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ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2011

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DIRECTORS' APPROVAL

The directors whose names appear on page 3 of the annual financial statements are collectively and individually responsible for the preparation, integrity and objectivity of the annual financial statements and the related financial information included in this report, which fairly presents the state of affairs of the Ubank Limited (the Bank) at the end of the financial year. In meeting this obligation, they are assisted by management of the Bank. The external auditors are responsible for expressing an opinion on the fair presentation of the financial statements. Internal control and administrative systems, designed to provide reasonable assurance as to the integrity of the financial statements, that assets are adequately safeguarded and that transactions are executed in terms of the Bank's policy and procedures, are in place and duly maintained in a cost-effective manner.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the provisions of the Companies Act, No. 61 of 1973 (as amended), and Banks Act, 1990, including complete and responsible disclosure in accordance with the Bank's adopted accounting policies. The Bank consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis. As a result of uncertainties inherent in business activities, many items in the financial statements cannot be measured with precision but can be estimated. Estimation involves judgements based on the latest available and reliable information. The use of reasonable estimates is an essential part of the preparation of the financial statements and do not undermine the credibility thereof.

The directors do not have reason to believe that the Bank will not be a going concern in the year ahead, based on forecast and available cash resources. The financial statements have accordingly been prepared on that basis.

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 3 to 55 were approved by the Board of Directors of Ubank Limited and are signed on their behalf by:"

Director: A.W. Mjekula
Johannesburg, 29 July 2011

Director: M.Williams

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as company secretary I certify that in terms of the Companies Act, No. 61 of 1973 (as amended), this Bank submitted all returns for the year ended 28 February 2011, as required by a public company, in terms of the Companies Act, and that all returns are correct and up to date.

Company secretary: A.Ndoni
Johannesburg, 29 July 2011

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UBANK LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ubank Limited ('the Bank'), which comprise the statement of financial position as at 28 February 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 3 to 55.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, No. 61 of 1973 (as amended) of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 whether the 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 judgment, 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 the directors, 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 audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 28 February 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Steven Bird
Registered Auditor
Chartered Accountant (SA)

Wanderers Office Park
52 Corlett Drive, Illovo
Johannesburg, 29 July 2011

DIRECTOR'S REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2011

NATURE OF ACTIVITIES

Ubank Limited is incorporated and domiciled in South Africa and is a financial services company providing savings accounts, loans and other financial products to meet the needs of miners and the wider under-banked community in rural areas and mining towns through a network of outlets, agencies and automatic teller machines.

GOING CONCERN

The directors are satisfied that they are in a position to confirm in terms of Regulation 39(4) of the South African Reserve Bank Regulations to the Banks' Act and International Financial Reporting Standards, that the Bank will be able to continue within the foreseeable future as a going concern based on forecasts and available cash resources. The annual financial statements have accordingly been prepared on that basis.

SHARE CAPITAL

On incorporation of the Bank, authorised share capital was 25,000,000 shares of R1 each of which 24,500,000 were issued. There were no changes to share capital during the year.

HOLDING COMPANY

The Bank's immediate holding company is the Teba Bank Controlling Company Limited, which in turn is wholly owned by Teba Fund, a trust registered in South Africa.

DIRECTORS

Directors for the 2011 financial year are:

Non-executive directors	**Appointment date**	**Resignation date**
C.B. Stofile	19 June 2001	
J.H. De Villiers Botha	29 November 2005	
Z. Macanda	16 August 2007	
N. Erasmus	15 October 2008	13 August 2010
D.P. Elbrecht	15 October 2008	
A.W. Mjekula	06 November 2008	
L. Mangope	24 December 2008	
Z.N. Miya	21 June 2010	
Executive directors		
M. Williams (Chief Executive Officer)	01 April 2007	
J. Pohl (Chief Financial Officer)	01 June 2007	
Company Secretary		
Andiswa Ndoni	01 September 2007	

INTERESTS OF DIRECTORS AND OFFICERS

No contracts were entered into in which directors and officers of the Bank had an interest and which significantly affected the business of the Bank. The directors had no interest in any third party or company responsible for managing any of the business activities of the Bank. The emoluments and services of the executive directors are determined by the Remuneration committee. All executive directors have standard letters of appointment.

SPECIAL RESOLUTIONS

A special resolution was passed during the financial year to change the Bank's name from Teba Bank Ltd to UBank Ltd.

KEY AREAS OF SIGNIFICANT JUDGEMENT – INVESTMENT IMPAIRMENT

During the current financial year further clarity has been obtained regarding the Corporate Money Managers Fund (CMM) investment and the curatorship process that is currently underway. The carrying value of the Bank's outsourced investment to CMM as at 28 February 2011 was R62 million and reported as Investments (Note 15) under the available for sale designation.

Management reassessed the estimates used to calculate the value of the CMM investment by using the latest information available in the current year and observed objective evidence for further impairment of R20.9 million (2010: R166.7 million), resulting in a total impairment of R187.6 million. The impairment estimate is calculated by taking into account the following significant judgements:

Realisable amount
The curators remain confident of a partial recovery of the assets within the Fund, taking into account the underlying assets, the difficulty in validating security of the assets, the validity if the liability listing excluding opportunistic claims and the risks associated with a curatorship process. Management estimated this recoverable amount at 42.5% (2010: 57%). This percentage is highly judgemental as it estimates the costs to complete certain developments, the costs to market, the costs to sell, the effects of the conclusion of the curator investigations into exposures and underlying cash flows.

Discount rate
The discount rate of 13.63% (2010: 14.5%) applied to the realisable amount is based on the estimate of an appropriate rate to discount the cash flows taking into account the specific risks for the type of underlying assets.

Realisation period
The realisation period for the final payment of the realisable amount (excluding short term payments as indicated by the curator) is estimated at 5 years (2010: 6 years) taking into account market experience in the length of time this process takes to be resolved. This assumption is supported by the receipt of a return of capital of R9.3 million (2010: R Nil) in March 2011.

These significant judgements resulted in an impairment of R20.9 million (2010: R166.7 million) reported on the face of the Statement of Comprehensive Income. The gross carrying value R220 million (2010: R220 million) less cumulative impairment of R187.6 million (2010: R166.7 million) results in a net carrying value of R62 million (2010: R72.5 million). Since management intend holding the asset for the foreseeable future, an appropriate deferred tax asset has been raised for the temporary difference between accounting and tax carrying values. Management remain hopeful of a better recovery rate and are actively engaged with the curators through the Investor Forum to explore all remaining recovery opportunities.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 R'000	2010 R'000
Interest income		309 282	303 335
Interest expense		(45 156)	(56 044)
Net interest income	6	**264 126**	**247 291**
Fees and commission income	7	252 458	297 483
Fees and commission expense		(60 613)	(45 747)
Net fees and commission income		**191 845**	**251 735**
Net gain/(loss) on financial assets designated at fair value through profit or loss	8	732	(124)
Other operating income	9	29 386	45 623
Total operating income		**486 089**	**544 526**
Impairment charge on financial assets	10	**(72 468)**	**(208 877)**
Impairment charge on loans and advances		(51 477)	(42 177)
Impairment charge on available for sale investment		(20 991)	(166 700)
Net operating income		**413 621**	**335 648**
Personnel expenses	11	(209 538)	(231 447)
Depreciation of property and equipment	18	(38 753)	(36 629)
Amortisation of intangible assets	19	(4 407)	(1 153)
Other operating expenses	12	(195 682)	(184 779)
Total operating expenses		**(448 380)**	**(454 009)**
Loss before tax		**(34 759)**	**(118 360)**
Taxation	13	29 042	39 393
Loss for the year		**(5 717)**	**(78 967)**
Other comprehensive income:			
Movement in available for sale reserve:			
Fair value adjustment on available for sale investments		(39 046)	(14 253)
Amount recycled from other comprehensive income and recognised in profit and loss		20 991	14 500
Taxation	13	**2 694**	(35)
Total comprehensive income for the year		**(21 078)**	**(78 755)**

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 R'000	2010 R'000
ASSETS			
Cash and cash balances	14	369 326	594 540
Trade receivables and other assets	16	39 672	56 129
Investments	15	1 963 567	2 005 973
Loans and advances to customers	17	761 255	437 969
Current tax asset		15 598	14 749
Property and equipment	18	73 832	92 006
Intangible assets	19	74 726	50 630
Deferred taxation	20	92 893	61 092
TOTAL ASSETS		**3 390 869**	**3 313 088**
LIABILITIES			
Deposits and savings due to customers	22	2 810 502	2 656 296
Trade payables and other liabilities	21	49 030	82 045
Lease liability	31	5 082	8 580
Provisions	23	10 528	29 362
TOTAL LIABILITIES		**2 875 142**	**2 776 283**
EQUITY			
Share capital and share premium	24	244 875	244 875
Available-for-sale reserve	24	(13 668)	1 693
Retained earnings		284 520	290 237
TOTAL EQUITY		**515 727**	**536 805**
TOTAL LIABILITIES AND EQUITY		**3 390 869**	**3 313 088**

STATEMENT OF CHANGES IN EQUITY

AT 28 FEBRUARY 2011

	Notes	Share capital R'000	Share premium R'000	Available-for-sale reserve* R'000	Retained earnings R'000	Total R'000
Balance at 1 March 2009		24 500	220 375	1 481	369 204	615 560
Loss for the year		-	-	-	(78 967)	(78 967)
Other comprehensive income for the year		-	-	212	-	212
Total comprehensive income for the year		-	-	212	(78 967)	(78 755)
Balance at 28 February 2010	24	24 500	220 375	1 693	290 237	536 805
Loss for the year		-	-	-	(5 717)	(5 717)
Other comprehensive income for the year		-	-	(15 361)	-	(15 361)
Total comprehensive income for the year		-	-	(15 361)	(5 717)	(21 078)
Balance at 28 February 2011	24	**24 500**	**220 375**	**(13 668)**	**284 520**	**515 727**

Nature and purpose of reserves

Available-for-sale (AFS) reserve

This reserve records fair value changes on available for sale financial assets. Please refer to Note 24.

