Finbond Group Limited

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Unaudited Consolidated Interim Results
for the six months ended
31 August 2014

FINBOND GROUP LIMITED

UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2014

Executive Overview

The directors are pleased to present the financial results of the Finbond Group for the six months ended 31 August 2014.

During the six months under review, Finbond delivered another set of solid results increasing Net Profit After Tax by 45.7%, Headline Earnings by 44.1%, Total Assets by 45.7%, Deposits by 68.8% and total active customers by 62.5%. These good results were achieved in difficult and challenging market conditions.

We made further good progress with regards to the realization of our vision *"to be the leading emerging market community Bank in South Africa improving the quality of life of our clients by offering them access to unique value and solution based savings, credit, transactional and insurance solutions tailored around depositor and borrower requirements that empower, develop and uplift our clients."* This included a number of achievements and significant developments for Finbond:

- Operating profit from continuing operations increased by 50.1% to R 24.7 million (Aug 2013: R16.5 million).
- Profit for the period attributable to owners of the company increased 45.7% to R 20.2 million (Aug 2013: R13.8 million).
- Earnings before interest, taxation, depreciation and amortization (EBITDA) increased 61.4% to R62.7 million (Aug 2013: R38.8 million).
- Revenue from continuing operations increased 45.5% to R194.1 million (Aug 2013: R133.4 million).
- Basic earnings per share increased 44.9% to 3.3c (Aug 2013: 2.3c).
- Headline earnings per share increased 44.1% to 3.3c (Aug 2013: 2.3c).
- Cost to income ratio improved to 57% (Aug 2013: 63%).
- Total assets increased 46.3% to R1.2 billion (Aug 2013: R826.6 million).
- Value of loans advanced increased by 37.7% to R351.6 million (Aug 2013: R255.4 million).
- Cash, cash equivalents and liquid investments increased by 51.5% to R499.8 million (Aug 2013: R333.1 million).
- Gross loans and advances increased by 58% to R372.1 million (Aug 2013: R235.5 million).
- Cash received from customers increased by 51.7% to R494.8 million (Aug 2013: R326.1 million)
- Increased fixed term retail deposits by 68.8% to R830.7 million (Aug 2013: R492.1 million).
- Branch Network increased by 102 branches to 281 branches (Aug 2013: 179).
- Successfully completed the development and testing of the Finbond Debit Card, Internet Banking and Transactional Banking products that will be rolled out to clients in the fourth quarter of the current financial year

Finbond continues to manage for the long term and to invest in people, training, information technology, banking systems, compliance systems as well as in enhanced collection strategies and systems, in order to build a sustainable, professional business.

We remain focused on executing the Group's five year strategy and top business priorities namely optimal capital utilization, earnings growth, conservative risk management, strict upfront credit scoring, good quality sales, effective collections, cost containment, expanding bank product ranges, diversifying income streams, consumer education and training and development of staff members. This enabled us to achieve overall strong operational results despite the current difficult and challenging business environment.

Finbond Group Limited

Finbond Group Limited, with its 866 staff members and 281 branches, specializes in the design and delivery of unique value and solution based savings, credit, transactional and insurance solutions tailored around depositor and borrower requirements rather than institutionalized policies and practices. We exist to improve and transform the lives and livelihoods of our clients by availing them of modern inclusive banking products and services that benefit and empower them.

Finbond Group Limited conducts its business through four divisions focused on:

1. Short and Medium Term Micro Credit Products; and
2. Investment and Savings Products;
3. Transactional Banking Products;
4. Insurance Products

Micro Credit, Transactional and Insurance Solutions are offered nationally to the under banked and underserved emerging banking market actively seeking credit and banking solutions, but remaining largely unattended and underserviced due to the traditional banks concentration on the higher income brackets of the population.

Our Investment and Savings products, which offer a superior above average rate of return, are offered nationally to investors and pensioners looking for guaranteed higher fixed income in the current environment of depressed low yields.

Micro Credit Portfolio

The overall gross loan book reflected strong positive growth of 58% ending the six month period at R372.1 million (Aug 2013: R235.5 million).

Total segment revenue from Finbond's Micro Finance activities, made up of interest, fee and insurance income (portfolio yield) increased 48% to R181.6 million (Aug 2013: R122.7 million).

