

Further business update and timing on the release of ABIL's audited results for the financial year ended 30 September 2014

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

Further business update and timing on the release of ABIL's audited results for the financial year ended 30 September 2014

Further to the Stock Exchange News Service ("SENS") announcement of 10 December 2014, in which investors were advised of the delay in the publication of ABIL's audited results for the financial year ended 30 September 2014, expected to be published during the first quarter of 2015, the board of directors of ABIL ("Board") would like to furnish investors with reasons for the expected delay.

In light of the Curatorship of African Bank Limited since 10 August 2014, and the placement of Ellerine Furnishers Proprietary Limited and Ellerine Holdings Limited (collectively referred to as 'Ellerines') into voluntary business rescue with effect from 7 August and 22 August 2014 respectively, International Financial Reporting Standards ("IFRS") require that these entities be deconsolidated from the accounts of ABIL with effect from these dates. This required deconsolidation is due to the loss of control by ABIL over these subsidiaries, given that African Bank is under the control of the Curator and Ellerines is under the control of the business rescue practitioners.

For both African Bank and Ellerines, a balance sheet has to be prepared on the date on which control was lost, which is the 'deconsolidation balance sheet' that is used to determine the loss or gain arising on the loss of control of the subsidiary which has to be reported to in ABIL's financial results to shareholders.

The complexities relevant to African Bank Limited ("African Bank") are as follows:

African Bank has to be deconsolidated from date of Curatorship and thereafter the investment in African Bank has to be recorded at fair value on ABIL's statement of financial position. The Curator has announced that the current African Bank business will be split with the good book and operations to be sold to a new bank company whilst the bad book will remain within the current African Bank, which will continue to be wholly owned by ABIL. The assets and liabilities to be transferred to the new 'Good Bank' have not been fully identified as yet and consequently what will be left in African Bank is also not finalised. Therefore, the determination of the fair value of the investment in African Bank is currently not capable of being performed with reasonable accuracy. The accounting standards permit the use of cost when fair value cannot be determined and we are currently exploring this option with our auditors, Deloitte.

The Curator of African Bank is contemplating certain significant changes in accounting policies. Should such changes be implemented, the next question to be addressed is whether these changes in policies should be incorporated in the pre-Curatorship financial information. This is currently under discussion and would have a material impact on the deconsolidation balance sheet as at 10 August 2014. As ABIL and African Bank are not under common control, they do not necessarily need to have the same accounting policies but each choice (where permitted) needs to be justifiable.

In assessing the prior year financial statements, the Curator is considering whether a different view on certain subjective matters relating to the method of calculating impairment provisions on advances should have been taken. Thus, there are likely to be prior year adjustments and restatements in the African Bank annual financial statements. We are currently assessing how these potential prior year adjustments will affect the ABIL annual financial statements and whether these potential prior year adjustments will be required at the ABIL level.

Once again, as with the accounting policies, due to the subjective nature of these matters, it does not necessarily follow that what is seen as a prior year adjustment or restatement in African Bank will also be viewed as a prior year adjustment or restatement in ABIL but this is under discussion between management and our auditors. This possible differing basis is due to different materiality limits being applied and the interrelationships of the transactions with other fellow subsidiaries in the ABIL group.

The complexities affecting Ellerines are as follows:

With Ellerines in business rescue and currently being sold piecemeal as separate divisions or brands, it has been determined and agreed that the basis of accounting for the closing balance sheet is on a liquidation basis as the entities are no longer going concerns. As the business rescue process has not been completed, the final determination of the values cannot be agreed upon as there is a range of values at which the various assets may be realised. This has complicated the determination of the deconsolidation balance sheet.

Ellerine Furnishers (the main operating subsidiary) entered business rescue on 7 August 2014 and Ellerine Holdings (the holding company) entered business rescue on 22 August 2014. The business rescue on different days has further complicated the disclosure and accounting, as for example, the intercompany transactions between different entities now affect the group results whereas before they were eliminated on consolidation.

The Board expects that the annual financial statements for ABIL will be completed and distributed by the end of March 2015, as required by the Companies Act 71 of 2008 and in terms of paragraph 3.19 of the JSE Limited Listings Requirements.

On behalf of the Board of ABIL

Midrand

23 December 2014

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[Back to top](#)