



A focus on our people

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African Bank Limited acquired Ellerines Financial Services (excluding the advances generated from stores outside of South Africa) in September 2010. This is the first set of results where the combined financial services of African Bank and EHL is reported upon in the Banking business unit.

The Banking business unit ("African Bank" or "the Bank") consists of African Bank (including Ellerines Financial Services) as well as Stangen, the group's long term insurance arm. The activities of these businesses are closely related and, as a result, the outcome of their business activities is measured as one entity.

The Retail business unit (or "EHL") consists of furniture retail, financial services of foreign stores and the product insurance activities of Relyant Insurance Company.

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All photography used in this report is of ABIL staff members

Two subsidiaries of ABIL, African Bank Limited and Ellerrine Furnishers (Pty) Limited, are authorised financial services and registered credit providers.

Group profile

ABIL is a management holding company with wholly owned businesses operating primarily within the South African credit and consumer finance and retailing of furniture and appliances environment.

ABIL's purpose is to positively impact people's lives through the provision of credit. We make it possible for people to achieve their dreams – build houses, educate themselves and their children, buy furniture, appliances and cars and help with family emergencies.

We do this by providing our customers with unsecured credit and quality furniture and household goods that are affordable.

We strive to continually improve our customer proposition by translating scale and critical mass into greater customer value. To achieve this, we continue to tap significant growth channels in under serviced markets and pass the scale benefits on to customers in the form of cheaper credit and better value.

We operate through two primary businesses, African Bank and EHL as well as insurance subsidiaries The Standard General Insurance Company (Stangen) and Relyant Insurance Company.



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



EHL is a furniture and appliances retailer which provides affordable products and offers credit facilities through African Bank, for the purchase of its goods. It operates in the formally employed banked market, the informally employed market, as well as higher lifestyle markets than those traditionally targeted by African Bank.



African Bank Investments Limited

Financial statistics

for the six months ended 31 March 2011

			Unaudited 6 months to 31 Mar 2011	Unaudited 6 months to 31 Mar 2010	Audited 12 months to 30 Sep 2010
		% change			
Key shareholder ratios					
Headline earnings	R million	20	1 095	914	1 890
Headline earnings per share	cents	20	136,3	113,7	235,2
Fully diluted headline earnings per share	cents	20	136,3	113,7	235,1
Number of ordinary shares in issue (net of treasury shares)	million		803,7	803,7	803,7
Weighted number of ordinary shares in issue	million		803,7	803,7	803,7
Fully diluted number of ordinary shares in issue	million		803,8	803,8	803,8
Number of preference shares in issue	million		5,0	5,0	5,0
Average ordinary shareholders' equity	R million	5	12 531	11 940	12 083
Return on equity	%		17,5	15,3	15,6
Economic profit/(loss)	R million		155	(41)	78
Net asset value per ordinary share	cents	5	1 599	1 521	1 542
Tangible net asset value per ordinary share	cents	12	819	732	758
Cash generated from operations	R million	29	3 968	3 079	5 698
Regulatory capital per Basel II					
Risk weighted exposure	R million		28 250	23 653	25 848
Minimum regulatory capital required	%		19,5	19,5	19,5
Total qualifying regulatory capital	%		33,0	27,4	32,2
Tier 1 capital	%		24,3	19,9	24,7
Tier 2 capital	%		8,7	7,5	7,5
Dividends per ordinary share					
Interim – declared	cents		85	85	85
Final – paid	cents		0	0	100
Total ordinary dividends	cents		85	85	185
Dividend cover	times		1,6	1,3	1,3
Payout ratio	%		62,4	74,8	78,7
Dividends per preference share					
Interim – declared	cents		310	355	355
Final – paid	cents		0	0	336
Total preference dividends	cents		310	355	691
Segmental contribution to headline earnings (unaudited)					
Banking unit		24	1 033	836	1 863
Retail unit		30	144	111	130
STC and other group adjustments		>100	(82)	(33)	(103)
Total headline earnings		20	1 095	914	1 890

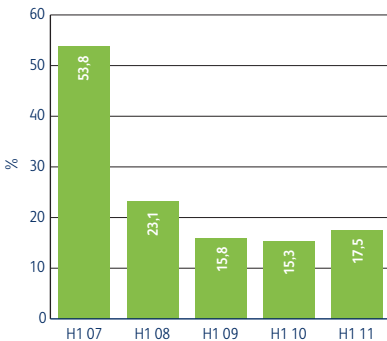
African Bank Investments Limited

Results at a glance

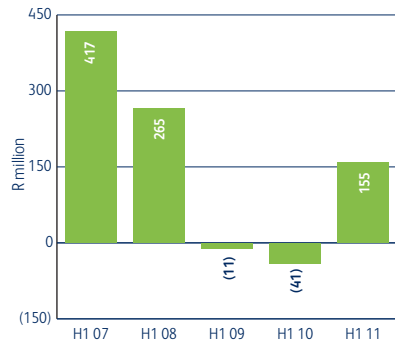
Features

- ABIL reported a return on equity of 17,5% for the six months to 31 March 2011 (H1 2010: 15,3%) and an economic profit, after charging for its cost of equity, of R155 million.
- Headline earnings increased by 20% to R1 095 million (H1 2010: R914 million), as did headline earnings per share to 136,3 cents (H1 2010: 113,7 cents).
- Cash generated from operations increased 29%.
- An interim ordinary dividend per share of 85 cents (H1 2010: 85 cents) and an interim preference share dividend per share of 310 cents were declared (H1 2010: 355 cents).
- The Banking business unit grew headline earnings by 24% to R1 033 million (Pro forma H1 2010: R836 million), benefiting from substantial sales and advances growth, a slower reduction in yield than in recent years and improving asset quality.
- The Retail business unit's headline earnings were R144 million (Pro forma H1 2010: R111 million), up 30%, supported by firmer sales, margins and more efficient operations.

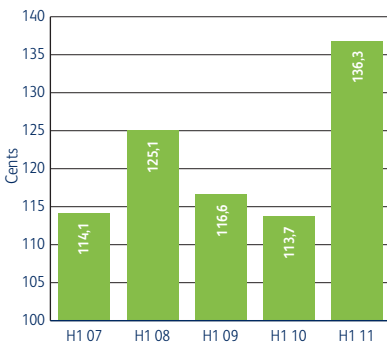
Return on equity



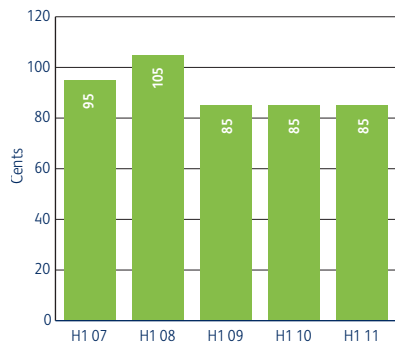
Economic profit



Headline earnings per share



Ordinary dividends per share



African Bank Investments Limited

Overview

Financial results

Strong operational performance in the six months ended 31 March 2011 was driven by several new credit and retail product offerings, a substantial increase in the African Bank footprint through kiosks and branches within EHL stores, as well as high levels of commitment from our people.

The trading environment during this period was characterised by moderately improving economic conditions, a modest growth in employment, unemployment claims remaining high but stabilising and intense competition in both the credit and retail segments.

Group headline earnings increased by 20% to R1 095 million, as did headline earnings per share to 136,3 cents. Average ordinary shareholder's equity grew to R12,5 billion, with the group return on equity improving from 15,3% to 17,5%.

While ABIL group results are not affected, the results for the individual business units are not directly comparable with that of the previously reported first half of 2010, as the results of Ellerines Financial Services were previously included in the Ellerines business unit and are now incorporated into the Banking business unit for the first time in this set of results. Comparatives have been adjusted on a pro forma basis throughout the report to facilitate trend analysis.

The Banking business unit generated headline earnings of R1 033 million and an economic profit of R312 million. The return on assets of 5,4%, combined with gearing of 4,0 times, produced a return on equity of 21,5%. Returns in this business have been affected by the R4 billion of goodwill acquired in the Ellerines Financial Services transaction in September 2010.

The Retail business unit reported headline earnings of R144 million. It generated a return on sales of 5,7%, a return on equity of 9,9% and decreased its economic loss to R75 million.

Group consolidation adjustments amounted to R82 million, mainly STC which is now carried at group level and not allocated to the business units.

Strategic initiatives

The group has, in recent months, refined its strategic vision and identified certain initiatives that are central to delivering on the vision: a more refined customer segmentation; the role of emerging technologies; the future operating model; the targeted financial model; capital and funding structures to support the envisaged growth; a redefined customer value proposition; and accelerated people strategies. The vision is premised on strong growth over the medium term, that must ultimately translate into better value for customers.

One of the areas of strategic progress has been the acceleration of value creation from EHL. This imperative involves the maximisation of credit volumes and total revenues from the EHL network. The key components of the drive are products, such as Ezi*Cash (cash top-up) and Ezi*Loan (credit only) and access, through African Bank kiosks and carve-out branches within EHL stores. The current performance suggests an opportunity for a substantial size credit business over the next two years from the EHL channel. The turnover from furniture and appliances is also targeted to increase as the rollout of the centralised distribution centre gains momentum, as this will increase stock availability and consequently stock turn.

African Bank Investments Limited

Overview

We have opened 122 kiosks and 12 carve-out branches to date, which generated R572 million of additional non furniture credit sales. The objective is to substantially increase the number of carve-outs and kiosks over the next two years. Significantly, the incremental costs related to this business are low given that the infrastructure and staff are already in place in EHL.

As a result of the work done on the strategic vision, there are a multitude of new products and channels being investigated, developed, piloted and implemented. The sheer number of these initiatives requires substantial thought and planning to minimise disruption to the networks. Such rapid changes also have the potential to result in significant cost overruns through higher sales incentives, development and other once-off costs and the process is carefully monitored and initiatives identified to eliminate additional costs as far as possible. Increases in operating costs will be contained to single digits.

In addition, our people have to understand and contribute to the vision. People development is essential in order to enable us to step up to the new challenges. To this end, the group has again undertaken 21 roadshows with our people and customers during this period, to share ideas and receive feedback regarding their product and service needs. Many of the new products and services that have recently been rolled out in the business were as a result of feedback from our people and customers.

We believe that the key to the sustainability of our business lies in the evolution of our culture. Our people roadshows revealed what immense potential lies within the human spirit. The key rests with the leadership to unlock the full potential of our people and this will be determined by how much focus we place on people issues. We are working quite deliberately on this agenda and more roadshows are planned for the remainder of the year to facilitate this process.

The Bank has also started to conduct focus groups among defaulting borrowers to gain a better understanding of why defaults occur and the type of products that could assist “bad luck” customers. Rehabilitation of defaulting customers and supporting our customers to get back to financial health is high on the group’s agenda.

The outcome of the current and medium term initiatives will be a bold and exciting vision which will result in tangible improvements in our society.

The main strategic initiatives for 2011 continue to be broadly as follows:

- Integrate and optimise the African Bank operations
- Transform the value proposition and delivery model of the Bank
- Grow the client base of the Bank and convert EHL customers into also becoming African Bank customers
- Build EHL into a premier cash retailer
- Expand ABIL’s presence in South Africa.

Economic profit

The Banking business unit's economic profit was R312 million while the Retail business unit incurred a R75 million economic loss. These, combined with an R82 million charge for STC and other adjustments, resulted in the ABIL group generating a net economic profit of R155 million, relative to a loss of R41 million for the six months to March 2010.

6 months ended 31 March 2011	Average ordinary share- holders' equity Rm	Return on equity %	Cost of equity %	Headline earnings Rm	Charge for the cost of equity Rm	Economic profit/(loss) Rm
Banking unit	9 616	21,5	15	1 033	(721)	312
Banking unit – based on its own equity	5 616	36,8	15	1 033	(421)	612
Goodwill	4 000	n/a	15	0	(300)	(300)
Retail unit	2 916	9,9	15	144	(219)	(75)
Retail unit – based on its own equity	2 199	13,1	15	144	(165)	(21)
Goodwill arising on acquisition – equity component	717	n/a	15	0	(54)	(54)
STC and other consolidation adjustments	0		15	(82)	0	(82)
Consolidated ABIL group	12 531	17,5	15	1 095	(940)	155
6 months ended 31 March 2010						
Banking unit	9 301	18,0	16	836	(744)	92
Banking unit – based on its own equity	5 301	31,5	16	836	(424)	412
Goodwill	4 000	n/a	16	0	(320)	(320)
Retail unit	2 647	8,4	16	111	(212)	(101)
Retail unit – based on its own equity	1 930	11,5	16	111	(155)	(44)
Goodwill arising on acquisition – equity component	717	n/a	16	0	(57)	(57)
STC and other consolidation adjustments	(8)		16	(33)	1	(32)
Consolidated ABIL group	11 940	15,3	16	914	(955)	(41)

The cost of equity is reviewed annually to take cognisance of changes in long term funding rates and risk premiums and was adjusted down from 16 % to 15 % in September 2010.

African Bank Investments Limited

Overview *continued*

Funding and capital management

ABIL maintained its conservative approach to capital management during this period, which continued to ensure stable credit ratings for the Bank, a steady flow of available funding and a further reduction in the cost of funding.

The Banking Supervision Division of the SA Reserve Bank revised African Bank's (and ABIL's) regulatory minimum capital upwards to 24,5% from 1 April 2011. The group was already comfortably above this level at the end of the previous financial year. African Bank received a further R281 million of capital from the Ellerines Financial Services transaction. In addition, ABIL subscribed for another share in African Bank for a total consideration of R350 million, and the Bank issued R515 million of subordinated debt, qualifying as tier 2 capital. This is in addition to the transfer of R5 684 million of capital from EHL to the Bank, following the transfer of the Ellerines Financial Services business into the Bank in September 2010. The group also secured permission from its shareholders to issue additional preference shares at an appropriate time.

As at 31 March 2011, African Bank had a regulatory capital adequacy ratio of 30,7% and ABIL of 33,0%, which will enable the group to maintain its growth momentum.

Dividends and dividend cover

ABIL has declared an interim dividend of 85 cents per ordinary share. The ordinary dividend cover was 1,6 times, which is consistent with the guidance provided at the end of the previous financial year that the group would be increasing its dividend cover to a minimum of 1,5 times.

The group has also declared an interim preference share dividend of 310 cents per share.

