FINBOND PROPERTY FINANCE

contents

vision

To be the leading non-bank lender and mortgage originator in South Africa.

mission

To consistently satisfy the needs of our target market by offering innovative superior finance solutions and better service that adds value to our customers' lives and contributes towards their financial independence and freedom.

about us

Finbond is a South African financial services organisation that specialises in the design and delivery of unique value and solution based finance solutions tailored around borrower requirements rather than institutionalised lending policies and practices.

Finbond conducts its business through two divisions focused on:

- *Non-Bank Term Loans [Micro Finance/Consumer Finance];*
- *Mortgage Originating and related activities*

The Term Loans division of Finbond focuses on assisting clients in the emerging middle class gain access to finance and credit solutions. The division operates through 101 branches nationally under the Blue Chip Finance, Blue Dot Finance, Miloc and Mzanzi brands. This network of 'banking hall' type branches, where direct contact with clients is possible, offers short [30 day], medium [90-120 day] and long-term [12-24 months] personal loans and affordable housing products to customers. In addition to this, Finbond also approaches employers and sets up credit facilities for qualifying employees through wage based deductions. Trained loan officers also provide essential education to prospective clients on site. Finbond's operating subsidiaries in the term lending market have a track record and history of profitability of more than 12 years. Non-Bank Term Loans and investment income contributes approximately 54,5% to Finbond's bottom line.

During the property boom of the past number of years Finbond generated approximately R1 600 000 000 [one billion six hundred million] per month and currently generates between R800 000 000 [eight hundred million] and R1 200 000 000 [one billion two hundred million] per month for the four major banks and processes between 700 and 1 200 debt consolidation applications per month. The Mortgage Origination division operates through a network of 75 independent business units, 80 agencies, 100 associates and 800 brokers under the Bond Excel, Dimension Home Loans and IBO brands. Finbond's annual origination volumes make it the fourth largest mortgage originator in South Africa. Mortgage origination contributes approximately 45,5% to Finbond's bottom line.

Finbond has emerged as one of South Africa's leading and fastest growing mortgage originators and providers of unique consumer finance solutions. The catalyst for the Group's growth has been the identification of the need in the South African home loan and term lending markets for innovative lending products and services. The Group's management have a long and successful track record within the financial services sector. This, combined with well developed systems, unique branded product offerings, advanced information technology and a well trained and motivated staff complement, provides Finbond with a competitive advantage for achieving its vision of being the leading non-bank lender and mortgage originator in South Africa.

key performance indicators

Finbond's identity and culture is centred upon achieving results. Finbond strives for excellence and is passionate about achieving goals. High goals are set and, once achieved, these become benchmarks for the future. All tasks are undertaken in a harmonious and creative way, constantly measuring results against the Key Performance Indicators.

Our indicators:

– *To always add value*

– *To supply solutions not just products*

– *To provide excellence of service*

– *To ensure consistency and constancy of the first three*

Finbond is not focused upon making quick and short-term profits but set out to build critical market momentum that will secure long-term rewards and sustainable profits. Our business strategy is to exceed our business partners' expectations and, in so doing, sustain the organic growth of Finbond.

Ethics and Integrity are treated as essential core fundamentals in Finbond, they are not just words. Finbond Property Finance is a member of both the National Association of Mortgage Originators and Micro Lenders Association and subscribes to these Associations' code of conduct, which, *inter alia,* addresses the following issues:

– *The highest standard of service and professionalism;*

– *Duty to protect the public and the industry and adhere to all laws;*

– *Client confidentiality;*

– *Equality and non-discrimination*

– *Best interest of the consumers, and*

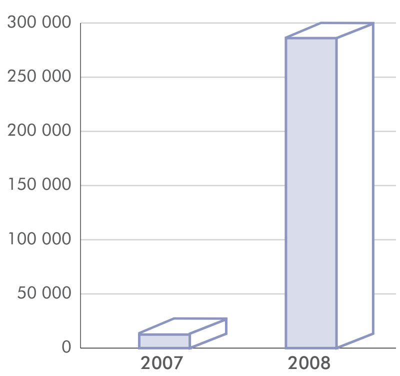
– *Transparency and disclosing of information in order for clients to make a rational decision.*

Finbond is also a member of the South African National Consumer Union.

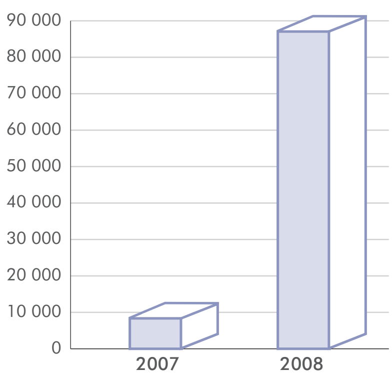
financial highlights

	Actual 2008
Financial results (R'000)	
Revenue from continuing operations	286 062
Operating profit from continuing operations	87 057
Net profit after tax	62 669
Shareholders' equity (adjusted)	276 269
Share performance (cents per share)	
Earnings	32,5
Headline earnings (HEPS)	32,5
Dividends	8,0
Final declared	8,0
Net tangible asset value (R'000)	76 481
Financial statistics	
Return on average shareholders' equity (%)	41

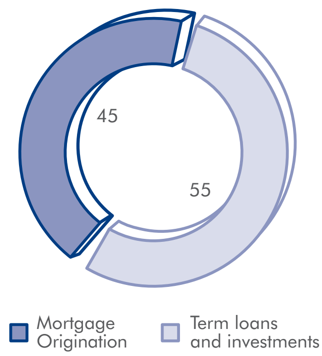
Revenue (R'000)



Gross profit (R'000)



Profit by business segment (%)



our core values

integrity

To maintain social and ethical norms in all activities.

human dignity

To at all times treat people with respect and consideration for their unique needs, feelings and opinions.

excellence

To be excellent in everything at all levels at all times.

accountability

To accept responsibility for the work delegated and execute it with excellence.

teamwork

To strive for the greater benefit of the organisation through an appreciation of the role that each employee plays in achieving the overall goals.

profit consciousness

To ensure employee awareness of the need for their actions to be directed to an honest gain for the company.

finbond group directorate

1

2

3

4

5

6

non-executive directors

1. Dr. Malesela Motlatla

Non-executive chairman

BA (UNISA), Post-Graduate Diploma in Marketing (UNISA), DCom (UNISA), Diploma in Business Management and further studies through the Wharton School of Business (Philadelphia)

Dr. Malesela Motlatla worked for the South African Breweries ("SAB") for more than 20 years. After leaving SAB he successfully established the first black business consortium in the Northern Cape region, Malesela Holdings (Pty) Limited, which flourishes through its successful subsidiaries in the areas of logistics, health, power and energy and the cleaning industries.

2. Nomonde Tantaswa Mapetla

BA (Lesotho), Post Graduate Diploma in Development Economics (Economics Institute of Colorado), MA (Ball State Indiana), MBA (De Montfort UK)

Mrs Mapetla is multi-lingual and proficient in all eleven official languages of South Africa particularly isiXhosa, isiZulu, Sesotho and English. A trained economist by profession she completed her secondary education in Swaziland and proceeded to the National University of Lesotho where she studied Economics and Accounting. Mrs. Mapetla was appointed as the first female Chief Executive Officer of the Estate Agency Affairs Board on 16 November 2004.

