

- The expected cash flows derived from the Residual Book for a 60 month period;
- Using the expected cash flows derived from the Residual Book, application of the Distribution Waterfall requirements are applied to the free cash flows;
- The Indemnity Reserve would be built up, and it is assumed that 100%, ie. R3 billion will be called upon by African Bank ("Good Bank") and hence paid out over a three year period;
- Once sufficient cash has built up to satisfy any potential indemnity reserve claim as detailed above, it is assumed that all surplus cash (to the nearest R50m) is then paid to Senior funders (every 6 months). The first payment to senior stub holders is forecast to take place in Jan'18 and then July'18 again and so on until the end of the 60 months period mentioned above.
- The model assumes that subordinated unsecured stub instrument holders will not receive any cash as the senior stub holders are not satisfied in full.

The discount rate used to present value the expected future cash flows is 14.0%, which represents a modified WACC for the Company.

Sensitivity- change in WACC
In determining the fair value of the stub instruments, if the discount rate was increased by 1% the fair value as at 30 September 2016 would change as detailed below.

	30 September 2016		
	Fair value – using 14.0% Rm	Fair value – using 15.0% Rm	Difference Rm
Senior stub instruments	2 725	2 642	(83)
Subordinated stub instruments	Nil	Nil	Nil

Sensitivity- change in assumption relating to the claim on the indemnity reserve
An additional sensitivity has been performed where it is assumed that none of the indemnity reserve is claimed for the duration of the indemnity period and thus the full R3 billion is paid to senior stub holders at the end of the indemnity period, being April'24. The table below illustrates the stub instruments' fair values under this scenario as at 30 September 2016, together with the sensitivity if the discount rate increase by an additional 1%.

	30 September 2016		
	Fair value – using 14.0% Rm	Fair value – using 15.0% Rm	Difference Rm
If there is an assumption that there will be no claim on the indemnity reserve.			
Senior stub instruments	4 376	4 188	(188)
Subordinated stub instruments	Nil	Nil	Nil

35 Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

Financial assets and financial liabilities are to be offset and the net amount presented in the statement of financial position when, and only when, the Company has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Certain master netting arrangements may not meet the criteria for offsetting in the statement of financial position because:

- these agreements create a right of set off enforceable only following an event of default, insolvency or bankruptcy; and
- the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Accordingly, the following table sets out the impact of offset, as well as financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they have been off set.

It should be noted that the information below is not intended to represent the Company's actual credit exposure, nor will it agree to that presented in the statement of financial position.

The Company at the end of the current period does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar agreements and therefore only information pertaining to the prior period is presented.

Rmillion	Gross amount of recognised financial assets[1]	Gross amounts of recognised financial liabilities offset in the statement of financial position[2]	Net amount of financial assets presented in the statement of financial position	Amounts not offset in the statement of financial position but subject to master netting arrangements	Gross amount of collateral subject to netting arrangements[3]	Net amount
2015						
Assets						
Derivative financial instruments	4 515	-	4 515	(39)	(4 005)	471
	4 515	-	4 515	(39)	(4 005)	471
2015						
Liabilities						
Derivative financial instruments	39	-	39	(39)	-	-
Short term funding	4 005	-	4 005	-	(4 005)	-
	4 044	-	4 044	(39)	(4 005)	-

[1] Gross amounts are disclosed for recognised assets and liabilities that are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.

[2] The amounts that qualify for offset.

[3] Cash collateral not offset in the statement of financial position subject to a master netting arrangement or similar agreement.

The amounts which are subject to netting arrangements generally arise in terms of ISDA Master Agreements and Credit Support Annexures between the Old Bank and various counterparties. The ISDA Master Agreements are related to the hedge instruments purchased to facilitate the Company's funding.

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36 Operating lease commitments – property	2016 Rm	2015 Rm
Payable within one year	-	85
Payable between one and five years	-	79
	-	164

In the current year, as part of the restructuring all leases where transferred to African Bank Limited ("Good Bank"). None of the Company's leases have a variable portion (contingent rentals).

37 Unutilised facilities

The total unsecured unutilised credit facilities granted to the Company's credit card holders as at 30 September 2016 was RNil (2015: R902 million).

38 Suspension of debt payments

In the current year, as part of the restructuring transaction and exchange offer, the Company fully discharged its obligations (refer note 14).