Changes to the board

ABIL continually strives to improve its corporate governance processes and, as part of this objective, implemented a term limit policy in respect of its non-executive directors a few years ago. In terms of the policy, the chairman's service tenure is limited to a maximum of ten years and other non-executive directors to a maximum of eight years in total. During this period two of ABIL's non-executive directors, David Braidwood Gibbon and Ashley "Oshy" Tugendhaft, reached their term limit and retired from the boards of both ABIL and African Bank Limited with effect from 31 March 2011. Mpho Nkeli also resigned from the boards of ABIL and African Bank Limited with effect from 25 January 2011 due to other commitments.

The boards of ABIL and African Bank Limited express their sincere appreciation to Mpho, David and Oshy for the contribution that they have made to the success of the group over the period of their tenure.

The board announced the appointment of three non-executive directors during the reporting period. Advocate Mojankunyane Gumbi was appointed as an independent non-executive director to the boards of ABIL and African Bank Limited with effect from 1 March 2011. Ntombi Langa-Royds and Jack Koolen were appointed as independent non-executive directors to the same boards from 15 March 2011. Jack was also appointed to the EHL board from the same date.

The changes to the board have necessitated changes to the membership of the sub-committees of the board, details of which are as follows:

Previous constitution**Group audit committee**

David Gibbon (Chairman)
 Nic Adams
 Johnny Symmonds
 Sam Sithole

New constitution

Sam Sithole (Chairman)
 Nic Adams
 Johnny Symmonds

Group risk and capital management committee

Nic Adams (Chairman)
 Sam Sithole
 Johnny Symmonds
 Oshy Tugendhaft

Nic Adams (Chairman)
 Johnny Symmonds
 Mojanku Gumbi
 Jack Koolen

Group remuneration and transformation committee

Mpho Nkeli (Chairperson)
 Mutle Mogase
 Oshy Tugendhaft

Ntombi Langa-Royds (Chairperson)
 Mutle Mogase
 Mojanku Gumbi

Directors' affairs committee

Oshy Tugendhaft (Chairman)
 David Gibbon
 Nic Adams
 Mutle Mogase
 Mpho Nkeli

Mutle Mogase (Chairman)
 Sam Sithole
 Nic Adams
 Mojanku Gumbi
 Ntombi Langa-Royds

Yashmita Mistry resigned as company secretary to ABIL with effect from 31 March 2011.

Looking ahead

It is expected that the subdued external trading environment will continue for the rest of the financial year. Innovation and renewed energy have resulted in strong levels of activity in the first half of the year and these are expected to continue into the second half. Given the current impetus in the business, our financial objectives for 2011 therefore remain unchanged.

The table below sets out ABIL's medium term financial objectives.

ABIL financial objectives

Objective	Actual 2010	Interim 2011	Target 2011	Medium term target (Rolling 4 years)
Merchandise sales	R4,5 bn	7 %	>8,5 %	R8 bn – R9 bn p.a.
Advances growth	20 %	27 %	>25 %	>15 % CAGR
Return on equity	15,3 %	17,5 %	>18 %	>30 %

On behalf of the board

Mutle Mogase
 Chairman

Gordon Schachat
 Executive deputy chairman

Leon Kirkinis
 Chief executive officer

African Bank Investments Limited

Group income statement

for the six months ended 31 March 2011

R million	% change	Unaudited 6 months to 31 Mar 2011	Unaudited 6 months to 31 Mar 2010	Audited 12 months to 30 Sep 2010
Gross margin on retail business	9	1 105	1 014	1 974
Interest income on advances	17	3 440	2 932	5 950
Assurance income	28	1 410	1 098	2 309
Non-interest income	17	1 434	1 227	2 491
Income from operations	18	7 389	6 271	12 724
Charge for bad and doubtful advances	17	(1 725)	(1 473)	(2 693)
Claims paid	38	(304)	(220)	(626)
Risk-adjusted income from operations	17	5 360	4 578	9 405
Product insurance claims	58	(38)	(24)	(83)
Other interest and investment income	(14)	161	188	390
Interest expense	16	(1 328)	(1 142)	(2 383)
Operating costs	9	(2 450)	(2 251)	(4 481)
Indirect taxation: VAT	>100	(42)	(12)	(20)
Profit from operations	24	1 663	1 337	2 828
Capital items	(100)	0	34	34
Profit before taxation	21	1 663	1 371	2 862
Direct taxation: STC	4	(81)	(78)	(147)
Direct taxation: Normal	36	(470)	(345)	(773)
Profit for the period	17	1 112	948	1 942

Reconciliation of headline earnings and per share statistics

R million	% change	Unaudited 6 months to 31 Mar 2011	Unaudited 6 months to 31 Mar 2010	Audited 12 months to 30 Sep 2010
Profit for the period (basic earnings)	17	1 112	948	1 942
Preference shareholders	(6)	(17)	(18)	(36)
Basic earnings attributable to ordinary shareholders	18	1 095	930	1 906
Adjustments for non-headline items:				
Capital items	(100)	0	(19)	(19)
Tax thereon	(100)	0	3	3
Headline earnings	20	1 095	914	1 890
Number of shares in issue (net of treasury)		803,7	803,7	803,7
Weighted number of shares in issue		803,7	803,7	803,7
Fully diluted number of shares in issue		803,8	803,8	803,8
Basic earnings per share	18	136,3	115,7	237,2
Fully diluted basic earnings per share	18	136,3	115,7	237,1
Headline earnings per share	20	136,3	113,7	235,2
Fully diluted headline earnings per share	20	136,3	113,7	235,1

African Bank Investments Limited

Group statement of comprehensive income

for the six months ended 31 March 2011

R million	% change	Unaudited 6 months to 31 Mar 2011	Unaudited 6 months to 31 Mar 2010	Audited 12 months to 30 Sep 2010
Profit for the period	17	1 112	948	1 942
Other comprehensive income				
Exchange differences on translating foreign operations	(83)	(1)	(6)	(11)
Movement in cash flow hedge reserve	(>100)	153	(87)	(195)
IFRS 2 reserve transactions (employee incentives)	(31)	9	13	8
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	(100)	0	1	1
ABIL Share Trust shares less dividends received		0	0	1
Other comprehensive income for the period, net of tax	(>100)	161	(79)	(196)
Total comprehensive income for the period	47	1 273	869	1 746

Group segmental analysis

for the six months ended 31 March 2011

R million	Segment income from operations			Intersegment income from operations			Segment profit after taxation		
	Unaudited			Unaudited			Unaudited		
	6 months to	6 months to	12 months to	6 months to	6 months to	12 months to	6 months to	6 months to	12 months to
	31 Mar 2011	31 Mar 2010	30 Sep 2010	31 Mar 2011	31 Mar 2010	30 Sep 2010	31 Mar 2011	31 Mar 2010	30 Sep 2010
Banking unit	5 811	4 843	9 911	0	0	0	1 050	854	1 899
Retail unit	1 652	1 471	2 861	74	43	83	144	127	146
Consolidation adjustments	(74)	(43)	(83)	0	0	0	(82)	(33)	(103)
Group	7 389	6 271	12 689	74	43	83	1 112	948	1 942

African Bank Investments Limited

Group statement of financial position

as at 31 March 2011

R million	% change	Unaudited 31 Mar 2011	Unaudited 31 Mar 2010	Audited 30 Sep 2010
Assets				
Short-term deposits and cash	(8)	4 689	5 112	3 410
Statutory assets – bank and insurance	60	2 574	1 604	1 806
Inventories	5	816	777	851
Other assets	(11)	432	486	321
Taxation	(6)	15	16	97
Net advances	34	30 262	22 599	25 360
Deferred tax asset	(50)	256	514	409
Assets held for sale	(100)	0	5	5
Policyholders' investments	(50)	8	16	15
Property and equipment	22	716	588	622
Intangible assets	(8)	797	870	834
Goodwill	0	5 472	5 472	5 472
Total assets	21	46 037	38 059	39 202
Liabilities and equity				
Short-term funding	5	2 850	2 716	1 038
Other liabilities	8	1 650	1 531	1 743
Taxation	(41)	57	97	33
Deferred tax liability	21	255	211	392
Life fund reserve	(47)	8	15	14
Bonds and other long-term funding	35	25 128	18 575	20 877
Subordinated bonds	25	2 757	2 210	2 226
Total liabilities	29	32 705	25 355	26 323
Ordinary shareholders' equity	5	12 849	12 221	12 396
Preference shareholders' equity	0	483	483	483
Total equity (capital and reserves)	5	13 332	12 704	12 879
Total liabilities and equity	21	46 037	38 059	39 202

African Bank Investments Limited

Group statement of changes in equity

for the six months ended 31 March 2011

R million	Ordinary shares				Preference share capital and premium	Total
	Share capital and premium	Distributable reserves	Share-based payment reserve	Other		
Balance at 30 September 2009 (audited)	9 151	2 436	597	(10)	483	12 657
Dividends paid	0	(804)	0	0	(18)	(822)
Total comprehensive income for the period	0	930	13	(92)	18	869
Balance at 31 March 2010 (unaudited)	9 151	2 562	610	(102)	483	12 704
Dividends paid	0	(684)	0	0	(18)	(702)
Transfer to share-based payment reserve	0	(208)	208	0	0	0
Transfer from insurance contingency reserve	0	25	0	(25)	0	0
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	0	0	0	1	0	1
Total comprehensive income for the period	0	977	(5)	(114)	18	876
Balance at 30 September 2010 (audited)	9 151	2 672	813	(240)	483	12 879
Dividends paid	0	(804)	0	0	(17)	(821)
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	0	0	0	1	0	1
Transfer from insurance contingency reserve	0	8	0	(8)	0	0
Total comprehensive income for the period	0	1 095	9	152	17	1 273
Balance at 31 March 2011 (unaudited)	9 151	2 971	822	(95)	483	13 332

Notes

1. Treasury shares		31 Mar 2011	31 Mar 2010	30 Sep 2010
Treasury shares at cost	R million	11	13	12
Number of shares held	million	0,5	0,5	0,5
Average cost per share	Rand	23,24	27,23	25,14
2. Number of ordinary shares at 31 March 2011		Total	Weighted	Diluted
Number of shares in issue at the beginning of the year		804 175 200	804 175 200	804 175 200
Treasury shares on hand		(473 415)	(475 964)	(475 964)
Dilution as a result of outstanding options		0	0	92 725
		803 701 785	803 699 236	803 791 961

African Bank Investments Limited

Group statement of cash flows

for the six months ended 31 March 2011

R million	Unaudited 6 months to 31 Mar 2011	Unaudited 6 months to 31 Mar 2010	Audited 12 months to 30 Sep 2010
Cash generated from operations	3 968	3 079	5 698
Cash received from lending and insurance activities and cash reserves	8 882	7 811	15 662
Recoveries on advances previously written off	83	58	103
Cash paid to funders, staff, suppliers and insurance beneficiaries	(4 997)	(4 790)	(10 067)
Increase in gross advances	(6 780)	(3 626)	(7 658)
Decrease in working capital	(208)	(342)	205
Decrease/(increase) in inventories	35	82	(103)
(Increase)/decrease in other assets	(111)	(297)	8
(Decrease)/increase in other liabilities	(132)	(127)	300
Indirect and direct taxation paid	(534)	(449)	(794)
Cash inflow/(outflow) from equity accounted incentive transactions	1	(2)	2
Cash outflow from operating activities	(3 553)	(1 340)	(2 547)
Cash outflow from investing activities	(800)	(178)	(493)
Acquisition of property and equipment (to maintain operations)	(192)	(106)	(277)
Acquisition of joint venture advances book	0	0	(19)
Disposal of property and equipment	12	196	240
Disposal of option	0	0	15
Other investing activities	(620)	(268)	(452)
Cash inflow from financing activities	5 773	2 923	2 760
Cash inflow from funding activities	6 594	3 745	4 284
Preference shareholders' payments and transactions	(17)	(18)	(36)
Ordinary shareholders' payments and transactions	(804)	(804)	(1 488)
Increase/(decrease) in cash and cash equivalents	1 420	1 405	(280)
Cash and cash equivalents at the beginning of the period	3 716	3 996	3 996
Cash and cash equivalents at the end of the period	5 136	5 401	3 716
Made up as follows:			
Short-term deposits and cash	4 689	5 112	3 410
Statutory cash reserves – insurance	447	289	306
	5 136	5 401	3 716

African Bank Investments Limited

Notes to the business unit information

Ellerines Financial Services was acquired by African Bank in September 2010. Following the transaction, it was considered appropriate to prepare a set of pro forma results for the two business units for the 2010 financial year in order to provide meaningful comparisons to the current financial year. Readers should note the pro forma definition and the changes to the value share model between the two business units in order to contextualise the financial results.

Pro forma definition

Prior year comparatives have been adjusted for the following:

- Earnings from the foreign debtors book that were not sold to African Bank were previously included in Ellerines Financial Services and are now included in the Retail business unit;
- Product insurance earnings were previously included in Ellerines Financial Services and are now included in the Retail business unit;
- The value share methodology has changed as detailed below and the comparable amounts have been calculated on a consistent basis;
- In the current year, the group has elected to pay STC at a group level, rather than at a company level which was the previous practice. In order to reflect comparable results on a similar basis, the STC charge previously reflected at a business unit level is now reflected at an ABIL level; and
- Non trading items like the tax reduction on the sale of the properties in the first half of 2010, have been moved from EHL to ABIL group to facilitate comparison of operational performance.

For convenience, financial statements comparing the current period results to results 'as published' in prior periods, have been included in the Annexures at the back of this booklet.

Value share between the Banking and Retail business units

The development of an optimal value share model between the Retail and Banking business units continues in an effort to ensure that it drives the correct behaviour and that efforts and risk are equitably compensated. In the value share model used in prior years, the Retail business carried all the operating costs, but received a commission of 8% of credit merchandise sales and a cost recovery of 25,8% from Financial Services. The total amount was included as a recovery against expenses.

The current value share model is fundamentally different following the change in the structure of the Retail business unit and the Financial Services division and is largely based on:

- Credit products sold by the Retail business unit on behalf of the Banking business unit;
- The reallocation of the product insurance from Financial Services to Retail; and
- The reallocation of foreign operations from Financial Services to Retail.

The value share is now accounted for in the results as either:

- Income, where the amount is based on a percentage of sales volume, or
- An expense recovery, where the original costs are included in total operating costs in the Retail business unit on behalf of the Banking business unit.