3. Jasper Jurgens Noeth

Dip Iuris (Natal), BIuris LLB (UNISA) Advocate of the High Court, QC

After a career in the Department of Justice that started in 1957, in 1989 Adv. Noeth was appointed Director-General of the Department of Justice. After the 1994 elections he was appointed as the Director-General of the new unified Department of Justice which comprised the eleven former Justice Departments. He served for 10 years as Director-General.

executive directors

4. Dr. Willie van Aardt

Chief Executive Officer

B Proc (Cum Laude), LLM, LLD, Admitted Attorney of the High Court of South Africa, QLTT (UK), Solicitor of the Supreme Court of England and Wales

Willie founded Finbond in January 2003 with his wife Linda van Aardt and mother Ina Wilken. Willie has substantial experience in the financial services sector. In 1998 Willie was the founder of JSE listed micro finance company Thuthukani Group Limited. Willie also has a strong academic background in corporate and constitutional law and finalised his Doctorate in Constitutional Law in 2005.

5. Hendrina Johanna (Ina) Wilken

BCom (Hons) (UNISA)

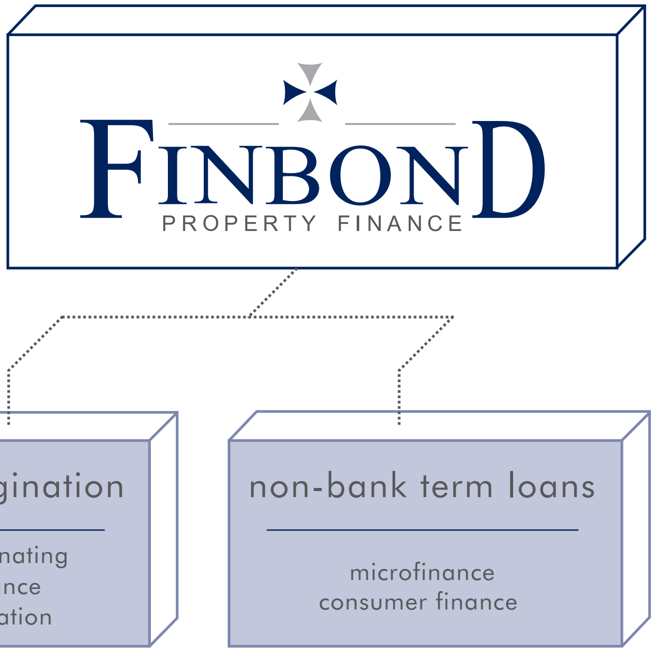
Ina has substantial managerial experience and has been involved in the banking and financial sectors since 1964 having held positions at Santam Bank, the Bank of the Orange Free State and First National Bank. Ina is also vice-chair of the SA National Consumer Union. In 2005 Ina was chosen as the "Individual Consumer Champion of South Africa" by the Department of Trade and Industry.

6. Danie Cornelius Pentz

BCom (Hons), CA (SA), AEP (UNISA)

Danie Pentz is a Chartered Accountant who had his training at one of the big four audit firms. Since then he has had more than 30 years' experience as a financial manager, tax consultant and executive director of various JSE listed financial institutions including Alacrity, African Bank, Fulcrum Bank and the unlisted Community Bank. He has participated in the founding and registration of the Community Bank and was the Chief Operating Officer of Fulcrum Bank.

operational structure



brands

FINBOND MICRO FINANCE

blue chip finance (pty)ltd

MZANZI Holdings

Team MILOC "PUSHING THE LIMITS"

