African Bank
INVESTMENTS LIMITED
(in business rescue)

# Annual report 2015

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# Board of directors

## Directors as at the date of publication of the annual report

### Mutle Constantine Mogase (51)

**Position:** Independent non-executive chairman
**Date appointed:** 12 March 2007
**Qualifications:** BComm; Executive Development Programme and Graduate Diploma in Corporate Governance

**Directorships:** Non-executive chairman of African Bank Investments Limited and African Bank Limited; Non-executive director of Kwikspace Modular Buildings Proprietary Limited, ECI Africa Consulting Proprietary Limited, JP Morgan advisory board, Global Pact Trading 125 Proprietary Limited, Business Ventures Investments No 1041 Proprietary Limited, Air Liquide Proprietary Limited advisory board, Fluxrab Investments No 192 Proprietary Limited, Fluxrab Investments No 200 Proprietary Limited and Fluxrab Investments No 72 Proprietary Limited. Executive chairman of Vantage Capital Group Proprietary Limited

### Nicholas (Nic) Adams (56)

**Position:** Independent non-executive director
**Date appointed:** 01 February 2008
**Qualifications:** BComm (Hons); CTA (UCT); ACMA

**Directorships:** Non-executive director of African Bank Investments Limited, African Bank Limited, MKP Management Holdings Proprietary Limited, Swanvest 203 Proprietary Limited, Findlay's Properties No. 5 Proprietary Limited, Uplands College Proprietary Limited. Executive director of TukTuk Investments Proprietary Limited, Walter H Adams Kimberley Proprietary Limited, Portion 14 of portion 60 Buffelsfontein CC and Sailing Sometime CC.

### Robert John (Johnny) Symmonds (56)

**Position:** Independent non-executive director
**Date appointed:** 21 May 2009
**Qualifications:** BComm (Hons) (UCT); Strategic Banking Programme (IMD-Lausanne); Executive Development Programme (GIMT)

**Directorships:** Non-executive director of African Bank Investments Limited; African Bank Limited, PtyProps211 Proprietary Limited, Helm Underwriting Management Services (SA) Proprietary Limited, BrightRock Proprietary Limited, Leppard and Associates Proprietary Limited, Cape Finance Corporation Limited, HCV Underwriting Managers Proprietary Limited, Consort Technical Underwriting Managers Proprietary Limited, Cast Arena Trade and Invest 87 Proprietary Limited, Gatewin Holdings Limited, Phaphama Entrepreneurs Proprietary Limited, New Africa Holdings Proprietary Limited and Phaphama Investments Proprietary Limited. Executive director of LomHold Proprietary Limited and its subsidiaries

### Morris Mthombeni (41)

**Position:** Independent non executive director
**Date appointed:** 16 September 2013
**Qualifications:** BProc, LLB, B Juris, MBA (Finance)

**Directorships:** Non-executive director of African Bank Investments Limited, African Bank Limited, Public Affairs Research (a non-profit organisation) and Vilakazi Street Kapital Proprietary Limited. Executive director of Inno-Phemba Investments Proprietary Limited and PEN (a non-profit organisation).

### Advocate Mojankunyane Florence (Mojanku) Gumbi (57)

**Position:** Independent non-executive director
**Qualifications:** BProc, LLB, Certificate in Trial Advocacy (University of Texas, Austin, USA)
**Appointed to the board:** 1 March 2011

**Directorships:** Non-executive director of African Bank Investments Limited, African Bank Limited, The Standard General Insurance Company Limited, Relyant Life Assurance Company Limited, Relyant Insurance Company Limited and Customer Protection Insurance Company. Executive director of Mojanku Gumbi Advisory Services Proprietary Limited.

### Nomalizo Beryl (Ntombi) Langa-Royds (53)

**Position:** Independent non-executive director
**Qualifications:** BA Law, LLB (University of Lesotho)
**Appointed to the board:** 15 March 2011

**Directorships:** Non-executive director of African Bank Investments Limited, African Bank Limited, PPC Limited and Mpact Limited. Executive director of Faranani Investments Proprietary Limited and executive member of Nthake Consultants CC.

# Shareholders' information

## Top ordinary shareholders*

| | Holding | % |
|---|---|---|
| **Top shareholders/managers of ABIL as at 30 September 2015** | | |
| Public Investment Corporation | 188 251 748 | 12,54 |
| Coronation Asset Management Proprietary Limited | 124 931 716 | 8,32 |
| Allan Gray Investment Council | 96 966 738 | 6,46 |
| STANLIB Asset Management | 88 154 369 | 5,87 |
| Sanlam Investment Management | 87 206 375 | 5,81 |
| Momentum Investments | 85 723 919 | 5,71 |
| Genesis Investment Management LLP | 80 204 749 | 5,34 |
| Eyomhlaba Investment Holdings (RF) Limited | 48 176 160 | 3,21 |
| Bank Julius Baer & Co Ltd | 40 773 986 | 2,72 |
| The Vanguard Group Inc | 39 140 309 | 2,61 |

| | Holding | % |
|---|---|---|
| **Top beneficial owners at 30 September 2015** | | |
| Government Employees Pension Fund (PIC) | 217 855 801 | 14,51 |
| Liberty Life Association of Africa Ltd | 56 501 824 | 3,76 |
| Eyomhlaba Investment Holdings (RF) Ltd | 48 176 160 | 3,21 |
| Bank Julius Baer & Co Ltd | 40 773 986 | 2,72 |
| Momentum Life Assurance | 39 825 951 | 2,65 |
| Coronation Top 20 Fund | 28 289 951 | 1,88 |
| Genesis Emerging Markets Inv Company | 27 056 238 | 1,80 |
| Hlumisa Investment Holdings (RF) Ltd | 25 911 800 | 1,73 |
| Vanguard Emerging Markets Stock Index Fd | 23 385 446 | 1,56 |
| Investment Solutions | 23 148 248 | 1,54 |

### *Shareholder split*

| | Number of holders | Number of shares | % of issued shares |
|---|---|---|---|
| Non-public | 5 | 224 043 518 | 14,9 |
| Directors | 3 | 4 818 323 | 0,3 |
| Development Trust | 1 | 1 369 394 | 0,1 |
| Shares held in excess of 10% of issued capital | 1 | 217 855 801 | 14,5 |
| Public | 14 433 | 1 277 049 714 | 85,1 |
| **Total** | 14 438 | 1 501 093 232 | 100,0 |

* *Shareholding based on records as at suspension of trading in ABIL securities.*

# Shareholders' information

## Top preference shareholders*

| | Number of shares | % |
|---|---|---|
| **Top shareholders/managers of ABIL as at 30 September 2015** | | |
| SBSA ITF OMUT Real Income Fund | 396 883 | 2,9% |
| SCB ATF PT High Yield Growth Fund | 347 497 | 2,6% |
| NES Investment Proprietary Limited | 311 934 | 2,3% |
| SBSA ITF OMUT Flexible Fund | 295 557 | 2,2% |
| ELEMENT Flexible Fund | 288 984 | 2,1% |

### *Shareholder split*

| | Number of holders | Number of shares | % of issued shares |
|---|---|---|---|
| Non-public | – | – | – |
| Public | 1 516 | 13 523 029 | 100,0 |
| **Total** | 1 516 | 13 523 029 | 100,0 |

* *Shareholding based on records as at suspension of trading in ABIL securities.*

# Corporate governance report

## Ethical leadership and corporate citizenship

The board of directors and senior management are committed to the highest standards of corporate governance and strive for the highest moral and ethical business standards, as well as sound and transparent business practices. ABIL embraces the principles of good corporate governance in order to ensure that an ethical foundation exists which promotes, *inter alia*:

- **Responsibility** – by assuming responsibility for the actions of the company and being willing to take corrective actions to keep the company on a strategic path that is ethical and sustainable;
- **Accountability** – by being able to justify its actions and decisions to shareholders and other stakeholders;
- **Fairness** – by giving fair consideration to the legitimate interests and expectations of all stakeholders; and
- **Transparency** – by disclosing information in a manner that enables stakeholders to make an informed analysis of the company's performance and sustainability.

## Board committees

The mandates of the board committees are as follows:

| Name of committee | Function and mandate |
|---|---|
| Audit committee | Assists the board of directors in discharging its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and integrated reporting and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. |
| Risk and capital management committee | The quality, integrity and reliability of risk management of ABIL is delegated to the risk and capital management committee. |
| Remuneration and transformation committee | The role of the remuneration and transformation committee is to support and advise the board of directors, by ensuring that employees of ABIL are appropriately and equitably compensated for their services and motivated to perform to the best of their abilities, in the interests of all stakeholders. |
| Ethics and sustainability committee | This committee assists management in the formulation and implementation of policies, principles and practices to foster the sustainable growth. Sustainable growth encompasses a business model that creates value consistent with the long-term preservation and enhancement of financial, environmental and social capital. |
| Directors' affairs committee | This committee assists the board in its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structure and practices of ABIL. |

## The board of directors

The board of directors takes decisions on a majority basis and therefore no one person has unfettered powers of decision-making. The board is responsible for determining the strategic direction and the control of the company.

It provides effective and responsible leadership and exercises integrity and judgement in directing the company, with a view to achieving continuing prosperity for the company and its stakeholders.

## Board of directors and committee membership as at 30 September 2015

| *Board of directors and committees* | *Directors/members* |
|---|---|
| ABIL board of directors | Mutle Constantine (Mutle) Mogase (chairman), Nomalizo Beryl (Ntombi) Langa-Royds, Mojankunyane Florence (Mojanku) Gumbi, Robert John (Johnny) Symmonds, Nicholas (Nic) Adams and Morris Mthombeni |
| Audit committee ("AC") | Johnny Symmonds (chairman), Nic Adams and Morris Mthombeni |
| Risk and capital management committee ("RCMC") | Nic Adams (chairman), Johnny Symmonds and Mojanku Gumbi |
| Remuneration and transformation committee ("RTC") | Ntombi Langa-Royds (chairman), Mutle Mogase and Mojanku Gumbi |
| Ethics and sustainability committee ("ETC") | Ntombi Langa-Royds (chairman) and Mutle Mogase |
| Directors' affairs committee ("DAC") | Mutle Mogase (chairman), Mojanku Gumbi, Ntombi Langa-Royds, Johnny Symmonds and Nic Adams |

# Corporate governance report (continued)

## Composition of the board of directors

The board consists of six directors, all of which are classified as independent non-executive directors.

The company did not have a chief executive officer as he resigned in the prior financial year.

The executive financial director, Nithia Nalliah, resigned during the year and therefore the company does not have a financial director.

## Board composition at 30 September 2015

***Independent non-executives (6)***

- Mutle Mogase
- Mojanku Gumbi
- Nic Adams
- Johnny Symmonds
- Ntombi Langa-Royds
- Morris Mthombeni

## Board meetings and attendance

The details of the directors' attendance at the board and committee meetings are reflected in the table below:

| *Name* | *Board* | *AC* | *RCMC* | *RTC* | *DAC* | *ESC* |
|---|---|---|---|---|---|---|
| **Number of meetings held** | 8 | 1 | 1 | 1 | – | 1 |
| **Independent non-executive directors** | | | | | | |
| Mutle Mogase | 8/8 | n/a | n/a | 1/1 | n/a | 1/1 |
| Nic Adams | 7/8 | 1/1 | 1/1 | n/a | n/a | 1/1 |
| Ntombi Langa-Royds | 6/8 | n/a | n/a | 1/1 | n/a | 1/1 |
| Mojanku Gumbi | 6/8 | n/a | 1/1 | 0/1 | n/a | 1/1 |
| Jack Koolen (passed away 3 May 2015) | 1/6 | n/a | n/a | n/a | n/a | n/a |
| Johnny Symmonds | 5/8 | 1/1 | 1/1 | n/a | n/a | 1/1 |
| Morris Mthombeni | 7/8 | 0/1 | n/a | n/a | n/a | n/a |
| **Executive director** | | | | | | |
| Nithia Nalliah (resigned on 31 March 2015) | 5/6 | n/a | n/a | 1/1# | n/a | 1/1# |

*# Denotes standing attendee/invitee.*

## Period of office of board members

All non-executive directors are appointed for specific terms and reappointment is not automatic. An approved term limit policy exists which can be accessed at www.abil.co.za. In summary, the term limit policy provides as follows:

- The chairperson of the board of directors shall serve for a maximum period of 10 years; and
- All other non-executive directors shall serve for a maximum period of six years, which may be extended for a further two years.