* Gains and losses arising from changes in fair value of available for sale investments are included in the available for sale reserve until sale or impairment when the cumulative gain or loss is transferred to the profit and loss section of the statement of comprehensive income.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 R'000	2010 R'000
OPERATING ACTIVITIES			
Interest and fee income		561 740	600 817
Interest and fee expense		(105 770)	(101 792)
Net trading and other income		39 592	(27 830)
Dividends received		23 450	40 221
Cash paid to customers and employees		(477 752)	(403 820)
Cash available from operating activities	28	41 260	107 596
Changes in operating funds:			
Increase in income earning assets		(367 977)	(182 918)
Increase in deposits		154 206	294 936
Cash (utilised)/available from operating activities after changes in operating activities		(172 511)	219 614
Tax paid	28	(3 608)	(9 100)
Net cash (outflow) /inflow from operating activities		**(176 119)**	**210 514**
INVESTING ACTIVITIES			
Additions to intangible assets		(28 503)	(38 756)
Additions to property and equipment (maintaining of operating activities)		(20 626)	(47 678)
Proceeds from disposal of property and equipment		34	237
Net cash used in investing activities		**(49 095)**	**(86 197)**
Net (decrease) increase in cash and cash equivalents		(225 214)	124 317
Cash and cash equivalents at beginning of year		594 540	470 223
Cash and cash equivalents at end of year	14	**369 326**	**594 540**
Cash and cash equivalents comprise:			
Coins and bank notes		67 189	58 107
Balances with other banks		302 137	536 433
	14	**369 326**	**594 540**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Ubank Limited is incorporated and domiciled in South Africa and is a financial services company providing savings accounts, loans and other financial products to meet the needs of miners and the wider under-banked community in rural areas and mining towns through a network of outlets, agencies and automatic teller machines. The address of the Bank's registered office is Sanhill Park, No 1 Eglin Road, Sunninghill, 2157.

The financial statements were approved by the Board of Directors on 29 July 2011.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The annual financial statements have been prepared on the historical cost basis except for certain financial instruments that are held at fair value.

– financial assets classified as available for sale or held at fair value through profit and loss

Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) of those standards, as adopted by the International Accounting Standards Board and applicable legislation.

CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the prior year except as follows:
The following standards, amendments and interpretations were adopted by the Bank during the year (being standards, amendments and interpretations effective during the 2011 financial year):

IFRS 2 – Group Cash-settled Share-based Payment Arrangements (effective from 1 January 2010)

These amendments deal with changes to the definitions of share based payment transactions and arrangements. Furthermore the scope of IFRS2 has been amended and guidance on accounting for group cash-settled share-based payment transactions has been provided. The amendment did not have any impact on the Bank's financial statements.

IAS 32 (Revised) – Financial Instruments: Presentation – Classification of Rights Issues (effective from 1 February 2010)

The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if:

- The rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments
- They are used to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency

The amendment did not have any impact on the Bank's financial statements.

New standards and interpretations not yet adopted

The Bank has not applied the following IFRS's or amendments to IFRS's and IFRIC interpretations that have been issued and could be applicable to the Bank but are not yet effective. The Bank does not intend to adopt and rectify any of these early:

IFRS 1 (Amendments)

The amendment provides clarification to first-time adopters of IFRS. It also provides relief for first-time adopters of IFRS from having to reconstruct transactions that occurred before their date of transition to IFRS. Guidance has been added for entities emerging from severe hyperinflation to resume presenting IFRS financial statements for the first time. These amendments will have no impact on the Bank as the Bank adopted IFRS in full in prior financial years.

IFRS 3 (Amendments)

The amendment clarifies that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption dated of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004). It limits the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interests proportionate share of the acquirer's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation. It expands the current guidance on the attribution of the market based measure of an acquirees share-based payment awards issued in the exchange of acquiree awards between consideration transferred and post combination compensation cost when an acquirer is obliged to replace the acquirees existing awards to encompass voluntarily replaced unexpired acquiree awards. The amendments, which become mandatory for the Bank's 2012 financial year-end, are not expected to have a material impact on the financial statements of the Bank.

IFRS 7 Financial Instruments: Disclosures (Amendments)

The amendment adds an explicit statement that qualitative disclosure should be made to better enable users to evaluate an entity's exposure to risk arising from financial instruments. Additional disclosure requirements have been added that will allow users of financial statements to improve their understanding of the transfer of financial assets (for example, securitisation), including understanding the possible effects of any risk that may remain with the entity that transferred the assets. The amendments also require additional disclosures of a disproportionate amount of transfer transactions that are undertaken around the end of a reporting period. In addition, the IASB amended and removed existing disclosures requirements. The amendments, which become mandatory for the Bank's 2012 financial year-end, are not expected to have a material impact on the financial statements of the Bank.

IFRS 9 Financial Instruments

This statement was published in November 2009 as the first step in replacing IAS 39 and contains new requirements for the classification and measurement requirements for financial assets. The classification and measurement requirements of financial liabilities were added to IFRS 9 in October 2010. IFRS 9 is not effective until financial years beginning on or after January 2013 but is available for early adoption. In terms of IFRS 9, the Bank's accounting for financial assets classified as available for sale will be affected, as IFRS only permits the recognition of fair value gains and losses in other comprehensive income if they relate to investments in equity instruments that are not held for trading. IFRS 9 will also impact the measurement of financial liabilities classified as financial liabilities designated at fair value through profit or loss, this is not expected to affect the Bank as there are currently no financial liabilities designated at fair value through profit or loss.

IAS 1 (Amendments)

Clarifies that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendments, which become mandatory for the Bank's 2012 financial year-end, are not expected to have any impact on the Banks financial statements.

IAS 12 (Amendments)

The amendment requires an entity to measure the deferred tax relating to an investment property depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use of through sale when the asset is measured using the fair value model in IAS 40 Investment property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will normally be through sale. The amendment, which becomes mandatory for the Bank's 2013 financial year-end is not expected to have any impact on the Bank's financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

IAS 24 Related Party Disclosures (Revised)
This standard was issued in November 2009. It supersedes IAS 24 Related party disclosures, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application in whole or in part is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the Bank will need to disclose any transactions between its subsidiaries and its associates. The amendments, which become mandatory for the Bank's 2012 financial year-end, are not expected to have a material impact on the financial statements.

IFRS 13 Fair Value Measurement
This standard will come into effect on 1 January 2013, and provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS.

IAS 27 (Amendments)
This amendment was issued in May 2010. The amendments clarify that the consequential amendments to IAS 21, The effects of changes in foreign exchange rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively. The amendments, which become mandatory for the Bank's 2012 financial year-end, are not expected to have any impact on the financial statements.

2.2 Significant accounting judgements and estimates

The preparation of annual financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the Bank may undertake in the future, actual results ultimately may differ from those estimates.

The presentation of the results of operations, financial position and cash flows in the financial statements of the Bank is dependent upon and sensitive to the accounting policies, assumptions and estimates that are used as a basis for the preparation of these financial statements. Management has made certain judgements in the process of applying the Bank's accounting policies. 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 and in any future periods affected.

The most significant use of judgements and estimates are as follows:

Property and equipment
When deciding on depreciation rates and methods, the principal factors the Bank takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of the assets. When reviewing residual values, the Bank annually estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful life.

Impairment of property and equipment
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount requires management to make assumptions to determine the fair value less cost to sell or value in use. Key assumptions on which management has based its determination of value in use include projected revenues, capital expenditure, and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of any impairment. No impairment was recognised during the year (2010 : nil).

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a degree of judgement to estimate probable future cash flows. Future cash flows are discounted using a risk adjusted discount rate. Fair values are disclosed within the valuation hierarchy determined under IFRS 7 in note 15.

The following significant judgements were made in the calculation of impairment of the CMM investment (refer to note 15):

Realisable amount
The curators remain confident of a partial recovery of the assets within the Fund, taking into account the underlying assets, the difficulty in validating security of the assets, the validity if the liability listing excluding opportunistic claims and the risks associated with a curatorship process. Management estimated this recoverable amount at 42.5% (2010: 57%). This percentage is highly judgemental as it estimates the costs to complete certain developments, the costs to market, the costs to sell, the effects of the conclusion of the curator investigations into exposures and underlying cash flows.

Discount rate
The discount rate of 13.63% (2010: 14.5%) applied to the realisable amount is based on the estimate of an appropriate rate to discount the cash flows taking into account the specific risks for the type of underlying assets.

Realisation period
The realisation period for the final payment of the realisable amount (excluding short term payments as indicated by the curator) is estimated at 5 years (2010: 6 years) taking into account market experience in the length of time this process takes to be resolved.

These significant judgements resulted in an impairment of R20.9 million (2010: R166.7 million) reported on the face of the Statement of Comprehensive Income. The gross carrying value R220 million (2010: R220 million) less cumulative impairment of R187.6 million (2010: R166.7 million) results in a net carrying value of R62 million (2010: R72.5 million). Since management intend holding the asset for the foreseeable future, an appropriate deferred tax asset has been raised for the temporary difference between accounting and tax carrying values. Management remain hopeful of a better recovery rate and are actively engaged with the curators through the Investor Forum to explore all remaining recovery opportunities.

Financial assets
At each balance sheet date, management assesses whether there are indicators of impairment of financial assets. If such evidence exists, the estimated present value of the future cash flows of that asset is determined. Management's judgement is required when determining the expected future cash flows. Impairments of financial assets are detailed in note 10 and within the Director's report.

Impairment losses on loans and advances to customers
The Bank reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. Impairment is raised for incurred losses on loans and advances that are deemed to demonstrate objective evidence of impairment. The impairment is based on an assessment of the extent to which customers have defaulted on amounts already due and an assessment of their ability to make payments based on creditworthiness and historical write offs experienced. Should the financial condition of the customers change, actual write offs could differ significantly from the impairment.