BlueDot HOUSING

FINBOND PROPERTY FINANCE

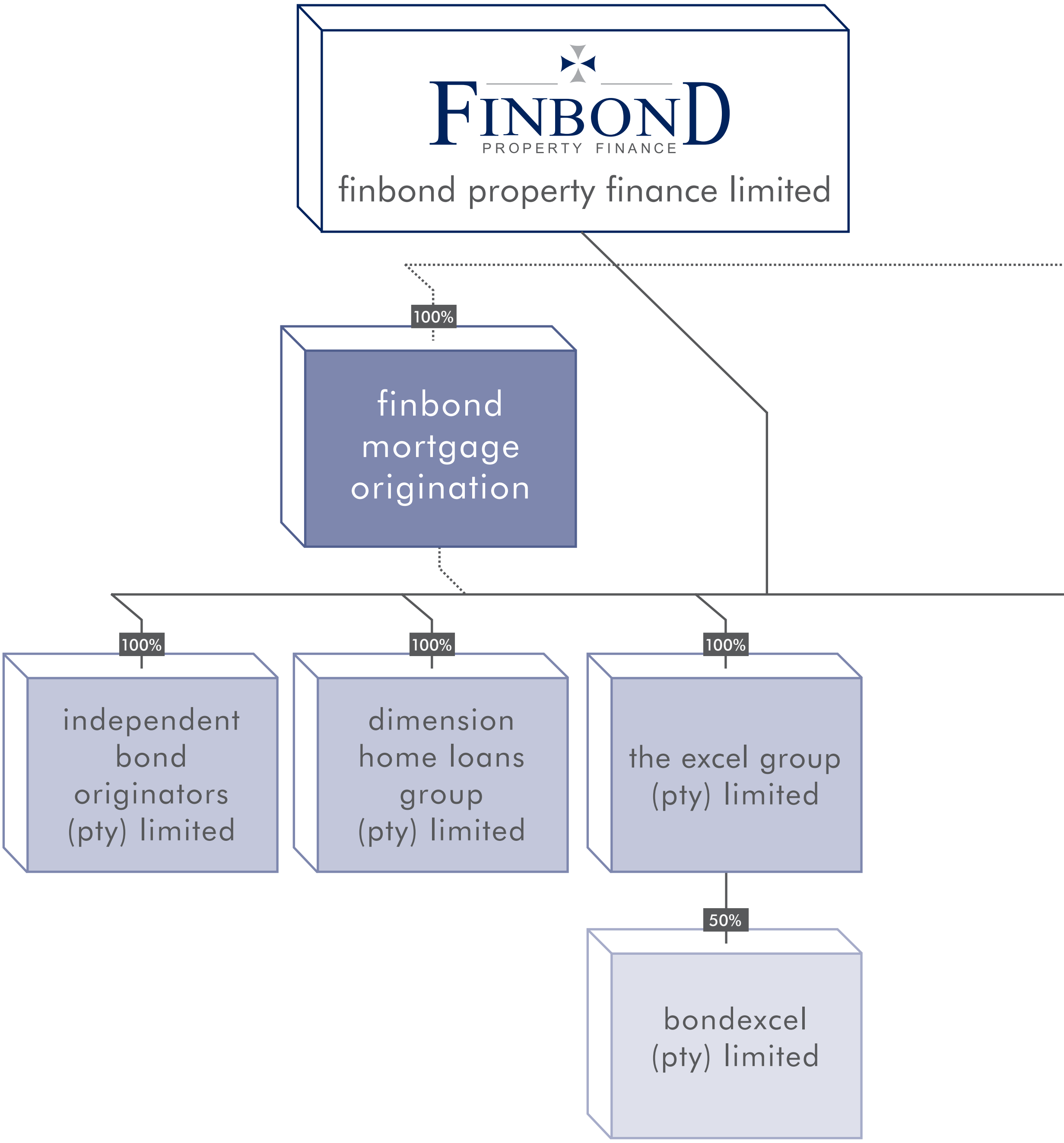
BondExcel Homeloans & More

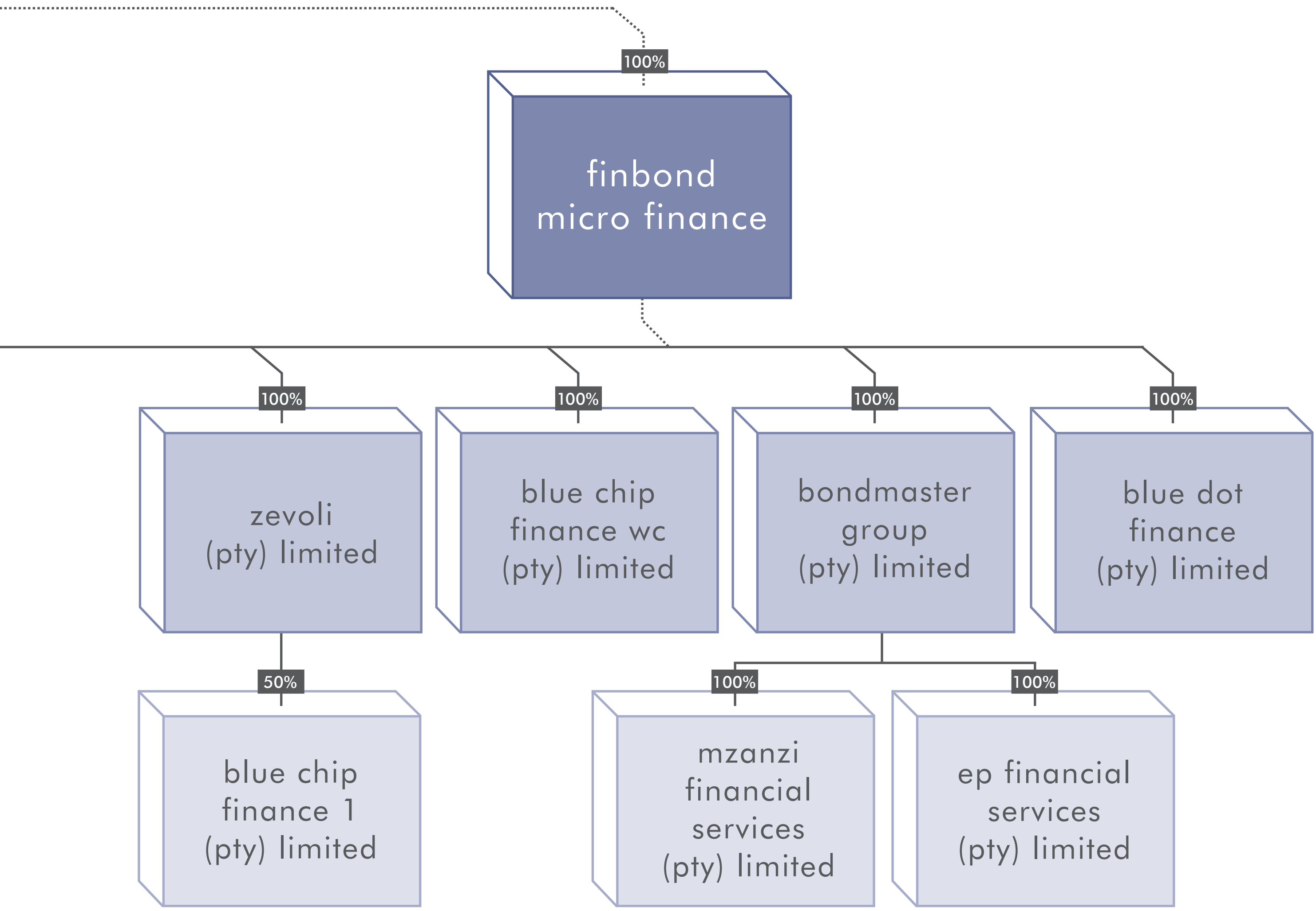
Independent Bond Originators

DIMENSION HOME LOANS

bondmaster bonds are our passion

legal structure




100%
finbond micro finance
100%
zevoli (pty) limited
100%
blue chip finance wc (pty) limited
100%
bondmaster group (pty) limited
100%
blue dot finance (pty) limited
50%
blue chip finance 1 (pty) limited
100%
mzanzi financial services (pty) limited
100%
ep financial services (pty) limited

Dr. Willem van Aardt *Chief Executive Officer*

chief executive officer's review

I report with pride on our progress during the year under review. During the twelve months under review Finbond showed excellent growth, exceeding its profit forecast despite challenging market conditions brought about by the implementation of the National Credit Act and various increases in interest rates. Finbond further positioned itself in the non-bank term lending/micro/consumer finance market to ensure its continued growth. This has resulted in a number of achievements and significant developments for Finbond; we:

- Achieved a Net Profit Before Tax of R88 658 000 **exceeding the forecast published in our prospectus by 6,7%;**
- Achieved a Net Profit After Tax of R62 669 000 **exceeding the forecast published in our prospectus by 6,5%;**
- Achieved an Operating Profit of R87 056 000 **exceeding the forecast published in our prospectus by 6,9%;**
- Achieved headline earnings per share of 32,5 cents per share **exceeding the forecast published in our prospectus by 18,5%;**
- Achieved a return on average equity of 41%; and
- Expanded our national branch network in the micro/consumer finance market to 101 branches under the Miloc, Blue Chip Finance and Mzanzi brands.

Finbond exceeded its prospectus forecasts in a very difficult market that changed rapidly over the past year.

The year ending 29 February 2008 has been a pivotal year for the Finbond Group in terms of its evolving strategy. The rising interest rate environment had a significant impact on volumes in the mortgage origination industry that will continue in the year ahead. Due to business written in the first nine months of the year and the timeous re-positioning and expansion of the Group in the non-bank term lending/micro/consumer finance markets, profits were not adversely affected by the rising interest rates, despite mortgage origination volumes decreasing by between 25% and 40% towards year end.

Although still extremely vulnerable to the rising interest environment and further declines in mortgage origination volumes, Finbond has managed to diversify its income streams. At the time of listing, 70% of Finbond's income was derived from mortgage origination and related activities and 30% from micro/consumer finance activities. For the year ended 29 February 2008 Mortgage Origination and related activities contributed R28,5 million or 45,5% of Net Profit after Tax and Non-Bank Term Lending, together with investment income contributed R34,2 million or 54,5% to Net Profit After Tax.

external environment

In the period under review important changes occurred in the external environment posing interesting challenges and opportunities:

regulatory environment and market conditions

Mortgage Origination

In April 2008 the Reserve Bank increased interest rates by a further 50 basis points bringing total interest rate increases over the past 18 months to 450 basis points. The full effect of the latest interest rate increases is still to work its way through the mortgage origination market and current sentiment points to further interest rate increases in the year ahead.