## Board and committee evaluations

The performance of the board is evaluated on an annual basis and includes:

- An assessment of the performance and effectiveness of the board as a whole and that of individual directors;
- A peer evaluation by all directors ranking their fellow directors on contribution to the board; and
- An evaluation of each committee by members of the committee, focusing on effectiveness of the chairperson and contributions of individual committee members.

The evaluation process takes place by the completion of evaluation questionnaires based on the observations and experiences of board members throughout the year. The results are discussed by the board and one-on-one meetings are held with directors to discuss the results of the evaluations and propose developmental actions should they be required.

# Corporate governance report (continued)

## Company secretary

The board considers the competence, qualifications and performance of the company secretary. The company secretary resigned on 31 August 2015. The board was satisfied that Leeanne Goliath was competent and had the requisite qualifications, experience and knowledge to serve as the company secretary.

The board confirms that the company secretary maintained an arm's-length relationship with the board when carrying out her duties and was not a director of ABIL.

## Appointment of directors

The appointment of directors to the board is formal and transparent and a matter for the board of directors as a whole. The appointment of directors is facilitated by the directors' affairs committee, which also serves as the nominations committee. The directors' affairs committee is constituted only of non-executive directors. The committee is chaired by the chairperson of the board who is an independent non-executive director.

All appointments are subject to approval by the South African Reserve Bank, and fit and proper tests in terms of the Banks Act, as amended, the Companies Act, the JSE Listings Requirements and any other applicable legislation. All directors' appointments are subject to shareholder approval at the annual general meeting immediately following the date of their appointment.

## Induction and training

The induction, training and development of directors is conducted through a process consisting of:

- Providing directors with information relating to policies, processes, charters, minutes of meetings, results, financials and other material relevant to their taking up office as a director;
- Affording directors an open invitation to visit the operational divisions of ABIL, to meet with management and attend management meetings; and
- Encouraging all directors to attend external courses presented by an institution of their choice, at the cost of the business.

## Independent advice

In allowing the board to discharge its corporate responsibilities by exercising the care that an ordinary prudent person would exercise under similar circumstances, the board and the board committees may engage the services of external experts at ABIL's expense.

## Succession planning

The remuneration and transformation committee and the directors' affairs committee review succession planning as a regular item on their respective agendas.

The directors' affairs committee of the board, in line with its terms of reference, from time to time reviews the general composition of the board and makes appropriate recommendations on the appointment of new executive or non-executive directors.

## Conflict of interest

All directors are required to disclose any conflict or potential conflict of interest that they may have with regard to any activity or any matter discussed at board and committee meetings.

## Dealing in the group's securities

The board has approved a policy for dealing in securities which regulates the procedures that a director must follow prior to trading in any of the group's securities. In terms of this policy, a director may not deal in any securities relating to the group without:

- First advising two designated directors, one of which must be a non-executive director, in advance of the director's intention to trade in any securities relating to ABIL; and
- Receiving clearance in writing from them.

In addition, directors may not deal in securities during a closed period and the board invokes a strict policy of prohibiting dealings in securities by all staff and associates during closed periods. The closed period conditions are strictly adhered to in terms of investor meetings and contacts.

## Audit committee

The audit committee ensures that the combined assurance received is appropriate to address the significant risks facing ABIL. The combined assurance model consists of management, the risk committee, internal assurance providers, ie finance, risk and various external assurance providers.

# Corporate governance report (continued)

A comprehensive overview of the audit committee's role, mandate and activities is available in its charter under the corporate governance section on www.abil.co.za.

## The governance of risk

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

## The governance of information technology ("IT")

As the company is an investment holding company, there is limited risk related to or governance required of IT.

## Compliance with laws, codes, rules and standards

The board is committed to high standards of integrity and fair dealing in the conduct of its business. It is committed to the preservation of its integrity and reputation and thus requires all directors and subsidiaries to have a good understanding of, and observe compliance with, applicable laws, regulations and standards in each of the markets and jurisdictions within which they operate.

The ABIL audit committee oversees compliance matters within ABIL.

## Internal audit

ABIL does not have an internal audit function as this function is only within its operating subsidiaries/investments.

## Governing stakeholder relationships

ABIL recognises that it does not operate in a vacuum and is therefore cognisant of the environment within which it operates and its direct and indirect impact on its stakeholders, thereby informing how it conducts its business. ABIL strives to maintain proactive engagement with its relevant stakeholder groups to manage expectations and reputational risks as well as align the company objectives with those of its stakeholders.

## Integrated reporting and disclosure

The ABIL integrated report is published annually and presents an overview of ABIL's activities, practices and financial performance for the year.

Owing to the following factors, no sustainability or risk report are presented:

- The company is under business rescue and its sustainability prospects are uncertain. After the conclusion of the business rescue process, then sustainability can be reconsidered.
- The risk and capital management committee mainly focuses on group risks which relate mainly to the operating entities and are not relevant for the company only. Therefore in the circumstances, presentation of a risk report is not considered appropriate.

The report is reviewed by the audit committee and the board to satisfy themselves of the materiality, accuracy and balance of disclosures.

## Application of King III

The board of directors is committed to complying in all material respects with the principles contained in the King III Code. ABIL has performed a review of the implications of King III and, where appropriate, the corporate governance structure has been amended to comply with the Code.

For the 2015 financial year, the company has complied with all aspects of the Code, except as noted below on appointment of a chief executive officer, company secretary, remuneration of non-executive directors, internal audit and sustainability reporting.

The following is an analysis of the application of the corporate governance principles in the King Code:

| No. | Requirement | Status | Comments |
|---|---|---|---|
| **1.** | **Ethical leadership and corporate citizenship** | | |
| 1.1 | The board should provide effective leadership based on an ethical foundation | Applied | |
| 1.2 | The board should ensure that the company is and is seen to be a responsible corporate citizen | Applied | |
| 1.3 | The board should ensure that the company's ethics are managed effectively | Applied | |

## Corporate governance report (continued)

| No. | Requirement | Status | Comments |
|---|---|---|---|
| **2.** | **Boards and directors** | | |
| | **Role and function of the board** | | |
| 2.1 | The board should act as the focal point for and custodian of corporate governance | Applied | |
| 2.2 | The board should appreciate that strategy, risk, performance and sustainability are inseparable | Applied | |
| 2.3 | The board should provide effective leadership based on an ethical foundation | Applied | |
| 2.4 | The board should ensure that the company is and is seen to be a responsible corporate citizen | Applied | |
| 2.5 | The board should ensure that the company's ethics are managed effectively | Applied | |
| 2.6 | The board should ensure that the company has an effective and independent audit committee | Applied | |
| 2.7 | The board should be responsible for the governance of risk | Applied | |
| 2.8 | The board should be responsible for information technology (IT) governance | Applied | |
| 2.9 | The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards | Applied | |
| 2.10 | The board should ensure that there is an effective risk-based internal audit | N/A | ABIL company did not have an internal audit function during the period under review. The board did not consider it to be critical to have an internal audit function, considering the company's activities. |
| 2.11 | The board should appreciate that stakeholders' perceptions affect the company's reputation | Applied | |
| 2.12 | The board should ensure the integrity of the company's integrated report | Applied | |
| 2.13 | The board should report on the effectiveness of the company's system of internal controls | Applied | |
| 2.14 | The board and its directors should act in the best interests of the company | Applied | |
| 2.15 | The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act | Applied | |
| 2.16 | The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board | Applied | |
| 2.17 | The board should appoint the chief executive officer and establish a framework for the delegation of authority | Partially applied | The company did not have a chief executive officer from 1 April 2015. The joint business rescue practitioners currently have overall management control. |
| | **Composition of the board** | | |
| 2.18 | The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent | Applied | |
| | **Board appointment process** | | |
| 2.19 | Directors should be appointed through a formal process | Applied | |

## Corporate governance report (continued)

| No. | Requirement | Status | Comments |
|---|---|---|---|
| | **Director developments** | | |
| 2.20 | The induction of and ongoing training and development of directors should be conducted through formal processes | Applied | |
| | **Company secretary** | | |
| 2.21 | The board should be assisted by a competent, suitably qualified and experienced company secretary | Partially applied | The company secretary resigned a month before the end of the financial year. |
| | **Performance assessment** | | |
| 2.22 | The evaluation of the board, its committees and the individual directors should be performed every year | Applied | |
| | **Board committees** | | |
| 2.23 | The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities | Applied | |
| | **Group boards** | | |
| 2.24 | A governance framework should be agreed between the group and its subsidiary boards | Applied | |
| | **Remuneration of directors and senior executives** | | |
| 2.25 | Companies should remunerate directors and executives fairly and responsibly | Partially applied | Non-executive directors earn fixed fees. This is considered appropriate due to the performance appraisal system that is in place. |
| 2.26 | Companies should disclose the remuneration of each individual director and certain senior executives | Applied | |
| 2.27 | Shareholders should approve the company's remuneration policy | Applied | |
| **3.** | **Audit committees** | | |
| 3.1 | The board should ensure that the company has an effective and independent audit committee | Applied | |
| | **Membership and resources of the audit committee** | | |
| 3.2 | Audit committee members should be suitably skilled and experienced independent non-executive directors | Applied | |
| 3.3 | The audit committee should be chaired by an independent non-executive director | Applied | |
| | **Responsibilities of the audit committee** | | |
| 3.4 | The audit committee should oversee integrated reporting | Applied | |
| 3.5 | The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities | Applied | |
| | **Internal assurance providers** | | |
| 3.6 | The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function | Applied | |
| 3.7 | The audit committee should be responsible for overseeing of internal audit | Applied | |
| 3.8 | The audit committee should be an integral component of the risk management process | Applied | |

## Corporate governance report (continued)

| No. | Requirement | Status | Comments |
|---|---|---|---|
| | **External assurance providers** | | |
| 3.9 | The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process | Applied | |
| | **Reporting** | | |
| 3.10 | The audit committee should report to the board and shareholders on how it has discharged its duties | Applied | |
| **4.** | **The governance of risk** | | |
| | **Board's responsibility for risk governance** | | |
| 4.1 | The board should be responsible for the governance of risk | Applied | |
| 4.2 | The board should determine the levels of risk tolerance | Applied | |
| 4.3 | The risk committee or audit committee should assist the board in carrying out its risk responsibilities | Applied | |
| | **Management's responsibility for risk management** | | |
| 4.4 | The board should delegate to management the responsibility to design, implement and monitor the risk management plan | Applied | |
| | **Risk assessment** | | |
| 4.5 | The board should ensure that risk assessments are performed on a continual basis | Applied | |
| 4.6 | The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks | Applied | |
| | **Risk response** | | |
| 4.7 | The board should ensure that management considers and implements appropriate risk responses | Applied | |
| | **Risk monitoring** | | |
| 4.8 | The board should ensure continual risk monitoring by management | Applied | |
| | **Risk assurance** | | |
| 4.9 | The board should receive assurance regarding the effectiveness of the risk management process | Applied | |
| | **Risk disclosure** | | |
| 4.10 | The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders | Applied | |
| **5.** | **The governance of information technology** | | |
| 5.1 | The board should be responsible for information technology (IT) governance | Applied | |
| 5.2 | IT should be aligned with the performance and sustainability objectives of the company | Applied | |
| 5.3 | The board should delegate to management the responsibility for the implementation of an IT governance framework | Applied | |
| 5.4 | The board should monitor and evaluate significant IT investments and expenditure | Applied | |
| 5.5 | IT should form an integral part of the company's risk management | Applied | |
| 5.6 | The board should ensure that information assets are managed effectively | Applied | |