African Bank Investments Limited

Notes to the business unit information *continued*

Value share

R million	6 months to 31 Mar 2011	Pro forma 6 months to 31 Mar 2010	Pro forma 12 months to 30 Sep 2010
Income	74	43	83
Cost recovery	204	211	419
Total value share	278	254	502

As further insights emerge, it is envisaged that the value share model will be reviewed on an annual basis and revised to ensure alignment with ABIL's strategic focus.

Banking
business unit



Banking business unit

Financial statistics

for the six months ended 31 March 2011

		% change	Unaudited 6 months to 31 Mar 2011	Pro forma 6 months to 31 Mar 2010	Pro forma 12 months to 30 Sep 2010
Key shareholder ratios					
Headline earnings	R million	24	1 033	836	1 863
Economic profit	R million	>100	312	92	442
Performance ratios					
Total income yield on average advances	%		35,9	37,5	37,2
Bad debt expense to average advances	%		10,4	11,2	9,9
Claims paid to average advances	%		1,8	1,7	2,3
Cost to average advances	%		7,2	8,3	7,7
Return on assets	%		5,4	5,1*	5,4*
Return on equity	%		21,5	18,0*	19,7*
Asset and credit quality ratios					
Gross advances	R million	27	34 417	27 106	29 024
Performing books	R million	38	24 759	17 877	19 985
Non-performing loans (NPLs)	R million	5	9 658	9 229	9 039
Average gross advances	R million	25	32 347	25 850	26 674
Written off book	R million	43	1 852	1 297	1 700
Total impairment provisions (incl credit life reserves)	R million		6 053	6 024	5 555
NPLs to gross advances	%		28,1	34,0	31,1
Total impairment provisions and credit life reserves to gross advances	%		17,6	22,2	19,1
NPL coverage	%		62,7	65,3	61,5
Gross bad debt write-offs to average gross advances	%		11,3	14,8	17,5
Bad debts rehabilitated to average gross advances	%		(3,6)	(6,6)	(7,1)
Net bad debt write-offs to average gross advances	%		7,7	8,3	10,4
Funding and cost of funds					
Funding (incl subordinated bonds)	R million	31	30 490	23 230	24 097
Average cost of funds	%		9,5	10,5	10,4
Cash and statutory assets	R million		7 019	6 527	4 979
Capital ratios					
African Bank Limited capital adequacy	%		30,7	24,6	28,9
Tier 1	%		21,1	17,0	20,4
Tier 2	%		9,6	7,6	8,5
Sales					
Disbursements of new loans (AB)	R million	58	7 998	5 078	11 122
Credit sales (EHL)	R million	29	2 056	1 592	3 048

Comparatives in orange are unadjusted, as published previously

Comparatives in blue have been adjusted to include EHL Financial Services on a pro forma basis

*Calculated after adjusting the pro forma RoA/RoE model as disclosed on page 24 with the R4 billion goodwill acquired on transfer of EHL Financial Services

Banking business unit

Results at a glance

Financial performance

The Banking business unit generated headline earnings of R1 033 million for the six months to 31 March 2011, an increase of 24% on the R836 million generated on a pro forma basis in the first half of 2010. The Bank generated a return on equity of 21,5% relative to 18,0% in the prior period. It generated an economic profit of R312 million (Pro forma H1 2010: R92 million).

Strong growth in advances resulted in income from operations increasing by 20%. This was generated through a combination of a 25% growth in average advances and a 1,6% reduction in the yield achieved on those advances. Bad debt charges and insurance claims were 19% higher at R1 979 million (Pro forma H1 2010: R1 663 million), resulting in a 21% growth in risk adjusted income. Net funding cost increased by 22% and operating expenses increased by 8%. This resulted in profit from operations increasing by 28%.

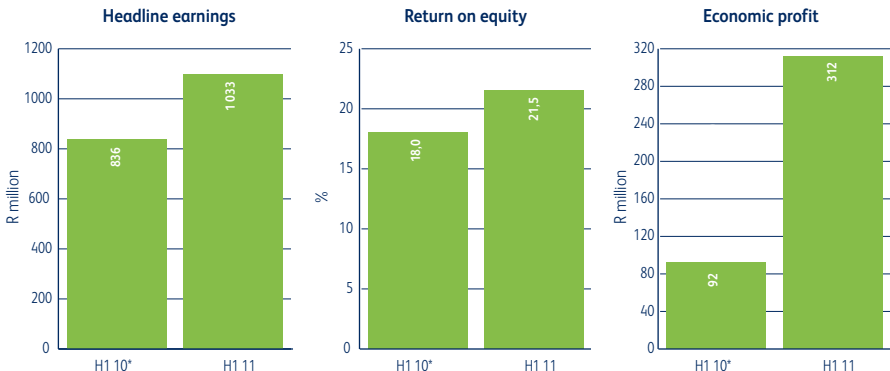
Combined credit sales for African Bank and EHL for the six months increased by 51% to R10,1 billion (Pro forma H1 2010: R6,7 billion). African Bank credit sales grew by 58% to R8,0 billion, while total disbursements at EHL increased by 29% to R2,1 billion, the latter supported by a growing contribution from personal loans.

Combined gross advances increased by 27% to R34,4 billion (Pro forma H1 2010: R27,1 billion). Traditional African Bank advances increased by 30% to R28,6 billion, while EHL advances grew by 13% to R5,8 billion.

The combined yield for the period was 35,9% (Pro forma H1 2010: 37,5%). Insurance claims paid have been separated from the income yield calculation for the first time in this set of results. Claims paid were steady at 1,8% of advances.

The combined operating cost increased to R1,2 billion, on the back of the transfer of Ellerines Financial Services and the strong increase in sales and general levels of activity within the group. Operating costs to average advances improved from 8,3% to 7,2%.

The average funding rate improved from 10,5% to 9,5%. The funding base increased to R30,5 billion.



*Pro forma results for African Bank and Ellerines Financial Services

Banking business unit

Results at a glance *continued*

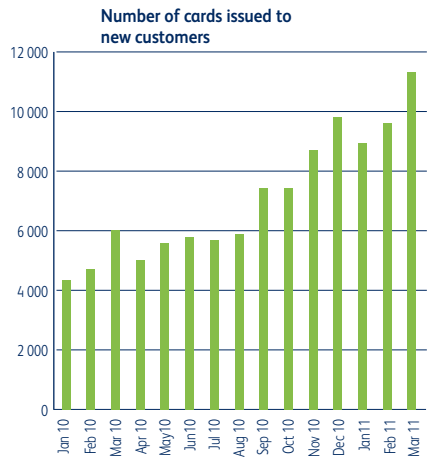
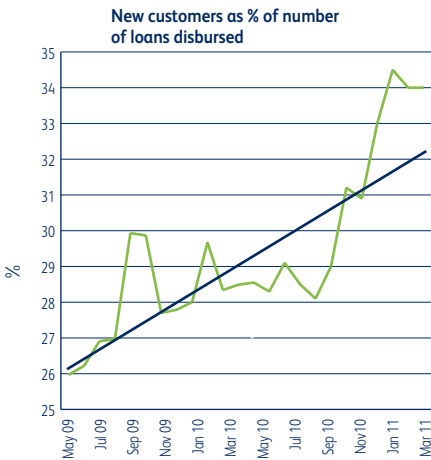
Asset quality continued to improve. Combined non-performing loans (NPLs) as a percentage of advances declined from 34% to 28% on the back of the faster growth in performing loans and a lower migration rate from performing loans to NPLs. NPL coverage was 62,7%, relative to 65,3% in the prior period. The bad debt charge as a percentage of the advances book improved from 11,2% to 10,4% in the respective comparative periods.

Operational review

African Bank opened 32 new branches during the first six months of this financial year. African Bank kiosks were rolled out within EHL stores and contributed R188 million of sales during this six month period. The new carve-outs (full branches) in EHL stores contributed R140 million in sales. The Bank is planning a further rollout of kiosks and carve-outs to all appropriate EHL stores, which is expected to substantially increase African Bank's footprint at a very low incremental cost.

The Banking business unit launched a variety of new products, including a Payment Break product, an Interest Buster product, a loan-by-phone capability and a consolidation loan product during the past six months. These products were well received by the market and have contributed to the substantial increase in sales and new customers over this period. While the African Bank credit card offering is available in the carve-out branches, it was also introduced into selected EHL kiosks recently. The Bank launched an INSECONDS facility which provides an instant quote for clients by SMS or web. A variety of other mobile services has been introduced or are being piloted to improve service delivery to customers. Value added services such as airtime purchases have ramped up substantially since introduction. The ATM pilot has now been concluded and operationally embedded and more ATMs will be rolled out during the year.

New customer acquisition has been a key area of focus for African Bank. Some inroads were made in this period, as the Bank added 347 000 new customers for the six months, an increase of 16% on the 300 000 new customers added in the previous comparable period. The new products were particularly effective in attracting new customers to the group.



Looking ahead

For the Banking business unit, the lift in sales in the first six months and the benefit that will accrue from the higher asset base for the full twelve months, bode well for the 2011 results. The Bank has a number of products and initiatives that are in pilot phase and are timed to be rolled out over the next six months. The rollout of the African Bank credit card within the EHL stores is expected to increase its target market substantially, while the expansion of the kiosks and carve-outs is expected to boost customer acquisition further.

The Bank is continuing to target strong sales and advances growth, a moderate decline in yield, and steady asset quality. The rollout of a new front end, further product enhancements, the attraction of new customers and cost control, will continue to be focus areas for the remainder of the financial year. Accordingly, profit from operations and the return on equity are expected to lift further in the second half of the year. The focus on people has highlighted the potential that lies within the Bank and the number of growth opportunities to be explored over the next eighteen months.

Banking business unit

Income statement

for the six months ended 31 March 2011

R million	% change	Unaudited 6 months to 31 Mar 2011	Pro forma 6 months to 31 Mar 2010	Pro forma 12 months to 30 Sep 2010
Interest income on advances	17	3 377	2 890	5 867
Assurance income	33	1 171	882	1 849
Non-interest income	18	1 263	1 071	2 195
Income from operations	20	5 811	4 843	9 911
Charge for bad and doubtful advances	16	(1 682)	(1 448)	(2 645)
Claims paid	38	(297)	(215)	(614)
Risk-adjusted income from operations	21	3 832	3 180	6 652
Other interest income	(30)	147	211	459
Interest expense	13	(1 315)	(1 167)	(2 432)
Operating costs	8	(1 160)	(1 073)	(2 055)
Indirect taxation: VAT	>100	(42)	(12)	(20)
Profit from operations	28	1 462	1 139	2 604
Capital items	(100)	0	15	15
Profit before taxation	27	1 462	1 154	2 619
Direct taxation: SA normal	37	(412)	(300)	(720)
Profit for the period/year	23	1 050	854	1 899

Reconciliation of headline earnings

R million		Unaudited 6 months to 31 Mar 2011	Pro forma 6 months to 31 Mar 2010	Pro forma 12 months to 30 Sep 2010
Profit for the period/year	23	1 050	854	1 899
Preference shareholders	(6)	(17)	(18)	(36)
Basic earnings attributable to ordinary shareholders	24	1 033	836	1 863
Headline earnings	24	1 033	836	1 863

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

Banking business unit

Statement of financial position

as at 31 March 2011

R million	% change	Unaudited 31 Mar 2011	Pro forma 31 Mar 2010	Pro forma 30 Sep 2010
Assets				
Short-term deposits and cash	(7)	4 702	5 054	3 297
Statutory assets – bank and insurance	57	2 317	1 473	1 682
Other assets	58	202	128	120
Other assets – EHL	25	223	178	426
Taxation	(100)	0	16	85
Net advances	35	30 063	22 325	25 099
Deferred tax asset	(100)	1	338	247
Policyholders' investments	(50)	8	16	15
Property and equipment	32	376	284	313
Goodwill		4 000	0	0
Total assets	41	41 892	29 812	31 284
Liabilities and equity				
Short-term funding	8	2 429	2 258	583
Short-term funding – EHL	(6)	176	187	411
Other liabilities	7	529	496	877
Other liabilities – EHL		88	0	0
Taxation	(35)	44	68	(13)
Deferred tax liability		13	0	141
Life fund reserve	(47)	8	15	14
Bonds and other long-term funding	35	25 128	18 575	20 877
Subordinated bonds	25	2 757	2 210	2 226
Total liabilities	31	31 172	23 809	25 116
Ordinary shareholder's equity	85	10 237	5 520	5 685
Preference shareholders' equity	0	483	483	483
Total equity (capital and reserves)	79	10 720	6 003	6 168
Total liabilities and equity	41	41 892	29 812	31 284

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

Banking business unit

Return on assets and return on equity model

R million	Unaudited 6 months to 31 Mar 2011	Pro forma 6 months to 30 Sep 2010	Pro forma 6 months to 31 Mar 2010
Interest income on advances	3 377	2 977	2 890
Assurance income	1 171	967	882
Non-interest income	1 263	1 124	1 071
Total income	5 811	5 068	4 843
Charge for credit losses	(1 682)	(1 197)	(1 448)
Claims paid	(297)	(399)	(215)
Operating expenses	(1 160)	(982)	(1 073)
Net financing costs (including pref dividends)	(1 185)	(1 035)	(974)
Taxation	(454)	(428)	(312)
Capital items	0	0	15
Total charges against income	(4 778)	(4 041)	(4 007)
Headline earnings	1 033	1 027	836
Average gross advances (excl w/o book)	32 347	27 498	25 850
Average total assets	38 507	32 357	28 901
Average ordinary shareholder's equity	9 616	5 644	5 301