The affordability of housing, especially for first time home buyers in the low and middle income categories, has been adversely affected by the various rate hikes. Consumer spending has also been severely eroded by higher fuel and food prices over the past several months. In addition to this, the cumulative hike of 450 basis points in interest rates since mid 2006 has caused the average monthly repayment on a mortgage loan to have risen by more than 31%. Further increases in interest rates could cause mortgage origination volumes to decline even further.

Year-on-year growth of 23,1% was recorded in mortgage advances in February 2008 according to data released by the South African Reserve Bank (24,5% in January 2007 and 30,9% in October 2006). This brought the total amount of Mortgage Advances to R871,5 billion in February 2008. On a month-on-month basis, mortgage advances growth was lower by 0,8% in February from 2,3% in August. According to Reserve Bank statistics monthly growth in mortgage advances has fallen sharply from a peak of R17,7 billion in August 2007 to R7 billion in February 2008.

According to ABSA Senior Economist Jacques du Toit, the declining trend in year-on-year growth in mortgage advances is expected to continue, largely due to the lagged effect of higher interest rates and the impact of the National Credit Act that has also had a dampening effect on domestic credit extension, including mortgage advances. Factors such as a slower pace of economic expansion, lower growth in real household disposable income, and a slowing housing market this year, are also set to contribute to year-on-year mortgage advances growth of around 17%, projected by the end of 2008. Mortgage advances as a percentage of total private sector credit extension ("PSCE") increased somewhat further to 48,8% in December 2007 (48,8% in November 2007).

The seismic shift taking place in the mortgage market suggests that the decline of residential property prices may be imminent. Du Toit's research further shows that nominal house price growth dropped to 8.7% year on year in March 2008 (10,6% in December 2007). This was the lowest growth since the end of 1999. Month-on-month growth was down to only 0,3% in February, with prices declining in real terms since September 2007. This downward trend in price growth is set to continue in 2008, averaging at around 7% (about -2% in real terms) according to Du Toit. It will be the first time since 1999 that annual real house price growth will be in negative territory. The further slowdown in property price growth will be driven by factors impacting affordability, such as rising interest rates, the National Credit Act and the electricity situation, which is set to influence economic growth, employment, household income and housing demand and supply.

The CPIX inflation rate pushed higher to 9,4% in March 2008 on the back of the international oil price, the rand exchange rate and food price movements. CPIX inflation is forecast to peak at a level of well above 9% in the first quarter of this year. Further inflationary pressures fuelled by higher commodity prices, a weaker rand and potential significant increases in electricity prices might force the Reserve Bank's Monetary Policy Committee to further increase interest rates at its next meeting.

According to Du Toit; in the third quarter of 2007, the ratio of household debt to disposable income was at an all time high of 77,4%. The ratio of household debt to disposable income is estimated to have increased somewhat further to 78,1% in the fourth quarter. A household debt ratio of 78,8% is projected for 2008, causing the debt servicing ratio to rise to a level of 11,4% on average this year from an estimated 10,1% in 2007.

non-bank term lending [micro finance]

The implementation of the National Credit Act ("NCA") has provided the mass term lending market with greater regulatory certainty. The NCA imposes certain lower interest rates on term loans, but allows certain additional fees. The NCA should force lenders, through its fixed fee structures, to lower interest rates and to move from larger longer-term loans to smaller loans over shorter repayment periods.

The implementation by Finbond of revised systems and procedures resulting from the requirements of the NCA has been completed.

Legislative procedural prescription, fee and interest rate controls and industry pressures to formalise the mass term lending market, primarily through regulation of operators, have and will continue to force smaller less sophisticated players out of the market. This, together with high levels of

"Finbond exceeded its prospectus forecast in a difficult market that changed rapidly over the past year."

fragmentation in the industry, will precipitate industry consolidation. A substantial opportunity exists for consolidation of the R32 billion micro finance industry in South Africa. Finbond intends to capitalise on this opportunity by being at the forefront of this activity. While Finbond's micro/consumer finance business is well established, Finbond is currently positioning itself to undergo a period of further rapid expansion in order to gain market share in South and southern Africa.

Finbond's non-bank term lending subsidiaries experienced rapid organic growth since the implementation of the National Credit Act. Turmoil in the credit market has pushed up the cost of borrowing and forced many lenders to withdraw from the market. With the stricter lending and credit criteria of the four major banks, consumers are forced to use the non-bank lending sector for personal loans.

social and economic environment

A safe, peaceful and prosperous society in southern Africa will only result if ample employment and entrepreneurial opportunities are created. Government's responsibility is to create the necessary environment within which markets can operate properly. It is the role and responsibility of entrepreneurs to create sustainable business and thus employment and other opportunities. This will stimulate the emergence of a dominant middle class, which is the only proven way to eradicate poverty and to create social stability.

Entrepreneurs need access to capital, as the man in the street requires employment and access to credit. Both need to nurture these resources in a disciplined and responsible manner. The financial and credit services markets have historically catered predominantly for those who had education, good jobs and capital assets. So much so that dominant players in these markets have suffered an organisational inertia in their belated and often tentative efforts to establish a foothold in the emerging mass markets.

Finbond believes that a particular approach to personalised client service, risk orientation and management style is necessary in order to successfully penetrate its selected target markets. It also requires a clear commitment to educate clients about the advantages and risks associated with credit; as well as the basic elements of financial planning and discipline. This holds true for both our mortgage origination services and our financing activities.

The Group endeavours to make a measurable contribution towards the empowerment of our target markets through the provision of appropriate credit and financing facilities to responsible individuals.

activities and objectives

Finbond is a South African financial services organisation that specialises in the design and delivery of unique value and solution based mortgage and term funding solutions tailored around borrower requirements rather than institutionalised lending policies.

At the same time, Finbond firmly believes in value added partnerships. The Company encourages strong equity participation by the management of its subsidiaries as a means to ensure growth through client service excellence, thereby providing long-term value for our shareholders.

Finbond's annual origination volumes make it the fourth largest mortgage originator in South Africa. Mortgage origination contributes approximately 45,5% to Finbond's bottom line.

"While Finbond's Micro Finance business is well established, Finbond is currently positioning itself to undergo a period of further rapid expansion."

During the year under review Finbond expanded its Non-Bank Term Lending [micro finance] operations from 10 to 101 branches mainly through the acquisition of the Blue Chip Finance Group. Finbond aims to be recognised as a prominent provider of personal loans and financial services to the large segment of the economically-active population that is perceived as lacking creditworthiness and is therefore unable to obtain normal banking finance. We see this as the lending market of the future and expect the demand for more sophisticated financial products and services to escalate as the clients' levels of proficiency in financial disciplines improve. Micro/consumer finance currently contributes approximately 54,5% to Finbond's bottom line.

The 2006 Finscope research showed that only 7% of the South African population accesses funding through the formal banking system. This is due to the fact that a great number of South Africans are still not part of the banking system and many employed salary earners earn income in cash. An estimated 49% or 15,3 million South African adults above the age of 16 are still un-banked.

A substantial opportunity exists for consolidation of the R32 billion a year micro finance industry in South Africa. Finbond intends to capitalise on this opportunity by being at the forefront of this activity.