## Corporate governance report (continued)

| No. | Requirement | Status | Comments |
|---|---|---|---|
| 5.7 | A risk committee and audit committee should assist the board in carrying out its IT responsibilities | Applied | |
| **6.** | **Compliance with laws, rules, codes and standards** | | |
| 6.1 | The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards | Applied | |
| 6.2 | The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business | Applied | |
| 6.3 | Compliance risk should form an integral part of the company's risk management process | Applied | |
| 6.4 | The board should delegate to management the implementation of an effective compliance framework and processes | Applied | |
| **7.** | **Internal audit** | | |
| | **The need for and role of internal audit** | | |
| 7.1 | The board should ensure that there is an effective risk-based internal audit | N/A | |
| | **Internal audit's approach and plan** | | |
| 7.2 | Internal audit should follow a risk-based approach to its plan | N/A | |
| 7.3 | Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management | N/A | |
| 7.4 | The audit committee should be responsible for overseeing internal audit | N/A | |
| | **Internal audit's status in the company** | | |
| 7.5 | Internal audit should be strategically positioned to achieve its objectives | N/A | |
| **8.** | **Governing stakeholder relationships** | | |
| 8.1 | The board should appreciate that stakeholders' perceptions affect a company's reputation | Applied | |
| 8.2 | The board should delegate to management to proactively deal with stakeholder relationships | Applied | |
| 8.3 | The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company | Applied | |
| 8.4 | Companies should ensure the equitable treatment of shareholders | Applied | |
| 8.5 | Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence | Applied | |
| | **Dispute resolution** | | |
| 8.6 | The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible | Applied | |
| **9.** | **Integrated reporting and disclosure** | | |
| | **Transparency and accountability** | | |
| 9.1 | The board should ensure the integrity of the company's integrated report | Applied | |
| 9.2 | Sustainability reporting and disclosure should be integrated with the company's financial reporting | N/A | No sustainability report is presented. |
| 9.3 | Sustainability reporting and disclosure should be independently assured | Not applied | The integrated report is considered to be adequate. |

# Remuneration report

## Executive directors' remuneration

***Basic remuneration, benefits and bonuses paid to executive directors***

The sole executive director, Nithia Nalliah, was paid by African Bank Limited and the company.

**Executive directors**

| | *L Kirkinis*[5] | | *T Fourie*[5] | | *T Sokutu*[5] | | *N Nalliah*[1] | | *Total* | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***R'000*** | ***2015*** | ***2014*** | ***2015*** | ***2014*** | ***2015*** | ***2014*** | ***2015*** | ***2014*** | ***2015*** | ***2014*** |
| Salary | **–** | 1 672 | **–** | 1 258 | **–** | 619 | **1 520** | 3 014 | **1 520** | 6 562 |
| Contributions[2] | **–** | 182 | **–** | 148 | **–** | 117 | **172** | 344 | **172** | 790 |
| Travel allowance | **–** | – | **–** | 139 | **–** | – | **28** | 82 | **28** | 222 |
| **Total cost to company package** | **–** | 1 854 | **–** | 1 545 | **–** | 736 | **1 720** | 3 440 | **1 720** | 7 574 |
| Leave pay | **–** | 252 | **–** | 511 | **–** | – | **770** | – | **770** | 763 |
| Severance pay | **–** | – | **–** | – | **–** | – | **1 786** | – | **1 786** | – |
| Notice pay | **–** | – | **–** | – | **–** | – | **573** | – | **573** | – |
| Other benefits[3] | **–** | – | **–** | 4 | **–** | – | **–** | 12 | **–** | 16 |
| Annual cash incentive[4] | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – |
| Initial value of LTIP awarded[4] | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – |
| **Total remuneration** | **–** | 2 106 | **–** | 2 060 | **–** | 736 | **4 849** | 3 452 | **4 849** | 8 353 |

*(1) Nithia Nalliah resigned with effect from 31 March 2015.*
*(2) Contributions to retirement funds.*
*(3) Other benefits consist of subsistence allowances for international travel and long service awards.*
*(4) No annual cash incentive or LTIPs were awarded in the current and prior financial year.*
*(5) These directors resigned in the prior financial year.*

## The Long-term Incentive Plan ("LTIP")

There were no payments or long-term incentive plan allocations to directors in the current or prior financial year.

## Non-executive directors' remuneration

The non-executive directors are paid fixed fees for their responsibilities and duties. These fees are determined annually by the executive directors for all services rendered as directors of the boards and participation in the various committees of the boards.

The fees payable to non-executive directors have been approved by shareholders in terms of section 66(8) and (9) of the Companies Act and in line with King III, during the annual general meeting in February 2014.

The directors are paid a fixed fee for their responsibilities on the board and various committees. Fees are not dependent on attendance at meetings as directors' performance is evaluated annually through a peer review process by all members of the board. Non-attendance is dealt with by the chairman at the directors' affairs committee as part of the performance assessment of the director. No additional fees are payable for special or ad hoc meetings. The remuneration payable compensates the directors for their time and contribution.

The non-executive directors do not participate in any bonus and incentive schemes and neither do they receive any other benefits. All expenses incurred in connection with attendance of meetings, such as travel and accommodation, are reimbursed at cost.

# Remuneration report (continued)

The fees paid to the non-executive directors are as follows:

| *R'000* | *ABIL board and committees* | *Subsidiary boards and committees* | *Total 2015* | *Total 2014* |
|---|---|---|---|---|
| MC Mogase | 1 065 | 484 | **1 549** | 1549 |
| N Adams | 440 | 200 | **641** | 641 |
| N Langa-Royds | 425 | 193 | **618** | 618 |
| M Gumbi | 340 | 378 | **718** | 610 |
| J Koolen(1) | 114 | 196 | **310** | 528 |
| J Symmonds | 442 | 198 | **641** | 648 |
| M Mthombeni | 232 | 465 | **697** | 432 |
| S Sithole | – | – | **–** | 15 |
| **Total** | 3 059 | 2 115 | **5 174** | 5 041 |

*(1) Jack Koolen sadly passed away on 3 May 2015.*

The non-executive directors' fees were previously shared between the company and African Bank Limited. From February 2015, the fees were paid by the company only.

African Bank INVESTMENTS LIMITED
(in business rescue)

# Annual financial statements 2015

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These financial statements were prepared under the supervision of Reynold Ngobese CA(SA) and have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Published 22 April 2016

# Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of African Bank Investments Limited, comprising the statement of financial position at 30 September 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

The directors' responsibility includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors are responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the year under review.

The going concern ability of the company is in question as the company is in business rescue and there are significant liabilities which are owing to various financial institutions and are due.

For the reasons set out in note 3.1 of the notes to the company annual financial statements, the directors have made an assessment of the entity's ability to continue as a going concern and believe it is appropriate that the annual financial statements are prepared on the going concern assumption.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

## Approval of the annual financial statements

The annual financial statements set out on pages 20 to 54 were approved by the board of directors and signed on its behalf by:

**M Mogase**
*Chairman*

Midrand
22 April 2016

## Certificate from the company secretary

I certify, up until my resignation date being 31 August 2015, in accordance with the provisions of section 88(2)(e) of the Companies Act of South Africa, that to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission, all returns and notices prescribed by the Act, in respect of the year ended 30 September 2015 and that all such returns and notices are true, correct and up to date.

**LM Goliath**
*Company secretary*

Midrand
22 April 2016

# Independent auditor's report

***To the shareholders of African Bank Investments Limited***

## Report on the financial statements

We have audited the consolidated and separate financial statements of African Bank Investments Limited set out on pages 24 to 54 which comprise the statements of financial position as at 30 September 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## Director's responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

## Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the consolidated financial statements and our audit opinion on the separate financial statements.

## Basis for adverse opinion on consolidated financial statements and opinion on the separate financial statements

The company has subsidiaries and is required by International Financial Reporting Standards to prepare consolidated financial statements. As described in the directors' report, the directors have prepared unconsolidated financial statements. These financial statements have been prepared on the same basis as separate financial statements, which are financial statements permitted in terms of International Financial Reporting Standards when an entity also prepares consolidated financial statements. Unconsolidated financial statements are prepared on the basis that investments in subsidiaries are reported at cost and income is recognised when dividends from subsidiaries are receivable. The effect of not preparing consolidated financial statements in accordance with International Financial Reporting Standards is not given as required.

## Adverse opinion on consolidated financial statements

In our opinion, because of the significance of the matter discussed in the preceding paragraph, the financial statements do not present fairly the financial position of the group as at 30 September 2015, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

## Opinion on the separate financial statements

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the company as at 30 September 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3.1 to the financial statements which indicate that the company indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

# Independent auditor's report (continued)

***To the shareholders of African Bank Investments Limited***

## Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2015, we have read the Directors' Report, Audit Committee's Report and Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

## Report on other legal and regulatory requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of African Bank Investments Limited which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors.

The reportable irregularities reported are that the annual financial statements for the years ended 30 September 2014 and 30 September 2015 have not been published within six months after the year-end as required in terms of Section 30(1) of the Companies Act and the Annual General Meeting has not been held within 15 months from the previous Annual General Meeting as required by Section 61(7) if the Companies Act.

In terms of the IRBA Rule published in Government Gazette 39475 dated 4 December 2015, we report that Grant Thornton Johannesburg Partnership has been the auditor of African Bank Investments Limited for one year.

**GRANT THORNTON JOHANNESBURG PARTNERSHIP**
Registered Auditors

**Soné Jeanette Kock**
Partner
Registered Auditor
Chartered Accountant (SA)

22 April 2016

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

# Audit committee report

The audit committee presents its report for the financial year ended 30 September 2015 as required by section 94(7)(f) of the Companies Act. The audit committee has been constituted in accordance with applicable legislation and regulations.

## Purpose of the audit committee

The main purpose of the audit committee is to assist the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards.

## Membership and attendance

The audit committee consists of three members who are all independent non-executive directors. Owing to the fact that the company is in business rescue, the committee did not meet as frequently as in prior years. The names of the members and attendance at meetings are recorded in the corporate governance section of the integrated report.

## Functions of the audit committee

The audit committee has approved the audit committee charter and has discharged the functions in terms of the charter which included:

- Reviewing and approving the external audit plan including the proposed audit scope, approach to risk activities and the audit fee;
- Confirming the independence of the auditors;
- Reviewing external audit reports;
- Assessing the nature and extent of any non-audit services;
- Reviewing the accounting policies and all proposed changes in accounting policies and practices;
- Reviewed the interim and annual financial statements to confirm the financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act and the Listings Requirements of the JSE Limited; and
- Reviewing the legal matters that could have a significant impact on the company's financial statements.

Owing to the fact that the main operating company African Bank Limited is in curatorship, the committee did not evaluate nor approve any activities of the internal audit function or compliance function.

## Independence of external auditors

The audit committee has satisfied itself that Grant Thornton Johannesburg Partnership, the external auditors, and Ms S Kock, the designated auditor, are independent of the company.

## Expertise and experience of financial director

The financial director, Nithia Nalliah, resigned with effect from 31 March 2015. The company currently does not have a financial director.

The JSE Limited has given the company limited exemption from appointing a financial director.

However, the company had the requisite financial expertise during the financial year.