Current taxation
The taxation charge in the financial statements for amounts due to fiscal authorities in the various territories in which the Bank operates, includes estimates based on a judgement of the application of law and practice in certain cases to determine the quantification of any liability arising. In arriving at such estimates, management assesses the relative merits and risks of the tax treatment for similar classes of transactions, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

Deferred tax assets

The Bank's accounting policy for the recognition of deferred tax assets is described in note 3.4 (b). A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies.

The amount of deferred tax assets recognised is based on the evidence available about conditions at the reporting date, and requires significant judgements to be made by management. Management's judgement takes into consideration the impact of both positive and negative evidence, including historical financial performance, projections of future taxable income, future reversals of existing taxable temporary differences, and the availability of assessed losses. The recognition of the deferred tax asset is mainly dependent upon the projection of future taxable profits.

Management's projections of future taxable income are based on business plans, future capital requirements and ongoing tax planning strategies. Management's forecasts support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise the deferred tax assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1. Recognition of income and expenses

Revenue is recognised at fair value to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is recognised at fair value. The following specific recognition criteria must also be met before revenue is recognised:

(a) Interest income and expense

Interest income or expenses for all interest-bearing financial instruments classified as held to maturity, available-for-sale or other loans and receivables is recognised in the profit and loss component of the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest rate, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be wholly measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

(b) Fee and commission income

Unless included in the effective interest calculation, fees and commissions earned are recognised on an accrual basis in the period in which the services are rendered. Initiation fees are accounted for as an adjustment to effective interest.

(c) Dividend income

Dividend income is recognised when the Bank's right to receive income is established. Dividends are reflected as a component of other operating income.

3.2 Foreign currency transactions

The financial statements are presented in South African Rand, which is the company's functional and presentational currency. Foreign currency transactions are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. Gains and losses on foreign exchange transactions are recognised in the statement of comprehensive income in the period in which they arise.

3.3 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset.

Leases of assets are classified as operating leases if the lessor effectively retains all the risks and rewards of ownership. The total minimum lease payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Any contingent rental payments are expensed when incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Finance leases, which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income. Leased assets are depreciated over the useful life of the asset.

3.4 Taxation

(a) Current tax

Income tax payable on taxable profits ('current tax'), is recognised as an expense in the period in which the profits arise. The tax rates and tax laws used to compute the amount are those that are applicable as at the end of the financial year.

Income tax related to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantially enacted by the reporting date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised. In addition, both deferred tax assets and liabilities are recognised except :

- Where the deferred income tax asset/liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with interests in joint ventures, deferred tax is recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised directly in equity is also recognised in equity and not in the statement of comprehensive income.

(c) Secondary tax on companies

STC is provided for at 10.0% on the net of dividends declared less dividends recovered by the company during the reporting period. STC credits that arise from dividends received and receivable that exceed dividends paid are accounted for as a deferred tax asset.

3.5 Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits. Cash equivalents comprise highly liquid investments (less than 3 months) that are convertible into cash with an insignificant risk of change in value.

3.6 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment in value, if any. Such cost includes the cost of replacing a part of equipment only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. Subsequent costs and additions are included in the asset's carrying amount or are recognised as a separate asset, as appropriate. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the depreciable amount of items of property and equipment, other than land, on a straight-line basis over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its economic life.

When deciding on depreciation rates and methods, the principal factors the company takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the company estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful life.

Depreciation rates, methods, useful lives and the residual values underlying the calculation of depreciation of items of property and equipment are reviewed at each financial year end to take account of any change in circumstances. Changes are treated as changes in accounting estimates.

The company uses the following annual rates in calculating depreciation:

Motor vehicles	5 years
Furniture and fittings	6 years
Computer equipment	3 years
Office equipment	5 years
ATMs	7 years
Leasehold improvements	Shorter of the period of lease and useful life of the item

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit and loss section of the statement of comprehensive income in the year the asset is derecognised.

3.7 Intangible assets

An intangible asset arising from software/system development expenditure on an individual project, is recognised only when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Intangible assets are measured on initial recognition at cost.

Costs associated with maintenance and modification of computer software are recognised as an expense as incurred. Costs that are clearly associated with an identifiable and unique product, which will be controlled by the company and have probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Following the initial recognition of the development expenditure, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised, on a straight-line basis over the period of expected future use of the asset once the asset is available for use. The useful lives of intangible assets have been assessed as finite and are therefore amortised over the useful economic life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The carrying value of development costs is reviewed for impairment annually, when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year. The amortisation period and method is reviewed annually. Changes in the expected useful life, amortisation period or method are treated as changes in accounting estimates.

The amortisation periods are as follows:

Computer software development costs	3 years
Software development costs	10 years

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gains or losses arising from disposal or derecognition of the intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss section of the statement of comprehensive income in the year the asset is derecognised.

3.8 Impairment of property, equipment and intangible assets

At each reporting date or more frequently where events or changes in circumstances dictate; indicators of impairment of property and equipment and intangible assets are assessed. If there is an indication of impairment, a review is performed which comprises a comparison of the carrying amount of the asset with its recoverable amount which is the higher of the asset's or the cash-generating unit's fair value less costs to sell, and its value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtained as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis.

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 since the last impairment loss was recognised. An impairment loss is reversed 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 had been recognised.

The carrying values of property, equipment and intangible assets are written down by the amount of any impairment and this loss is recognised in the statement of comprehensive income in the period in which it occurs.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

3.9 Employee benefits

The company and employees make contributions to the following pension funds which are all defined contribution plans: Multicor, Mine Workers Provident Fund and Chamber of Mines Retirement Fund. These funds are registered under and governed by the Pension Funds Act, 1956 as amended. Contributions to any defined contribution section of a plan are recorded under "personnel expenses", which is included within operating expenses, as incurred.

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accrual basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the company has a present obligation to its employees that can be measured reliably.

3.10 Provisions and contingent liabilities

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

3.11 Financial instruments – Initial recognition and subsequent measurement

(a) Initial recognition

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(b) Date of recognition

Financial instruments are recognised when the company becomes party to the contractual provisions of the financial instrument. All purchases and sales of financial instruments are recognised on the trade date i.e. the date that the company commits to purchase the financial asset or assume the financial liability.

(c) Financial assets

Financial assets recognised on the balance sheet include; Cash and cash balances, Investments, Trade receivables and other assets and Loans and advances to customers.

The company classifies its financial assets in the following categories: financial assets designated at fair value through profit or loss; loans and receivables; held to maturity investments and available for sale financial assets. Management determines the classification of financial assets at initial recognition.

(d) Financial liabilities

Financial liabilities recognised on the balance sheet include deposits and savings and trade and other payables. Financial liabilities, other than trading liabilities and financial liabilities designated at fair value, are carried at amortised cost using the effective interest method. Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

(e) Financial instruments at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when:

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in "Net gain or loss on financial assets and liabilities designated at fair value through profit or loss". Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other operating income" when the right to the payment has been established. Included in this classification are certain short-term investments as detailed in note 15.

(f) Loans and receivables

Loans and receivables (including long-term loans, advances and trade and other assets) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "Financial assets held for trading", designated as "Financial investment – available-for-sale" or "Financial assets designated at fair value through profit or loss". They arise when the company provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(g) Held to maturity investments

Held to maturity investments are non-derivative financial assets (including short-term investments) which carry fixed or determinable payments and have fixed maturities and which the company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs. They are subsequently measured at amortised cost, using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(h) Available-for-sale investments

Available for sale investments are non-derivative financial investments that are designated as available for sale or do not qualify to be categorised as held at fair value through profit and loss, loans and receivables or held-to-maturity. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income until sale or impairment when the cumulative gain or loss is transferred to the profit and loss section of the statement of comprehensive income. Interest determined using the effective interest method, impairment losses and translation differences on monetary items are recognised in the profit and loss section of the statement of comprehensive income.

3.12 Financial instruments – Derecognition of financial assets and financial liabilities

(a) Financial assets

The Bank derecognises financial assets (or where applicable, a part of a financial asset or part of a group of similar financial assets) where:

(a) the rights to receive cash flows from the asset has expired; or

(b) the company retains the right to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement and the company has transferred its rights to receive cash flows from the asset and either:

- has transferred substantially all the risks and rewards of the asset; or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the company could be required to repay.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.13 Financial instruments – Determination of fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted market price or asking price (as appropriate) in an active market wherever possible, without any deduction for transaction costs. Where no such active market exists for the particular asset, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

3.14 Impairment of financial instruments

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is deemed to be impaired 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 (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. Objective evidence that a financial asset or a portfolio is impaired includes observable data that comes to the attention of the Bank about the following loss events:

i) significant financial difficulty of the issuer or obligor;

ii) a breach of contract, such as a default or delinquency in interest or principal payments;

iii) 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;

iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

v) the disappearance of an active market for that financial asset because of financial difficulties; or

vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- Adverse changes in the payment status of borrowers in the portfolio; and
- National or local economic conditions that correlate with defaults on the assets portfolio.

(a) Loans and advances to customers

For loans and advances to customers carried at amortised cost, the bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is included in the profit and loss section of the statement of comprehensive income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "bad debts recovered" in the profit and loss section of the statement of comprehensive income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Held-to-maturity financial investments

For held-to-maturity investments the bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss section of the statement of comprehensive income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the "impairment losses on financial investments".

(c) Available-for-sale investments

For available-for-sale investments, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss section of the statement of comprehensive income – is removed from other comprehensive income and recognised in the profit and loss section of the statement of comprehensive income. Impairment losses on equity investments are not reversed through the profit and loss section of the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

Where applicable future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income".

(d) Trade receivables and other assets

For trade receivables and other assets, the Bank assesses at each reporting date if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. The amount of the loss is recognised in the profit and loss section of the statement of comprehensive income. Trade receivables and other assets are reduced directly with the amount of the impairment loss.

3.15 Financial instruments – Collateral and netting

The Bank enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

(a) Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities.

The Bank also receives collateral in the form of cash or securities in respect of other credit instruments, such as advances to customers in order to reduce credit risk. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively.