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

	Unaudited 6 months to 31 Mar 2011		Pro forma 6 months to 30 Sep 2010		Pro forma 6 months to 31 Mar 2010	
Interest/Advances	20,9%		21,7%		22,4%	
Assurance/Advances	7,2%		7,0%		6,8%	
Other income/Advances	7,8%		8,2%		8,3%	
Total income yield	<i>equals</i>	35,9%	<i>equals</i>	36,9%	<i>equals</i>	37,5%
Bad debts/Advances	(10,4%)		(8,7%)		(11,2%)	
Claims paid/Advances	(1,8%)		(2,9%)		(1,7%)	
Opex/Advances	(7,2%)		(7,1%)		(8,3%)	
Financing costs/Advances	(7,3%)		(7,5%)		(7,5%)	
Taxation/Advances	(2,8%)		(3,1%)		(2,4%)	
Other/Advances	0,0%		0,0%		0,1%	
Total charges/Advances	<i>equals</i>	(29,5%)	<i>equals</i>	(29,4%)	<i>equals</i>	(31,0%)
		<i>equals</i>		<i>equals</i>		<i>equals</i>
Return on advances		6,4%		7,5%		6,5%
		<i>multiply</i>		<i>multiply</i>		<i>multiply</i>
Advances /Total assets		84,0%		85,0%		89,4%
		<i>equals</i>		<i>equals</i>		<i>equals</i>
Return on assets (RoA)		5,4%		6,3%		5,8%
		<i>multiply</i>		<i>multiply</i>		<i>multiply</i>
Gearing		4,0		5,7		5,5
		<i>equals</i>		<i>equals</i>		<i>equals</i>
Return on equity (RoE)		21,5%		36,4%		31,5%

Banking business unit

Sales and advances

Sales of new loans and credit cards

		% change	6 months to 31 Mar 2011	Pro forma 6 months to 31 Mar 2010	Pro forma 12 months to 30 Sep 2010
Disbursements	R million	51	10 055	6 670	14 170
African Bank	R million	58	7 998	5 078	11 122
EHL credit sales	R million	29	2 056	1 592	3 048
Number of new loans and cards sold	000	19	1 047	883	1 767
African Bank	000	24	816	660	1 352
EHL	000	4	231	223	415
Number of new customers	000	16	347	300	577

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

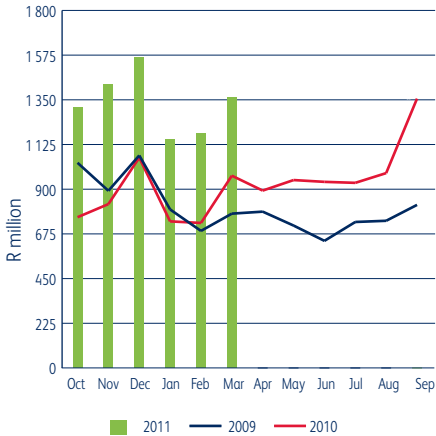
Comparatives in orange are unadjusted, as published previously

		% change	African Bank	
			6 months to 31 Mar 2011	6 months to 31 Mar 2010
Average loan size	Rand	27	9 807	7 696
Average term	Months	10	44	40
Average instalment	Rand	14	658	578
Client approvals	%		76	74

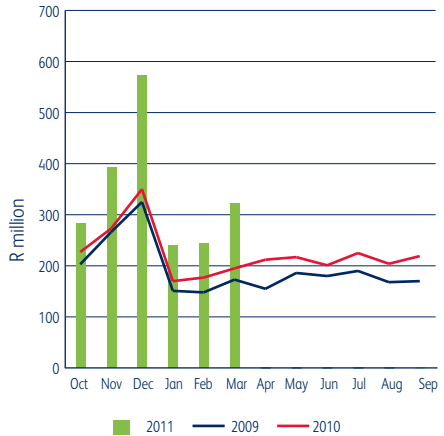
Comparatives in orange are unadjusted, as published previously

Sales of new loans and cards for the six months were R10,1 billion, a 51 % increase relative to 2010. African Bank grew sales by 58 % to R8,0 billion. This was mainly achieved through a 24 % increase in the volume of new loans granted and a 27 % higher average loan size of R9 807. Average loan term of new loans sold increased from 40 to 44 months. Credit sales generated from EHL increased by 29 % to R2,1 billion.

African Bank disbursements



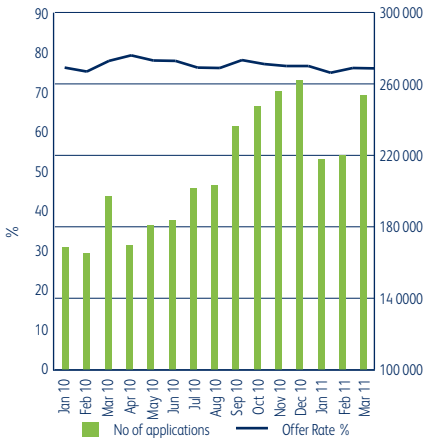
EHL credit disbursements



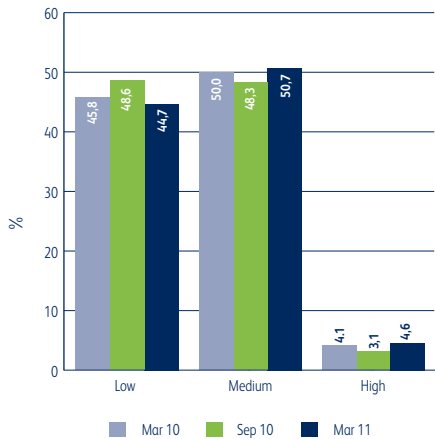
The number of loan applications continued to show a steady increase while offer rates have remained stable.

The Bank has made progress on the rebalancing of the advances portfolio over the past six months. This was achieved through growth in new clients as well as a moderate increase in the exposure to medium and higher risk clients.

Loan applications



Risk distribution



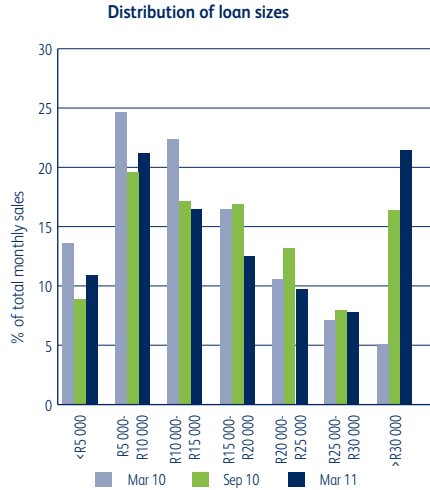
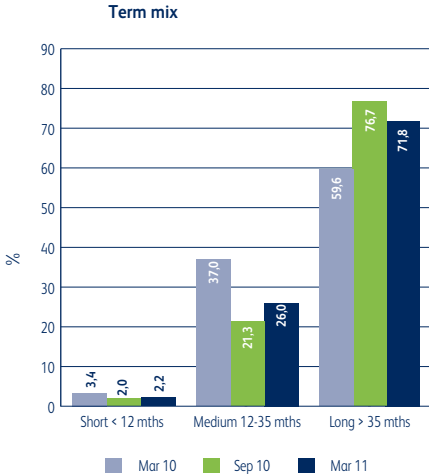
Banking business unit

Sales and advances

Volumes increased in the short and medium term loans, mainly as a result of the Interest Buster product.

There were notable increases in the number of loans sold below R10 000, mainly as a result of the Interest Buster product which had a R10 000 limit.

The Bank increased its maximum loan size and term to R180 000 and 84 months in March 2011.



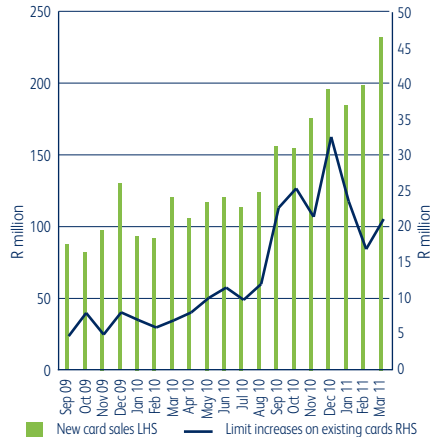
Credit card summary

		% change	6 months to 31 Mar 2011	6 months to 31 Mar 2010	12 months to 30 Sep 2010
Disbursements	R million	99	1 281	644	1 467
Credit card loan portfolio	R million	68	3 929	2 342	2 936
Number of new cards issued	000	48	122	83	174
Total number of cards in issue	000	32	591	446	506
Average limit across all cards	Rand	39	7 108	5 129	6 116

Comparatives in orange are unadjusted, as published previously

Total sales of new cards and limits increased to R1,3 billion. The credit card offering will be launched into the wider EHL group in the second half of the year. The Bank has also recently established a direct sales channel for card.

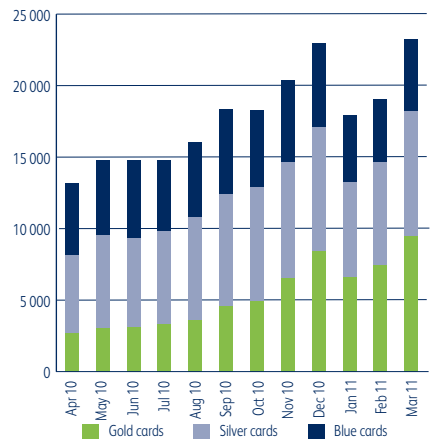
Card sales and limit increases



African Bank has rebalanced its credit card offering to increase its requirements for gold cards, while at the same time improving the offer for each card category. The Bank has issued more blue and silver cards over the past six months as a result.

The Bank has also been widening its credit card target market within its existing loan client base, with moderate increased exposure to new clients.

Number of cards issued



Banking business unit

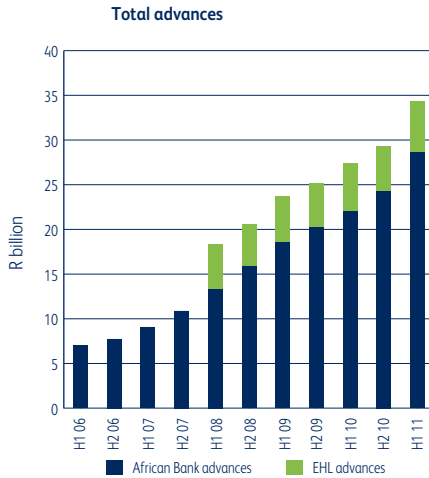
Advances analysis

		% change year-on-year	31 Mar 2011	Pro forma 30 Sep 2010	Pro forma 31 Mar 2010
Gross advances	R million	27	34 417	29 024	27 106
Traditional African Bank advances	R million	30	28 605	24 283	21 977
EHL furniture credit advances	R million	13	5 812	4 741	5 129
Average gross advances	R million	25	32 347	26 674	25 850
Written-off book	R million	43	1 852	1 700	1 297
Number of loans	000	0	3 941	4 074	3 928

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

Comparatives in orange are unadjusted, as published previously

Gross advances grew by 27 % to R34,4 billion during the first six months of the 2011 financial year. African Bank traditional advances grew by 30 % to R28,6 billion, while furniture credit and cash advances generated through EHL increased by 13 %.



Banking business unit

Yield analysis

Claims paid (which were historically treated as part of net assurance income, and consequently a reduction in the overall yield) have been excluded from income from operations and disclosed as a separate line in the income statement for the first time in this set of results. This disclosure not only better reflects the overall income yield of the business over time, but presents a more appropriate view of the impact of claims paid on the charge for bad and doubtful advances. This is also in line with ABIL's medium-term objective of enhancing its assurance proposition and covering more of the potential bad debt events that impact on our customers' lives.

The yield decline has been moderating, with the combined total income yield in this period at 35,9%, against the pro forma yield of 37,5% reported in the comparative period. The yield was the outcome of the following factors:

- The higher proportion of interest-bearing performing loans in the portfolio mix and lower suspension of interest had a positive effect on total yield.
- The improvement in the risk distribution towards more medium and higher risk customers benefited the portfolio yield as well.
- The weight of larger loans to low risk customers at a lower yield continued to skew the yield towards the lower end, while enhancing the annuity income flow over the medium term.

As a general trend, total yield is expected to continue to decline modestly over time. The yield will however depend on the aggregate outcome of the group's risk appetite and the mix of business written.

Operating costs

Total operating costs for the combined unit were R1 160 million for the six months, relative to R1 073 million for the comparative period, an increase of 8%. Operating costs as a percentage of average gross advances improved from 8,3% in March 2010 to 7,2%, given the larger advances book.

Bank charges and card transaction costs increased as a result of the substantial increase in activity in the Banking business unit. Staff costs increased by 13%, due to an average 8,5% salary increase in October 2010, increases in staff and increased staff incentives as a result of the higher sales. Statements for the newly transferred EHL customers increased printing and stationery costs by R9,5 million relative to the prior period.

Credit card transaction costs increased by 85%, but these costs are recovered with a margin from clients, with the income disclosed in non-interest income.

Banking business unit

Operating costs

R million	% change	6 months to 31 Mar 2011	Pro forma 6 months to 31 Mar 2010	Pro forma 12 months to 30 Sep 2010
Staff costs	13	463	408	769
Basic remuneration and commissions	15	385	334	677
Bonuses and incentives	5	78	74	92
Bank charges	21	108	89	172
Operating lease on property	10	54	49	101
Telephone, fax and other communication costs	(7)	41	44	88
Depreciation on property and equipment	(7)	39	42	72
Card transaction costs	85	37	20	45
Information technology costs	4	24	23	36
Printing, stationery and courier costs	62	34	21	41
Advertising and marketing costs	29	18	14	27
Other expenses	(41)	64	109	202
African Bank expenses	8	882	819	1 553
Value share with EHL	9	278	254	502
Total operating costs	8	1 160	1 073	2 055

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

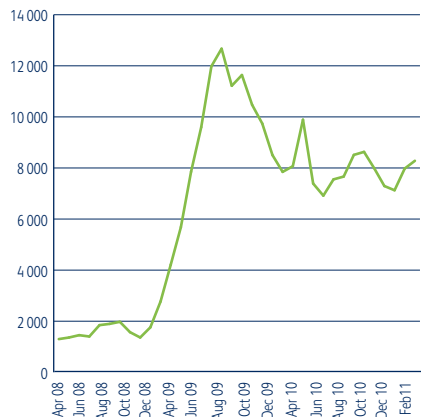
Asset quality

Charge for bad debt

The charge for bad and doubtful advances at R1 682 million (Pro forma H1 2010: R1 448 million) was 16% higher than the comparative period, on the back of a 27% increase in the gross advances book. As a result, the charge as a percentage of average advances improved from 11,2% to 10,4%. The latter decline was achieved on the back of the growth in the advances book, the Bank's focus on lower risk clients over the past two years, its continued risk differentiation and modestly improved economic conditions.

Insurance claims remained stable at approximately 1,8% of advances over this period.