## Internal financial controls, accounting practices and annual financial statements

Based on the work of the assurance providers, nothing has come to the attention of the committee which indicates that the company's system of internal financial controls and accounting practices, in all material respects, does not provide a basis for reliable annual financial statements.

The committee is satisfied that the company annual financial statements are in compliance, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards, and recommended the financial statements for approval by the board.

For the reasons set out on page 21, ABIL is not able to prepare consolidated annual financial statements for the year ended 30 September 2015.

**Johnny Symmonds**
*Chairman: Group audit committee*

Midrand

22 April 2016

# Directors' report

## Business rescue

The company commenced business rescue proceedings on 5 June 2015 and is currently still under business rescue. John Evans and Dawie van der Merwe were appointed as joint business rescue practitioners.

The business rescue practitioners delegated authority to the directors to prepare and publish the financial statements for the periods ended 30 September 2014, 31 March 2015 and 30 September 2015.

The creditors of ABIL have approved a business rescue plan which is now being implemented by the business rescue practitioners.

## Nature of business

ABIL is a publicly quoted bank-controlling company, in terms of the Banks Act No 94 of 1990, as amended, listed on the JSE Limited. ABIL's subsidiaries are listed in appendix A.

## Preparation of company annual financial statements only

As set out in the director's report in the 2014 annual financial statements, no consolidated annual financial statements could be prepared for that year.

As a consequence, for the 2015 annual financial statements, no consolidated annual financial statements are prepared as no comparatives/ opening balances are available.

## Share capital

### *Ordinary shares*

The company's authorised share capital is 2 000 000 000 shares of 2,5 cents each.

At 30 September 2015, the issued ordinary share capital totalled 1 501 093 232 (2014: 1 501 093 232) shares of 2,5 cents each. There were no shares repurchased during the current financial year (2014: Nil).

### *Preference shares*

The authorised preference share capital remains unchanged at 20 000 000 shares of 1 cent each. No preference shares were issued during the current or previous financial year.

The issued preference share capital at 30 September 2015 totalled 13 523 029 (2014: 13 523 029) shares of R0,01 each.

## Holding company

ABIL does not have a holding company.

## ABIL shares held by subsidiary companies

As at 30 September 2015, there are no shares held by subsidiary companies.

## Going concern

The company is currently under business rescue and consequentially the going concern ability of the company is in doubt. The company has significant liabilities owing to various financial institutions which are currently repayable. However, the company has a source of dividend income from The Standard General Insurance Company Limited which should enable the company intends to repay these liabilities and accumulate cash resources to invest in new opportunities or make distributions to shareholders.

On this basis the directors consider that the company has adequate resources to continue operating for the foreseeable future and therefore deem it appropriate to adopt the going-concern basis in preparing the financial statements for this reporting period.

## Events after the reporting period

The directors are not aware of any material events occurring between the reporting date and the date of authorisation of these financial statements as defined in IAS 10 *Events after the reporting period.*

# Directors' report (continued)

## Directors and changes in directors

Nithia Nalliah resigned as director on 31 March 2015.

Jack Koolen sadly passed away on 3 May 2015.

## ABIL board of directors

At 30 September 2015, the following were the board of directors:

- Mutle Mogase (Independent non-executive chairman)
- Mojankunyane (Mojanku) Gumbi (Independent non-executive director)
- Nicholas (Nic) Adams (Non-executive director)
- Ntombi Langa-Royds (Independent non-executive director)
- Robert (Johnny) John Symmonds (Independent non-executive director)
- Morris Mthombeni (Independent non-executive director)

## Company secretary and registered office

Leeanne Goliath resigned as company secretary on 31 August 2015 and Acorim Proprietary Limited was appointed in the 2016 financial year.

Their business address is 2nd Floor North Wing, Hyde Park Corner Office Towers, Corner 6th Road and Jan Smuts Avenue. Their postal address is PO Box 41480, Craighall, 2024.

## Directors' interest in shares

The directors' direct and indirect interests in the issued share capital of the company are set out in the following table. All the shares are held beneficially.

There has been no material change in the interest of directors in the ordinary and preference issued share capital of the company between 30 September 2015 and the date of this report.

## Interest of directors of the company directly and indirectly in the shares of ABIL

| | | *2015* | | | *2014* | | |
|---|---|---|---|---|---|---|---|
| *Name* | *Notes* | *Direct* | *Indirect* | *Total* | *Direct* | *Indirect* | *Total* |
| **Current directors** | | | | | | | |
| **Ordinary shares** | | | | | | | |
| **Non-executive directors** | | | | | | | |
| Mutle Mogase (Non-executive chairman) | 3 | **–** | **3 102 604** | **3 102 604** | – | 3 102 604 | 3 102 604 |
| Nic Adams | | **3 680** | **1 708 177** | **1 711 857** | 3 680 | 1 708 177 | 1 711 857 |
| Johnny Symmonds | | **3 862** | **–** | **3 862** | 3 862 | – | 3 862 |
| **Total** | | **7 542** | **4 810 781** | **4 818 323** | 7 542 | 4 810 781 | 4 818 323 |
| **Past directors*** | | | | | | | |
| **Ordinary shares** | | | | | | | |
| Leon Kirkinis | 4 | **6 065 628** | **15 934 372** | **22 000 000** | 6 065 628 | 15 934 372 | 22 000 000 |
| Nithia Nalliah | 5 | **–** | **2 491 744** | **2 491 744** | – | 2 491 744 | 2 491 744 |
| Toni Fourie | 6 | **–** | **304 405** | **304 405** | – | 304 405 | 304 405 |
| Tami Sokutu | 6 | **–** | **5 806 475** | **5 806 475** | – | 5 806 475 | 5 806 475 |
| Subtotal | | **6 065 628** | **24 536 996** | **30 602 624** | 6 065 628 | 24 536 996 | 30 602 624 |
| **Total ordinary shares** | | **6 073 170** | **29 347 777** | **35 420 947** | 6 073 170 | 29 347 777 | 35 420 947 |

* *The shareholding of past directors are as at the date of resignation. The directors are not aware of changes in shareholding by directors after their resignation.*

Note 1: Eyomhlaba Investment Holdings (RF) Limited ("Eyomhlaba") owns 48 176 160 (2014: 48 176 160) ordinary shares in ABIL which is 3,2% (2014: 3,2%) of ABIL's issued ordinary share capital.

Note 2: Hlumisa Investment Holdings (RF) Limited ("Hlumisa") owns 25 911 800 (2014: 25 911 800) ordinary shares in ABIL which is 1,7% (2014: 1,7%) of ABIL's issued ordinary share capital.

# Directors' report (continued)

Note 3: Mutle Mogase has a 4,8% (2014: 4,8%) interest in Eyomhlaba and a 3,0% (2014: 3,0%) interest in Hlumisa.
Note 4: Leon Kirkinis resigned from the board effective 6 August 2014.
Note 5: Nithia Nalliah resigned from the board effective 31 March 2015.
Note 6: Toni Fourie and Tami Sokutu resigned from the board effective 6 February 2014.

## Interest of directors and officers in transactions

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

## Insurance and directors' and officers' indemnity

As permitted by the company's memorandum of incorporation, the company has purchased an insurance policy to protect the directors and company secretary against certain losses and liabilities which they may incur in the course of acting as directors or officers of the company or of one or more of its subsidiaries. The board believes that it is in the best interest of the company to attract and retain the services of the most able and experienced directors and officers by offering competitive terms of engagement, including directors and officers insurance on terms consistent with the legislation and best practice.

## Auditors

The company's auditors are Grant Thornton Johannesburg Partnership and the designated audit partner is Soné Kock. Grant Thornton Johannesburg Partnership were appointed as auditors on 24 August 2015.

Deloitte & Touche resigned as auditors on 26 June 2015 and the reasons for their resignation is set out in the directors' report of the annual financial statements for the year ended 30 September 2014.

## Company statement of financial position

*as at 30 September 2015*

| *R million* | *Notes* | *2015* | *2014* |
|---|---|---|---|
| **Assets** | | | |
| Short-term deposits and cash | 5 | **454** | 4 |
| Other financial assets | 6 | **407** | 4 |
| Investments | 8 | **–** | – |
| Investment in subsidiaries | 9 | **565** | 564 |
| **Total assets** | | **1 426** | 572 |
| **Liabilities and equity** | | | |
| Taxation | | **1** | – |
| Borrowings | 10 | **447** | 447 |
| Other liabilities | 11 | **420** | 378 |
| **Total liabilities** | | **868** | 825 |
| Ordinary share capital | 12 | **192** | 192 |
| Ordinary share premium | 12 | **14 458** | 14 458 |
| Reserves | 13 | **(15 222)** | (16 033) |
| Ordinary shareholders' equity | | **(572)** | (1 383) |
| Preference shareholders' equity | 14 | **1 130** | 1 130 |
| **Total equity (capital and reserves)** | | **558** | (253) |
| **Total liabilities and equity** | 19 | **1 426** | 572 |
| Tangible net asset value per ordinary share (cents) | | **(38,1)** | (92,1) |
| Net asset value per ordinary share (cents0 | | **(38,1)** | (92,1) |

## Company income statement

*for the year ended 30 September 2015*

| *R million* | *Notes* | *2015* | *2014* |
|---|---|---|---|
| Dividends received | 15 | **897** | 1 271 |
| Sundry income | 15 | **–** | 7 |
| Interest received | 15 | **4** | 9 |
| **Total income** | | **901** | 1 287 |
| Operating costs | 15 | **(27)** | (372) |
| Impairment of financial instruments | 6 | **–** | (167) |
| Impairment of subsidiaries | 16 | **(14)** | (16 925) |
| Finance costs | | **(47)** | (6) |
| Indirect tax | | **(1)** | (4) |
| **Profit/(loss) before taxation** | | **812** | (16 187) |
| Direct taxation: SA normal tax | 18 | **(1)** | (4) |
| **Profit/(loss) for the year** | | **811** | (16 191) |
| Earnings/(loss) per share (cents) | | | |
| Basic and diluted | 19 | **54,0** | (1 160,9) |

## Company statement of other comprehensive income

*for the year ended 30 September 2015*

| ***R million*** | ***2015*** | ***2014*** |
|---|---|---|
| **Profit/(loss) for the year** | **811** | (16 191) |
| Other comprehensive loss | **–** | – |
| **Total comprehensive income/(loss)** | **811** | (16 191) |

## Company statement of changes in equity

*for the year ended 30 September 2015*

| | | *Ordinary shares* | | | |
|---|---|---|---|---|---|
| ***R million*** | ***Notes*** | ***Ordinary share capital and premium*** | ***Retained earnings*** | ***Preference share capital and premium*** | ***Total*** |
| Balance at 30 September 2013 | 12, 13, 14 | 9 440 | 288 | 1 130 | 10 858 |
| Shares issued in rights issue | 12, 24, 14 | 5 210 | – | – | 5 210 |
| Dividends paid | 20 | – | (41) | (89) | (130) |
| Total comprehensive loss for the year | | – | (16 280) | 89 | (16 191) |
| Balance at 30 September 2014 | 12, 13, 14 | 14 650 | (16 033) | 1 130 | (253) |
| Total comprehensive income for the year | | – | 811 | – | 811 |
| **Balance at 30 September 2015** | 12, 13, 14 | **14 650** | **(15 222)** | **1 130** | **558** |

## Company statement of cash flows

*for the year ended 30 September 2015*

| R million | Notes | 2015 | 2014 |
|---|---|---|---|
| Cash generated from operations | 21 | **452** | 1 258 |
| Cash receipts | | **484** | 1 287 |
| Cash payments | | **(32)** | (29) |
| Indirect and direct taxation paid | 22 | **(2)** | (7) |
| **Cash inflow from operating activities** | | **450** | 1 251 |
| **Cash outflow from investing activities** | | **–** | (5 494) |
| Investments acquired during the year | 6 | **–** | (177) |
| Investments disposed of during the year | 23 | **–** | 132 |
| Investments in subsidiaries | 9 | **–** | (5 449) |
| **Cash inflow from financing activities** | | **–** | 4 216 |
| Cash outflow from funding activities | | **–** | (867) |
| Issue of ordinary shares | | **–** | 5 213 |
| Preference shareholders' payments and transactions | 20 | **–** | (89) |
| Ordinary shareholders' payments and transactions | 20 | **–** | (41) |
| **Increase/(decrease) in cash and cash equivalents** | | **450** | (27) |
| **Cash and cash equivalents at the beginning of the year** | | **4** | 35 |
| **Reclassification of cash held by African Bank Limited** | | **–** | (4) |
| **Cash and cash equivalents at the end of the year** | 24 | **454** | 4 |

# Notes to the company annual financial statements

*for the year ended 30 September 2015*

## 1. General information

African Bank Investments Limited ("ABIL") is a listed company incorporated in the Republic of South Africa.