The goals of Finbond are to:

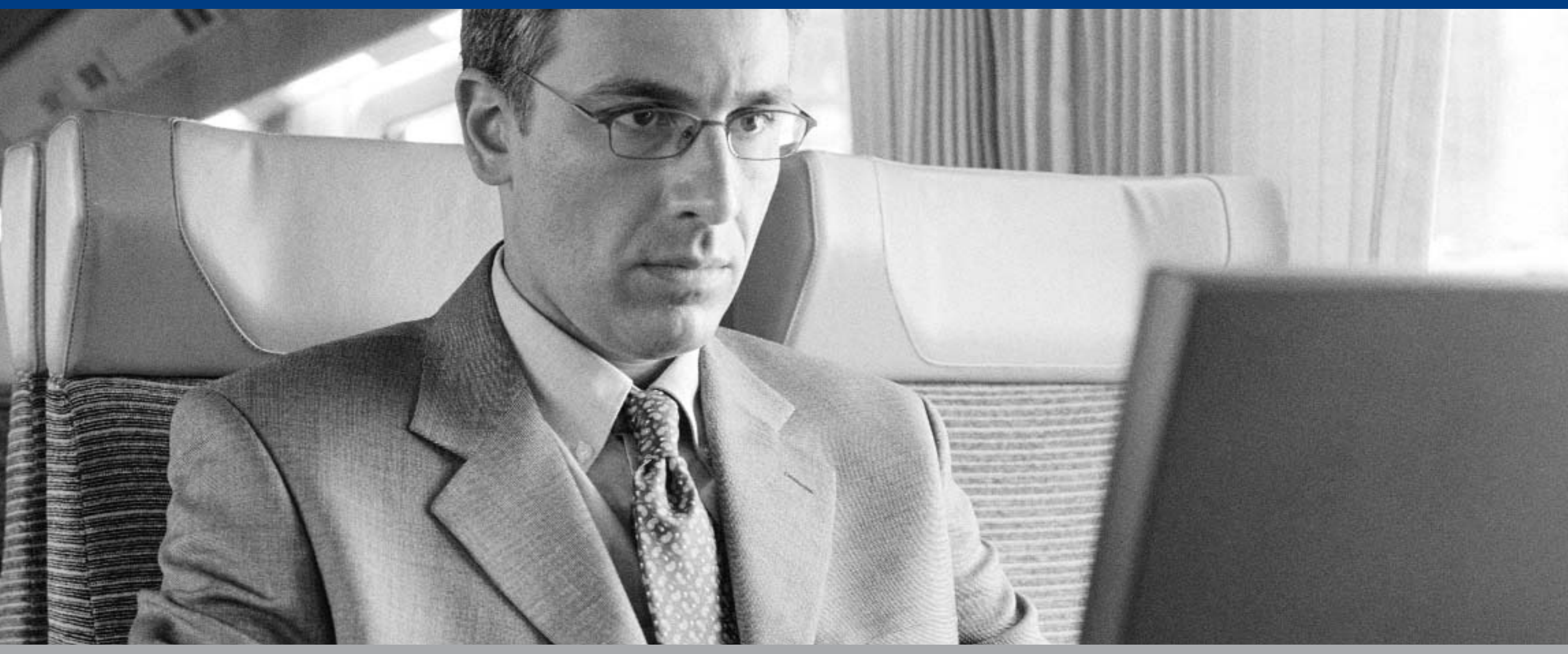
- Create shareholder value by unlocking synergies in the Group;
- Provide financial products, services and information to the seemingly un-bankable section of the South African economically-active population;
- Be the largest independent mortgage origination aggregator in South Africa;
- Establish and maintain value-added partnerships with strong equity participation by management;
- Provide excellence in services;
- Ensure fair treatment of clients;
- Assist and participate in creating a fair and just regulatory environment;
- Continuously adopt a strong client orientation; and
- Form and maintain mutually beneficial alliances and strategic partnership with banks, labour unions and other stakeholders.

The focus of our operating subsidiaries is to satisfy the needs of the target market in terms of financial products, information and services offering an above-average return to shareholders.

major achievements

The highlights of the year under review include; Finbond:

- Achieving a Net Profit Before Tax of R88 658 000 **exceeding the forecast published in its prospectus by 6,7%;**
- Achieving a Net Profit After Tax of R62 669 000 **exceeding the forecast published in its prospectus by 6,5%;**
- Achieving an Operating Profit of R87 056 000 **exceeding the forecast published in its prospectus by 6,9%;**
- Achieving headline earnings per share of 32,5 cents per share **exceeding the forecast published in its prospectus by 18,5%;**
- Achieving a return on average equity of 41%;
- Expanding its national branch network in the micro/consumer finance market to 101 branches under the Miloc, Blue Chip Finance and Mzanzi brand;



- Establishing itself as the 4th largest mortgage originator in South Africa;
- Increasing its already significant national distribution channel consisting of 25 branches, 75 independent business units, 80 agencies and 475 brokers and 103 associates and 400 broker consultants with a further 91 micro finance branches and 103 associates and 400 broker consultants;
- Successfully listing on the JSE's ALT[x];
- Establishing an efficient organisational and Group structure to manage the acquired businesses;
- Strengthening our shareholder base with institutional investors like Metropolitan Life; Coronation Fund Managers; Investec Bank Limited; Sanlam Investment Managers and Grindrod Bank Limited; and
- Strengthening alliances with national and international banks as a sustainable source of adequate and appropriate funding.

risk management

Finbond's approach to corporate governance is detailed on pages 18 and 19. This also describes in some detail the nature of the organisational structure put in place to direct, manage and control the activities of the Group. All major operating subsidiaries have been similarly structured with representation from the outside shareholders to manage their respective companies on a decentralised basis.

The Group's selected target market and product range attracts a particular risk profile. This risk profile requires careful analysis and the development of a comprehensive risk management programme that will sustain the business over the long term.

Market turbulence creates opportunities, but is also associated with unique risk features that require a flexibility in the approach to risk management. Credit and other risks are constantly monitored and controlled. Overall, Finbond believes that the quality of risk management achieved in its first year of operation as a listed group compares favourably with market standards.

diversification

Business strategy

The strategic plan approved by the Board is management's guide to the key opportunities, and provides guidance when investments are made in a market fraught with volatility.

All investments are constantly monitored against established internal rates of return.

One of the major functions of Finbond as holding company is to recommend investment and divestment, appoint, support and develop the leaders of the subsidiary companies. Support is concentrated around matters of strategic vision, finance and risk management. Subsidiaries are managed independently within their mandates. The potential for independent listings of Finbond's Micro/Consumer Finance subsidiaries in the future cannot be discounted.

It remains our strategy to build critical mass in our various areas of operation through strong organic growth and selective acquisitions in the Non-Bank Term Lending [micro/consumer finance] market. Given the rising interest rate cycle and expected further decline in mortgage origination volumes, acquisitions in the mortgage origination market will not be considered at this stage. The expansion of our non-bank term lending activities will also ensure medium- and long-term sustainability in the South African market.

Given our historical dependency on revenues from the mortgage origination market in our Bond Originating, Debt Consolidation and Bridging Finance divisions [that are to a large degree interlinked and inter dependent] it is our intention to focus on the further expansion of our Non-Bank Term Lending Division in order that contributions to Net Profit After Tax will be 80% from Term Lending and 20% from Bond Originating, Debt Consolidation and Bridging Finance over the next 12 - 24 months. To this end during the year under review Finbond expanded its Non-Bank Term Lending [micro finance] operations from 10 to 101 branches mainly through the acquisition of the Blue Chip Finance Group.