During the period under review Finbond offered 1 month – 24 month micro loans from R100 - R20,000 with an average loan size of R1,621 and an average tenure of 3.5 months. Given the short term nature of Finbond's products, Finbond's loan portfolio is cash flow generative and a good source of internally generated liquidity. The whole loan portfolio turns nearly 3.5 times a year. This is a key differentiator from longer term lenders. By way of example: If a longer term lender's average tenure is 36 months with a book size of R372 million, that lender will collect R124 million cash per year and R372 million over three years. Finbond's book of R372 million will turn 3.5 times resulting in collections of approximately R1.3 billion in cash per year and more than R3.9 billion in cash over three years.

For the six months ended August 2014 Finbond granted R351.6 million worth of loans and received cash payments of R494.8 million from customers. Cash receipts from the loan book increased by 52% while cash granted increased 38% while the gross loan book increased by 58%. This points to both good Asset Quality in the loan portfolio and the cash generative nature of the loan book which is to some extent self-funding.

Finbond's average loan period is significantly shorter than our larger competitors and our average loan size significantly smaller. Given this conservative approach, Finbond does not have any exposure to the 36 – 84 month, R30,000 – R180,000 long term unsecured lending market elsewhere in the banking sector that saw disproportionate growth over the past 24 - 42 months and that caused significantly increased write offs and bad debts, for those other lenders exposed to these loans. In Finbond's experience shorter term loans offer lower risk as consumers are more likely to pay them back as opposed to longer term loans.

Furthermore, Finbond's micro credit portfolio is also not exposed to any concentration risk and does not have any significant exposure to any specific employer or industry.

Strict Upfront Credit Scoring

Over the past six months Finbond continued to apply strict upfront credit scoring and affordability criteria. The credit scores on the various products are monitored on a monthly basis and detailed affordability calculations are also performed prior to extending any loans in order to determine whether clients can in fact afford the loan repayments. In line with our conservative approach additional expense buffers are included in all affordability assessments.

Finbond's lending practices have been consistently conservative over the past number of years. While other micro-lenders in the market may have doubled or tripled debtors books two and three years ago, Finbond did not. In fact two and three years ago Finbond saw very conservative growth in the loan portfolio. Finbond did not have liberal lending polices two and three years ago that now require adjustment.

Finbond has been consistently conservative and rejection or decline rates remain higher than that of our major competitors even after their recent tightening of lending criteria. Rejection rates stood at between 36% and 58% for our 3 – 6 month product range and 82% - 94% for our 12 – 24 month product range at the end of August 2014.

Bad Debts

Conservative lending practices, strict upfront credit scoring supported by robust collection strategies and processes ensured better than industry bad debts.

Finbond's Net Impairment Loss Ratio improved to 12.1% (Aug 2013: 13.6%) this financial year. Finbond's Net Impairment as a percentage of expected instalments amounted to 5.8% (Aug 2013: 5.3%) and Net Impairment as a percentage of cash received (which is more conservative than instalments due) stood at 7.8% at the end of August 2014 (Aug 2013: 6%). The best measurement of arrears and impairments on the short term products is against instalments due and not outstanding balances, because a large part of a short term loan is repaid before month-end/year-end and is therefore not reflected on the balance sheet. Computations based on the outstanding balance therefore distort this ratio on short term products.

Loan loss reserve, also referred to as the risk coverage ratio (impairment provision/Portfolio at Risk 90 days in arrears plus) is more conservative at 97.7% (Aug 2013: 97%), which is an indication of a financial institution's ability to cope with estimated loan losses.

The write off vintages show that Finbond's 1 to 6 month product range write offs range between 6% and 12% and for the 12 – 24 month product range it ranges between 1% and 8%.

Collection rates averaged 82% of expected receipts for the six months ended 31 August 2014 (Aug 2013: 81%), following an improving trend which ended at 85% for the month of August 2014.

Liquidity Profile

Finbond's liquidity position at the end of August 2014 reflects R100.5 million cash in bank (Aug 2013: R134.3 million). Cash, cash equivalents and liquid investments increased by 50.1% to R499.8 million (Aug 2013: R333.1 million).

Cash Received (including capital repaid, fees and interest) as a percentage of Cash Granted for the period of March 2014 to August 2014 averaged 141%.

By the end of August 2014 the deposit book had grown to R830.7 million. The average deposit size is R327,770, the average term 27.6 months and the average interest rate is 9.2%.

Finbond is not exposed to the uncertainty that accompanies the use of corporate call deposits as a funding mechanism since Finbond only accepts 6 – 72 month fixed and indefinite term deposits. Given the long term nature of Finbond's liabilities (fixed term deposits with average term of 27.6 months) and short term nature of its assets (short term micro loans with an average term of 3.5 months), Finbond possesses a low risk liquidity structure with a positive liquidity mismatch.