The principal activities are disclosed in the directors' report.

## 2. Adoption of new standards and interpretations effective for the current and future financial years

### *2.1 New and revised IFRSs with no material effect on the financial statements*

The following new and revised standards, amendment to standards and interpretation have been applied in the current year:

| IFRS/IFRIC | Title and details |
|---|---|
| **IFRS 10** | **Consolidated Financial Statements**<br>IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of "Investment entities" must be accounted for at fair value under IFRS 9 "Financial Instruments" and IAS 39 "Financial Instruments: Recognition and measurement". |
| **IFRS 12** | **Disclosure of interest in other entities**<br>Amendments applicable to investment entities. |
| **IAS 19** | **Employee benefits**<br>Amendments regarding clarification of the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to period of service. |
| **IAS 27** | **Consolidated and separate financial statements**<br>Requirement to account for interests in "Investment entities" at fair value under IFRS 9 "Financial Instruments" and IAS 39 "Financial Instruments: Recognition and measurement", in the separate financial statements of a parent. |
| **IAS 32** | **Financial Instruments: Classification and Measurement**<br>The amendments do not change the current offsetting model in IAS 32, which requires an entity to offset a financial asset and financial liability in the statement of financial position only when the entity currently has a legally enforceable right to set off and intends either to settle the asset and liability on a net basis or to realise the asset and settle the liability simultaneously.<br>The amendments are made to clarify the application principles on the offsetting requirements for the financial assets and financial liabilities. |
| **IAS 36** | **Impairment of assets**<br>Amendments arising from recoverable amount disclosures for non-financial assets. The amendments clarify the disclosure requirements in respect of fair value less costs of disposal.<br>Two additional disclosure requirements were added:<br>• Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.<br>• Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal. |
| **IAS 39** | **Financial instruments: Recognition and measurement**<br>Amendments for novations of derivatives. The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. |

## Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

| IFRS/IFRIC | Title and details |
|---|---|
| IFRIC 21 | **Levies**<br>This interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 and those where the timing and amount of the levies is certain.<br><br>The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. Guidance provided indicates that the liability is recognised progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.<br><br>**Annual improvements 2010 – 2012**<br>Amendments affect IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38.<br><br>**Annual improvements 2011 – 2013**<br>Amendments affect IFRS 1, IFRS 3, IFRS 13, IAS 40. |

The application of these new and revised standards and interpretations has not had any material effect on the amounts reported for the current and prior years.

### 2.2 *New and revised IFRSs in issue but not yet effective*

The company has not applied the following new and revised IFRSs that have been issued but not yet effective:

| **IFRS effective for periods beginning on or after 1 January 2015 (applicable to the financial statements for the year ended 30 September 2016)** | | |
|---|---|---|
| **IFRS 7** | **Financial Instruments: Disclosures**<br>Amendments require specific disclosure about the initial application of IFRS 9.<br><br>The amendments defer the effective date of IFRS 9 from periods beginning on or after 1 January 2013 to periods beginning on or after 1 January 2015.<br><br>The amendments to IFRS 7 require additional disclosures on transition from IAS 39 to IFRS 9. The new transitional disclosures include, but are not limited to:<br><br>Changes in the classifications of financial assets and financial liabilities, showing separately:<br>a) the changes in the carrying amounts on the basis of their measurement categories in accordance with IAS 39 (ie not resulting from a change in measurement attribute on transition to IFRS 9); and<br>b) the changes in the carrying amounts arising from a change in measurement attribute, such as from amortised cost to fair value, on transition to IFRS 9.<br><br>The following four financial assets and financial liabilities that have been reclassified so that they are measured at amortised cost as a result of the transition to IFRS 9:<br>a) The fair value of the financial assets or financial liabilities at the end of the reporting period.<br>b) The fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets or financial liabilities had not been reclassified.<br>c) The effective interest rate determined on the date of reclassification.<br>d) The interest income or expense recognised. | Also effective when IFRS 9 is first applied.<br><br>The company will comply with the standard and will reconsider the classification of its financial assets into financial assets at amortised cost or fair value when the standard becomes effective. |

## Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

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|---|---|---|
| | The amendments also require additional hedge accounting disclosures resulting from introduction of the hedge accounting chapter in IFRS 9.<br><br>Implementation guidance has been added to IFRS 7, which illustrates how the quantitative disclosures might be made. | |
| **IFRS effective for periods beginning on or after 1 January 2016 (applicable to the financial statements for the year ended 30 September 2017)** | | |
| **IFRS 10** | **Consolidated Financial Statements**<br>Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture. | The company will comply with the standard when the standard becomes effective. |
| **IFRS 11** | **Joint arrangements**<br>Amendments regarding the accounting for acquisitions of an interest in joint operation. | The company will comply with the standard when the standard becomes effective. |
| **IFRS 14** | **Regulatory Deferral Accounts**<br>The standard permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes for "regulatory deferral account balances" in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. | This standard will have no impact on the company. |
| **IAS 1** | **Presentation of Financial Statements**<br>Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. | The company will comply with the standard when the standard becomes effective. |
| **IAS 16** | **Property, plant and equipment**<br>Amendments regarding the clarification of acceptable methods of depreciation and amortisation.<br><br>Amendments bringing bearer plants into the scope of IAS 16. | The company will comply with the standard when the standard becomes effective. |
| **IAS 27** | **Separate financial statements**<br>Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an equity's separate financial statements. | The company will comply with the standard when the standard becomes effective. |
| **IAS 28** | **Investments in associates and joint ventures**<br>Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture. | The company will comply with the standard when the standard becomes effective. |
| **IAS 38** | **Intangible assets**<br>Amendments regarding the clarification of acceptable methods of depreciation and amortisation. | The company will comply with the standard when the standard becomes effective. |

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

| | | |
|---|---|---|
| **IAS 41** | **Agriculture**<br>Amendments bringing bearer plants into the scope of IAS 16. | This standard is not expected to have an impact on the company. |
| | **Annual improvements 2011 – 2013**<br>Amendments affect IFRS 10, IFRS 11, IAS 16, IAS 27, IAS 28, IAS 41. | The amendments are not expected to have a significant impact on the company. |
| | **Annual improvements 2012 – 2014**<br>Amendments affect IFRS 4, IFRS 7, IAS 19, IAS 34. | The amendments are not expected to have a significant impact on the company. |
| **IFRS effective for periods beginning on or after 1 January 2017 (applicable to the financial statements for the year ended 30 September 2018)** | | |
| **IFRS 15** | **Revenue from contracts with customers**<br>The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. | The company will comply with the standard when the standard becomes effective. |
| **IFRS effective for periods beginning on or after 1 January 2018 (applicable to the financial statements for the year ended 30 September 2019)** | | |
| **IFRS 9** | **Financial Instruments: Classification and Measurement**<br>This standard is part of the IASB's three-part project intended to ultimately replace current IAS 39: *Recognition and Measurement of Financial Instruments* standard.<br>This phase deals with classification and measurement of financial assets.<br>Finalised version of the standard was issued in July 2014. The final version incorporates requirements for classification and measurement, impairment, general hedge accounting and derecognition.<br>The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before 1 February 2015. | The company will comply with the standard when the standard becomes effective. |

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described below, management is required to make judgements, estimates and assumptions. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates, judgements and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

A change in accounting estimates is defined as an adjustment to the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

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

## Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

### *3.1 Going concern*

As stated in the directors' responsibility section, the annual financial statements have been prepared on a going-concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The entering of Ellerine Holdings Limited and Ellerine Furnishers Proprietary Limited into business rescue proceedings and placing of African Bank Limited under curatorship has cast doubt on whether the company can continue as a going-concern.

The directors have considered the following in deciding whether the company is a going concern:

ABIL is currently in business rescue due to the demand for repayment of loans and fulfilment of guarantees issued to various financial institutions.

The company is an investment holding company and hence is reliant on the dividends it receives from its subsidiaries for income in order to meet its commitments.

The directors believe that the claims by the creditors will be paid in full for the following reasons:

- The company's subsidiary, The Standard General Insurance Company Limited ("Stangen"), is in a strong financial position and has equity of approximately R1,1 billion at 30 September 2015.
- Stangen is profitable and in the 2015 financial year made profits of approximately R1,4 billion.
- Value will be realised from Stangen's run-off credit life book with African Bank Limited despite the lapsing of the purchase and sale agreement of the entire issued shares in Stangen. Stangen is exploring various ways to retain value in its book as well as developing new routes to market independent of African Bank Limited.
- Stangen has sufficient cash and equity to declare dividends to ABIL that will fund operations, facilitate repayment of ABIL's creditors and provide ABIL with funds to either invest in new opportunities or to make distributions to shareholders.

The directors believe that either if Stangen is sold or continues operating as a subsidiary of ABIL there will be sufficient cash to pay ABIL's creditors, fund operations and potentially make new investments or make distributions to ABIL's shareholders.

Thus the directors concluded that the preparation of the annual financial statements as a going-concern is appropriate as the company is expected to realise its assets and settle its commitments in the normal course of business for a period of not less than one year from the date of approval of these annual financial statements.

### *3.2 Impairment testing*

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that certain key assumptions may change, which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use are inherently uncertain and could materially change over time.

In determining the impairment of the deposits that are held with African Bank Limited the deposits are held at 90% of face value which is based on the assumption that the deposits will be transferred to the Good Bank at 90% of face value.

### *3.3 Provisions*

By their nature, various assumptions are applied in arriving at the carrying value of provisions that are recognised in terms of the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Where the provision relates to a legal matter, management relies on input from legal external and internal counsel in assessing the probability of matters of a significant nature.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

## 4. Significant accounting policies

The significant accounting policies set out below have been applied in the preparation and presentation of the annual financial statements in dealing with items that are considered material during this reporting period.

### *4.1 Statement of compliance*

The annual financial statements are prepared in accordance with, and comply with, the International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("IFRIC") of the IASB, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act (Act 71 of 2008).

### *4.2 Basis of preparation*

The financial statements have been prepared in accordance with the going-concern principle and using a historical cost basis, except where specifically indicated otherwise in the accounting policies.

The statement of financial position is presented in order of liquidity with the exception of certain long-term liabilities which reflect the original time frame and intention of the instrument entered into. Reference to the current maturities of these financial liabilities is disclosed in the notes and in the analysis of financial assets and liabilities. The accounting policies and their application are consistent with the previous year except where specifically stated otherwise.

**Functional and presentation currency**

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

### *4.3 Assets and liabilities*

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

Assets are recognised if it is probable that future economic benefits will flow to the company and the asset has a cost or value that can be measured reliably.

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

Liabilities are recognised if it is probable that the settlement of the obligation will result in an outflow of resources, embodying economic benefits, and the settlement amount can be measured reliably.