"It remains our strategy to build critical mass through strong organic growth and selective acquisitions."

ownership

The entrepreneurial flair of the founders of the various operating subsidiaries is cultivated by retaining the services of the original owners, not only as managers of their particular business but also as minority shareholders and partners in those businesses. In addition, such owner-managers invariably also received a portion of the payment for the interests bought in their businesses in the form of shares in Finbond. This combination of equity and involvement ensures focus on both operational issues and on corporate Group interests.

human resources

Apart from the approach to employ owner-managers, emphasis is placed on market-related remuneration structures with performance-based rewards as well as long-term share incentives.

A number of senior appointments has greatly enhanced the quality and diversity of management expertise within the Group.

alliances

Our strategic alliance with Bond Choice and the four major banks through our mortgage origination subsidiaries served us well in the year under review and we continue to foster these relationships.

Through alliances with commercial bankers ABSA, Standard Chartered and Investec Bank Limited, it has been possible to satisfy our banking and finance needs in the best interest of our shareholders. The relationship with our banking partners helps to exploit market opportunities, using better and more sophisticated technologies to service the clients and cross-selling other products to satisfy the needs of our client base.

The alliance with NACTU is an important element of the Group's overall business strategy and empowerment objective. This not only augments the Group's non-bank term loan financing activities, but also acts as an important forum for researching client needs and potential areas for new product development.

black economic empowerment and social responsibility

Finbond is committed to contributing to the growth and development of broad based BEE in South Africa. Finbond supports the concept of broad based BEE, not only because of its potential economic benefits for the South African economy, but also because the Company believes that it is morally appropriate and emotionally rewarding to contribute to its achievement. Finbond is also committed to the principles of socio-economic upliftment of the marginalised and previously disadvantaged in society.

Finbond supports the view that public-private-community partnerships are the only vehicle through which sustainable development and poverty alleviation can be achieved. To this end Finbond contributes to and is proud to be associated with Tshwane Place of Safety Association ("TPOSA") which focuses on providing orphaned and abandoned babies and babies infected with HIV with good homes, frail care and shelter. Currently TPOSA has 110 Place of Safety families taking care of 240 children. Since opening its doors in October 2003, TPOSA has made a difference in the lives of more than 500 children. In the year under review Finbond also made a property available to TPOSA that is used as a Safe Haven to accommodate children with medical problems (premature, HIV+, TB and malnourished children). The haven cares for up to 16 children per month. For further info see:http://www.placeofsafety.org.za. Over the year TPOSA placed and took care of over 250 abandoned babies in the Tshwane area.

prospects

The success of Finbond's strategic direction and the efforts of its management, staff and intermediaries are evident in continued strong financial performance during the twelve months ending 29 February 2008.

The challenges, in a volatile and rising interest rate environment, are enormous but exciting. We believe that the further expansion into the Non-Bank Term Lending market in the implementation of our strategic action plan will ensure that we achieve our projected results and yield dividends in the short, medium and long term. Industry pressures to formalise the mortgage originating and term lending markets, primarily through licensing and regulation of operators, will force smaller less sophisticated players out. This, together with high levels of fragmentation in the industry, will precipitate industry consolidation. This will present further opportunities for Finbond to grow its business through strategic acquisitions and achieve its vision of becoming the national non-bank lender and mortgage originator of choice.

The overall prospects for Finbond are attractive due to:

- Management expertise;
- Improved infrastructure;
- Strong strategic alliances; and
- Untapped potential in the micro/consumer finance market.

Market conditions in general, and in particular rising interest rates, could have a material adverse impact on our ability to repeat the performance of the past year during the first and second half of the new financial year. We are positive about our prospects for the future and continue to implement our investment and expansion plans which served us well during the 2008/9 financial year.

conclusion

Quality staff with enthusiasm is the driving force in creating success in the exciting and volatile environment in which we do business. I would like to thank them for their individual contributions.

Thank you to our chairman Dr. Malesela Motlatla, and other non-executive directors Adv. Jasper Noeth and Mrs. Nomonde Mapetla for their support and valuable input over the past year.

I also wish to extend my personal thanks and appreciation to my fellow executive directors Mrs. Ina Wilken and Mr. Danie Pentz, as well as the Managing Directors of our various subsidiary companies: Mr. Louis Buys [Bondmaster and Mzanzi Holdings], Mr. Martin Coetser [IBO], Mr. Johan Els [Blue Chip Finance], Mr. Tom Gilham [Dimension], Mr. Jacques Briel [Blue Chip WC], Mr. Godfrey Lethlape [Blue Dot Finance] and Mr. Jack Trevena [Bond Excel] without whose enormous contributions Finbond would not be successful. We look forward to another successful year and encourage management to use the opportunity to unlock the potential of the markets in which we operate.

Last but not least I would like to thank our Lord and Saviour, Jesus Christ for blessing us with the ability to run a successful business. Without His love, grace and mercy it will not be possible to succeed in life.

Dr. Willem van Aardt
Chief Executive Officer

5 May 2008

Dr. Malesela Motlatla *Chairman*

chairman's review

It is pleasing to be able to report that the Group has exceeded the financial performance predicted when the capital raising and listing on the JSE was done. This was achieved despite the negative impact of the National Credit Act and rising interest rates with the negative impact on the housing market.

business environment

South Africa enjoyed another good year with excellent economic growth throughout the year although the problems with the supply of electricity have begun to have a negative impact on business sentiment. We trust that all the stakeholders from Government to householders will be able to work together to find solutions in both the short and long term for this situation so that the full economic potential of our country can be achieved.

listing on the JSE

The Finbond Group was listed on the Alt^{X}, the alternative exchange of the JSE, on 15 June 2007. Since Finbond was the first Mortgage Originator listed on the JSE it opened up the industry to public scrutiny for the first time and for this reason I am sure that all stakeholders, rightly so, will keep a watchful eye on the Group's performance, both in general as well as the financial performance.

The listing also brought benefits from the point of view that we are able to raise capital, open doors; and create opportunities for acquisitions which would otherwise not have been so readily available.

growth through investments and future opportunities

The financial year began on 1 March 2007 with the acquisition of Independent Bond Originators, Dimension Home Loans, Bondmaster and Blue Dot Housing Finance as was set out in the prospectus at the time of listing to form the Finbond Group. During the year the Group has both expanded its mortgage origination business with the acquisition of a controlling interest in Bond Excel to create the fourth largest bond originator in the country and acquired term lending companies Blue Chip Finance 1 (Free State province); Blue Chip Finance (Western Cape) EP Financial Services (PE – Eastern Cape) and Louhen Financial Services (East London – Eastern Cape). These acquisitions, together with the opening of 16 new Mzanzi branches, have expanded the Group's Consumer Finance footprint nationally to form a branch and office network of 101 branches in the non-bank term lending market.

performance review

We are able to report with pride and honour that we have achieved our goal in exceeding the expectations of our shareholders and business partners by outperforming the results forecast in the prospectus. Finbond achieved a Net

Profit Before Tax of R88 658 000, exceeding the forecast published in its prospectus by 6,7%. We have been able to report these numbers despite a downturn in the mortgage origination business during the latter part of the year against a background of the new NCA and rising interest rates. The additional income from the expansion of our non-bank term lending business made a material contribution to these good numbers. The maiden results for the concluded financial year showed a profit attributable to shareholders amounting to R62 669 000,00 million which is 6,5% ahead of the R58,8 million anticipated in the prospectus.