Following the placing of the Company under curatorship on 10 August 2014 and in accordance with the powers of the curator, payments of interest and capital on all debt was suspended with the exception of retail savings deposits of Rnil (2015: R109 million) and trade creditors arising in the ordinary course of business. Senior unsecured debt holders (wholesale depositors, bondholders, holders of physical or dematerialised debt instruments, wholesale bank deposits, and any other classes of senior unsecured debt) were not receiving payment of interest or principal for the duration of the curatorship of ABL (until restructuring transaction took place). The rights of such senior unsecured debt holders, including their right to interest accruals, remained intact.

The table below details all funding that reached its contractual maturity since curatorship date up to 30 September 2015, separately disclosed under short term funding (refer note 12):

Description	Disclosed as	2016 Rm	2015 Rm
Unsecured bonds – ZA	Unsecured bonds (listed on JSE)	-	5 443
Unsecured bonds – USD/CHF	Unsecured bonds (listed on foreign stock exchanges)	-	3 987
Subordinated bonds	Subordinated bonds (listed on JSE)	-	467
Fixed deposits	Unsecured long term loans	-	4 696
Fixed deposits	Short-term funding	-	1 568
Neg. certificates of deposit	Short-term funding	-	400
Promissory notes	Unsecured long term loans	-	4 422
		-	20 983

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
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39 Analysis of financial assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities in the balance sheet per class and category of financial instrument to which they are assigned. An estimate of the fair value per class of the financial instrument is provided in note 34.

39.1 Analysis of financial assets

2016	Available-for-sale Rm	Financial instruments at fair value through profit and loss Rm	Loans and receivables Rm	Non-financial instruments Rm	Total Rm
Cash and cash equivalents	**-**	**-**	**697**	**-**	**697**
Net advances	**-**	**-**	**2 911**	**-**	**2 911**
Other assets	**-**	**-**	**791**	**-**	**791**
Total assets	**-**	**-**	**4 399**	**-**	**4 399**
2015					
Short-term deposits and cash	-	-	6 294	-	6 294
Assets classified as held for sale	1 249	4 515	31 162	510	37 436
Short-term deposits and cash	-	-	8 232	-	8 232
Statutory assets	1 249	-	2 656	-	3 905
Derivative and other assets	-	4 515	129	-	4 644
Net advances	-	-	20 145	-	20 145
Property and equipment	-	-	-	436	436
Intangible assets	-	-	-	74	74
Current tax asset	-	-	-	-	-
Net advances	-	-	6 767	-	6 767
Deferred tax asset	-	-	-	-	-
Loans to affiliated companies	-	-	182	-	182
Total assets	1 249	4 515	44 405	510	50 679

Statement of profit or loss effect of financial instruments by category	**2016 Rm**	2015 Rm
Interest income recognised – loans and receivables	**4 517**	9 120
Interest income recognised – available-for-sale	**-**	84
	4 517	9 204
Included above is interest income earned on specifically impaired advances	**296**	1 166

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 September 2016

39.2 Analysis of financial liabilities

2016	Fair value Rm	Amortised cost Rm	Non-financial liabilities Rm	Total Rm
Short-term funding	-	-	-	-
Other liabilities	-	159	-	159
Bonds and other long-term funding	-	8 701	-	8 701
Total liabilities	-	8 860	-	8 860
2015				
Short-term funding	-	21 326	-	21 326
Included in liabilities associated with assets classified as held for sale	39	4 357	57	4 453
Short-term funding	-	4 025	-	4 025
Derivative and other liabilities	39	248	57	344
Bonds and other long-term funding	-	84	-	84
Other liabilities	-	81	20	101
Bonds and other long-term funding	-	26 524	-	26 524
Subordinated bonds, debentures and loans	-	4 569	-	4 569
Loans from affiliated companies	-	535	-	535
Total Liabilities	39	57 392	77	57 508

Statement of profit or loss effect of financial instruments by category	**2016 Rm**	2015 Rm
Interest expense recognised for financial liabilities at amortised cost	**3 165**	4 159
Interest expense recognised for financial liabilities at fair value	**-**	442
	3 165	4 601

40 Contingent liabilities

GEMS has a contingent liability to clients, as a result of a court order issued in 2004, to pay reparations to clients who might have been prejudiced by actions of the Company between 1999 and 2002. The terms of the court order require each client to sign an acceptance and waiver form before the settlement can be made. In terms of the court order the maximum amount of potential reparations was R60.1 million, of which in excess of R40.0 million was paid by the end of September 2006. Subsequent to September 2006, a marginal amount of R0.2 million of reparations was paid to GEMS clients. The Company has a remaining contingent liability of R20 million (2014: R20 million) for these reparations.