### *4.4 Impairment of non-financial assets*

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

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher amount of an asset's fair value less cost to sell and value in use. Fair value less cost to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

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

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

### *4.5 Assets held for sale*

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

### *4.6 Financial instruments*

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

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

Financial instruments are accounted for under IAS 32 *Financial Instruments: Presentation* and IAS 39: *Financial Instruments: Recognition and Measurement* and IFRS 7: *Financial Instruments: Disclosures*. Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

Financial liabilities are classified into the following categories:

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

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

#### *4.6.1 Initial recognition*

Financial instruments are recognised on the statement of financial position when the company becomes a party to the contractual provisions of a financial instrument.

#### *4.6.2 Initial measurement*

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

#### *4.6.3 Subsequent measurement*

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

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

Financial instruments at fair value through profit or loss consist of trading instruments and instruments that the company has elected, on the date of initial recognition, to designate as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if:

- It has been acquired or incurred principally for the purpose of selling or repurchasing in the near term; or
- On initial recognition it is a part of an identified portfolio of identifiable financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

## Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

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

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

**Held-to-maturity financial assets**

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

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

**Loans and receivables**

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

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

**Available-for-sale financial assets**

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

**Financial liabilities at amortised cost**

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

*4.6.4 Effective interest rate method*

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

*4.6.5 Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date:
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for a financial asset or liability with similar terms and conditions.

### *4.6.6 Impairment of financial instruments*

#### 4.6.6.1 Assets carried at amortised cost

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

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

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

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

When portfolio (collective) assessment of impairment is used, financial assets are grouped on the basis of similar credit characteristics which indicate the borrower's ability to pay in accordance with the contractually agreed terms.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

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

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

If the recoverable amount of the advance is estimated to be less than the carrying amount, the carrying amount of the advance is reduced to its recoverable amount by raising an impairment provision (through the use of a separate allowance account), which is recognised as an expense in profit or loss. Loans are written off, either partially or in full, when there is no realistic prospect of full or partial recovery. A write-off is effected against the allowance account.

In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods. Groups of loans and advances are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows.

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

Impairment allowances raised during the year are charged to profit or loss.

**4.6.6.2 Available-for-sale financial assets**

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but on or before the reporting date, that have a negative impact on the future cash flows of the asset. In addition, an available-for-sale financial asset is considered to be impaired if a significant or prolonged decline in fair value of the instrument below its cost has occurred. In that instance, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from other comprehensive income to profit or loss.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve in equity. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

*4.6.7 Derecognition of financial instruments*

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

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The company transfers the financial asset and the transfer qualifies for derecognition.

The company transfers a financial asset if:

- It transfers the contractual rights to receive the cash flows of the financial asset; or
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

When the company transfers a financial asset it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- If the company transfers substantially all the risks and rewards of ownership of the financial asset, the company derecognises the financial asset and recognise separately as asset or liability any rights and obligations created or retained in the transfer;
- If the company retains substantially all the risks and rewards of ownership of the financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received;
- If the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the company determines whether it has retained control of the financial asset. In this case:
  - If the company has not retained control, it derecognises the financial asset and recognise separately as asset and liabilities any rights and obligations created or retained in the transfer;
  - If the company has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

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

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

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

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

*4.6.8 Offsetting*

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

### *4.7 Borrowings*

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

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

### *4.8 Cash and cash equivalents*

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

### *4.9 Equity*

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

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

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

*4.9.1 Share capital and share premium*

Shares issued by the company are recorded at the value of the proceeds received less the external costs directly attributable to the issue of the shares. In line with the requirements of the Banks Act, only par value shares are issued by the company. Where shares are issued for consideration other than in cash under a business combination in terms of IFRS 3, the value at which the issued shares are recorded is the market value of the company's shares at the date of issue.

*4.9.2 Dividends*

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

## *4.10 Revenue*

Revenue comprises interest income and dividend income.

*4.10.1 Interest income*

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

*4.10.2 Dividend income*

Dividend income is recognised when the company's right to receive payment is established.

## *4.11 Taxation*

*4.11.1 Indirect taxation*

Indirect taxation in the form of non-claimable value-added tax ("VAT") on expenses is disclosed as indirect taxation in profit or loss and not as part of the taxation charge.

*4.11.2 Direct taxation*

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

**4.11.2.1 Current and withholding taxation**

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

**4.11.2.2 Deferred taxation**

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised on the tax effects of income tax losses available for carry forward, if the company considers it probable that future taxable income will be available against which the unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

### *4.12 Contingent liabilities and commitments*

#### *4.12.1 Contingent liabilities*

A contingent liability is disclosed when:

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

#### *4.12.2 Commitments*

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

### *4.13 Comparative figures*

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

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

| *R million* | *2015* | *2014* |
|---|---|---|
| **5. Short-term deposits and cash** | | |
| Call account | **452** | – |
| Current account | **2** | 4 |
| Call and current accounts | **454** | 4 |
| The call account is held with Standard Bank South Africa and bears interest at 6% per annum. | | |
| The current account is held with Standard Bank South Africa and attracts interest at market-related rates. | | |
| **6. Other financial assets** | | |
| Deposit placed with African Bank Limited non-interest-bearing | **4** | 4 |
| Deposit amount | **6** | 6 |
| Impairment of deposit | **(2)** | (2) |
| Deposit placed with African Bank Limited interest-bearing | **403** | – |
| Investment in preference shares | **165** | 165 |
| **Eyomhlaba Investment Holdings (RF) Limited ("Eyomhlaba")**<br>Investment is represented by 10 "C" and 94 "D" cumulative, redeemable, preference shares at R1 million each. The "C" cumulative, redeemable preference shares have a contractual dividend rate which is equal to 8,5% nominal annual compounded semi-annually ("NACS") payable semi-annually on 30 June and 31 December each year. Preference shares are redeemable in December 2015. | **104** | 104 |
| The "D" cumulative, redeemable preference shares have a contractual dividend rate which is equal to 8,37% NACS payable semi-annually on 30 June and 31 December each year. | | |
| The preference shares to the value of R16 million are redeemable on 31 December 2014 and 30 June 2015. The remaining portion of the preference shares is redeemable in December 2015. | | |
| **Hlumisa Investment Holdings (RF) Limited ("Hlumisa")**<br>Investment is represented by 18 "A" and 50 "B" cumulative, redeemable preference shares at R1 million each. | | |
| The "A" cumulative, redeemable preference shares have a contractual dividend rate which is equal to 8,5% nominal annual compounded semi-annually ("NACS") payable semi-annually on 30 June and 31 December each year. The preference shares are redeemable in December 2015. | **61** | 61 |
| The "B" cumulative, redeemable preference shares have a contractual dividend rate which is equal to 8,37% NACS payable semi-annually on 30 June and 31 December each year. The preference shares to the total value of R6 million are redeemable on 31 December 2014 and 30 June 2015. The remaining portion of the preference shares is redeemable in December 2015. | | |
| Impairment of investment in preference shares | **(165)** | (165) |
| | **407** | 4 |

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

## 6. Other financial assets (continued)

Non-interest-bearing deposit placed with African Bank Limited represents the cash placed with the bank. On 10 August 2014, the SARB announced that it is placing African Bank Limited under curatorship with effect from that day. The announcement contains a proposal for the restructuring of the liabilities of African Bank. As per proposal, senior debt instruments and wholesale deposits (excluding subordinated debt holders) will be transferred at 90% of face value following the restructuring (the absolute interest rate will be based on the revised face value). Thus the amounts receivable from ABL are recorded in the manner reflecting the measures proposed by SARB (the wholesale deposits are recorded at 90% of face value).

Interest-bearing deposit represents a deposit ceded to ABIL by its subsidiary The Standard General Insurance Company Limited. The deposit is held at African Bank Limited and attracts interest at 5,4% a year. African Bank Limited is currently under curatorship and at this stage the deposit cannot be withdrawn from the bank.

Hlumisa and Eyomhlaba were created by African Bank Investments Limited to accommodate ABIL's broad-based black equity ownership programme. Both companies hold a significant number of ABIL shares.

From 31 December 2013, African Bank Investments Limited is the holder of all the preference shares issued by Hlumisa and Eyomhlaba. The investments in preference shares of Hlumisa and Eyomhlaba are fully impaired due to significant uncertainty regarding the companies' ability to repay the preference shares.

The initial investment in Hlumisa and Eyomhlaba preference shares was R177 milion of which R12 million redeemed in June 2014 as part of the redemption profile for these shares. Thus shares with a cost of R165 million remain after this redemption.

| *R million* | *Opening balance* | *Recognised in profit and loss* | *Closing balance* |
|---|---|---|---|
| **7. Deferred tax asset** | | | |
| **2015** | | | |
| **Temporary differences** | | | |
| Estimated tax losses | **–** | **–** | **–** |
| **Total** | **–** | **–** | **–** |
| **2014** | | | |
| **Temporary differences** | | | |
| Estimated tax losses | 1 | (1) | – |
| | 1 | (1) | – |

The deferred tax asset is related to the assessed losses and was tested for recoverability in terms of IAS 12.

| | | *2015* | *2014* |
|---|---|---|---|
| ***7.1*** | ***Unrecognised deferred tax assets*** | | |
| | Deferred tax assets not recognised at reporting date: | | |
| | Estimated tax losses | **1** | 1 |
| | | **1** | 1 |

The unrecognised deferred tax asset above relates to the capital losses of African Bank Investments Limited.

This deferred tax asset is not recognised as there is uncertainty whether the asset will be recovered through sufficient capital gains in the future.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

| *R million* | *2015* | *2014* |
|---|---|---|
| **8. Investments** | | |
| *Unlisted shares* | | |
| African Bank Limited | **–** | – |
| Cost | **14 419** | 14 419 |
| Impairment | **(14 419)** | (14 419) |
| Ellerine Holdings Limited | **–** | – |
| Cost | **4 261** | 4 261 |
| Impairment | **(4 261)** | (4 261) |
| | **–** | – |

The investments in African Bank Limited and Ellerines Holdings Limited were previously disclosed under investments in subsidiaries (note 9). Both these entities are now disclosed under investments as they are no longer subsidiaries due to the change in control as illustrated below.

On 10 August 2014, the SARB announced that it is placing ABL under curatorship with effect from that day. ABIL and ABL have a common board. With effect from the date of curatorship, the ABL board was suspended. Due to the nature of the curatorship, ABIL has lost control over its subsidiary from the date of curatorship.

On 7 August 2014, Ellerine Furnishers Proprietary Limited (the biggest subsidiary of Ellerine Holdings Limited) voluntarily began business rescue proceedings. As a result of it the company was placed under supervision of a business rescue practitioner.

On 22 August 2014, Ellerine Holdings Limited also voluntarily began business rescue proceedings and placed the company under supervision of a business rescue practitioner.

Due to the nature of the business rescue process, ABIL has lost control over its subsidiary from the date of introduction of the business rescue proceedings.

See appendix A for information relating to investment in unlisted equity shares.

| *R million* | *2015* | *2014* |
|---|---|---|
| **9. Investments in subsidiaries** | | |
| Unlisted shares | | |
| Shares at cost less impairments | **565** | 564 |
| | **565** | 564 |
| **Reconciliation of carrying value** | | |
| Opening balance | **564** | 12 040 |
| Acquisition of shares in subsidiaries | **–** | 5 449 |
| Receipt of subsidiary through dividend in specie | **15** | – |
| Impairment of investments (refer note 16) | **(14)** | (16 925) |
| Closing balance | **565** | 564 |
| See appendix A for information relating to subsidiaries. | | |
| **10. Borrowings** | | |
| Loan from African Bank Limited | **447** | 447 |

The loan from African Bank Limited is unsecured, interest-free and is repayable on demand.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

| *R million* | *2015* | *2014* |
|---|---|---|
| **11. Other liabilities** | | |
| Sundry creditors and accruals | **7** | 12 |
| Provision for guarantees issued | **387** | 340 |
| Shareholders for odd-lot offer | **13** | 13 |
| Shareholders for unclaimed dividends | **13** | 13 |
| | **420** | 378 |

The provision for guarantees is related to the guarantees provided by ABIL to Ellerine Furnishers Proprietary Limited funders in June and July 2014 to the total value of R550 million in connection with the facilities granted to Ellerine Furnishers Proprietary Limited by its funders. These guarantees have now been called by the funders and hence are provided for. The provision is equal to guarantee value less payments made by Ellerine Furnishers plus interest accrued on the unpaid amount.