(b) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

4. RISK MANAGEMENT

The board acknowledges its ultimate responsibility for the total process of risk management, as well as for forming its own opinion on the effectiveness of the process.

The risk management culture within the Bank is embedded throughout the organisation using an enterprise-wide risk management approach, with management taking full responsibility for identifying, understanding and managing risk in pursuit of its strategy and aligning these with the overall business risk policy and approved risk appetite and tolerance levels.

The "board" has therefore appointed the Board Risk and Capital Management Committee to assist the "board" in reviewing the quality, integrity and reliability of the risk management process and reviewing the significant risks facing the Bank. The Board Risk and Capital Management Committee charter highlights the roles and responsibilities of this committee to ensure effective discharge of duties and segregation of duties at "board" level.

There is constant co-operation and flow of information between the various Board Committees and management functions in order to increase awareness and transparency thus achieving greater effectiveness by leveraging on the knowledge pool and insight of the directors. The risk department, which is independent, ensures overall coordination, facilitation, assessment and reporting of the bank-wide risk profile. It therefore acts as the glue that binds the process and ensures that as a collective there is coverage of risks, with clear accountability and adequate segregation of duties as well as providing guidance, coordination and assurance.

Risk governance

Risk culture, appetite and tolerance

The board has adopted a prudent risk management culture, which views risk as an inherent part of running a successful business, i.e. risks are not only mitigated but are also investigated for potential opportunities which could provide a direct linkage between risk management and maximising shareholder value. Risk appetite and tolerance levels are continuously being reviewed and updated as part of the Bank's ICAAP Process, which allows risk taking within certain parameters and are supported by the establishment and maintenance of cost-effective controls. Risk appetite is defined as the level or quantum of risk that is acceptable to the Bank in pursuit of its objectives and is dependent on the extent to which it seeks and tolerates risk as described by predetermined performance indicators, operational parameters and process controls. Risk tolerance or absorption capacity is the level of deviation from the risk limits or appetite or amount the Bank is capable of losing before its sustainability is endangered or reputation is irreparably damaged, it is therefore a function of the Bank's capital, reserves and profitability in relation to the business strategy, cost effective risk mitigation controls and effective risk transfer strategies.

Risk governance

The following management committees are in place to support the EXCO and the Board Risk and Capital Management Committee in managing enterprise risks.

- Credit committee, responsible for credit risk.
- Asset and Liability committee (ALCO), responsible for the management of the following :
  - Solvency risk
  - Liquidity risk
  - Interest rate risk
  - Counterparty risk
- Operational Risk Management committee (ORC), responsible for the management of all operational risk related risks including :
  - Processes
  - Information technology
  - People
  - Legal and compliance

In addition, a Board Large Exposures Committee ensure's oversight and approval of large exposures. The Board Risk and Capital Management Committee approves the Bank's enterprise-wide risk management framework. Supporting this Enterprise Risk Management (ERM) framework are the following frameworks:

- Credit risk framework
- Capital risk framework
- Operational risk framework

The Risk department

The Risk department is an independent function guided by the following objectives:

- To develop and implement an effective risk governance structure and process including inculcation of a risk management culture.
- To identify the Bank's material risks and ensure that business profile and plans are consistent with risk appetite.
- To optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures.
- To ensure that business growth plans are properly supported by effective risk infrastructure.
- To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.
- To help executives improve the control and coordination of risk taking across the business.

The Compliance department

Compliance risk is the risk of non-compliance with laws, regulations and codes of conduct applicable to the company's business activities and functions.

The Compliance department's primary role is to assist management in identifying, monitoring and effectively controlling the compliance risk they face not only with the letter of the law, but also with the spirit thereof. The compliance function forms part of the overall risk governance structure.

The Bank's compliance officer operates under an authority delegated by the board in terms of a board approved compliance charter and has unrestricted access to the chief executive officer, the chairman of the audit committee and the chairman of the board.

The compliance function also leverages off the expertise and capacity of other functions in the Bank. A compliance legal analysis function is in place to analyse and interpret new statutory requirements. A risk based compliance approach, which supports the Enterprise-wide risk management framework, is followed. Business unit compliance champions have been appointed and they form the entry point into business areas whereby they are notified of the various statutory requirements, and relying on their expert knowledge of the business unit, ensuring that appropriate controls are designed, introduced and maintained. Adherence to controls is tested by either internal audit or the central compliance function as specified in the risk management plans. Reliance is also placed on system controls, where appropriate, to minimise potential human interpretation and possible breaches.

Regular updates or reports are submitted to the audit committee, board and the South African Reserve Bank on all compliance related matters.

The audit committee reviews the work of the compliance function on a regular basis through the reports submitted to the committee. The annual compliance work plan is also approved by the Audit committee. There were no material issues of non-compliance that had to be reported during the year under review.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank has an operational risk management unit that focuses on managing the risk of loss due to inadequate or failed internal processes, system or people and from external events.

Risk control self assessments are embedded across the organisation.

The in-house built Operational isk Loss Data Collection system is performing as expected and will be further developed with more enhanced reporting, amongst others.

Other tools/measures implemented by the Bank in managing operational risk include, but are not limited to: Health Check List, periodic review of the Bank's insurance policies, Risk Registers, Operational Risk Dashboard, Teller Difference Report, review of the Key Operational Risk Report and analysis of Operational Loss Event Management Information reports.

A comprehensive report is prepared and presented at an Operational Risk Management Committee every quarter and further escalated to the Board Risk Committee to ensure effective oversight of the Bank's Operational Risk Management.

Forensic investigations

Fraud is an inherent business risk in any institution. The Bank endeavours to combat acts of transgression and unethical behaviour through the implementation of dynamic and sound fraud prevention practices. The Bank therefore encourages a corporate culture which prioritise strategic values of the company, manage all risks, including fraud risks, and requires ethical behaviour that can prevent fraud. A core team investigates all fraud related matters on a centralised basis and all matters are recorded on a fraud case management system for analysis, follow-up and reporting. Any control breakdowns are analysed and reported immediately for corrective action and where necessary improvement of controls.

The board supports a zero tolerance policy on fraud and all instances involving a reportable offence are managed consistently and in a uniform manner. Staff at all levels are responsible and accountable for exercising due diligence and control to prevent, detect, and report acts or suspicion of acts of a reportable nature, as defined in the Bank's fraud policy. Action will be taken against management and employees who act in an unethical manner, including acts of dishonesty, negligence and gross negligence. An external hotline manned by an independent and reputable service provider is implemented and available for staff and the public to report matters on a confidential basis.

Internal audit

Internal Audit uses a risk based approach in developing a Board Audit Committee approved annual audit plan, which takes into account the bank's strategy and key risks. Internal Audit also uses a risk based methodology to perform end to end audits that encompass operations, systems and financial processes. Internal Audit findings identified through the audit are discussed at business unit level and action plans to address the weaknesses are agreed with management. Progress on resolution of findings is monitored monthly through the audit issue tracking schedules and reported in the Executive Committee meetings and quarterly in the Operational Risk Committee meetings. Findings are monitored until they are resolved. All the high and extreme rated findings and progress on resolving the said findings is reported to the Board Audit Committee on a quarterly basis.

Code of ethics

The code of ethics commits staff and management to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. Staff at all levels participated in the drafting of a code of ethics, which reflects the Bank's diversity and unique culture. Staff are expected to observe their ethical obligation in such a way as to carry on business through fair commercial competitive practices and to observe the Bank's values in their interaction with others and specifically with clients.

The Basel capital accord

The board has approved and adopted a standardised approach for credit risk and basic indicator approach for operational risk. In addition the board is aware that Basel III will come into effect in 2015.

4.1 Financial risk management

Introduction and overview

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Bank is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(a) Credit risk management

Credit risk is the risk of financial loss resulting from a customer or counterparty failing to meet an obligation under a contract. Loans are the largest and most obvious source of credit risk; however, other sources of credit risk exist throughout the activities of the bank, including in the banking book. Credit risk inherent in the entire credit portfolio as well as the risk in individual credits or transactions is actively managed. The relationships between credit risk and other risks are considered as part of the ongoing credit risk management process within the Bank.

Potential concentrations of credit risk consist principally of short-term cash investments and loans to the mining sector including mine workers. The Bank has accepted this concentration risk and manages its risk accordingly. The Bank only deposits short-term cash surpluses with financial institutions of high quality credit standing. Credit limits per financial institution are approved by the Asset and liability committee ("ALCO") in line with the credit limit methodology approved by the Board Risk committee.

The Bank's main focus on credit risk has been on building and improving credit capabilities so as to improve in this area. In pursuit of this strategy, the Bank is, inter alia, reviewing its credit systems and models to ensure continued effective risk management.

Credit leniency leads to underpriced loans and potential client over indebtedness while the application of credit criteria that are too strict results in an inefficient underwriting model and constraints on growth. In order to optimise this balance, the Bank has made significant investments into both people processes and systems within the discipline of credit risk management.

Clients' overall indebtedness is continually monitored in conjunction with expected changes in the macro economic environment. The Bank continues to monitor the market credit cycle and changes thereof mainly from a combination of increasingly competitive credit supply side dynamics. In response to this risk, the Bank continues to use its responsible lending strategy through the use of automated affordability tests. Credit key risk indicators have been implemented and are being monitored on a regular basis. The management credit committee and the Board risk committee closely monitor the credit risk through the credit risk reports including the risk register. The credit risk framework has been approved by the Board risk committee.

Credit risk measurement

A statistical modelling technique is used to measure credit exposure across the loan book so as to determine the probability of default. Further, the probability of default is an integral part of the impairment model. Counterparty credit risk exposure is measured through monitoring of the counterparties' credit quality and limits are adjusted accordingly.

Credit risk mitigation

The Bank uses an affordability model to assess the customers' capacity to repay without distress (throughout its businesses) as part of its credit decision process, which is embedded in the credit system. This model, which is maintained by the Credit department, assists the Bank in front line credit decisions on new commitments and in managing the portfolio of existing exposures. Lending limits as approved by the Board risk committee are monitored for compliance. Credit risk loans, that are non-performing loans and potential problem loans are monitored by the Credit committee who ensure that they are in line with the approved risk appetite. The loans are impaired as appropriate and the Credit committee ensures adequate coverage of credit risk exposure.