Number of retrenchment claims paid



Banking business unit

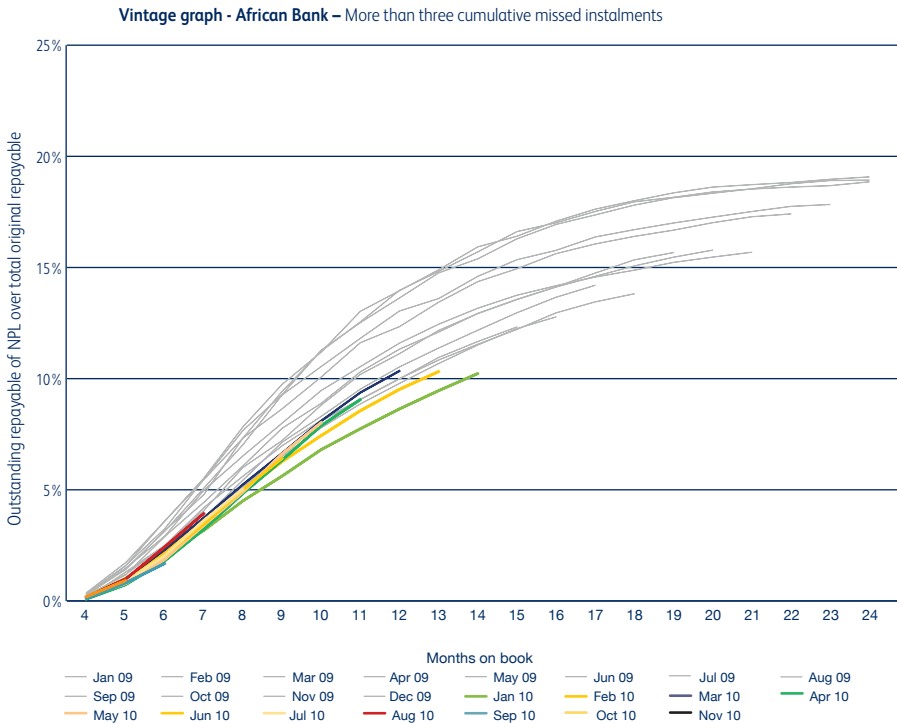
Asset quality

Vintages

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

It is important to note that recent vintages have a fairly minor impact on the current bad debt charge. The latter is substantially more influenced by business written in previous periods. However, the performance of the latest vintages serves as a leading indicator of the risk emergence and NPL formation over the short to medium term.

The graph set out below shows the vintages written on the African Bank debit order loan portfolio (being the most representative advances portfolio) since January 2010, overlaid onto the historic range of vintages dating back to January 2009. As is evident from the graph, these vintages have been tracking tightly at the bottom of historic ranges, as a result of the focus on lower risk clients over the past few reporting periods. The substantial growth in sales will start to reflect in higher vintages over the next eighteen months in line with our stated strategy of ensuring that we remain relevant to all customers, including our higher risk customers.



Banking business unit

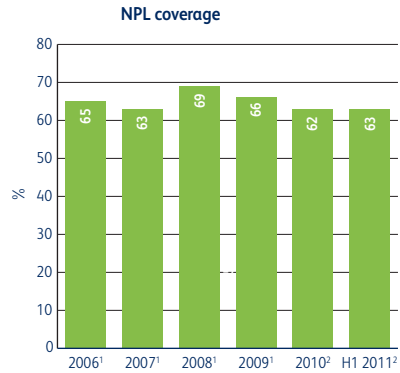
Asset quality *continued*

Non-performing loans

Non-performing loans increased by 5%, while performing loans grew by 38% during this period. As a result, NPLs as a percentage of gross advances reduced from 34,0% to 28,1%. Impairment provisions increased by R52 million, resulting in an NPL coverage ratio of 62,7% (H1 2010: 65,3%). The Bank has been increasing its coverage since the beginning of this financial year in anticipation of the delayed NPLs resulting from the Payment Break product. In terms of IAS 39, provision has been raised on the Payment Break product, assuming a normal migration to NPL as being incurred but not reported. These NPLs are expected to become evident during the second half of the year.

In line with the group's intention communicated in the September 2010 results, the write-off policy has been extended from 13 months to 17 months. The extension had the effect of maintaining NPLs at a level that was approximately R520 million higher than it would have been if these loans had been written off based on previous write off policies. The Bank wrote off R1,8 billion in non-performing loans (Pro forma H1 2010: R1,9 billion).

The value attributed to the combined written-off book increased by 9% to R1,9 billion since year-end. The current valuation equates to 16,2 cents in the rand, relative to the 16,8 cents in the rand at the end of the 2010 financial year. The rate of growth in the valuation of the residual written off loans, has started to slow down.



1 African Bank only

2 Pro forma combined advances

Banking business unit

Asset quality analysis

as at 31 March 2011

R million	% change year-on-year	31 Mar 2011	Pro forma 30 Sep 2010	Pro forma 31 Mar 2010
Breakdown of gross advances				
Performing loans	38	24 759	19 985	17 877
Non-performing loans (NPLs)	5	9 658	9 039	9 229
Gross advances	27	34 417	29 024	27 106
Gross advances		34 417	29 024	27 106
Written off book		1 852	1 700	1 297
Deferred administration fees		(153)	(70)	(54)
Gross advances including the written-off book		36 116	30 654	28 349
Impairment provisions and credit life reserves				
Impairment provisions		6 053	5 537	6 001
Balance at the beginning of the period		5 528	5 547	5 547
Impairment provisions raised		1 762	2 744	1 506
Bad debts written off (gross)		(1 823)	(4 657)	(1 917)
Bad debts rehabilitated		576	1 886	848
Acquisitions of impairment provisions		10	17	17
Credit life reserves		0	18	23
Total impairment provisions and credit life reserves		6 053	5 555	6 024

R million	6 months to 31 Mar 2011	Pro forma 12 months to 30 Sep 2010	Pro forma 6 months to 31 Mar 2010
Income statement charges			
Charge for bad and doubtful advances	1 682	2 645	1 448
Impairment provisions raised	1 762	2 744	1 506
Bad debts recovered	(80)	(102)	(58)
Loss on reposessions	0	3	0
Ratios			
NPLs as a % of gross advances	28,1	31,1	34,0
Impairment provisions as a % of NPLs	62,7	61,3	65,0
Credit life reserves as a % of NPLs	0,0	0,2	0,3
Total impairment provisions and credit life reserves as a % of NPLs (NPL coverage)	62,7	61,5	65,3
Total impairment provisions and credit life reserves as a % of gross advances	17,6	19,1	22,2
Income statement charge for bad debts as a % of average gross advances	10,4	9,9	11,2
Gross bad debts written off as a % of average gross advances	11,3	17,5	14,8
Bad debts rehabilitated as a % of average gross advances	(3,6)	(7,1)	(6,6)
Net bad debts written off as a % of average gross advances	7,7	10,4	8,3

Comparatives in blue have been adjusted to include Elleries Financial Services on a pro forma basis

Banking business unit

Liquidity and funding

African Bank increased total funding liabilities by R7 billion or 31% to R30,5 billion relative to the comparative period (Pro forma H1 2010: R23,2 billion). The net funding cost (including preference dividends) for the period increased by 22% to R1,2 billion (H1 2010: R1,0 billion) as a result of the higher funding base and declined from 7,5% to 7,3% of advances. The Bank was able to reduce average cost of funding from 10,5% to 9,5%, its lowest level in the past four years.



Funding composition

(based on term at origination)

R million	% change year-on-year	Unaudited 31 Mar 2011	Pro forma 30 Sep 2010	Pro forma 31 Mar 2010
Short term funding	7	2 605	994	2 445
Demand deposits	12	342	450	305
Fixed and notice deposits	52	1 851	374	1 216
NCDs	81	412	-	227
Other short term funding	(100)	-	170	697
Long term funding	34	27 885	23 103	20 785
Listed senior bonds	25	10 232	8 583	8 191
Other long term loans	43	14 896	12 294	10 384
Subordinated bonds	25	2 757	2 226	2 210
Total funding	31	30 490	24 097	23 230
Average cost of funding (%)		9,5	10,4	10,5

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

African Bank raised R7,0 billion of new funding during the past six months (H1 2010: R4,5 billion), including a R1 billion ABL12B bond and R515 million in ABL53 subordinated debt. Notwithstanding the substantial amount of new funding raised, it was also successful in retaining its maturing liabilities, with 88% of maturing deposits reinvested with the Bank.



Retail business unit



Retail business unit

Financial statistics

for the six months ended 31 March 2011

			Unaudited 6 months to 31 Mar 2011	Pro forma 6 months to 31 Mar 2010	Pro forma 12 months to 30 Sep 2010
		% change			
Key shareholder statistics					
Headline earnings	R million	30	144	111	130
Economic loss	R million	(26)	(75)	(101)	(273)
Return on equity	%		9,9	8,4	4,8
Retail performance statistics					
Sales	R million	7	2 515	2 348	4 487
Cash sales	R million	(5)	908	957	1 817
Credit sales	R million	16	1 607	1 391	2 670
Credit sales as % of total sales	%		63,9	59,2	59,5
Sales/m ² growth*	%		12,9	6,2	12,6
Gross profit margin	%		43,9	43,2	44,0
Gross operating costs to sales	%		62,3	62,9	66,2
Operating margin	%		8,0	6,5	4,5
Return on sales	%		5,7	4,7	2,9
Stock turn*	times		3,1	3,0	3,1
Number of stores		1	1 049	1 036	1 028
Retail trading area	m ²	(4)	698 018	726 484	709 399
Number of employees		(9)	11 304	12 456	11 992
Sales/store*	R 000	8	4 436	4 095	4 364
Sales/m ² *	Rand	13	6 523	5 780	6 217
Sales/employee*	R 000	21	412	341	374

* 12 month rolling average

Comparatives in orange are unadjusted, as published previously

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis

Retail business unit

Performance against financial objectives

Objective	Actual H1 2010	Actual H1 2011	2014 target
Sales	R2,3 bn	R2,5 bn	R8 bn – R9 bn p.a.
Credit sales to total sales	59,2%	63,9%	70,0%
Stock turn	3,0 times	3,1 times	5,0 times
Return on sales	4,7%	5,7%	>10%

The operating costs to sales ratio has been removed as an objective, as the value share agreement in place at any time will have a significant impact on this ratio.

Retail business unit

Results at a glance

Financial performance

Trading conditions in the furniture retail market continued to remain tough during the past six months. The Retail business unit showed good improvements in profitability, driven by cost and margin management and exceeded expectations on credit sales performance. Headline earnings increased by 30% to R144 million in the six months to 31 March 2011 (Pro forma H1 2010: R111 million), while the economic loss after including a charge for goodwill reduced to R75 million, relative to the loss of R101 million in the first half of 2010. Return on sales was 5,7%, relative to 4,7% in the comparable period, while return on equity improved from 8,4% to 9,9%.

Sales grew by 7% relative to the comparative period, although like-for-like sales per square metre increased by 13% as efficiencies improved substantially. This was in the context of negative inflation of 4,4% and 1,3% for the furnishing and appliance sector and equipment sector, respectively. The credit sales mix increased from 59% to 64% of total sales.

Customers in the lower LSM bands seem to have come out of the recession earlier, as a result of lower debt obligations and relatively high real salary increases. Higher LSM bands remained more indebted and this has affected brands targeting these customer groups. As a result, performances varied across the brands, ranging from strong in Ellerines, to reasonable in Beares and Dial-a-Bed, flat in Geen & Richards, and poor in Furniture City. Wetherlys, although still down, has recently turned positive with three months of consecutive sales growth. Sales performance in Furniture City and Geen & Richards was impacted by IT system conversions undertaken during the period as part of the integration and alignment strategy.

Gross margin increased from 43,2% in March 2010 to 43,9% in the current period. The improvement was driven mainly by improved buying and better promotions campaign management.

Total operating costs before value share recoveries increased by 6% to R1 568 million. Cost control remained a strong focus, with further savings achieved through changes to organisational design, streamlined management structures, logistics efficiencies and cost reductions at a head office level. Headcount continued to reduce through a recruitment freeze in order to drive personnel costs down further.



*Pro forma results excluding Ellerines Financial Services

Looking ahead

Furniture inflation is expected to remain negative, while interest rates and inflation are widely anticipated to start increasing towards the end of the year. Rising food, transport and energy costs will continue to impact on the consumer. Despite challenging trading conditions, the Retail business unit expects to meet its sales growth target for the year and is working on a number of initiatives to improve on that target.

From a strategic point of view the Retail business unit has come to the end of reducing, resizing, restructuring and re-engineering and can now, for the first time, focus on retailing.

The first distribution centre became operational towards the end of this reporting period, and this, together with the rollout of additional distribution centres over the next three years, will result in better merchandising and logistics, while reducing costs.

The agenda for the next six months will focus on:

- Scaling up and rolling out the distribution centre initiative;
- Improving the sales performance with particular focus on Wetherlys, Geen & Richards and Furniture City;
- Further store development in respect of new stores, store refurbishments, kiosks and carve-outs;
- Continuing to take costs out of the business; and
- Merchandising and product development.