The guarantees are currently repayable and attract interest of between prime and prime +2%.

| *R million* | *Opening balance* | *Provision and interest recognised during the year* | *Closing balance* |
|---|---|---|---|
| ***11.1 Provisions reconciliation*** | | | |
| **2015** | | | |
| Provision for guarantees | **340** | **47** | **387** |
| **Total** | **340** | **47** | **387** |
| **2014** | | | |
| Provision for guarantees | – | 340 | 340 |
| **Total** | – | 340 | 340 |

| | *2015* | | *2014* | |
|---|---|---|---|---|
| | *Number of shares* | *R million* | *Number of shares* | *R million* |
| **12. Ordinary share capital and premium** | | | | |
| **Authorised** | | | | |
| Ordinary shares of 2,5 cents each | **2 000 000 000** | **25** | 2 000 000 000 | 25 |
| **Issued** | | | | |
| Ordinary shares at par value of 2,5 cents each | **1 501 932 232** | **192** | 1 501 932 232 | 192 |
| Ordinary share premium | | **14 458** | | 14 458 |
| | | **14 650** | | 14 650 |

**Unissued shares**

The directors have no authority to issue any of the unissued share capital. The directors have the authority to contract African Bank Investments Limited or any subsidiary to acquire shares not exceeding 3% of the issued share capital.

**Shares issued during the year**

No shares were issued during the 2015 financial year.

**Shares issued during the previous year**

On 9 December 2013, ABIL issued 685 281 693 as a result of a rights offer.

| Number of ordinary shares | *2015* | *2014* |
|---|---|---|
| Number of shares in issue at the beginning of the year | **1 501 093 232** | 815 811 539 |
| Shares issued during the year | **–** | 685 281 693 |
| Number of shares in issue at the end of the year | **1 501 093 232** | 1 501 093 232 |

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

| *R million* | *2015* | *2014* |
|---|---|---|
| **13. Reserves** | | |
| Reserves comprise the following: | | |
| Accumulated loss | **(15 222)** | (16 033) |
| **Total reserves** | **(15 222)** | (16 033) |

| | *2015* | | *2014* | |
|---|---|---|---|---|
| | *Number of shares* | *R million* | *Number of shares* | *R million* |
| **14. Preference shareholders' equity** | | | | |
| **Authorised** | | | | |
| Preference shares of 1 cent each | **20 000 000** | * | 20 000 000 | * |
| **Issued** | | | | |
| Preference shares at par value of 1 cent each | **13 523 029** | * | 13 523 029 | * |
| Preference share premium | | **1 130** | | 1 130 |
| | | **1 130** | | 1 130 |

* *Amount below R1 million.*

13 523 029 non-redeemable, non-cumulative, non-participating preference shares with a par vale of R0,01 are in issue. Five million shares were issued on 23 March 2005 at a premium of R99,99 per share and share issue expenses of R23 million were set off against the preference share premium. A further 3 042 251 shares were issued during the 2011 financial year and 5 480 778 shares were issued in the 2012 financial year. The shares were issued at a premium of R76,13 per share and share issue expenses of R6 million were set off against the preference share premium. These shares rank *pari passu* with the 8 042 251 preference shares already in issue.

ABIL will not declare an ordinary dividend unless a preference dividend has been declared. Preference dividends will be calculated at 69 % of the daily average prime overdraft rate which prevailed in respect of the period for which the dividend is calculated.

**Shares issued during the year**

No preference shares were issued in the current financial year.

| *R million* | 2015 | *2014* |
|---|---|---|
| **15. Interest and non-interest income** | | |
| Dividends received from subsidiary companies | **897** | 1 271 |
| Interest received | **4** | 9 |
| Preference dividend received | **–** | 7 |
| | **901** | 1 287 |
| Preference dividend received is classified as interest for reporting purposes. | | |
| **16. Impairment of investments in subsidiaries** | | |
| Impairment of investment in Theta Investments Proprietary Limited | **(14)** | – |
| Impairment of investment in African Bank Limited | **–** | (14 419) |
| Impairment of investment in CreditSave Proprietary Limited | **–** | (8) |
| Impairment of investment in Ellerine Holdings Limited | **–** | (2 498) |
| | **(14)** | (16 925) |

## Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

| R million | 2015 | 2014 |
|---|---|---|
| **17. Operating costs** | | |
| Auditors' remuneration | 3 | 7 |
| Audit fees – current year | – | 3 |
| Audit fees – audit of other group companies | 3 | 4 |
| Executive directors' remuneration | 3 | – |
| Non-executive directors' remuneration* | 3 | 1 |
| Provision for guarantees issued to related parties | – | 334 |
| Consulting fees | 14 | 14 |
| Other expenses | 4 | 16 |
| | 27 | 372 |

* *Non-executive directors' fees were previously shared by African Bank Limited and the company. From February 2015, the fees were paid by the company only.*

| R million | 2015 | 2014 |
|---|---|---|
| **18. Direct taxation** | | |
| Total taxation charge per the income statement | (1) | (4) |
| ***18.1 Direct taxation*** | | |
| SA normal tax | | |
| Current year | 1 | 3 |
| Deferred tax | | |
| Current year | – | 1 |
| Direct taxation charge per the income statement | 1 | 4 |
| ***18.2 Tax rate reconciliation*** | | |
| Profit/(loss) before taxation (amount used as the denominator in the tax rate reconciliation) | 812 | (16 187) |
| | % | % |
| Total taxation charge for the year as a percentage of profit/(loss) before taxation | (0,1) | – |
| Effective rate of taxation | 0,1 | – |
| Dividend income | 30,9 | (2,2) |
| Disallowable expenses | (2,9) | 30,2 |
| **Standard rate of South African taxation** | 28,0 | 28,0 |

| R million | 2015 | 2014 |
|---|---|---|
| **19. Reconciliation between basic earnings and headline earnings** | | |
| **Reconciliation between basic earnings/(loss) and headline earnings** | | |
| Profit/(loss) for the year | 811 | (16 191) |
| Preference shareholders | – | (89) |
| Basic earnings/(loss) attributable to ordinary shareholders | 811 | (16 280) |
| Adjusted for: | | |
| Impairment of subsidiaries | 14 | 16 925 |
| **Headline earnings** | 825 | 645 |
| **Earnings per ordinary share** | | |
| Headline earnings per ordinary share (cents) | 55,0 | 46,0 |
| Basic earnings/(loss) per ordinary share (cents) | 54,0 | (1 160,9) |

| | 2015 | | 2014 | |
|---|---|---|---|---|
| R million | Total number of shares in issue | Weighted number of shares in issue | Total number of shares in issue | Weighted number of shares in issue |
| **Number of shares** | | | | |
| Number of shares in issue at the end of the year | 1 501,0 | 1 501,0 | 1 501,0 | 1 402,4 |

## Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

| *R million* | *2015* | *2014* |
|---|---|---|
| **20. Ordinary and preference dividends** | | |
| ***20.1 Ordinary dividends*** | | |
| No final dividend was declared during the year (2014: 5 cents) | **–** | 41 |
| No interim dividend was declared during the year (2014: Nil cents) | **–** | – |
| **Total ordinary and special dividends paid during the year** | **–** | 41 |
| No interim dividend was declared during the year with respect to the income for the year (2014: Nil) | **–** | – |
| No final dividend was declared with respect to the income for the year (2014: Nil) | **–** | – |
| **Total ordinary and special dividends relating to income for the year** | **–** | – |
| ***20.2 Preference dividends*** | | |
| No final preference dividend was declared during the year (2014: 308 cents) | **–** | 42 |
| No interim preference dividend was declared during the year (2014: 349 cents) | **–** | 47 |
| **Total preference dividends paid during the year** | **–** | 89 |
| No interim preference dividend was declared with respect to the income for the year (2014: 349 cents) | **–** | 47 |
| No final preference dividend was declared with respect to the income for the year (2014: Nil) | **–** | – |
| **Total preference dividends relating to income for the year** | **–** | 47 |
| **21. Cash generated from operations** | | |
| Profit/(loss) from operations (before direct and indirect taxation) | **813** | (16 183) |
| Adjusted for: | | |
| Movement in accruals | **(5)** | 9 |
| Non-cash dividend received | **(417)** | – |
| Movement in provisions and finance cost | **47** | 340 |
| Impairment of financial assets and subsidiaries | **14** | 17 092 |
| | **452** | 1 258 |
| **22. Direct and indirect taxation paid** | | |
| Direct and indirect taxation charged to the income statement | **2** | 7 |
| | **2** | 7 |
| **23. Investments disposed during the year** | | |
| Refund of security deposit by Rand Merchant Bank | **–** | 120 |
| Receipt on redemption of Eyomhlaba and Hlumisa preference shares | **–** | 12 |
| | **–** | 132 |
| **24. Cash and cash equivalents** | | |
| Short-term deposits and cash | **454** | 4 |

### 25. Facility unutilised

African Bank Investments Limited does not have any unutilised credit facilities.

### 26. Related-party information

African Bank Investments Limited holds 100% of *inter alia* Theta Investments Proprietary Limited, Customer Protection Insurance Company Limited, Creditsave Proprietary Limited and The Standard General Insurance Company Limited. Details of investment in subsidiaries are disclosed in appendix A.

Dividends received from subsidiaries are disclosed in note 15 and additional shares acquired in subsidiaries are disclosed in note 9.

**Director-related transactions**

There were no material transactions with directors other than interests in share capital and share options and emoluments as disclosed in the directors' report and the remuneration report.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

## 27. Risk management

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the company's liabilities are either interest-free or are at variable rates. Therefore the company seeks to ensure that there is a balance between assets at fixed interest rates and variable interest rates where possible.

| | R million | Up to one month | Non-interest sensitive items | Non-financial instruments | Total |
|---|---|---|---|---|---|
| 27.1 | *Interest rate risk management* | | | | |
| | **2015** | | | | |
| | **Assets** | | | | |
| | Short-term deposits and cash | 454 | – | – | 454 |
| | Other financial assets and taxation | 403 | 4 | – | 407 |
| | Investment in subsidiaries | – | – | 565 | 565 |
| | **Total assets** | 857 | 4 | 565 | 1 426 |
| | **Liabilities and equity** | | | | |
| | Taxation | – | – | 1 | 1 |
| | Borrowings | – | 447 | – | 447 |
| | Other liabilities | 387 | 33 | – | 420 |
| | Shareholders' equity | – | – | 558 | 558 |
| | **Total liabilities and equity** | 387 | 480 | 559 | 1 426 |
| | **On-balance sheet interest sensitivity** | 470 | (476) | 6 | – |
| | **2014** | | | | |
| | **Assets** | | | | |
| | Short-term deposits and cash | 4 | – | – | 4 |
| | Other financial assets and taxation | – | 4 | – | 4 |
| | Investment in subsidiaries | – | – | 564 | 564 |
| | **Total assets** | 4 | 4 | 564 | 572 |
| | Borrowings | – | 447 | – | 447 |
| | Other liabilities | 340 | 38 | – | 378 |
| | Shareholders' equity | – | – | (253) | (253) |
| | **Total liabilities and equity** | 340 | 485 | (253) | 572 |
| | **On-balance sheet interest sensitivity** | (336) | (481) | 817 | – |

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

IFRS 7 requires that a sensitivity analysis be provided for changes in interest rates. The sensitivity analysis below have been determined based on exposure to interest rates at the balance sheet date. A 100 basis point increase is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates. Given the extent of the risk and the current risk mitigants, a more sophisticated (eg value-at-risk) analysis is not considered necessary.