Risk concentration of the maximum exposure to credit risk

Concentration of risk within customer, sector and geography (all within South Africa) is managed by the ALCO. The maximum credit exposure to any individual customer as of 28 February 2011 was R1 322 929 (2010:R1 836 703). The Bank is also exposed to concentration risk specifically within the mining industry.

	2011 R'000	2010 R'000
Loans and advances[1]		
Personal loans to employees of mining industry	720 690	428 080
Personal loans to employees of non-mining industry	39 703	8 054
Wholesale loans	862	1 835
Total	**761 255**	**437 969**
Investments		
Sovereigns	964 271	528 334
Interbank	531 930	799 970
Securities firms	–	200 867
Capital markets	405 299	404 244
Investments under curatorship	62 067	72 558
Total	**1 963 567**	**2 005 973**

[1] According to the Banks Act, all loans are unsecured, including pension backed loans.

(b) Liquidity risk management

Liquidity risk is the risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequence of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

A loss of confidence in the Bank or the banking sector could result in a withdrawal of deposits and funding such that the Bank cannot meet its obligations despite being adequately solvent and profitable. The Bank's liquidity risk is monitored by the ALCO that meets monthly and reviews the liquidity position of the Bank including liquidity mismatches in terms of regulatory requirements for banks and financial institutions. Its objective is to manage and limit the adverse impact of these risks on the Bank's future earnings.

(c) Market risk management

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Bank does not have a trading book but a banking book, as such it is mainly exposed to interest rate risk.

The ALCO consisting of senior management meet on a monthly basis to review the balance sheet structure, including interest rate exposure and approve management strategies against the considered economic forecasts. Compliance with treasury policies and objectives and exposure limits are reviewed by ALCO on a monthly basis and by the Board Risk Committee on a quarterly basis.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

Currency risk

Currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Bank has no significant exposure to currency risk at the end of the reporting period.

Market risk measurement

Interest rate risk is being measured through an interest rate gap model, which is the difference between rate sensitive assets and liabilities. In addition, a stress testing model using interest rate shocks, is used to determine potential losses in the event of extreme market conditions. The impact on net interest margins is monitored at the monthly ALCO meetings.

4.2 Capital management

The Bank manages its capital, as an integral part of the ALCO and ICAAP process, to ensure that it holds adequate capital to meet the minimum regulatory requirements. In line with the Basel II requirements, a capital buffer ratio has been approved by the Board and is reviewed and monitored by both ALCO and the Board Risk Committee. During the past year, the Bank had complied with all its externally imposed capital requirements. No changes were made in the objectives, policies and processes from the previous years.

Basel II

The Bank has fully embraced the Basel II framework and acknowledges that it has further improved the risk management processes. The project, which ran for more than two years, was successfully implemented. The Basel II capital adequacy ratio is being monitored including the internal capital buffer ratio approved by the Board Risk Committee. The bank approved and adopted a standardised approach for credit.

Minimum banking requirements

Capital adequacy and the use of regulatory capital are monitored by employing techniques based on guidelines developed by the Basel Committee on Banking Supervision and implemented by the SARB. These techniques include the capital adequacy ratio calculation, which the SARB regards as a key supervisory tool.

Risk-weighted assets are determined by applying risk weights to statement of financial position assets and off statement of financial position financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance sheet financial instrument is regulated by the Banks Act, No. 94 of 1990 (as amended).

The Bank's regulatory capital position at 28 February 2011 was as follows:

	2011 R'000	2010 R'000
Tier 1 capital		
Ordinary share capital	24 500	24 500
Share premium	220 375	220 375
Retained earnings	284 523	290 453
Deductions	(88 394)	(50 630)
Total	**441 004**	**484 698**
Tier 2 capital[1]	**2 029**	1 980
Total regulatory capital	**443 033**	**486 678**

	2011	2010
[1]Allowable portfolio impairment under standardised approach.		
Capital adequacy	18.04%	18.54%
Primary share capital and reserve funds adequacy ratio	17.96%	18.47%

Target Capital Levels

Target capital levels have been set for the Bank and are above the minimum regulatory requirements set by the SARB.

	2011 R'000	2010 R'000
Regulatory requirements	**9.5%**	**9.5%**

4.3 Credit risk

(a) Gross maximum exposure

The Bank's objectives and policies in managing the credit risks that arise are set out in note 4.1 under the heading 'Credit Risk Management'. The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	2011 R'000	2010 R'000
Cash and cash balances	369 326	594 540
Investments	1 963 567	2 005 973
Trade receivables and other assets (excluding prepayments)	31 001	46 815
Loans and advances to customers	761 255	437 969
Total credit risk exposure	**3 125 149**	**3 085 297**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

(b) Collateral and other credit enhancements

Home loans offered by the Bank are fully secured in the event of death or resignation from the pension fund, by the pension funds of the loan holders at the time of granting and some micro loan products are 30% secured for the value of the loan limited to a R30 million guarantee from a listed mining house. The Banks policy and process for valuing collateral, is that the security values must be conservative and give the Bank a margin that takes into account market volatility, the time taken to realize the security and the cost of realisation. The more volatile the value of the security, the more frequent the valuations should be. The policy also manages the frequency of the revaluation of security, based on the nature of the security.

		2011 R'000	2010 R'000
Secured loans (100% secured)		97,742	106,800
Tirisano loans (30% secured)		31,694	43,341
Other loans (Unsecured)		631,819	287,828
Loans and advances to customers	17	**761,255**	**437,969**

(c) Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using the affordability model of loans and advances. Investment credit exposure is managed by the ALCO per note 4.1. Trade receivables and other assets credit exposure is managed through the Bank's internal control environment. The table below shows the credit quality by class of asset for balance sheet lines, based on the Bank's current credit risk framework and policies.

	2011 R'000	2010 R'000
Cash and cash balances	369 326	594 540
Investments	1 963 567	2 005 973
Trade receivables and other assets (excluding prepayments)	31 001	46 815
	2 363 894	2 647 328

(d) Age analysis of past due but not impaired per class of financial assets

All financial assets classified as past due are assessed for impairment annually and have an impairment raised. Past due refers to an overdue payment (instalment) which was not received on the expected date. When the payment due is not honoured, it becomes a past due financial asset.

(e) Analysis of impaired financial assets per class

The maturity analysis of the gross carrying value of loans and advances that are impaired (note 17) have been reported below. The disclosure reflects the outstanding amounts after risk mitigation.

2011 R'000	30-90 days	90-180 days	180-365 days	<365 days	Total
Loans and advances to customers-impaired	196 185	45 996	27 019	74 256	343 456
Loans and advances to customers-current	–	–	–	–	496 644
Total					**840 100**

2010 R'000	30-90 days	90-180 days	180-365 days	<365 days	Total
Loans and advances to customers-impaired	25 268	31 538	63 190	19 375	139 371
Loans and advances to customers-current	–	–	–	–	328 202
Total Note 17					**467 573**

4.4 Liquidity risk

The Bank's objectives and policies in managing the liquidity risks that arise are set out in note 4.1 under the heading 'Liquidity Risk Management'. The following table provides detail on the contractual maturity of all financial liabilities including interest accrued to the reporting date and contractual interest which will be accrued after the reporting date until maturity of the financial liability: (Refer to Note 30 for liquidity matching)

At 28 February 2011 R'000	On demand	<3 months	3-12 months	1-5 years	>5 years	Total
Financial liabilities						
Trade payables and other liabilities	–	–	49 030	–	–	49 030
Deposits and savings due to customers	2 191 511	291 708	302 388	16 007	–	2 801 614
Lease liability	–	1 110	3 330	1 110	–	5 550
Other liabilities						
Provision for leave pay	–	–	8 335	–	–	8 335
Bonus provision	–	2 193	–	–	–	2 193
Total undiscounted liabilities	**2 191 511**	**295 011**	**358 646**	**17 117**	**–**	**2 864 103**

At 28 February 2010 R'000	On demand	<3 months	3-12 months	1-5 years	>5 years	Total
Financial liabilities						
Trade payables and other liabilities	–	–	82 045	–	–	82 045
Deposits and savings due to customers	2 122 599	175 211	340 518	28 292	–	2 666 620
Lease liability	–	1 110	3 330	5 550	–	9 990
Other liabilities						
Provision for leave pay	–	–	8 998	–	–	8 998
Bonus provision	–	20 364	–	–	–	20 364
Total undiscounted liabilities	**2 122 599**	**196 685**	**434 891**	**33 842**	**–**	**2 788 017**

4.5 Interest rate, price and currency risk

The Bank's objectives and policies in managing the interest, price and currency risks that arise in connection with the use of financial instruments are set out in note 4.1 (c), under the heading 'Market risk management'. The tables below demonstrate the sensitivity to a reasonable possible change in interest rate and price respectively with all other variables held constant, of the Bank's net interest income based on forecasts. The impact of such changes on equity is not considered to be material. The movements below exclude tax effects.

Interest rate risk

2011		Net interest income		Net interest income	
	Bp movement	Decrease	Increase	Decrease	Increase
		%	%	R'000	R'000
	50bp	3,71%	2,99%	11 894	9 566
	100bp	7,42%	5,97%	23 788	19 132
	200bp	14,84%	11,94%	47 575	38 263
2010					
	50bp	4,00%	3,06%	10 004	7 665
	100bp	8,01%	6,13%	20 007	15 530
	200bp	16,03%	12,28%	40 015	30 660

The Bank considers a reasonable expected change to be 50bp.

Price risk (sensitivity analysis based on a 10% increase and decrease in the market price of the underlying shares)
The percentage increase and decrease is management's estimate of a reasonable possible movement in the market price of the underlying instruments. The carrying value of instruments exposed to price risk at the end of the reporting period is R631 910 566 (2010: R1 613 737).

