

**Final Press release for Residual Debt Services Limited****10 December 2018****Residual Debt Services Limited (“RDS”) releases its audited condensed financial results for the year ended 30 September 2018****Results Highlights**

- Anticipated payment of approximately R650 million to holders of the senior stub instrument to be made by the end of January 2019
- 29% of original principle value of senior stub instruments returned to senior stub holders
- Cash on hand of R4.07 billion (30 September 2017: R3.675 billion)
- Assets (primarily advances and cash) of R4.62 billion (30 September 2017: R4.738 billion) and liabilities of R9.818 billion (30 September 2017: R9.94 billion)
- R3 billion indemnity reserve and operating cash float of R500 million remains fully funded, with no claims against RDS under the indemnity
- Profit for the year of R4 million (2017: Loss R741 million)

The Curator, Craig Du Plessis noted: *“RDS had another successful year with a continued focus on late stage collections as electronic collections decrease. I am also pleased that the company reported a small accounting profit for the year, which is primarily as a result of a credit impairment reversal of R1.193 billion and distributions received from Ellerine Holdings Limited amounting to R99 million.*

*We should be in a position to make a payment of approximately R650 million by the end of January 2019 to senior unsecured stub instrument holders. This would result in R1.8 billion in total payments to such holders”.*

**Financial results**

RDS reported a loss from operations of R97 million for the year ended 30 September 2018 compared to a loss of R774 million for the year ended 30 September 2017. Gross advances reduced to R1.979 billion on 30 September 2018 from R3.765 billion as at 30 September 2017, primarily as a result of the book continuing to pay down. Capital items generated an income of R99 million (2017: R5 million) and a direct tax credit of R2 million (2017: R28 million) resulted in RDS reporting a profit for the period of R4 million (2017: Loss of R741 million).

In addition to the capital items, the key drivers for the turnaround in the results were a significantly increased credit impairment reversal of R1.193 billion (2017: R614 million), increased interest income of R308 million (2017: R198 million) due to higher cash balances and lower operating costs of R584 million

*C Du Plessis was appointed as curator of Residual Debt Services Limited (the “Company”) on 1 April 2018 by the Minister of Finance of the Republic of South Africa and pursuant to the Banks Act No. 94 of 1990 (as amended) to manage the affairs of the Company subject to the supervision of the Registrar. Please note, Mr Du Plessis acts in the aforesaid capacity.*

**Residual Debt Services Limited** (under curatorship) - Registration Number 1975/002526/06

**Tel:** 011 256 9000 **Address:** 59 16<sup>th</sup> Road, Midrand, South Africa **Postal:** Private Bag X170, Halfway House, 1685, South Africa

**Company Secretary:** BW Unser

NCR Registration number: NCRCP5. Residual Debt Services Limited (under curatorship) is an Authorised Financial Services and Credit Provider. RDC91017/16

# RESIDUAL DEBT SERVICES LIMITED

(under curatorship)

(2017: R788 million) as result of reduced collection fees paid to African Bank Limited (“ABL”) due to lower collections.

Actual collections were, however still slightly ahead of expectation, although declining on a year on to year basis as the book continues to pay down.

Total assets as at 30 September 2018 amounted to R4.62 billion and total liabilities amounted to R9.818 billion, resulting in negative equity of R5.198 billion. Cash on hand amounted to R4.07 billion and includes the indemnity reserve of R3 billion and operating cash float of R500 million.

The indemnity reserve has been fully funded since 1 September 2017. As a result, RDS has to date paid R1.15 billion to the senior stub instrument holders. The payment of R1.15 billion represents 29% of the original principal value of the senior stub instrument of R3.97 billion as at 10 August 2014 (when RDS was placed into curatorship).

It is anticipated that a further payment of approximately R650 million will be made to holders of the senior stub instrument by the end of January 2019, which will result in total payments of approximately R1.8 billion.

## Claims against the indemnity

To date, the curator has not received notice of any identified claim against the indemnity provided to ABL.

Should there be no notice of claims received at the date of expiry of the indemnity on 4 April 2024, the indemnity reserve balance will become available to make payments to the holders of the stub instruments in accordance with the agreed cash flow waterfall (firstly to the holders of the senior stub instrument and thereafter to holders of the subordinated stub instrument).

## Fair value of stub instruments

The fair values of the stub instruments have been based on two scenarios. Under the first scenario, the “Base” forecast, it is assumed that a full claim is made against the indemnity reserve of R3 billion. Under the second scenario, the “No claim” forecast, it is assumed that there is no claim against the indemnity reserve of R3 billion.

Both scenarios include the assumptions that the expected cash flows derived from the remaining advances are for a 60 month period. It is also assumed that the operating cash float of R500 million will be paid to the holders of the senior stub instrument at the end of the 60 month period under the first scenario, and at the end of the indemnity period (being 4 April 2024) under the second scenario.

All future cash flows were discounted at a weighted average cost of capital (“WACC”) of 14% NACM. In the second scenario, the R3 billion indemnity reserve and R500 million operating cash float are discounted at the 5.5 year risk free rate of 8.116% NACQ.