Finbond's performance in its first year of operation as a JSE listed Group has been encouraging, especially in the light of the difficult market conditions that changed rapidly over the past year following the implementation of the NCA and various increases in the interest rate. In response to this potentially threatening situation, thanks to the efforts of the CEO and other Executive Directors, Finbond proactively developed and implemented alternative strategies which effectively shifted the focus away from perceived high risk areas into a better balanced and more diversified structure. At the time of listing, 70% of Finbond's income was derived from mortgage origination and related activities and 30% from consumer finance activities. For the year ended 29 February 2008 Mortgage Origination and related activities contributed R28,5 million or 45,5% of Net Profit after Tax and Non-Bank Term Lending, together with investment income contributed R34,2 million or 54,5% to Net Profit After Tax.

transformation and BEE

Finbond supports the concept of broad based BEE, not only because of its potential economic benefits for the South African economy, but also the Group believes that it is morally appropriate and emotionally rewarding to contribute to its achievement.

The Board however, is committed to broaden the scope of the interest of the previously disadvantaged in society and is continuing negotiations with some BEE groups. The aim of the Board is to ensure that the partners we engage do not just mean that shareholder interest is diluted, but that partner/partners must be able to add value by way of capital or talent contributions.

shareholding

Apart from Dr. Willie van Aardt's family business that holds the majority of our issued share capital, our other main shareholders include institutional investors: Metropolitan Asset Management, Investec Bank Limited, Coronation Asset Managers, Sanlam Investment Management and Grindrod Bank.

Finbond firmly believes in value added partnerships and encourages strong equity participation by the management and staff of its subsidiaries as a means to ensure future growth. On a fully diluted basis the top management of Finbond's subsidiaries will own approximately 20% of Finbond's issued shares.

We are working through the media and JSE presentations to communicate to investors the merits of our Group as a fine investment opportunity. The intrinsic value of Finbond Group is not fairly reflected in our current share price. We expect this situation to correct itself as the Company continues to exceed the expectations of its shareholders and the market in general by delivering ever increasing returns over the medium to long term. The low tradability of our shares, however, remains a major concern to us.

prospects

The Group enters the 2009 financial year with a liquid balance sheet. After the payment of the maiden dividend, we will continue to look for new expansions through acquisitions while organic growth will be our focus for the Company and its subsidiaries in the year ahead.

appreciation

I thank our shareholders, customers, suppliers and other business partners for their continued support and relationships with Finbond. It is my pleasure to acknowledge the role played by the executive directors in successfully repositioning Finbond. I compliment Dr. Van Aardt and his team for the bold initiatives they have taken to list the Group and to make the subsequent acquisitions in the micro/consumer finance market. I also thank all the staff for their ongoing commitment and contributions to make this financial year under review a success during this exciting time in the history of the Group.

Finally, I thank my colleagues on the Board for their well considered counsel and support during my first year as Chairman of the Board. Their contributions to our deliberations have been much appreciated and I look forward to working with them during the year ahead.

Dr. Malesela Motlatla
Chairman

5 May 2008

"The intrinsic value of Finbond Group is not fairly reflected in the current share price."

corporate governance

The Board of Directors of Finbond sets the Group's overall policy and provides guidance and input in areas relating to strategic direction, planning, acquisitions, performance measurement, resource allocation, key appointments, standards of conduct and communication with shareholders.

The Board of Directors fully supports the principles of effective corporate governance and the need for integrity and high ethical standards in the conduct of its business. During the course of the year the directors have initiated the implementation of the recommendations consistent with the principles of the King Report II on Corporate Governance 2002 in that, *inter alia*:

- The role of the Chairperson and the Chief Executive Officer are separated;
- A non-executive director will be elected Non-Executive Chairman; and
- The Board of Directors will in due course comprise a majority of non-executive directors.

role of the board

The Board is of the opinion that an appropriate corporate governance framework should be in line with the size of the Company, its complexity, its structure and the risks having an influence on it. There should be a structure through which objectives are set and monitored.

Dr. Willie van Aardt is the Chief Executive Officer of the Company and Dr. Malesela Motlatla its Non-Executive Chairman. Both the remuneration and audit committees are chaired by non-executive directors.

Code of Conduct

The directors acknowledge the importance of sound corporate governance and the guidelines set out in the Principles of Good Corporate Governance and Code of Best Practice ("Combined Code"). The directors therefore intend to embrace the Combined Code so far as is appropriate having regard to the size and nature of the various companies making up the Group. The Board will take such measures so far as is practical to comply with the Combined Code.

All directors and employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner that is beyond reproach.

For the year under review, the Board is satisfied that its decision-making capability and the accuracy of its financial results have been maintained at a high level at all times with reliance being placed on management, the auditors and the Group audit committee to raise any issues of financial and risk concerns.

composition of the board

The Board is of the view that the number of members should be large enough to accommodate the necessary skills but small enough to promote cohesion and effective participation.

The Company has three executive directors and three non-executive directors at this stage. The non-executive directors are all fully independent of management and free to make their own decisions and independent judgments. They enjoy no benefits from the Company for their services as directors other than their fees. The non-executive directors provide the Board with valuable, independent judgement based on their diverse range of skills and commercial experience.

The non-executive directors are high calibre professionals and sufficient in number for their independent views to carry significant weight in the Board's deliberations and decisions. The Board retains full and effective control over the Company. Apart from the quarterly meetings, additional meetings are arranged when necessary to review strategy, planning, operations, financial performance, risk and

"The Board of Directors fully supports the principles of effective corporate governance and the need for integrity and high ethical standards."

capital expenditure, human resource and environmental management. The Board is also responsible for monitoring the activities of the executive management. The Board is balanced so that no individual or small group is able to dominate decision making.

internal control

The Board of Directors is responsible for the Group's system of internal control. The internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the assets.

the executive committee

The executive committee comprises of the three executive directors.

Dr. W van Aardt; Mr. Danie Pentz and Mrs. Ina Wilken.

The executive committee is responsible for the daily running of the Group, regularly reviews current operations in detail, develops strategy and policy proposals for consideration by the Board and then implements its directives.

board committees

Both executive and non-executive directors are members of the various Board committees with non-executive directors always being in the majority.

audit committee [3.84(d)(g)]

The audit committee consists of the following members:

Non-executive	Executive
Dr. MDC Motlatla	Dr. W van Aardt
Ms. NT Mapetla	Mr. D Pentz
Adv. JJ Noeth	

The audit committee meets at least semi-annually and meetings are attended by the Designated Adviser and a representative of the external auditors. The role of the audit committee is to assist the Board by performing an objective and independent review of the organisation's finance and accounting control mechanisms. The Company maintains accounting and administrative control systems required for the current level of operations. The audit committee reviews and monitors the following:

- The effectiveness of the Group's information systems and other systems of internal control;
- The reports of the external auditors;
- the annual report and specifically the annual financial statements included therein;
- The accounting policies of the Group and any proposed revisions thereto;
- The external audit findings, reports and fees and the approval thereof; and
- Compliance with applicable legislation and requirements of regulatory authorities.