Retail business unit

Income statement

for the six months ended 31 March 2011

R million	% change	Unaudited 6 months to 31 Mar 2011	Pro forma 6 months to 31 Mar 2010	Pro forma 12 months to 30 Sep 2010
Sale of merchandise	7	2 515	2 348	4 487
Cost of sales	6	(1 410)	(1 334)	(2 513)
Gross margin	9	1 105	1 014	1 974
Interest income on advances	50	63	42	83
Assurance income	11	239	216	460
Non-interest income	23	245	199	379
Income from operations	12	1 652	1 471	2 896
Charge for bad and doubtful advances	72	(43)	(25)	(48)
Life insurance claims	40	(7)	(5)	(12)
Risk-adjusted income from operations	11	1 602	1 441	2 836
Product insurance claims	58	(38)	(24)	(83)
Other interest and investment income	0	28	28	33
Interest expense	0	(26)	(26)	(53)
Operating costs	8	(1 364)	(1 265)	(2 553)
Profit from operations	31	202	154	180
Capital items	(100)	0	19	19
Profit before taxation	17	202	173	199
Direct taxation: Normal	26	(58)	(46)	(53)
Profit for the period	13	144	127	146

Reconciliation of headline earnings

		Unaudited 6 months to 31 Mar 2011	Pro forma 6 months to 31 Mar 2010	Pro forma 12 months to 30 Sep 2010
Profit for the period (basic earnings)	13	144	127	146
Adjusted for non-headline items:				
Capital items	(100)	0	(19)	(19)
Tax thereon	(100)	0	3	3
Headline earnings	30	144	111	130

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis

Retail business unit

Statement of financial position

as at 31 March 2011

R million	% change	Unaudited 31 Mar 2011	Pro forma 31 Mar 2010	Pro forma 30 Sep 2010
Assets				
Short-term deposits and cash	64	69	42	83
Statutory assets – insurance	96	257	131	124
Intragroup deposit – African Bank	(6)	176	187	411
Inventories	5	816	777	851
Other assets	(14)	332	384	449
Assets held for sale	(100)	0	5	5
Taxation	0	0	0	12
Net advances	28	350	274	261
Deferred tax asset	45	255	176	162
Property and equipment	12	341	304	309
Intangible assets	(8)	797	870	834
Goodwill	0	755	755	755
Total assets	6	4 148	3 905	4 256
Liabilities and equity				
Short-term funding	(3)	421	432	404
Intragroup loan – African Bank	55	214	178	426
Trade and sundry creditors	16	707	609	668
Provisions and other liabilities	35	574	426	420
Taxation	(55)	13	29	46
Deferred tax liability	15	243	211	251
Total liabilities	18	2 172	1 885	2 215
Ordinary shareholder's equity	(2)	1 976	2 020	2 041
Total equity (capital and reserves)	(2)	1 976	2 020	2 041
Total liabilities and equity	6	4 148	3 905	4 256

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis

Retail business unit

Return on sales model

In the Retail business unit, sales is the primary activity that drives economic value. The model below reflects the performance ratios of the business unit using sales as the denominator.

R million	6 months to 31 Mar 2011	Pro forma 6 months to 30 Sep 2010	Pro forma 6 months to 31 Mar 2010
Sale of merchandise	2 515	2 139	2 348
Cost of sales	(1 410)	(1 179)	(1 334)
Gross margin	1 105	960	1 014
Interest income on advances ¹	63	41	42
Assurance income ²	239	244	216
Non-interest income ³	171	140	156
Charge for bad and doubtful advances ¹	(43)	(23)	(25)
Claims paid ²	(45)	(66)	(29)
Value share	278	248	254
Operating costs before value share	(1 568)	(1 496)	(1 476)
Trading/operating profit	200	48	152
Net finance income (cost)	2	(22)	2
Taxation	(58)	(7)	(43)
Headline earnings	144	19	111
Capital items (after tax)	–	–	16
Net profit	144	19	127

¹ Relates to foreign and unconverted advances books

² Product assurance is classified as part of the Retail business unit

³ Non-interest income includes delivery recovery and club fees

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis

	6 months to 31 Mar 2011	Pro forma 6 months to 30 Sep 2010	Pro forma 6 months to 31 Mar 2010
Sales/Sales	100,0%	100,0%	100,0%
Cost of sales/Sales	(56,1%)	(55,1%)	(56,8%)
Gross margin	<i>equals</i> 43,9%	<i>equals</i> 44,9%	<i>equals</i> 43,2%
Interest income on advances/Sales	2,5%	1,9%	1,8%
Assurance income/Sales	9,5%	11,4%	9,2%
Non-interest income/Sales	6,8%	6,5%	6,6%
Charge for bad and doubtful advances/Sales	(1,7%)	(1,1%)	(1,1%)
Claims paid/Sales	(1,8%)	(3,1%)	(1,2%)
Value share/Sales	11,1%	11,6%	10,8%
Operating expenses/Sales	(62,3%)	(69,9%)	(62,9%)
Trading/operating margin	<i>equals</i> 8,0%	<i>equals</i> 2,2%	<i>equals</i> 6,5%
Net financing income (costs)/Sales	0,1%	(1,0%)	0,1%
Taxation/Sales	(2,3%)	(0,3%)	(1,8%)
Net return on Sales	<i>equals</i> 5,7%	<i>equals</i> 0,9%	<i>equals</i> 4,7%

Retail business unit

Sale of merchandise

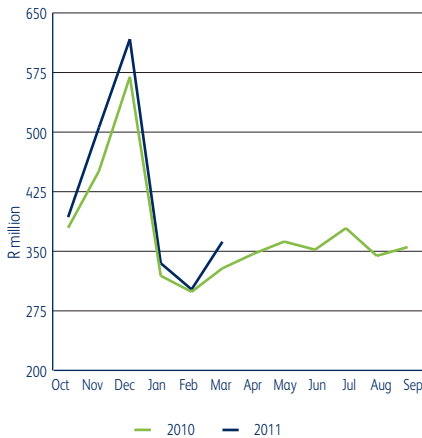
Merchandise sales of R2 515 million were 7% above last year. On a like-for-like sales per square metre basis, comparable sales increased by 13%. The measure for comparable sales has recently been changed to a square metre basis, rather than per store. This is in line with its objective to optimise store efficiencies, which resulted in a reduction in trading space notwithstanding the opening of new stores. Cash sales reduced by 5%, while credit merchandise sales increased by 16%. Credit sales as a percentage of total sales, at 64%, were well up on the previous year (H1 2010: 59%).

Sale of merchandise (R million)

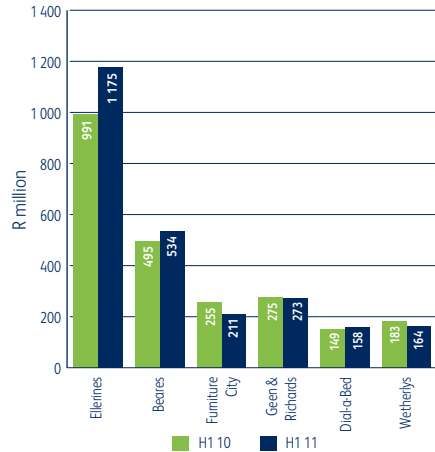
By brand	% change	6 months to 31 Mar 2011	% Contribution per brand	6 months to 31 Mar 2010	% Contribution per brand
Ellerines	19	1 175	47	991	42
Beares	8	534	21	495	21
Furniture City	(17)	211	8	255	11
Geen & Richards	(1)	273	11	275	12
Dial-a-Bed	6	158	6	149	6
Wetherlys	(10)	164	7	183	8
Total	7	2 515	100	2 348	100

Comparatives in orange are unadjusted, as published previously

Sale of merchandise



Merchandise sales by brand



Credit originated within EHL

The Retail business unit has performed well in terms of the objective to accelerate the value creation from EHL. Growth in credit originated through stores, both in terms of credit products and additional credit distribution points, has exceeded expectations.

Plans are in place to grow to 200 kiosks and 100 carve-outs before year-end. In addition to driving revenue while optimising footprint, the kiosks are attracting new customers into EHL stores, which provides opportunity for cross selling and marketing.

Credit disbursements		6 months to	6 months to
R million	% change	31 Mar 2011	31 Mar 2010
Furniture on credit**	14	1 812	1 592
Ezi*Cash		141	
Ezi*Loans		103	
EHL credit	29	2 056	1 592
Kiosk loans#		188	
Carve-out loans#		140	
Total credit disbursements from EHL	50	2 384	1 592

** Consists of credit merchandise sales and all add-ons net of upfront payments.

Loans within the kiosks and carve-outs are captured as African Bank credit sales.

Gross margin

Gross margin for the period was 43,9%, relative to the 43,2% achieved in H1 2010, as a result of a higher contribution to the sales mix by the Ellerines brand, improved differentiation of products and better buying.

The reduction in gross margin from September 2010 to March 2011 can be attributed to the cyclical influence of promotional campaigns in the festive season, lower supplier volume rebates and discounts in the second quarter, as well as some stock losses and write-offs incurred due to the closure and relocation of Wetherlys stores.

Operating costs

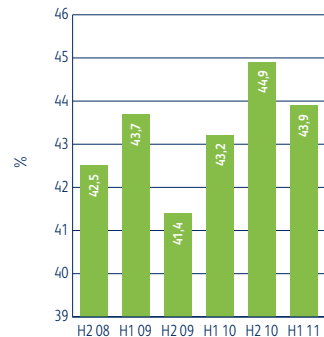
Total operating costs in EHL before value share recoveries increased by 6% to R1 568 million.

Property and lease expenses increased by 11% during the period on the back of annual rental increases, above inflationary rates, taxes and electricity increases, new store openings and the new distribution centre coming on stream.

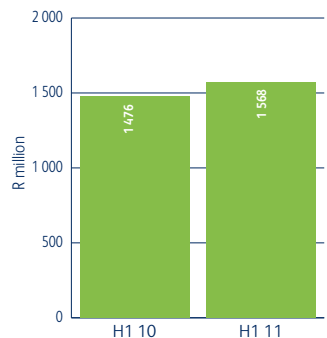
Staff costs increased by 8%. The total number of staff reduced further from 12 456 in March 2010 to 11 304.

Total operating cost before value share as a percentage of sales reduced from 62,9% to 62,3%.

Gross profit margin



Operating costs



Retail business unit

Operating costs per major category

R million	% change	6 months to 31 Mar 2011	6 months to 31 Mar 2010	12 month to 30 Sept 2010
Staff costs	8	741	689	1 393
Administration expenses	3	228	221	448
Property and lease expenses	11	336	304	616
Delivery and logistics costs	9	102	94	191
Depreciation and amortisation of intangibles	(7)	89	96	190
Advertising and marketing costs	–	72	72	134
Operating costs before value share	6	1 568	1 476	2 972
Value share*	(3)	(204)	(211)	(419)
Total operating costs	8	1 364	1 265	2 553

* A portion of the value share is reflected under "Non-interest income" in the income statement

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis

Operating margin

The operating margin increased from 6,5% to 8,0%, largely as a result of improved gross margins, higher income from advances, the assurance mix and value share. This was partially offset by higher bad debts and claims.

Remaining financial services activities

Gross advances in the non-South African furniture stores were R324 million (H1 2010: R329 million). These will not be transferred to African Bank and will therefore continue to be reported under the Retail business unit.

The gross RSA book still to be converted amounted to R86 million. This conversion is expected to take place by the end of June 2011.

Non-performing loans constituted 18,5% (H1 2010: 19,3%) of the book, with total impairment provisions of R64 million representing 84,2% (H1 2010: 93,0%) of non-performing loans.

Working capital

Cash of R372 million was generated by operating activities for the period, before net capital expenditure outflows of R82 million. Total interest-bearing borrowings at the end of March 2011 were R635 million, substantially lower than last year's reported R2 803 million mainly due to the sale of the advances book. Closing net inventory was R816 million, compared to last year's R777 million. Stock turn (on a 12 month rolling average) at 3,1 times was marginally better than last year's 3,0 times. It is expected that the implementation of the distribution centres, new merchandising systems and new buying processes will start to have a positive effect on inventory levels.

EHL transferred R5 684 million of capital to African Bank through the transfer of the South African financial services business. After this transfer EHL has total capital, after allowing for goodwill and trademarks, of R424 million which is believed to be optimal for the retail business

Retail business unit

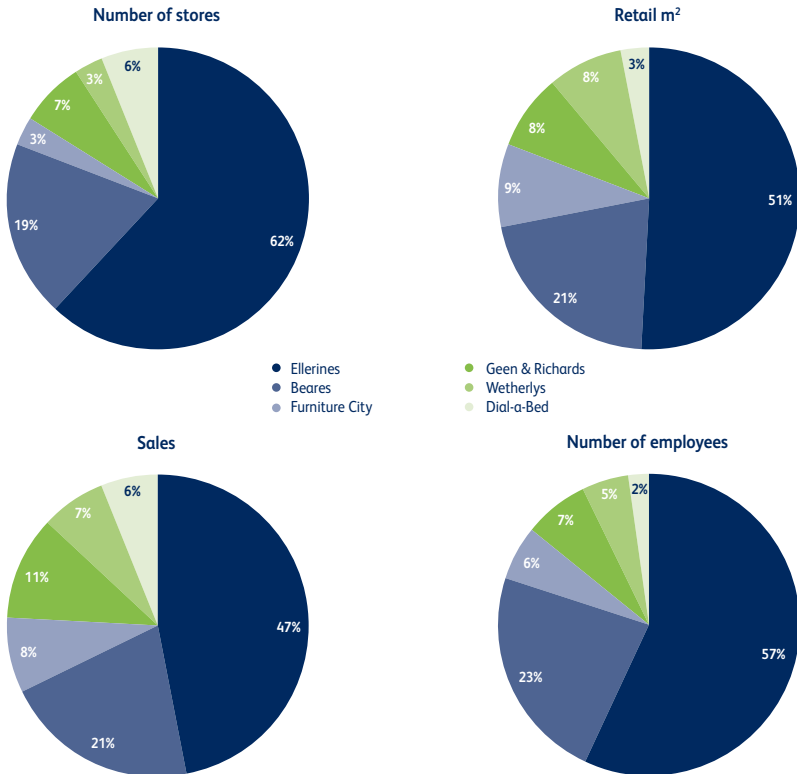
Brand analysis

		Ellerines	Beares	Furniture City	Geen & Richards	Wetherlys	Dial-a-Bed	Total
Number of stores		640	202	35	75	30	67	1 049
Number of new stores opened ¹		21	10	3	6	2	15	57
Number of stores closed ¹		24	13	1	2	3	1	44
% change in number of stores	%	–	(1)	6	6	(3)	26	1
Retail trading area	m ²	360 513	144 501	62 886	58 092	52 786	19 240	698 018
% change in m ²	%	(5)	(3)	(4)	7	(14)	6	(4)
Sales	R million	1 175	534	211	273	164	158	2 515
Sales growth	%	19	8	(17)	(1)	(10)	6	7
Sales/m ² growth ²	%	24	16	(9)	–	(7)	(2)	13
Credit sales mix	%	82	70	53	54	–	6	64
Number of employees ³		5 483	2 170	606	722	519	242	9 742

¹ During the past 12 months

² Based on 12 month rolling sales and 12 month average trading area

³ Total excludes 1 562 staff employed at central departments



Retail business unit

Brand performance

Ellerines

Ellerines reported sales growth of 19% for the period, or 24% on a comparable basis. The performance was the culmination of a range of initiatives in respect of management, systems, distribution and staff and was aided by a period of relative internal stability with most of the initiatives already bedded down. The optimal store format has also now been established and the brand has started opening new stores again.

Ellerines' credit offerings have become more innovative and aggressive in respect of pricing and term over the past nine months and the tactical marketing of credit offers has increased substantially – 82% of merchandise was acquired on credit in this brand, up from 76% last year. The brand also introduced "no deposit" offers and Ezi*Cash loans for its customers.