*C Du Plessis was appointed as curator of Residual Debt Services Limited (the “Company”) on 1 April 2018 by the Minister of Finance of the Republic of South Africa and pursuant to the Banks Act No. 94 of 1990 (as amended) to manage the affairs of the Company subject to the supervision of the Registrar. Please note, Mr Du Plessis acts in the aforesaid capacity.*

**Residual Debt Services Limited** (under curatorship) - Registration Number 1975/002526/06  
**Tel:** 011 256 9000 **Address:** 59 16<sup>th</sup> Road, Midrand, South Africa **Postal:** Private Bag X170, Halfway House, 1685, South Africa  
**Company Secretary:** BW Unser

NCR Registration number: NCRCP5. Residual Debt Services Limited (under curatorship) is an Authorised Financial Services and Credit Provider. RDC91017/16

The fair value of the senior stub instrument under the first scenario (full claim against the indemnity reserve of R3 billion) is R2.472 billion. The fair value of the senior stub instrument under the second scenario (no claim against the indemnity reserve of R3 billion) is R4.823 billion.

## Fair value summary and possible distributions

A substantial recovery for holders of the senior stub instrument is expected, albeit that the timing of payments and quantum will be reliant on the future performance of collections, and the extent of any claims against the indemnity reserve.

No payment to holders of the subordinated stub instrument is expected under the first scenario whilst a small recovery is expected under the second scenario.

No distributions to the shareholder of RDS (being African Phoenix Investments Limited - previously known as African Bank Investments Limited) are expected.

## National Credit Regulator ("NCR")

In February 2018, the NCR concluded its review of certain activities (allegations of reckless lending) of RDS prior to curatorship.

An independent audit firm appointed by the NCR found that 2.61% of credit agreements (19 285 credit agreements of a total population of 738 483 credit agreements) were identified as having negative affordability in respect of their interpretation of the National Credit Act. These credit agreements were granted prior to the issuance of the affordability assessment regulations which came into effect in 2015.

The outstanding balances in respect of these credit agreements were written off which resulted in a R67 million loss.

## South African Revenue Service ("SARS")

RDS has open tax matters with SARS which primarily relate to the deductibility of impairments provisions in prior years. Due to the uncertainty in this matter, no deferred tax asset or liability has been raised in the financial statements.

## ENDS

Louise Brugman 083 504 1186; [louise@vestor.co.za](mailto:louise@vestor.co.za)

On behalf of Craig Du Plessis, Curator of Residual Debt Services Limited

*C Du Plessis was appointed as curator of Residual Debt Services Limited (the "Company") on 1 April 2018 by the Minister of Finance of the Republic of South Africa and pursuant to the Banks Act No. 94 of 1990 (as amended) to manage the affairs of the Company subject to the supervision of the Registrar. Please note, Mr Du Plessis acts in the aforesaid capacity.*

**Residual Debt Services Limited** (under curatorship) - Registration Number 1975/002526/06

**Tel:** 011 256 9000 **Address:** 59 16<sup>th</sup> Road, Midrand, South Africa **Postal:** Private Bag X170, Halfway House, 1685, South Africa

**Company Secretary:** BW Unser

NCR Registration number: NCRCP5. Residual Debt Services Limited (under curatorship) is an Authorised Financial Services and Credit Provider. RDC91017/16

# RESIDUAL DEBT SERVICES LIMITED

(under curatorship)

## Conference call

A conference call is being held today at 2pm SAST. Interested parties are requested to pre-register for this conference call at <http://www.diamondpass.net/5059651> and follow the instructions provided. The call is being recorded and will be available via the website [www.residualdebtservices.co.za](http://www.residualdebtservices.co.za) from 11 December 2018.

## Notes to editors

RDS was placed under curatorship on 10 August 2014, when it was named African Bank Limited. RDS was still under curatorship at this reporting date, and will remain under curatorship for the foreseeable future. The business was successfully restructured on 4 April 2016 by means of a transfer of an identified portion of the assets and restructured liabilities; together with a fresh capital injection of R10 billion by the new shareholders into the new banking entity renamed African Bank Limited on that date.

*C Du Plessis was appointed as curator of Residual Debt Services Limited (the "Company") on 1 April 2018 by the Minister of Finance of the Republic of South Africa and pursuant to the Banks Act No. 94 of 1990 (as amended) to manage the affairs of the Company subject to the supervision of the Registrar. Please note, Mr Du Plessis acts in the aforesaid capacity.*

**Residual Debt Services Limited** (under curatorship) - Registration Number 1975/002526/06

**Tel:** 011 256 9000 **Address:** 59 16<sup>th</sup> Road, Midrand, South Africa **Postal:** Private Bag X170, Halfway House, 1685, South Africa

**Company Secretary:** BW Unser

NCR Registration number: NCRCP5. Residual Debt Services Limited (under curatorship) is an Authorised Financial Services and Credit Provider. RDC91017/16