The internal and external auditors have unrestricted access to the audit committee and its chairman with a view to ensuring that their independence is not impaired.

remuneration committee [3.84(d)]

The remuneration committee consists of the following members:

Non-executive	Executive
Adv. JJ Noeth (Chairman)	Dr. W van Aardt
Dr. MDC Motlatla	
Ms. NT Mapetla	

The remuneration committee is responsible for reviewing and approving the remuneration packages of the executives and managing directors of subsidiary companies. Independent external studies and comparisons are used to ensure that executives are fairly rewarded, taking cognisance of both the Company and the individual's performance.

company secretary

All directors have access to the company secretary, who is responsible for ensuring that the Board procedures are followed and plays an active role in the improvement and monitoring of corporate government processes.

nature of business

Finbond is a focused provider and arranger of mortgage and consumer finance solutions for individuals in the low, medium and high-income brackets, on a national basis.

Finbond and its subsidiaries specialise in the design and delivery of unique value and solution based mortgage and term lending options to clients. Finbond's strategy is to offer superior credit solutions by providing its customers with better service, better products and better rates.

Finbond markets its product and service offering to potential clients through advertisements in the national print media and its distribution network comprising 101 micro finance branches, 75 independent mortgage origination business units, 80 mortgage agencies, 100 mortgage associates and 800 independent brokers, estate agents and consultants. Finbond has invested heavily in specialised technology and its workforce enabling it to provide its clients with a unique high level of service.

mortgage originating

The Mortgage Originating division specialises in securing and managing the entire home loan application process on behalf of clients free of charge. Whether clients are looking to buy a home, an investment property, a vacant stand or to obtain a building loan, Finbond is able to offer loan solutions that meet their different needs. For referring mortgages to the four major banks, Finbond receives a commission and in turn pays out a commission to mortgage introducers and business units on a sliding scale depending on volumes.

Finbond's annual origination volumes, still in excess of R12 000 000 000 [twelve billion] formal grants per annum, make it the fourth largest mortgage originator in South Africa. Finbond's mortgage origination subsidiaries: Bond Excel, Dimension and IBO are all owner managed companies operating on a decentralised management structure with a multi brand aggregation strategy.

Mortgage origination and related debt consolidation bridging finance revenue contributes approximately 45,5% to Finbond's Net Profit After Tax.

non-bank term loans [micro/consumer finance]

The Non-Bank Term Loans division of Finbond focuses on assisting clients in the emerging middle class gain access to finance and credit solutions. The division operates through 101 branches nationally and a national network of shop stewards belonging to the National Council of Trade Unions ("NACTU"). The Term Loan division consists of a network of 'banking hall' type branches where direct contact with clients is possible. These branches offer financial advice, short-term loans and affordable housing products to customers. In addition to this, Finbond also approaches employers and sets up credit facilities for qualifying employees through wage based deductions. These are primarily employees affiliated to NACTU trade unions. Trained loan officers also provide essential education to prospective clients on site.

The various subsidiaries of Finbond's Micro Finance division are owner managed micro finance companies, addressing a focused customer profile and delivering branded products through low cost delivery platforms. Finbond has a decentralised management and operational structure with four major brands: Blue Chip Finance, MILOC, Mzanzi and Blue Dot Finance. The majority of these subsidiaries have 12 year plus track records and history of profitability.

A substantial opportunity exists for consolidation of the R32 billion a year micro finance industry in South Africa. Finbond intends to capitalise on this opportunity by being at the forefront of this activity. Whilst the development of Finbond's Micro Finance business is well established, Finbond is currently positioning itself to undergo a period of further rapid expansion in order to gain market share in South and Southern Africa.

Micro Finance and investment revenue contributes 54,5% to net profit after tax.

debt consolidation and equity release

The Debt Consolidation and Equity Release division is a market leader in its field and focuses on assisting clients in obtaining access to finance in order to replace expensive short-term debt with longer-term mortgage finance (also known as equity release). Many clients of this division have cash flow problems due to too much expensive short-term debt (credit card, personal loans, hire purchase, micro loans etc.) and need to take action to improve their cash flow.

The division will assess a client's financial situation to determine whether the client can take out a second or third bond over a fixed property.

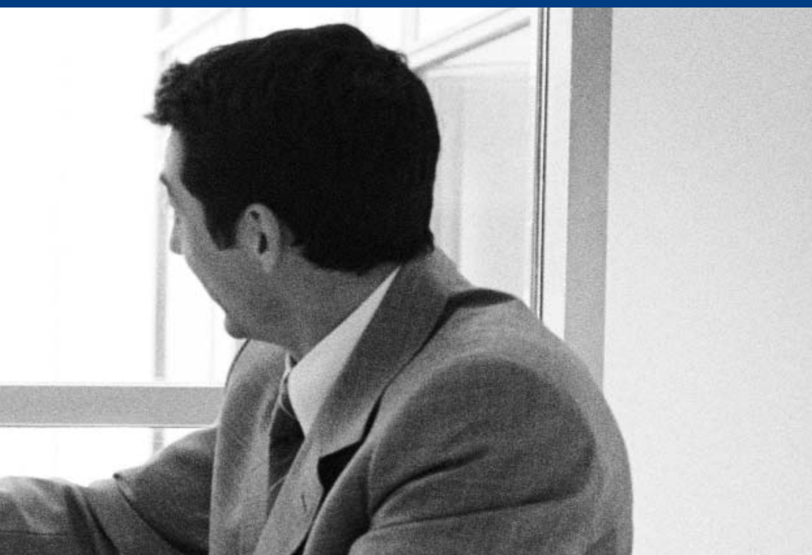
Finbond charges a professional fee for these services. The clients served by this division have typically either already been at their local bank branch and were unable to obtain a loan or bond by themselves due to inflexible bank rules, attitudes and poor service or were unaware that they qualify for a second or third bond in order to consolidate their short-term debt. The division currently processes between 700 and 1 200 debt consolidation applications per month.

bridging finance

Property bridging finance is used to fill the timing gap that arises in property transactions and enables sellers, existing homeowners and even buyers to access funds at a far earlier stage than the conveyancing process typically allows. Generally, sellers only receive the proceeds from a property sale transaction on registration of the transfer in the local deeds office. This process usually takes between 45 and 90 days due to the various legal and regulatory requirements that need to be completed. Bridging finance allows the seller to access the proceeds from the property sale at an earlier stage.

Clients requiring bridging finance can not or do not want to wait four to six weeks for the bond registration to take place. Finbond will purchase the client's claim to the proceeds of the sale or the second bond at a pre agreed price. Finbond does not specify how the funds are to be used. Money is advanced within 24 hours of signature of the bond and sale and cession documents at the attorneys and clients are notified of the payment via e-mail, sms and fax.

Bridging finance is a short-term product, with the average transaction spanning 30 to 90 days. Finbond's bridging finance is available nationally in all South African towns and cities, through a network of correspondent attorneys and it is a perfect fit with the Debt Consolidation and Equity Release divisions' products and services.



"Micro Finance and investment revenue contributes 54,5% of net profit after tax."