Good inroads were made in the product proposition. Private label products were introduced into Ellerines and the brand also acquired new ranges and improved the quality of its products. The bundling of a group of products, with an attractive credit offer and a cash top-up combination, helped to drive volumes.

The brand undertook a significant culture change and renewal programme amongst its people, which is starting to gain good traction in terms of focus and energy in the business.

Beares

Beares grew sales by 8%, or 16% on a comparable basis. Some Ellerines stores (in towns where the brand had multiple sites) have been converted into Beares stores where the latter did not have a presence.

The brand continued to build on the base established in 2010. It was the first to implement tactical credit propositions and has continued with this theme. Furthermore, it had a major drive to reinvigorate its sales force. It expanded existing product ranges and brought in new ranges, including some international products, during this period.

Furniture City

Furniture City was the most impacted by multiple system changes in the previous year and this was exacerbated by the implementation of a new retail front end during this period. Sales reduced by 17%, or 9% on a comparable basis.

Furniture City has rebalanced its product portfolio between modern and traditional products and has reintroduced higher selling single stock items to increase transaction size. It is also becoming more efficient in terms of store space through new stacking systems.

Geen & Richards

Sales in Geen & Richards declined by 1% and were flat on a comparable basis over the prior period. The brand also converted to the new front-end systems, and although not without issues, had fewer disruptions and managed the process better as a result of the learnings from the Furniture City process.

The brand recently launched an Italian furniture range in South Africa, which is expected to increase the appeal of Geen & Richards to a wider contemporary client base.

Dial-a-Bed

Dial-a-Bed grew sales by 6%, but declined by 2% on a comparable basis. The brand also encountered system disruptions as it converted its IT system simultaneously with Furniture City.

It has recently introduced Dial-a-Bed stores within Furniture City, which doubled the bedding sales in those stores and has the added benefits of maximising the advertising spend between the two brands, optimising Furniture City store space and being able to roll out these store-within-stores quickly.

The location strategy of new stores has also substantially increased credit sales as it moved into geographic locations with a higher propensity for credit purchases.

Wetherlys

Sales for the six months declined by 10% and by 7% on a comparable basis. Wetherlys has been suffering from legacy related structural problems, low customer affordability at the high end of the market and stronger competition.

In order to address these challenges, Wetherlys has changed its top management and senior buyers, introduced a variety of new products and reduced store sizes and closed two of the underperforming stores during this period.

The trend however, seems to have reversed, as the second quarter showed three consecutive months of positive sales growth, for the first time in three years. Although the brand will continue to require dedicated focus, good momentum has been in evidence recently, in spite of the reduced space.

The challenge remains to reduce the impact that the large, inappropriately sited stores have on the brand and to continue to improve the product range.

Retail business unit

Operational initiatives

Supply chain

The supply chain strategy revolves around an integrated, centralised logistics model, designed to optimise stock, warehouse utilisation and transportation costs, while simultaneously bringing down costs across the supply chain.

Implementation of this supply chain strategy started during this period, with the first facility (Boksburg Distribution Centre) commencing operations in March 2011. Following a phased roll out, it will serve 55% of the national demand across the retail chains by early 2012. The distribution centres in Durban, Port Elizabeth and Cape Town will complete the network. The development specifications for these have been approved, leases signed and they are expected to be fully rolled out by December 2012.

This centralised network will lead to the stores becoming showrooms and deliveries to customers will be executed via the nearest distribution centre, resulting in improved service levels whilst at the same time reducing overall inventories, leading to improved stock turns.

The group is engaging with suppliers to reduce lead times for manufacture and delivery leading to improved efficiencies, enabling the further reduction in costs which will benefit all parties, EHL, the vendors and our customers.

The fleet size has been reducing steadily on the back of improvements in logistics, from 1 925 in March 2010 to 1 882 in March 2011.

Store network and footprint optimisation

EHL opened 57 new stores and closed 44 during the past twelve months. The overall annual lease escalation for the group for trading and non-trading was 4,5%.

Capex expenditure is running lower than planned on store construction across all brands as fixturing and fit out costs were driven downwards and new tender processes were implemented for all store construction. More efficient space usage and fixturing and new formats have assisted in reducing store sizes and improving trading densities. Stores are also being re-allocated across brands, to optimise the return on leased properties.

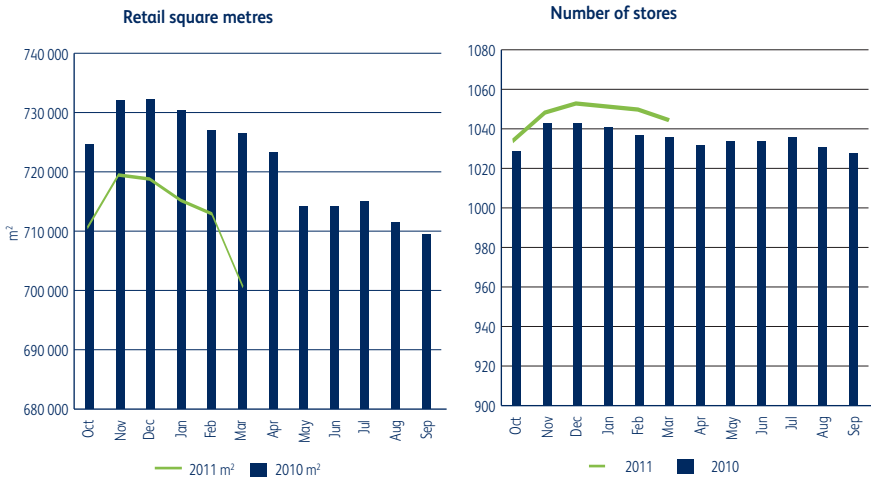
Footprint optimisation continued, with loss makers closed, excess space reduced, new store sizes reduced and African Bank kiosks and carve-outs added into some existing excess space. Space reduced by 28 466 m² compared to the equivalent period in 2010 despite the opening of a net 13 new stores, resulting in an improvement in sales densities.

The process of reducing store sizes is gaining traction, as evident in the reduction in store size by brand. It has been further accelerated through the introduction of the African Bank kiosks and carve-outs. Although the contribution is still modest, this will grow quickly as the roll-out accelerates.

Store optimisation

Brand	Average store size (m ²)	% Increase/ (Reduction)
Ellerines	563	(4)
Beares	715	(1)
Furniture City	1 797	(10)
Geen & Richards	775	1
Dial-a-Bed	287	(16)
Wetherlys	1 760	(11)

The impact of the store size reductions on sales efficiencies has been positive. Annual sales per store has improved by 8% from R4,1 million to R4,4 million, while annual sales per m² has increased by 13% from R5 780 to R6 523.



Systems

The Retail business unit has, up to now, had disparate, un-integrated IT systems. The strategic objective was to implement a centralised logistics, planning and merchandising system across all brands. The conversion of all the brands to one IT platform was a prerequisite in the process and was necessary to improve merchandising efficiencies. It proved very disruptive over the period, as a substantial number of staff were required to be trained off-site and some initial teething problems were experienced in the conversion process. Beares was the last brand to have converted, in April 2011, and the Retail business unit now, for the first time, has one front end, one back end, one credit system and one merchandise management system.

Merchandising and product development

As a result of the systems changes, the business can now focus on implementing effective merchandise management processes. New merchandise planning and control systems, new merchandise grids and subsequently, new buying processes are being implemented, ultimately allowing the business to offer better quality product ranges whilst reducing stockholdings and costs and enhancing margins.

Retail business unit

The last 12 months has seen an acceleration in strategy execution with regard to product leadership. Category management has been developed to a greater extent which has positively impacted on the following:

- Product quality in all retail brands both locally sourced and imported products; for example 'No nonsense' – 2 year customer exchange programmes for imported TEK private label products.
- Extensive development of private label products offering greater value to customers.
- An increase in differentiation across ranges as a result of more frequent range reviews that focus on international trends and customer needs.
- Development and introduction of new formats, categories and ranges; for example, new imported Italian furniture ranges in Geen & Richards.
- Improving the skills and capabilities within the merchandise team.
- The development of new concepts within Ellerines.



Annexures



Annexures

Basis of preparation

The preparation of these group interim consolidated financial statements was supervised by the Chief Financial Officer, Nithia Nalliah CA(SA).

These condensed group interim consolidated financial statements have been prepared in compliance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', the requirements of the South African Companies Act (Act 71 of 2008) as amended and the Listing Requirements of the JSE Limited.

The group has adopted the following standards and interpretations during the financial year:

- IFRIC 19 – Extinguishing of Financial Liabilities with Equity Instruments
- IFRS 2 – Group Cash-settled Share-based Payment Transactions
- IAS 32 (amended) – Financial Instruments Puttable at Fair Value and Classification of Rights Issues.

The accounting policies and their application are:

- In compliance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board; and
- Consistent with those used for the group's 2010 annual financial statements except for changes in disclosure of the operating segments.

Restatement of comparative balances

The following changes for reclassification of claims and composition of operating segments have resulted in restatements of comparative balances in compliance with IFRS:

- Claims paid on life and product insurance have been reclassified out of net assurance income and are separately disclosed on the face of the income statement. This is merely a reclassification with no impact on the financial results of ABIL.
- Following the purchase of Ellerines Financial Services by African Bank Limited, the composition of the group's operating segments has changed from Banking, Ellerines Retail and Ellerines Financial Services units to the Banking and Retail units only.

Banking business unit

Income statement

for the six months ended 31 March 2011

R million	Unaudited 6 months to 31 Mar 2011	Unaudited 6 months to 31 Mar 2010	Audited 12 months to 30 Sep 2010
Interest income on advances	3 377	2 382	4 877
Assurance income*	1 171	750	1 569
Non-interest income	1 263	874	1 765
Income from operations	5 811	4 006	8 211
Charge for bad and doubtful advances	(1 682)	(1 135)	(2 200)
Claims paid*	(297)	(198)	(571)
Risk-adjusted income from operations	3 832	2 673	5 440
Other interest income	147	204	435
Interest expense	(1 315)	(1 049)	(2 182)
Operating costs	(1 160)	(744)	(1 411)
Indirect taxation: VAT	(42)	(12)	(20)
Profit from operations	1 462	1 072	2 262
Capital items	0	15	15
Profit before taxation	1 462	1 087	2 277
Direct taxation: STC	0	(52)	(96)
Direct taxation: SA normal	(412)	(304)	(640)
Profit for the period/year	1 050	731	1 541

Reconciliation of headline earnings

R million	Unaudited 6 months to 31 Mar 2011	Unaudited 6 months to 31 Mar 2010	Audited 12 months to 30 Sep 2010
Profit for the period/year	1 050	731	1 541
Preference shareholders	(17)	(18)	(36)
Basic earnings attributable to ordinary shareholders	1 033	713	1 505
Adjusted for non-headline items	0	0	0
Headline earnings	1 033	713	1 505

Comparatives in orange are unadjusted, as published previously

**Restated to reflect claims separately*

Banking business unit

Statement of financial position

as at 31 March 2011

R million	Unaudited 31 Mar 2011	Unaudited 31 Mar 2010	Audited 30 Sep 2010
Assets			
Short-term deposits and cash	4 702	5 070	3 327
Statutory assets – bank and insurance	2 317	1 395	1 618
Other assets	202	128	120
Other assets – EHL	223	1 640	2 990
Taxation	0	16	85
Net advances	30 063	18 338	20 632
Deferred tax asset	1	93	1
Policyholders' investments	8	16	15
Property and equipment	376	284	313
Goodwill	4 000	0	0
Total assets	41 892	26 980	29 101
Liabilities and equity			
Short-term funding	2 429	1 561	413
Short-term funding – EHL	176	187	411
Other liabilities	529	496	877
Other liabilities – EHL	88	0	0
Taxation	44	48	4
Deferred tax liability	13	0	141
Life fund reserve	8	15	14
Bonds and other long-term funding	25 128	18 567	20 872
Subordinated bonds	2 757	2 210	2 226
Total liabilities	31 172	23 084	24 958
Ordinary shareholder's equity	10 237	3 413	3 660
Preference shareholders' equity	483	483	483
Total equity (capital and reserves)	10 720	3 896	4 143
Total liabilities and equity	41 892	26 980	29 101

Comparatives in orange are unadjusted, as published previously



Banking business unit

Return on assets and return on equity model

R million	6 months to 31 Mar 2011	6 months to 30 Sep 2010	6 months to 31 Mar 2010
Interest income on advances	3 377	2 495	2 382
Assurance income	1 171	819	750
Non-interest income	1 263	891	874
Total income	5 811	4 205	4 006
Charge for credit losses	(1 682)	(1 065)	(1 135)
Claims paid	(297)	(373)	(198)
Operating expenses	(1 160)	(667)	(744)
Net financing costs (including pref dividends)	(1 185)	(920)	(863)
Taxation (including STC and indirect taxation)	(454)	(388)	(368)
Capital items	0	0	15
Total charges against income	(4 778)	(3 413)	(3 293)
Headline earnings	1 033	792	713
Average gross advances (excl w/o book)	32 347	23 161	21 150
Average total assets	38 507	27 709	24 685
Average ordinary shareholder's equity	9 616	3 497	3 223

Comparatives in orange are unadjusted, as published previously

	6 months to 31 Mar 2011	6 months to 30 Sep 2010	6 months to 31 Mar 2010
Interest/Advances	20,9%	21,5%	22,5%
Assurance/Advances	7,2%	7,1%	7,1%
Other income/Advances	7,8%	7,7%	8,3%
Total income yield	<i>equals</i> 35,9%	<i>equals</i> 36,3%	<i>equals</i> 37,9%
Bad debts/Advances	(10,4%)	(9,2%)	(10,7%)
Claims paid/Advances	(1,8%)	(3,2%)	(1,9%)
Opex/Advances	(7,2%)	(5,8%)	(7,0%)
Financing costs/Advances	(7,3%)	(7,9%)	(8,2%)
Taxation/Advances	(2,8%)	(3,4%)	(3,5%)
Other/Advances	0,0%	0,0%	0,1%
Total charges/Advances	<i>equals</i> (29,5%)	<i>equals</i> (29,5%)	<i>equals</i> (31,1%)
	<i>equals</i>	<i>equals</i>	<i>equals</i>
Return on advances	6,4%	6,8%	6,7%
	<i>multiply</i>	<i>multiply</i>	<i>multiply</i>
Advances/Total assets	84,0%	83,6%	85,7%
	<i>equals</i>	<i>equals</i>	<i>equals</i>
Return on assets (RoA)	5,4%	5,7%	5,8%
	<i>multiply</i>	<i>multiply</i>	<i>multiply</i>
Gearing	4,0	7,9	7,7
	<i>equals</i>	<i>equals</i>	<i>equals</i>
Return on equity (RoE)	21,5%	45,3%	44,2%