2011	Pre tax impact on profit and loss	Carrying value after change
	R'000	R'000
Increase	63 191	695 102
Decrease	(63 191)	568 720
2010		
Increase	161	1 775
Decrease	(161)	1 452

The Bank does not undertake any hedging on exposures.

5. FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties.

Carrying value approximates fair value due to the minimal credit losses and short-term nature of the financial assets and liabilities. Therefore, no comparison by class of the carrying amounts and fair values of the Bank's financial instruments not carried at fair value is given in the financial statements.

6. NET INTEREST INCOME

	2011 R'000	2010 R'000
Interest income		
Cash and cash balances	32 238	33 801
Loans and advances to customers	156 552	135 990
Investments	120 492	133 544
- Held-to-maturity	18 280	36 627
- Interest on impaired asset (designated as available for sale)	10 500	3 300
- Financial assets designated at fair value through profit or loss	91 712	93 617
	309 282	**303 335**
Interest expense		
Deposits and savings due to customers	(43 360)	(54 854)
Banking facilities	(1 796)	(1 190)
	(45 156)	**(56 044)**
Net interest income	**264 126**	**247 291**

7. FEE AND COMMISSION INCOME

	2011 R'000	2010 R'000
Administration fees	57 028	52 216
Commission earnings	59 461	60 486
Service and management fees	135 969	184 781
	252 458	**297 483**

8. NET GAIN/(LOSS) ON FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 R'000	2010 R'000
Financial assets designated at fair value through profit or loss	732	(124)
	732	**(124)**

Included in this total amount are the gains and losses arising from the buying and selling, and changes in the fair value of financial assets designated upon initial recognition as held at fair value through profit or loss.

9. OTHER OPERATING INCOME

	2011 R'000	2010 R'000
Grant income	–	448
Gain on sale of property and equipment	–	102
Bad debts recovered	4 724	3 703
Other	164	1 149
Impairment reversal on accounts receivable	1 048	–
Investment income	23 450	40 221
	29 386	**45 623**

10. IMPAIRMENT CHARGE ON FINANCIAL ASSETS

	Note	Specific impairment R'000	Portfolio impairment R'000	Total R'000
2011 Net charge to the statement of comprehensive income				
Loans and advances to customers	17	(51 477)	–	(51 477)
Investments – Corporate Money Managers (CMM)*	15	(20 991)	–	(20 991)
		(72 468)	**–**	**(72 468)**
2010 Net charge to the statement of comprehensive income				
Loans and advances to customers	17	(49 138)	6 961	(42 177)
Investments – Corporate Money Managers (CMM)*	15	(166 700)	–	(166 700)
		(215 838)	6 961	(208 877)

* This impairment was determined taking into account several significant assumptions which have been included within the Director's report.

11. PERSONNEL EXPENSES

	2011 R'000	2010 R'000
Pension costs – Defined contribution plan expense	(9 265)	(12 235)
Salaries and wages	(200 273)	(219 211)
	(209 538)	**(231 447)**
Personnel – Actual headcount at year end	783	919

12. OTHER OPERATING EXPENSES

	2011 R'000	2010 R'000
Significant operating expenses comprise of:		
Auditors remuneration		
Audit services	(4 961)	(4 200)
Other	(152)	(1 220)
Legal fees	(752)	(686)
Loss from non-trading foreign exchange	–	(313)
Loss on sale of property and equipment	(14)	–
Impairment on accounts receivable	–	(1 347)
Professional fees	(2 284)	(2 191)
Operating lease expense	(13 926)	(11 887)
Strategic research	(326)	(1 072)
Software licence fees	(18 158)	(12 402)
Security expenses	(29 596)	(22 367)
Consumables	(4 678)	(4 151)
Network costs	(7 454)	(5 366)
Maintenance	(4 064)	(8 109)
Software expenses	(10 072)	(8 897)
Telecommunications	(5 086)	(5 827)
Travelling	(3 475)	(8 134)
Training	(1 765)	(7 433)
Fraud	(2 566)	(5 440)
Printing and stationery	(5 128)	(6 358)
VAT not recovered	(4 317)	(12 187)
Cash delivery costs	(13 596)	(12 096)
Consulting fees	(18 857)	(14 222)
Marketing	(29 593)	(17 786)
Other	(14 862)	(11 088)
	(195 682)	**(184 779)**

13. TAXATION

The components of the tax expense for the years ended:

	Notes	2011 R'000	2010 R'000
Current tax			
Adjustment in respect of re estimation of prior year asset/ (liability)		(65)	(2 712)
Deferred tax			
Origination and reversal of temporary differences	20	29 107	42 105
Taxation income recognised in loss for the year		29 042	39 393
Taxation recognised in other comprehensive income	20	2 694	(35)
Total taxation in the statement of comprehensive income		**31 736**	**39 358**

Reconciliation of the total tax charge

A reconciliation between the tax benefit and the accounting loss is as follows:

	2011 R'000	2010 R'000
Accounting loss before tax	**(34 759)**	**(118 360)**
At domestic corporate tax rate of 28% (2010: 28%)	9 732	33 141
Non-deductible and Non-taxable items	12 809	(2 298)
Capital gains tax impact	–	–
Income not subject to tax	6 566	11 262
Adjustment in respect of re estimation of prior year liability	(65)	(2 712)
Taxation income reported in the statement of comprehensive income	**29 042**	**39 393**
Effective income tax rate	(83.55%)	(33.28%)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14. CASH AND CASH BALANCES

	2011 R'000	2010 R'000
Coins and bank notes	67 189	58 107
Balances with other banks	302 137	536 433
	369 326	**594 540**

15. INVESTMENTS

	2011 R'000	2010 R'000
Available-for-sale[1]	511 078	74 528
Held to maturity	214 186	265 784
- Money market instruments	214 186	265 784
Designated at fair value through profit and loss	1 238 303	1 665 661
- Capital market instruments	403 613	402 274
- Money market instruments	317 744	735 053
- Central bank securities	516 946	528 334
	1 963 567	**2 005 973**

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2011				
Available-for-sale[1]	449 011	–	62 067	511 078
Designated at fair value through profit and loss	–	1 238 303	–	1 238 303
- Capital market instruments	–	403 613	–	403 613
- Money market instruments	–	317 744	–	317 744
- Central bank securities	–	516 946	–	516 946
	449 011	**1 238 303**	**62 067**	**1 749 381**
2010				
Available-for-sale[1]	1 970	–	72 558	74 528
Designated at fair value through profit and loss	–	1 665 661	–	1 665 661
- Capital market instruments	–	402 274	–	402 274
- Money market instruments	–	735 053	–	735 053
- Central bank securities	–	528 334	–	528 334
	1 970	**1 665 661**	**72 558**	**1 740 189**

[1] This amount includes an investment on which a reassessment of recoverable amount was performed and an impairment of R20.9 million was recognised (2010: R166.7 million) in the profit and loss section of the statement of comprehensive income. There are several significant assumptions applied to the impairment calculation which have been included in the Director's report.

Reconciliation of level 3 investments	2011 R'000	2010 R'000
Balance as at 1 March	72 558	–
Reclassified to available for sale	–	83 758
Impairment	(20 991)	(14 500)
Accrued interest	10 500	3 300
Balance as at 28 February 2011	62 067	72 558

This level 3 disclosure for available for sale assets relates solely to the CMM investment. This investment is considered a level 3 investment as a number of the inputs used in the valuation are dependent on a number of significant assumptions and not solely on observable market data.

This valuation is sensitive to the underlying assumptions applied and by way of a sensitivity analysis:

- A change in the discount rate applied (13.63%) of 1.0% to 14.63% would result in a decrease in the valuation of the investment of R1.6 million to R60.4 million. A similar change in the discount rate applied (13.63%) of 1.0% to 12.63% would result in an increase in the valuation of the investment of R1.7 million to R63.7 million.

- A change in the realisable period assumption applied (5 years) of 1 year to 6 years would result in a decrease in the valuation of the investment of R6.3 million to R55.7 million. A similar change in the realisable period assumption applied (5 years) of 1 year to 4 years would result in an increase in the valuation of the investment of R7.2 million to R69.2 million.

- A change in the recovery value assumption applied (42.54%) of 5% to 37.54% would result in a decrease in the valuation of the investment of R5.8 million to R56.2 million. A similar change in the recovery value assumption applied (42.54%) of 5% to 47.54% would result in an increase in the valuation of the investment of R5.8 million to R67.8 million.

16. TRADE RECEIVABLES AND OTHER ASSETS

	2011 R'000	2010 R'000
Interest receivable	27	48
Settlement accounts	9 393	220
African Bank receivable (Refer note 16.1)	–	857
Other accounts receivable	567	3 470
Operating account – Teba Ltd	1 631	1 631
Prepayments	8 671	9 314
Teba Bank Controlling Company	3 047	–
Teba Fund	2 163	–
Trade debtors	14 173	40 589
	39 672	**56 129**

16.1 Trade receivables and other assets

Total possible contractual receivable	–	14 006
Estimated impact of suspensive conditions	–	(13 149)
	–	**857**

In the prior year this receivable related to the present value of future cashflows associated with the sale of Teba Credit. The right to receive these cashflows is dependent on a suspensive condition per the sale agreement. During the year receipts of R1.8 million were received and a revision of the suspensive condition resulted in a reduction in the final amount recoverable of R1.3 million, disclosed as an impairment reversal on accounts receivable in Note 9.

The agreement concluded in the current year and there are no further transactions expected to flow.