The sensitivity analysis below is based on an increase in rates. Given the linear structure of the company's portfolio, a 100 basis point increase in interest rates would've resulted in a corresponding net increase of R5 million (2014: decrease of R3 million) in net income before tax.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

| *R million* | *Carrying value at year-end* | *Amount exposed to market risk* | *Index to which interest rate is linked* | *Income statement impact* | | *Other comprehensive income impact* | |
|---|---|---|---|---|---|---|---|
| | | | | *Pre-tax* | *Post-tax* | *Pre-tax* | *Post-tax* |
| **27. Risk management (continued)** | | | | | | | |
| ***27.1 Interest rate risk management (continued)*** | | | | | | | |
| **2015** | | | | | | | |
| **Financial assets** | | | | | | | |
| Other financial assets | **861** | **857** | **Prime** | **9** | **6** | **–** | **–** |
| **Total financial assets** | **861** | **857** | | **9** | **6** | **–** | **–** |
| **Financial liabilities** | | | | | | | |
| Other liabilities | **867** | **387** | **Prime** | **4** | **3** | **–** | **–** |
| **Total financial assets** | **867** | **387** | | **4** | **3** | **–** | **–** |
| Net effect on profit and loss and equity | | | | **5** | **3** | **–** | **–** |
| **2014** | | | | | | | |
| **Financial assets** | | | | | | | |
| Other financial assets | 4 | 4 | Prime | – | – | – | – |
| **Total financial assets** | 4 | 4 | | – | – | – | – |
| Financial liabilities | | | | | | | |
| Other liabilities | 378 | 340 | Prime | 3 | 2 | – | – |
| **Total financial liabilities** | 378 | 340 | | 3 | 2 | – | – |
| Net effect on profit and loss and equity | | | | (3) | (2) | – | – |

***27.2 Foreign currency risk management***

The company is not exposed to foreign currency risk.

***27.3 Other price risk management***

The company is not exposed to price risk.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

## 27. Risk management (continued)

### *27.4 Liquidity risk management*

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises when the company is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so on materially disadvantageous terms.

Being an investment holding company, the company normally has significant higher financial liabilities than its financial assets as its source of income is dividends or disposal of subsidiaries which are of uncertain timing.

The table below analyses the company's financial assets and liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date.

| *R million* | Up to one month | One to 3 months | Greater than 3 months to 12 months | Greater than 12 months | Non-financial instruments | Total |
|---|---|---|---|---|---|---|
| **Assets and liabilities maturities as at 30 September 2015** | | | | | | |
| Short-term deposits and cash | **454** | **–** | **–** | **–** | **–** | **454** |
| Other financial assets and taxation | **–** | **–** | **–** | **407** | **–** | **407** |
| Investment in subsidiaries | **–** | **–** | **–** | **–** | **565** | **565** |
| **Total assets** | **454** | **–** | **–** | **407** | **565** | **1 426** |
| Taxation | **–** | **–** | **–** | **–** | **1** | **1** |
| Borrowings | **447** | **–** | **–** | **–** | **–** | **447** |
| Other liabilities | **420** | **–** | **–** | **–** | **–** | **420** |
| Shareholders' equity | **–** | **–** | **–** | **–** | **558** | **558** |
| **Total liabilities and equity** | **867** | **–** | **–** | **–** | **558** | **1 426** |
| **Net liquidity gap** | **(413)** | **–** | **–** | **407** | **6** | **–** |
| **Assets and liabilities maturities as at 30 September 2014** | | | | | | |
| Short-term deposits and cash | 4 | – | – | – | – | 4 |
| Other financial assets and taxation | – | – | – | 4 | – | 4 |
| Investment in subsidiaries | – | – | – | – | 564 | 564 |
| **Total assets** | 4 | – | – | 4 | 564 | 572 |
| Borrowings | – | 447 | – | – | – | 447 |
| Other liabilities | 378 | – | – | – | – | 378 |
| Shareholders' equity | – | – | – | – | (253) | (253) |
| **Total liabilities and equity** | 378 | 447 | – | – | (253) | 572 |
| **Net liquidity gap** | (374) | (447) | – | 4 | 817 | – |

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

## 27. Risk management (continued)

### *27.5 Fair value estimations*

The company has no assets or liabilities carried at fair value.

*27.5.1 Assets and liabilities for which fair value is disclosed*

| *R million* | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| **2015** | | | | |
| **Assets** | | | | |
| Financial assets | | | | |
| Short-term deposits and cash | **454** | **–** | **–** | **454** |
| Other financial assets | **–** | **–** | **407** | **407** |
| | **454** | **–** | **407** | **861** |
| **Liabilities** | | | | |
| Financial liabilities | | | | |
| Borrowings | **–** | **–** | **447** | **447** |
| Other liabilities | **–** | **–** | **420** | **420** |
| | **–** | **–** | **867** | **867** |
| **2014** | | | | |
| **Assets** | | | | |
| Short-term deposits and cash | 4 | – | – | 4 |
| Other financial assets | – | – | 4 | 4 |
| | 4 | – | 4 | 8 |
| **Liabilities** | | | | |
| Financial liabilities | | | | |
| Borrowings | – | – | 447 | 447 |
| Other liabilities | – | – | 378 | 378 |
| | – | – | 825 | 825 |

The fair values disclosed above are recurring in nature.

*27.5.2 Valuation models*

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

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

The company's instruments are relatively simple and are valued in the following manner:

Short-term deposits and cash are placed with highly rated financial institutions in South Africa, and hence the fair value is assessed as equal to the face value.

Other assets include deposits placed with African Bank Limited. These deposits are valued at the face value less the 10% haircut as announced by the South African Reserve Bank on 10 August 2014.

Also in other assets are investment in preference shares of Eyomhlaba and Hlumisa. This is valued at nil as the counterparties are currently technically insolvent and are not expected to be able to redeem these preference shares.

Borrowings represent a loan due to African Bank Limited and is repayable immediately hence the amount owed approximates the fair value.

The other liabilities comprise mainly of guarantees which are currently repayable on demand hence the amount owed is assessed to be the fair value.

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

## 28. Analysis of financial assets and liabilities

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

The following table analyses the financial assets and financial liabilities in the balance sheet per class and category of financial instruments to which they are assigned.

| | *R million* | *Loans and receivables* | *Non-financial instruments* | *Total* |
|---|---|---|---|---|
| *28.1* | ***Analysis of financial assets*** | | | |
| | **2015** | | | |
| | Short-term deposits and cash | **454** | **–** | **454** |
| | Other financial assets | **407** | **–** | **407** |
| | Investment in subsidiaries | **–** | **565** | **565** |
| | **Total assets** | **861** | **565** | **1 426** |
| | **Fair value** | **861** | | |
| | **2014** | | | |
| | Short-term deposits and cash | 4 | – | 4 |
| | Other financial assets | 4 | – | 4 |
| | Investment in subsidiaries | – | 564 | 564 |
| | **Total assets** | 8 | 564 | 572 |
| | **Fair value** | 8 | | |

**Income statement effect of financial instruments by category**

| *R million* | *2015* | *2014* |
|---|---|---|
| Interest income recognised – loans and receivables | **4** | 16 |
| **Total** | **4** | 16 |

| | *R million* | *Amortised cost* | *Non-financial instruments* | *Total* |
|---|---|---|---|---|
| *28.2* | ***Analysis of financial liabilities*** | | | |
| | **2015** | | | |
| | Taxation | **–** | **1** | **1** |
| | Borrowings | **447** | **–** | **447** |
| | Other liabilities | **420** | **–** | **420** |
| | Shareholders' equity | **–** | **558** | **558** |
| | **Total liabilities and equity** | **867** | **559** | **1 426** |
| | **Fair value** | **867** | | |
| | **2014** | | | |
| | Borrowings | 447 | – | 447 |
| | Other liabilities | 378 | – | 378 |
| | Shareholders' equity | – | (253) | (253) |
| | **Total liabilities and equity** | 825 | (253) | 572 |
| | **Fair value** | 825 | | |

# Notes to the company annual financial statements (continued)

*for the year ended 30 September 2015*

## 28. Analysis of financial assets and liabilities (continued)

### *28.2 Analysis of financial liabilities (continued)*

**Income statement effect of financial instruments by category**

| *R million* | *2015* | *2014* |
|---|---|---|
| Finance costs – liabilities held at amortised cost | **47** | 6 |

## 29. Contingent liability

A number of Ellerine Furnishers employees have claimed amounts due to them from Ellerine Furnishers (Pty) Limited and Ellerine Holdings Limited. The amounts claimed by the executives amount to R42,6 million.

The claimants are also seeking to recover this amount from the company.

The legal opinion obtained by the company places from an eminent Senior Counsel states that the company is not liable for payment of the amounts claimed and accordingly the company has not provided for this contingent liability.

# Appendix A

## Investment in subsidiaries and other entities

| | Type of business | Issued share capital 2015 R million | Issued share capital 2014 R million | Effective percentage held 2015 % | Effective percentage held 2014 % | Investment (at cost and impairments) 2015 R million | Investment (at cost and impairments) 2014 R million | Loans 2015 R million | Loans 2014 R million |
|---|---|---|---|---|---|---|---|---|---|
| **Direct holding by African Bank Investments Limited:** | | | | | | | | | |
| African Bank Limited | Banking | **121** | 121 | **100** | 100 | **14 419** | 14 419 | **(447)** | (447) |
| African Bank Limited – impairment | | | | | | **(14 419)** | (14 419) | | |
| Theta Investments (Pty) Limited | Investment holding entity | * | * | **100** | 100 | **64** | 64 | **–** | – |
| Theta Investments (Pty) Limited – impairment | | | | | | **(64)** | (50) | | |
| Gilt Edge Management Services (Pty) Limited | Dormant | * | | **100** | | **15** | | | |
| The Standard General Insurance Company Limited | Long-term insurance | **5** | 5 | **100** | 100 | **539** | 539 | **–** | – |
| Customer Protection Insurance Company Limited | Dormant | **10** | 10 | **100** | 100 | **11** | 11 | **–** | – |
| Creditsave (Pty) Limited | Dormant | * | * | **100** | 100 | **8** | 8 | **–** | – |
| Creditsave (Pty) Limited – impairment | | | | | | **(8)** | (8) | | |
| Ellerine Holdings Limited | Retail | **6** | 6 | **100** | 100 | **9 664** | 9 664 | **–** | – |
| Ellerine Holdings Limited – impairment | | | | | | **(9 664)** | (9 664) | | |
| | | **142** | 142 | | | **565** | 564 | **(447)** | (447) |

* *Amount below R1 million.*

All entities are incorporated in the Republic of South Africa.

# Corporate information

## African Bank Investments Limited
Registration number 1946/021193/06

## Registered office
59 16th Road
Midrand, South Africa, 1685
Private Bag X170, Midrand, South Africa, 1685

## Board of directors
***Non-executive***
MC Mogase (Chairman)
N Adams
MF Gumbi
NB Langa-Royds
M Mthombeni
RJ Symmonds

## Share transfer secretaries
Link Market Services South Africa Proprietary Limited
13th Floor
Rennie House
19 Ameshoff Street
Braamfontein
Johannesburg

PO Box 4844
Johannesburg
2000

Telephone +27 11 713 0800

## Website
www.abil.co.za