41 Post balance sheet events

There were no matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Company annual financial statements, which significantly affects the financial position at 30 September 2016 or the results of its operations or cash flows for the year then ended.

42 Retirement and post- retirement benefits

Until 4 April 2016, the Company contributed to a provident fund which is governed by the Pension Funds Act, 1956, and is in the nature of a defined contribution plan. This fund is managed by employer and employee-elected trustees. Separate administrators are contracted to run the fund on a day-to-day basis. An independent consultant has also been appointed to the fund to provide professional advice to the trustees.

The scheme is funded by Company contributions, which are charged to the statement of profit or loss as they are incurred.

The defined contribution scheme is exempt from regular actuarial valuations as no actuarial shortfall is anticipated. It is compulsory for all permanent staff to belong to the Company provident fund.

The contributions made during the year amounted to R46.8 million (2015: R96 million).

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43 Related party information

The Company's shares are held by African Bank Investments Limited. Since 10 August 2014 the management of the Company has vested in the curator subject to the supervision of the Registrar.

There were no material transactions with directors other than emoluments as disclosed in note 23 and note 44. Refer note 45 for additional disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

44 Directors' and prescribed officers' remuneration *

Basic remuneration, benefits and bonuses paid to executive directors

			2016					2015				
All amounts in R'000	**Date appointed to board**	**Date of resignation**	**Salary**	**Retirement medical contribu-tions and other**	**Total cost to company package**	**Annual cash bonus**	**Total**	Salary	Retirement, medical contributions and other	Total cost to company package	Annual cash bonus	Total
Leon Kirkinis	01/07/1997	06/08/2014		-	-	-	-	-	-	-	-	-
Toni Fourie	21/10/2003	06/02/2014		-	-	-	-	-	-	-	-	-
Nithia Nalliah	21/05/2009	31/03/2015		-	-	-	-	1 520	614	2 134	-	2 134
Tami Sokutu	19/05/2003	06/02/2014		-	-	-	-	-	-	-	-	-
				-	-	-	-	1 520	614	2 134	-	2 134

No remuneration, benefits or bonuses were paid to executive directors in the current year

Non-executive directors' remuneration

			Fees for services as directors		
All amounts in R'000	**Date appointed to board**	**Date of resignation**	**2016**	2015	**Notes**
Mutle Mogase (Non-executive chairman)	12/03/2007	16/10/2015	-	484	
Nic Adams	01/02/2008	10/11/2015	-	200	
Mojanku Gumbi	01/03/2011	23/02/2015	-	155	
Jack Koolen	15/03/2011	(deceased)	-	130	1
Ntombi Langa-Royds	15/03/2011	20/10/2015	-	193	
Morris Mthombeni	16/09/2013	18/03/2016	-	105	
Sam Sithole	21/05/2009	16/09/2013	-	-	
Johnny Symmonds	21/05/2009	19/10/2015	-	200	
			-	1 467	2

The non-executive directors are paid fees based on a fixed retainer for their responsibilities and duties as board members as well as additional fees for participation in the various sub-committees of the Board. They do not participate in any of the Company's bonus and incentive schemes and neither do they receive any other benefits from the Company.

Notes

1. Jack Koolen sadly passed away in May 2015.
2. No fees were paid to non-executive directors after 28 February 2015.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 September 2016