17. LOANS AND ADVANCES TO CUSTOMERS

	2011 R'000	2010 R'000
Gross loans and advances to customers	840 100	467 573
Less: Allowances for impairment losses	(78 845)	(29 604)
Loans and advances to customers	**761 255**	**437 969**

A reconciliation of the allowance for impairment losses for loans and advances by class is as follows:

	Note	Pension Backed loans R'000	Other loans R'000	Total R'000
At 1 March 2010		(9 149)	(20 455)	(29 604)
Net charge for the year	10	36	(51 513)	(51 477)
Amounts written off		–	2 236	2 236
At 28 February 2011		**(9 113)**	**(69 732)**	**(78 845)**
At 1 March 2009		(5 944)	(121 455)	(127 399)
Net charge for the year	10	(3 205)	(38 972)	(42 177)
Amounts written off		–	139 972	139 972
At 28 February 2010		**(9 149)**	**(20 455)**	**(29 604)**

The following is a reconciliation of the specific and portfolio allowances for impairment losses on loans and advances:

	Note	Specific Impairment R'000	Portfolio Impairment R'000	Total R'000
Balance at 1 March 2010		(27 097)	(2 507)	(29 604)
Net charge for the year	10	(51 477)	–	(51 477)
Amounts written off		2 236	–	2 236
At 28 February 2011		**(76 338)**	**(2 507)**	**(78 845)**
Balance at 1 March 2009		(117 931)	(9 468)	(127 399)
Net charge for the year	10	(49 138)	6 961	(42 177)
Amounts written off		139 972	–	139 972
At 29 February 2010		**(27 097)**	**(2 507)**	**(29 604)**

18. PROPERTY AND EQUIPMENT

2011	Cost R'000	Accumulated depreciation R'000	Net carrying value R'000
Leasehold improvements	32 995	(18 109)	14 886
Freehold land	2 080	–	2 080
Motor vehicles	4 448	(2 114)	2 333
Furniture and fittings	10 532	(6 497)	4 035
Office equipment	30 076	(19 663)	10 413
Computer equipment	154 003	(118 011)	35 992
ATMs	10 591	(6 498)	4 093
	244 725	**(170 892)**	**73 832**
2010			
Leasehold improvements	24 809	(13 353)	11 456
Freehold land	2 080	–	2 080
Motor vehicles	3 837	(1 736)	2 101
Furniture and fittings	9 501	(5 396)	4 105
Office equipment	29 214	(16 934)	12 280
Computer equipment	148 998	(91 605)	57 393
ATM's	8 049	(5 458)	2 591
	226 488	**(134 482)**	**92 006**

2011	Opening net carrying value R'000	Additions R'000	Disposals R'000	Impairments R'000	Depreciation R'000	Closing net carrying value R'000
Leasehold improvements	11 456	8 186	–	–	(4 756)	14 886
Freehold land	2 080	–	–	–	–	2 080
Motor vehicles	2 101	698	(47)	–	(419)	2 333
Furniture and fittings	4 105	1 166	–	–	(1 236)	4 035
Office equipment	12 280	1 101	–	–	(2 968)	10 413
Computer equipment	57 393	6 933	–	–	(28 334)	35 992
ATMs	2 591	2 542	–	–	(1 040)	4 093
	92 006	**20 626**	**(47)**	**–**	**(38 753)**	**73 832**

18. PROPERTY AND EQUIPMENT (CONTINUED)

2010	Opening net carrying value	Additions	Disposals	Impairments	Depreciation	Closing net carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Leasehold improvements	10 045	5 076	–	–	(3 665)	11 456
Freehold land	2 080	–	–	–	–	2 080
Motor vehicles	1 904	591	(60)	–	(334)	2 101
Furniture and fittings	3 364	1 737	(1)	–	(995)	4 105
Office equipment	7 456	8 006	–	–	(3 182)	12 280
Computer equipment	53 409	31 648	(14)	–	(27 650)	57 393
ATMs	2 834	620	(60)	–	(803)	2 591
	81 092	47 678	(135)	–	(36 629)	92 006

In terms of the Companies Act, details regarding freehold property are kept at the company's registered office and this information will be made available to shareholders on written request.

The carrying value of fully depreciated property and equipment that is still in use is R nil (2010: R9,364).

Assets under finance lease
Computer equipment with a carrying value of R4 700 697 as at 28 February 2011 (2010: R8 774 634), are leased under a finance lease. Please refer to note 31 for detail.

19. INTANGIBLE ASSETS

2011	Cost R'000	Accumulated amortisation R'000	Net carrying value R'000
Software development cost	81 419	(6 695)	74 726
	81 419	**(6 695)**	**74 726**
2010			
Software development cost	52 917	(2 287)	50 630
	52 917	**(2 287)**	**50 630**

2011	Opening net carrying value R'000	Additions R'000	Disposals R'000	Impairment R'000	Amortisation R'000	Closing net carrying value R'000
Software development cost	50 630	28 503	–	–	(4 407)	74 726
	50 630	**28 503**	**–**	**–**	**(4 407)**	**74 726**
2010						
Software development cost	13 027	38 756	–	–	(1 153)	50 630
	13 027	**38 756**	**–**	**–**	**(1 153)**	**50 630**

The remaining amortisation period for the Flexcube software is 23 months as at 28 February 2011.

20. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	2011 Assets R'000	2011 Liabilities R'000	2011 Net R'000	2010 Assets R'000	2010 Liabilities R'000	2010 Net R'000
Provisions	2 948	–	2 948	8 222	–	8 222
Fair value adjustments on investment securities (CI)	–	(205)	(205)	35	–	35
Straight lining of lease and admin fees	8 956	–	8 956	4 508	–	4 508
Impairments – Loans and advances	526	–	526	526	–	526
Prepaid expenses	–	(802)	(802)	–	(12)	(12)
Impaired available for sale investment	14 471	–	14 471	–	–	–
Fair value adjustments on investment securities (OCI)	2 528	–	2 528	–	(166)	(166)
Provisional assessed loss	64 471	–	64 471	47 979	–	47 979
Net tax assets/(liabilities)	**93 900**	**(1 007)**	**92 893**	**61 270**	**(178)**	**61 092**

Movements in deferred tax assets and liabilities during the year

	2011 R'000	2010 R'000
Provisions	(5 274)	(1 425)
Fair value adjustments on investment securities (OCI)	2 694	(35)
Effect of tax rate change	–	–
Fair value adjustments on investment securities (CI)	(240)	288
Straight lining of lease and admin fees	4 448	(3 922)
Impairments – Loans and advances	–	(1 462)
Prepaid expenses	(790)	647
Impaired available for sale investment	14 471	–
Provisional assessed loss	16 492	47 979
Net movement in deferred tax assets/(liabilities)	**31 801**	**42 070**
Deferred tax movment through other comprehensive income	**2 694**	**(35)**
Deferred tax movment through profit and loss	**29 107**	**42 105**
	31 801	**42 070**

There was no tax rate change during 2011.

21. TRADE PAYABLES AND OTHER LIABILITIES

	2011 R'000	2010 R'000
Unallocated deposits	409	1 110
PAYE and UIF accruals	209	489
Liabilities under operating leases	472	1 784
Deferred income – Administration fees	31 516	14 317
Sundry accruals	3 190	3 818
Trade creditors	4 667	15 676
System clearing accounts	4 328	36 130
Sundry creditors and VAT	4 239	8 721
	49 030	**82 045**

22. DEPOSITS AND SAVINGS DUE TO CUSTOMERS

	2011 R'000	2010 R'000
Deposits and savings due to customers	2 802 640	2 647 062
Interest accrued	7 862	9 234
	2 810 502	**2 656 296**

The average interest rate during 2011 for deposits by customers was 1.54% (2010: 2.11%).

23. PROVISIONS

2011	Opening balance	Provision raised during the year	Provision utilised during the year	Closing balance
Provision for leave pay	8 998	4 660	(5 323)	8 335
Bonus provision	20 364	2 193	(20 364)	2 193
	29 362	**6 853**	**(25 687)**	**10 528**
2010				
Provision for leave pay	6 453	5 515	(2 970)	8 998
Bonus provision	28 000	7 000	(14 636)	20 364
	34 453	**12 515**	**(17 606)**	**29 362**

24. SHARE CAPITAL AND SHARE PREMIUM

	2011 R'000	2010 R'000
Authorised		
25 000 000 ordinary shares of R1 each	25 000	25 000
Issued and fully paid		
24 500 000 ordinary shares of R1 each	24 500	24 500
Share premium		
Ordinary shares	220 500	220 500
Share issue expenses written off	(125)	(125)
	220 375	**220 375**
Available-for-sale reserve		
Unrealised (loss)/gain on available-for-sale investment	**(13 668)**	**1 693**

25. LONG-TERM INCENTIVE PLAN

	2011 R'000	2010 R'000
Expense arising from long-term incentive plan	–	8 350

The long term incentive plan was terminated by the board during the current year, and the provision for the scheme was released to the statement of comprehensive income. This plan was attributable to key management personnel, but was never fully implemented before being terminated as described.

26. CONTINGENT LIABILITIES AND COMMITMENTS

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk.

	2011 R'000	2010 R'000
Commitments		
Capital expenditure authorised but not contracted	146 733	90 273
– Property and equipment	146 733	28 014
– Intangible assets	–	62 259
Capital expenditure authorised and committed	4 616	3 739
	151 349	**94 012**

The Bank will fund authorised and committed capital expenditure from operating cash flows and existing cash resources.

Operating lease commitments

Where a company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:

	2011 R'000	2010 R'000
Within one year	4 886	10 214
After one year but not more than five years	6 847	9 107
	11 733	**19 321**

27. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or one other party controls both.

Teba Bank Controlling Company

Teba Bank Controlling Company is the 100% shareholder of Ubank Limited.

In the current year related party transactions relating to group mobilisation costs of R3 million (2010: Nil) were paid by the Bank. The debtor is recorded in trade receivables Note 16.

Teba Fund

Teba Fund is the trust which is the ultimate parent of Ubank Limited.

In the current year related party transactions relating to trust costs of R2 million (2010: Nil) were paid by the Bank. The debtor is recorded in trade receivables Note 16.

There were no other related party transactions during the year. No related party loans are considered to be impaired.

Transactions with directors and key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Ubank Limited (directly or indirectly) and comprise the Directors and Officers of Ubank Limited.

Details of transactions between directors and other key management personnel (and their connect persons) and the Bank are as follows:

Directors and key management personnel	2011 R'000	2010 R'000
Loans and advances		
Other key management personnel – Exco		
Opening balance	405	25
Loans granted during the year	–	525
Repayments	(107)	(145)
	298	**405**

Loans granted to key management personnel are unsecured.