Retail business unit

Income statement

for the six months ended 31 March 2011

R million	Unaudited 6 months to 31 Mar 2011	Unaudited 6 months to 31 Mar 2010	Audited 12 months to 30 Sep 2010
Sale of merchandise	2 515	2 348	4 487
Cost of sales	(1 410)	(1 334)	(2 513)
Gross margin	1 105	1 014	1 974
Interest income on advances	63	550	1 073
Assurance income*	239	348	740
Non-interest income	245	353	726
Income from operations	1 652	2 265	4 513
Charge for bad and doubtful advances	(43)	(338)	(493)
Life insurance claims*	(7)	(22)	(55)
Risk-adjusted income from operations	1 602	1 905	3 965
Product insurance claims*	(38)	(24)	(83)
Other interest and investment income	28	35	57
Interest expense	(26)	(144)	(303)
Operating costs	(1 364)	(1 507)	(3 070)
Profit from operations	202	265	566
Capital items	0	19	19
Profit before taxation	202	284	585
Direct taxation: STC	0	(26)	(51)
Direct taxation: Normal	(58)	(41)	(133)
Profit for the period	144	217	401
Reconciliation of headline earnings			
Profit for the period (basic earnings)	144	217	401
Adjusted for non-headline items:			
Capital items	0	(19)	(19)
Tax thereon	0	3	3
Headline earnings	144	201	385

Comparatives in orange are unadjusted, as published previously

** Restated to reflect claims separately*

Retail business unit

Statement of financial position

as at 31 March 2011

R million	Unaudited 31 Mar 2011	Unaudited 31 Mar 2010	Audited 30 Sep 2010
Assets			
Short-term deposits and cash	69	42	83
Statutory assets – insurance	257	209	188
Intragroup deposit – African Bank	176	187	411
Inventories	816	777	851
Taxation	0	0	12
Other assets	332	384	449
Net advances	350	4 261	4 728
Deferred tax asset	255	421	408
Assets held for sale	0	5	5
Property and equipment	341	304	309
Intangible assets	797	870	834
Goodwill	755	755	755
Total assets	4 148	8 215	9 033
Liabilities and equity			
Short-term funding	421	1 155	625
Intragroup loan – African Bank	214	1 640	2 990
Other liabilities	1 281	1 035	1 088
Taxation	13	49	29
Deferred tax liability	243	211	251
Long-term funding	0	8	5
Total liabilities	2 172	4 098	4 988
Ordinary shareholder's equity	1 976	4 117	4 045
Total equity (capital and reserves)	1 976	4 117	4 045
Total liabilities and equity	4 148	8 215	9 033

Comparatives in orange are unadjusted, as published previously

Retail business unit

Return on sales model

R million	6 months to 31 Mar 2011	6 months to 31 Mar 2010	6 months to 30 Sep 2010
Sale of merchandise	2 515	2 348	2 139
Cost of sales	(1 410)	(1 334)	(1 179)
Gross margin	1 105	1 014	960
Interest income on advances ¹	63	–	–
Assurance income ²	239	–	–
Non-interest income ³	171	156	140
Charge for bad and doubtful advances ¹	(43)	–	–
Claims paid ²	(45)	–	–
Value share	278	448	495
Operating costs before value share	(1 568)	(1 507)	(1 563)
Trading/operating profit/(loss)	200	161	32
Net finance income (cost)	2	(13)	(18)
Taxation	(58)	(16)	(22)
Headline earnings/(loss)	144	132	(8)
Capital items (after tax)	–	16	–
Net profit/(loss)	144	148	(8)

Comparatives in orange are unadjusted, as published previously

¹ Relates to foreign and unconverted advances books

² Product assurance was moved from Elleries Financial Services to the Retail business unit from the beginning of the financial year

³ Non-interest income includes delivery recovery and club fees

	6 months to 31 Mar 2011		6 months to 31 Mar 2010		6 months to 30 Sep 2010	
Sales/Sales	100,0%		100,0%		100,0%	
Cost of sales/Sales	(56,1%)		(56,8%)		(55,1%)	
Gross margin	<i>equals</i>	43,9%	<i>equals</i>	43,2%	<i>equals</i>	44,9%
Interest income on advances/Sales	2,5%		0,0%		0,0%	
Assurance income/Sales	9,5%		0,0%		0,0%	
Non-interest income/Sales	6,8%		6,6%		6,5%	
Charge for bad and doubtful advances/Sales	(1,7%)		0,0%		0,0%	
Claims paid/Sales	(1,8%)		0,0%		0,0%	
Value share/Sales	11,1%		21,2%		23,1%	
Operating costs/Sales	(62,3%)		(64,2%)		(73,1%)	
Trading/operating margin	<i>equals</i>	8,0%	<i>equals</i>	6,9%	<i>equals</i>	1,5%
Net financing income (costs)/Sales	0,1%		(0,6%)		(0,8%)	
Taxation/Sales	(2,3%)		(0,7%)		(1,0%)	
Net return on Sales	<i>equals</i>	5,7%	<i>equals</i>	5,6%	<i>equals</i>	(0,4%)

African Bank Limited

Statement of financial position

as at 31 March 2011

R million	% change	Unaudited 31 Mar 2011	Unaudited 31 Mar 2010	Audited 30 Sep 2010
Assets				
Short-term deposits and cash	(9)	4 616	5 066	3 314
Statutory assets – bank and insurance	62	2 127	1 315	1 498
Other assets	97	207	105	96
Other assets – EHL	(78)	216	991	116
Taxation		0	0	74
Net advances	57	30 063	19 090	24 959
Deferred tax asset	(100)	0	92	0
Property and equipment	28	413	322	353
Intercompany loans	(4)	24	25	25
Goodwill		4 000	0	4 000
Total assets	54	41 666	27 006	34 435
Liabilities and equity				
Intercompany loans	(18)	370	453	459
Short-term funding	56	2 429	1 562	414
Short-term funding – EHL	(6)	176	187	411
Other liabilities	16	743	640	1 058
Other liabilities – EHL		88	0	0
Taxation	(82)	13	72	0
Deferred tax liability		12	0	15
Bonds and other long-term funding	35	25 128	18 567	20 872
Subordinated bonds	25	2 757	2 210	2 226
Total liabilities	34	31 716	23 691	25 455
Ordinary shareholder's equity	200	9 950	3 315	8 980
Preference shareholders' equity		0	0	0
Total equity (capital and reserves)	200	9 950	3 315	8 980
Total liabilities and equity	54	41 666	27 006	34 435

Comparatives in orange are unadjusted, as published previously

Annexures

Shareholders' information

Dividend declaration

	Ordinary shares	Preference shares
Share code	ABL	ABLP
ISIN	ZAE000030060	ZAE000065215
Dividend number	21	13
Dividends per share (cash dividends)	85 cents	310 cents
Declaration date	Monday, 23 May 2011	Monday, 23 May 2011
Last date to trade cum-dividend	Thursday, 09 June 2011	Thursday, 09 June 2011
Shares commence trading ex-dividend	Friday, 10 June 2011	Friday, 10 June 2011
Record date	Friday, 17 June 2011	Friday, 17 June 2011
Dividend payment date	Monday, 20 June 2011	Monday, 20 June 2011

Share certificates may not be dematerialised or rematerialised between Friday, 10 June 2011 and Friday, 17 June 2011, both days inclusive.

Shareholders' diary

Event	Date
Third quarter trading update	4 August 2011
Financial year end	30 September
Annual results presentation	21 November 2011

Credit rating

Moody's Investors Service maintained African Bank's credit rating in April 2011 with a stable outlook.

	Short term	Long term
National scale rating	Prime-1.za	A1.za
Global scale rating	P-2	Baa2

Annexures

Shareholders' information

Listings exchange	JSE Limited
Sector	General financial
Sub-sector	Consumer finance
Share codes	
Ordinary shares	JSE: ABL Reuters: ABLJ.J Bloomberg: ABL SJ Equity
Preference shares	JSE: ABLP Reuters: ABLPp.J
ISIN codes	
Ordinary shares	ZAE000030060
Preference shares	ZAE000065215
Bond codes	
	ABL5
	ABL6
	ABL7
	ABL8A
	ABL8B
	ABL9
	ABL10A
	ABL10B
	ABL11A
	ABL11B
	ABL12B
	ABLC01 (corporate bond)
	ABLC02 (corporate bond)
	ABLI 01 (inflation linked)
	ABLI 02 (inflation linked)
	ABLI 03 (inflation linked)
	ABLS1 (subordinated)
	ABLS2A (subordinated)
	ABLS2B (subordinated)
	ABLS3 (subordinated)
ADR programme	Level 1
ADR symbol	AFRVY
Conversion ratio	One ADR is equivalent to five ordinary shares

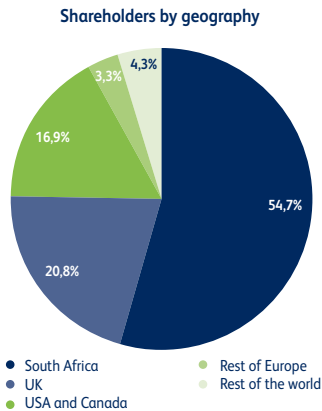
JSE statistics

		6 months to 31 March		12 months to 30 September		2007
		2011	2010	2009	2008	
Traded price (per share)						
Close	cents	3 786	3 585	2 950	2 520	3 131
High	cents	4 046	3 728	3 174	3 718	3 510
Low	cents	3 400	2 768	1 940	2 196	2 110
Market capitalisation	R million	30 446	28 830	23 723	20 265	15 590
Value of shares traded	R million	14 698	27 452	24 507	26 027	15 945
Value traded as a % of market capitalisation	%	97*	95	103	128	102
Volume of shares traded	millions	399	868	936	930	541
Volume traded as a % of number in issue	%	99*	108	116	116	109
Price/earnings ratio	times	16,1	16,1	15,0	8,8	13,2
Dividend yield	%	4,9	5,2	6,4	9,3	6,9
Earnings yield	%	6,2	6,2	6,7	11,3	7,6
Price-to-book ratio	times	2,4	2,3	1,9	1,7	6,3
Average number of shares in issue	millions	804	804	804	718	497
Shares issued	millions				306 [#]	
Number of shareholders		16 635	12 550	11 019	13 766	11 114

[#] IABIL acquired the Ellerines group in January 2008. The consideration was settled by means of a fresh issue of 294,7 million shares.

Another 11,6 million shares were issued in terms of the Ellerines BEE programme.

* Annualised



Annexures

Shareholders' information

Top shareholders

	Manager	Holding	%
1	Government Employees Pension Fund (PIC)	110 027 501	13,7
2	JP Morgan Asset Management	78 993 636	9,8
3	Investec Asset Management	49 822 741	6,2
4	FIL Limited/FMR LLC	48 594 841	6,0
5	Directors' holding	40 068 262	5,0
6	Eyomhlaba Investment Holdings Limited	39 364 465	4,9
7	STANLIB Asset Management	35 779 014	4,5
8	BlackRock Inc	31 494 386	3,9
9	Mondrian Investment Partners	28 787 994	3,6
10	Sanlam Investment Management	26 194 120	3,3
11	Hlumisa Investment Holdings Limited	18 893 908	2,3
12	The Vanguard Group Inc	16 857 441	2,1
13	Government Singapore Investment Corporation	16 004 998	2,0
14	Investec Securities	11 530 325	1,4
15	RMB Securities	11 447 416	1,4
16	Wood C	10 074 533	1,3
17	Coronation Fund Managers	9 139 901	1,1
18	Old Mutual Asset Managers	8 937 841	1,1
19	Dimensional Fund Advisors	8 812 673	1,1
20	Abax Investments	8 718 688	1,1

Top beneficial holders

	Beneficial owner	Holding	%
1	Government Employees Pension Fund (PIC)	122 201 871	15,2
2	ABIL's BEE programmes*	58 258 373	7,2
3	Liberty Life Association of Africa	25 827 231	3,2
4	Leon Kirkinis	16 500 000	2,1
5	Ishares MSCI Emerging Markets Index Fund	13 213 997	1,6
6	Government Singapore Investment Corporation	12 759 288	1,6
7	Gordon Schachat	12 000 000	1,5
8	Fidelity EM Europe Middle East & Africa	11 642 783	1,4
9	Vanguard Emerging Markets Stock Fund	11 121 199	1,4
10	Wood C	10 074 533	1,3
*ABIL's BEE programmes			
	Eyomhlaba Investment Holdings Limited	39 364 465	4,9
	Hlumisa Investment Holdings Limited	18 893 908	2,3

Corporate information

Board of directors

Non-executive

M C Mogase (Chairman)
N Adams
Advocate MF Gumbi
J Koolen
N Langa-Royds
S Sithole
RJ Symmonds

Executive

G Schachat (Deputy Chairman)
L Kirkinis (CEO)
A Fourie
N Nalliah
TM Sokutu

Company Secretary

Vacant

African Bank Investments Limited

(Incorporated in the Republic of South Africa)
(Registered bank controlling company)
(Registration number 1946/021193/06)
(Ordinary share code: ABL) (ISIN: ZAE000030060)
(Preference share code: ABLP) (ISIN: ZAE000065215)

Share transfer secretaries

Link Market Services SA (Pty) Ltd
13th Floor, Rennie House,
19 Ameshoff Street, Braamfontein
PO Box 4844, Johannesburg, 2000
Telephone +27 11 630 0800
Telefax: +27 86 674 4381

Registered office

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Midrand, 1685

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Complaints and fraud

Fraud:

Hotline: 0800 20 20 18
E-mail address: abfraudethics@africanbank.co.za
Telefax: +27 11 207 3811

Complaints:

Call Centre number 0861 111 011

Company's websites

www.abil.co.za
www.africanbank.co.za
www.ellerines.co.za
www.beares.co.za
www.geenrichards.co.za
www.furniturecity.co.za
www.wetherlys.co.za
www.dialabed.co.za

Electronic communications

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