45 Loans to/from affiliated companies

	Transactions			Balances				
Loans to affiliated companies (note 7) (2)	**Transaction type**	**2016 Rm**	2015 Rm	**Intercompany type**	**Rate**	**Repayment terms**	**2016 Rm**	2015 Rm
African Bank Investments Ltd (1)		-	-	Loan	0.00%	On demand	-	182
Loans from affiliated companies (note 16)								
African Bank Investments Ltd (2)		-	-	Call	0.00%	On demand	-	(6)
African Bank Investments Ltd (2)	Interest paid	-	-	Call	5.40%	On demand	-	(461)
Customer Protection Insurance Co. Ltd (2)		-	-	Call	5.40%	On demand	-	(2)
Gilt Edged Management Services (Pty) Ltd (2)		-	-	Loan	0.00%	On demand	-	(64)
Miners Credit Guarantee (Pty) Ltd (2)		-	-	Loan	0.00%	On demand	-	(2)
The Standard General Insurance Co. Ltd (2)	Interest paid	-	(22)	Call	5.40%	On demand	-	-
Total		-	(22)				-	(535)
Funding received from affiliated companies								
Ellerine Holdings Ltd	Interest paid	-	-	Call	8.00%	On demand	-	(60)
Ellerine Holdings Ltd	Interest paid	-	-	Call	5.40%	On demand	-	(8)
Relyant Life Assurance Co. Ltd	Interest paid	-	(1)	Call	5.40%	On demand	-	(25)
Ellerine Furnishers (Pty) Ltd	Interest paid	-	(2)	Call	1.88%	On demand	-	(56)
Total		-	(3)				-	(149)
Other								
The Standard General Insurance Co. Ltd	Cost recoveries	-	28	Receivables	0.00%	None	-	3
The Standard General Insurance Co. Ltd	Commission earned	-	716	Receivables	0.00%	None	-	57
The Standard General Insurance Co. Ltd	Insurance premiums	-	(3)	Payables	0.00%	None	-	(43)
Ellerine Furnishers (Pty) Ltd	Commissions paid	-	(59)	Receivables / payables	0.00%	None	-	-
Ellerine Furnishers (Pty) Ltd		-	-	Payables	0.00%	None	-	12
Total		-	682				-	29

(1) Company received a cash settlement of R182 million from African Bank Investments Limited in the current year. All other amounts detailed in note 7 due to the Company have been written off in full.

(2) Loans to affiliated companies (note 7) were offset via the exchange offer process against loans from affiliated companies where the residual claim from affiliate companies was extinguished via a combination of issuance of new debt by African Bank Limited ("Good Bank") and cash.

ANNEXURE A: UNAUDITED OPENING STATEMENT OF FINANCIAL POSITION AS AT 4 APRIL 2016

Rmillion	2016
Assets	
Cash and cash equivalents	**3 000**
Net advances	**4 023**
Other assets	**-**
Total assets	**7 023**
Liabilities and equity	
Other liabilities	**360**
SARB loan	**3 300**
Bonds and other long-term funding	**8 243**
Total liabilities	**11 903**
Ordinary share capital	**121**
Ordinary share premium	**14 283**
Reserves and accumulated losses	**(19 284)**
Total equity (capital and reserves)	**(4 880)**
Total liabilities and equity	**7 023**

RESIDUAL DEBT SERVICES LIMITED (in curatorship)
(Registration number 1975/002526/06)

ANNEXURE B: ACRONYMS, ABBREVIATIONS AND CORPORATE INFORMATION
for the year ended 30 September 2016

Acronyms and abbreviations

The following acronyms and abbreviations have been used in these financial statements.

ABIL	African Bank Investments Limited (re- named African Phoenix Investments Limited)
ABL	African Bank Limited
ALCO	Asset and liability committee
CHF	Swiss Franc
CPI	Consumer Price Index
DMTN	Domestic medium term note programme
Ellerines	Ellerine Holdings Limited group of companies (in business rescue)
EMTN	Euro medium term note programme
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IFRIC	IFRS Interpretations Committee of IASB
IFRS	International Financial Reporting Standards
IM	Information Memorandum
JIBAR	Johannesburg interbank agreed rate
JSE	Johannesburg stock exchange
LTIP	Long-term incentive plan
NACA	Nominal annual compounded annually
NACM	Nominal annual compounded monthly
NACQ	Nominal annual compounded quarterly
NACS	Nominal annual compounded semi-annually
Rm / Rmillion	Millions of rand
R000	Thousands of rand
Tier I	Primary capital
Tier II	Secondary capital
USD	United States Dollar
ZAR	South African Rand

CORPORATE INFORMATION

Company Secretary
Bruce Unser

Residual Debt Services Limited
Incorporated in the Republic of South Africa
Registration number 1975/002526/06
NCR Registration number: NCRCP5
Residual Debt Services Limited (in curatorship) is an Authorised Financial Services and Registered Credit Provider
Holding company: African Bank Investments Limited

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