

**K2014176899 (South Africa) Limited (To be Renamed “African
Bank Limited”)**

**Unaudited Interim Financial Statements
for the six months ended 31 March 2016**

K2014176899 (South Africa) Limited (To be Renamed “African Bank Limited”)

Unaudited Interim Financial Statements

31 March 2016

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

Registration number: 2014/176899/06

**NCR Registration number NCRCP7638
An Authorised Financial Services and Registered Credit Provider**

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**K2014176899 (South Africa) Limited (To Be Renamed “African Bank Limited”)
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DIRECTORS’ RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 March 2016, the statement of changes in equity, the statement of comprehensive income and the statement of cash flows for the six months ended 31 March 2016, 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: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors’ responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

These financial statements are not audited.

Approval of the financial statements

The financial statements set out on pages 5 to 10 were approved by the board of directors and signed on its behalf on 27 May 2016 by:

B Riley
Director

G Raubenheimer
Director

Midrand

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**CONDENSED STATEMENT OF FINANCIAL POSITION
 as at 31 March 2016**

R million	Unaudited March 2016	Audited September 2015
Assets		
Short-term deposits and cash	10 004	-
Total assets	10 004	-
Liabilities and equity		
Taxation	1	-
Total liabilities	1	-
Ordinary share capital	5	-
Ordinary share premium	9 995	-
Reserves and accumulated losses	3	-
Total equity (capital and reserves)	10 003	-
Total liabilities and equity	10 004	-

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 March 2016

R million	Unaudited 6 months to March 2016	Unaudited 6 months to March 2015
Interest on cash deposits	4	-
Profit before taxation	4	-
Direct taxation: current and deferred	(1)	-
Profit for the period	3	-
Other comprehensive income	-	-
Total comprehensive profit for the period	3	-

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CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 March 2016

R million	Ordinary share capital	Ordinary share premium	Accumula ted profit	Total
Balance at 30 September 2014 (audited)	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	-	-
Balance at 31 March 2015 (unaudited)	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	-	-
Balance at 30 September 2015 (audited)	-	-	-	-
Shares issued	5	9 995	-	10 000
Total comprehensive profit for the period	-	-	3	3
Balance at 31 March 2016 (unaudited)	5	9 995	3	10 003

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CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 31 March 2016

R million	Unaudited 6 months to March 2016	Unaudited 6 months to March 2015
Cash generated from operations		
Cash received from cash reserves	4	-
Indirect and direct taxation paid	-	-
Cash inflow from operating activities	4	-
Cash inflow from financing activities		
Ordinary shareholders’ payments and transactions	10 000	-
Increase in cash and cash equivalents	10 004	-
Cash and cash equivalents at the beginning of the period	-	-
Cash and cash equivalents at the end of the period	10 004	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

General information

K2014176899 (South Africa) Limited (To Be Renamed “African Bank Limited”) is a public company incorporated in the Republic of South Africa. The Company is a 100% subsidiary of African Bank Holdings Limited (“ABHL”). ABHL is an unlisted registered bank controlling company under the Banks Act, Act 94 of 1990. The shares in ABHL are privately held by the South African Reserve Bank, the Government Employees Pension Fund, Barclays Africa Group Limited, Nedbank Limited, FirstRand Bank Limited, Investec Bank Limited, The Standard Bank of South Africa Limited and Capitec Bank Limited. The Company’s main business is providing unsecured personal loans.

Basis of preparation

The condensed interim financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, IAS 34 Interim Financial Reporting, the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee (APC) and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa (Act 71 of 2008).

The condensed interim 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.

Accounting policies

These condensed interim financial statements should be read in conjunction with the 2015 annual financial statements, which were prepared in accordance with IFRS. The Company has adopted the following standards and interpretations during the financial period, which did not have a material impact on the reported results:

- IFRS 7 – Financial Instruments: Disclosures
- IFRS 10 – Consolidated Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures

Estimates

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

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Company’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 September 2015.

Events after the reporting period

On 4th April 2016 the Company has commenced business after the final execution of the restructuring transaction of the entity formerly known as African Bank Limited (in curatorship). That entity has formally changed its name to “Residual Debt Services Limited” (which remains under curatorship) and the new bank has likewise changed its name from K2014176899 (South Africa) Limited to “African Bank Limited” and will henceforth trade under that name.

The details of the restructuring transaction can be found in the Offer Information Memorandum published on 4th February 2016 as well as in the SENS announcements available on www.africanbank.co.za.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

There were no other material matters or circumstances arising since the reporting period end, not otherwise dealt with in these condensed interim financial statements, which significantly affects the financial position as at 31 March 2016 or the results of its operations or cash flows for the 6 months then ended.

Fair value disclosures

Valuation models

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

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

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

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other factors used in estimating discounting rates, foreign currency exchange rates, bond and equity prices, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation framework

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

When third party information is used to measure fair value the following procedures are performed in order to ensure that valuations meet the requirements of IFRS:

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

Fair value measurements recognised in the statement of financial position

The Company had no financial instruments that were measured at fair value at the reporting date.