Remuneration of directors and key management personnel

Directors and key management personnel	2011 R'000	2010 R'000
Salaries and other benefits		
Non-executive	1 301	1 232
Executive	7 046	5 968
Other key management personnel:	16 579	13 924
Salaries	15 510	12 822
Benefits (Including contributions to the defined contribution plan)	1 069	1 102
	24 926	**21 124**

28. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2011 R'000	2010 R'000
Loss before tax	(34 759)	(118 360)
Adjustments for non-cash flow items:		
Loss/(profit) on disposal of property and equipment	14	(102)
Losses/(gains) from foreign exchange transactions	–	313
Amortisation of intangible assets	4 407	1 153
Straight-lining of operating lease	(1 313)	326
Fair value adjustment on short-term investments	(732)	124
Impairment on African Bank receivable	–	(1 347)
Impairment on investments	20 991	166 700
Straight-lining of admin fees received	17 198	(14 332)
Depreciation of property and equipment	38 753	36 629
Impairment of advances	51 477	42 177
	96 036	**113 281**
Movement in working capital:		
Increase/(decrease) in trade receivables and other assets	16 457	(17 433)
Increase/(decrease) in trade payables and other liabilities	(71 233)	11 748
Cash available from operating activities	**41 260**	**107 596**
Taxation:		
Statement of comprehensive income	29 042	39 393
Deferred taxation balance movement	(31 801)	(42 070)
Current tax asset movement	(849)	(6 423)
	(3 608)	**(9 100)**

29. LIQUIDITY ANALYSIS

The liquidity analysis below includes discounted balances and separately represents future interest so as to present the undiscounted value, as reported within the ALCO risk management process.

2011	On demand R'000	Within 1 year R'000	From 1 year to 5 years R'000	More than 5 years R'000	Total R'000
Financial assets					
Cash and cash balances	369 326	–	–	–	369 326
Investments	–	1 525 048	438 519	–	1 963 567
Trade receivables and other assets	–	31 001	–	–	31 001
Loans and advances to customers	3 114	305 227	452 914	–	761 255
Total financial assets	**372 440**	**1 861 276**	**891 433**	**–**	**3 125 149**
Future interest[1]	–	254 316	269 588	–	523 904
Total financial assets including future interest	**372 440**	**2 115 592**	**1 161 021**	**–**	**3 649 053**
Other assets					
Property and equipment	–	–	–	–	73 832
Intangible assets	–	–	–	–	74 726
Current tax asset	–	–	–	–	15 598
Deferred taxation	–	–	–	–	92 893
Prepayments	–	–	–	–	8 671
Total other assets	**–**	**–**	**–**	**–**	**265 720**
Total assets	**372 440**	**2 115 592**	**1 161 021**	**–**	**3 914 773**
Financial liabilities					
Trade payables and other liabilities	–	49 030	–	–	49 030
Deposits and savings due to customers	2 200 286	594 209	16 007	–	2 810 502
Lease liability	–	3 972	1 110	–	5 082
Total financial liabilities	**2 200 286**	**647 211**	**17 117**	**–**	**2 864 614**
Future interest	–	10 403	403	–	10 806
Total financial liabilities including future interest	**2 200 286**	**657 614**	**17 520**	**–**	**2 875 420**
Other liabilities					
Provisions	–	–	–	–	10 528
Total other liabilities	**–**	**–**	**–**	**–**	**10 528**
Total liabilities	**2 200 286**	**657 614**	**17 520**	**–**	**2 885 948**
Equity					
Share capital and share premium	–	–	–	–	244 875
Available-for-sale reserve	–	–	–	–	(13 668)
Retained earnings	–	–	–	–	284 520
Total equity	**–**	**–**	**–**	**–**	**515 727**
Total liabilities and equity	**2 200 286**	**657 614**	**17 520**	**–**	**3 401 675**

[1] The future interest relates only to loans and advances.

29. LIQUIDITY ANALYSIS (CONTINUED)

2010	On demand R'000	Within 1 year R'000	From 1 year to 5 years R'000	More than 5 years R'000	Total R'000
Financial assets					
Cash and cash balances	594 540	–	–	–	594 540
Investments	200 868	1 730 577	74 528	–	2 005 973
Trade receivables and other assets	–	46 815	–	–	46 815
Loans and advances to customers	15 731	275 900	146 338	–	437 969
Total financial assets	811 139	2 053 292	220 866	–	3 085 297
Future interest [1]	–	144 693	32 181	–	176 874
Total financial assets including future interest	811 139	2 197 985	253 047	–	3 262 171
Other assets					
Property and equipment	–	–	–	–	92 006
Intangible assets	–	–	–	–	50 630
Current tax asset	–	–	–	–	14 749
Deferred taxation	–	–	–	–	61 092
Prepayments	–	–	–	–	9 314
Total other assets	–	–	–	–	227 791
Total assets	811 139	2 197 985	253 047	–	3 489 961
Financial liabilities					
Trade payables and other liabilities	–	82 045	–	–	82 045
Deposits and savings due to customers	2 122 599	507 747	25 950	–	2 656 296
Lease liability	–	3 814	4 766	–	8 580
Total financial liabilities	2 122 599	593 606	30 716	–	2 746 921
Future interest	–	11 376	374	–	11 750
Total financial liabilities including future interest	2 122 599	604 982	31 090	–	2 758 671
Other liabilities					
Provisions	–	–	–	–	29 362
Total other liabilities	–	–	–	–	29 362
Total liabilities	2 122 599	604 982	31 090	–	2 788 033
Equity					
Share capital and share premium	–	–	–	–	244 875
Available-for-sale reserve	–	–	–	–	1 693
Retained earnings	–	–	–	–	290 237
Total equity	–	–	–	–	536 805
Total liabilities and equity	2 122 599	604 982	31 090	–	3 324 838

[1] The future interest relates only to loans and advances.

30. CLASSIFICATION OF ASSETS AND LIABILITIES

2011	Loans and receivables R'000	Held to Maturity R'000	Designated at fair value through profit and loss R'000	Held as Available for sale R'000	Non–financial assets R'000	Total R'000
Financial assets						
Cash and cash balances	369 326	–	–	–	–	369 326
Investments	–	214 186	1 238 303	511 078	–	1 963 567
Trade receivables and other assets (excluding prepayments)	31 001	–	–	–	–	31 001
Loans and advances to customers	761 255	–	–	–	–	761 255
Other assets						
Prepayments	–	–	–	–	8 671	8 671
Intangible assets	–	–	–	–	74 726	74 726
Property and equipment	–	–	–	–	73 832	73 832
Current tax asset	–	–	–	–	15 598	15 598
Deferred taxation	–	–	–	–	92 893	92 893
Total assets	**1 161 582**	**214 186**	**1 238 303**	**511 078**	**265 720**	**3 390 870**

2010	Loans and receivables R'000	Held to Maturity R'000	Designated at fair value through profit and loss R'000	Held as Available for sale R'000	Non–financial assets R'000	Total R'000
Financial assets						
Cash and cash balances	594 540	–	–	–	–	594 540
Investments	–	265 784	1 665 661	74 528	–	2 005 973
Trade receivables and other assets (excluding prepayments)	46 815	–	–	–	–	46 815
Loans and advances to customers	437 969	–	–	–	–	437 969
Other assets						
Prepayments	–	–	–	–	9 314	9 314
Intangible assets	–	–	–	–	50 630	50 630
Property and equipment	–	–	–	–	92 006	92 006
Current tax asset	–	–	–	–	14 749	14 749
Deferred taxation	–	–	–	–	61 092	61 092
Total assets	1 079 324	265 784	1 665 661	74 528	227 791	3 313 088

30. CLASSIFICATION OF ASSETS AND LIABILITIES

Classification of liabilities

2011	Held at amortised cost	Non-financial liabilities	Total
	R'000	R'000	R'000
Financial liabilities			
Deposits and savings due to customers	2 810 502	–	2 810 502
Trade payables and other liabilities	49 030	–	49 030
Lease liability	5 082	–	5 082
Other liabilities			
Provisions	–	10 528	10 528
Total liabilities	**2 864 614**	**10 528**	**2 875 142**
2010			
Financial liabilities			
Deposits and savings due to customers	2 656 296	–	2 656 296
Trade payables and other liabilities	82 045	–	82 045
Lease liability	8 580	–	8 580
Other liabilities			
Provisions	–	29 362	29 362
Total liabilities	**2 746 921**	**29 362**	**2 776 283**

31. FINANCE LEASE COMMITMENTS

The Bank has a finance lease for computer equipment. The lease does not have terms of renewal or escalation clauses. Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	Minimum payments	Present value of payments
2011	**R'000**	**R'000**
Within one year	4 440	3 984
After one year but not more than five years	1 110	1 098
Total minimum lease payments	5 550	5 082
Less amounts representing finance charges	(468)	–
Present value of minimum lease payments	**5 082**	**5 082**
2010		
Within one year	4 440	3 440
After one year but not more than five years	5 550	5 140
Total minimum lease payments	**9 990**	**8 580**
Less amounts representing finance charges	(1 410)	–
Present value of minimum lease payments	**8 580**	**8 580**

ANNEXURE A: RECLASSIFICATIONS – STATEMENT OF CASHFLOWS

	Notes	As previously disclosed February 2010	Reclassification	Reclassified balance February 2010
Cash received from customers	1	511 416	-	-
Interest and fee income		-	600 817	600 817
Interest and fee expense		-	(101 792)	(101 792)
Net trading and other income		-	(27 831)	(27 831)
Dividends received		-	40 221	40 221
Cash paid to customers and employees		(403 820)	(403 820)	(403 820)
Cash available from operating activities		107 596	107 596	107 596

1. Reclassification of cash received from customers disclosure

The interest and fee income, interest and fee expense, net trading and other income, and dividends received has been disclosed seperately from the previously reported "cash received from customers" to achieve fairer presentation.

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