Finbond funds itself through approximately 2,500 individual fixed long term deposits, resulting in a smooth debt maturity profile with no (0%) dependence on large funders or the debt capital markets and no concentration risk.

Capital Position

Finbond follows a conservative approach to capital management and holds a level of capital which supports its business while also growing its capital base ahead of business requirements.

Finbond's Capital position remains strong. Finbond Mutual Bank is well above its minimum regulatory capital requirements with an excess of R126.5 million over and above the R250 million required by the Registrar of Banks and an excess of R269.4 million over and above the normal DI 400 required minimum for mutual banks.

Although Finbond as a Mutual Bank is not subject to the Basel III requirements, Finbond already complies with and significantly exceeds all Basel III requirements set for 2018 and 2019. As at 31 August 2014 Finbond's:

- liquidity coverage ratio % was 283% [183% more than required from 2019]
- net stable funding ratio % was 506% [406% more than required from 2018]
- capital adequacy ratio % was 34% [24% more than required from 2018]

Increasing Footprint

Finbond currently operates through 281 branches in South Africa of which 86 are located in Gauteng, 56 in KwaZulu Natal, 57 in the Western Cape, 45 in the Eastern Cape and 37 in the Free State and North West.

During the period under review we increased our branch network by 80 branches and intend to increase it by between 40 - 60 branches per year for the next five years.

Providing Inclusive Financial Services

An exciting landscape is emerging in the banking arena, where there is a large, untapped market consisting of a significant portion of the adult population in South Africa who are actively seeking banking, savings and credit solutions, yet remain largely unattended and underserviced. Achieving sustainable and inclusive development in the banking sector goes hand-in-hand with improving access to financial services, particularly for the poor and vulnerable.

These nationally distributed prospective customers represent earnings potential for banks, but constitute the unbanked, under banked and underserviced. These consumers need access to banking for savings, loans and transactions, but are not effectively serviced by the major retail banks. These unbanked and underserviced consumers are not excluded from the banking sector by choice. An important reason for their predicament is that most banks do not offer products tailored to their specific needs. Many of these consumers are also located in rural areas where the traditional banks do not have a foot print or are busy leaving due to the fact that they cannot operate profitably in the small towns in South Africa. In effect, this vulnerable section of society has been excluded by the traditional South African banks' inability to understand their requirements and an unwillingness to adopt innovative models to serve them. It is important that the products are downsized without being downgraded to match the unbanked, under banked and underserviced population's smaller requirements. Since the unbanked and underserviced have remained largely unaddressed by traditional financial institutions, they will not hesitate to choose newer players for basic banking services such as payment and deposit transactions.

Irrespective of where in South Africa they might be located, this unbanked section of society has similar needs for financial services. In addition to savings, loans, transactions and investments, the unbanked need flexibility, simplicity, speed, small product sizes when it comes to loans, low-balance savings accounts; proximity and ease of access and basic financial education. With these needs addressed, these unbanked millions in South Africa constitute an enormous opportunity for a new bank such as Finbond, armed with inclusive unique value and solution based ethical finance solutions tailored around borrower requirements to socially and economically empower, provide dignity, transform the livelihoods and expand opportunities to the poor.

Finbond is well positioned and able to provide much needed, inclusive Banking services and products to the vulnerable, unbanked, under banked and previously disadvantaged in line with the principles set out in Treasuries National Policy Document, i.e. ***"A safer financial sector to serve South Africa better"***, with regards to financial inclusion and promoting access to financial services.

Growing Market Share

Given that we are growing from a small base we can keep on growing for a long time despite the current difficult environment in the unsecured lending market.

Finbond is well positioned for the implementation of its strategic growth plans to provide inclusive financial and banking services in South Africa and has significant growth opportunities over the next five to ten years.

Strategic Initiatives

Strategic initiatives under way include:

- Rolling out Finbond Mutual Bank, transactional bank accounts and savings accounts to all our micro credit clients;
- Rolling out a Mastercard Debit Card product to all our micro credit clients;
- Rolling out an Internet and Cell Phone Banking Products and Applications
- Growing market share through the increased sale of short and medium term products, specifically the 30 days, 90 days, 6 months and 12 – 24 months products;
- Further refining, developing and improving all information technology systems and process in all divisions;
- Investigating the possibility to convert from a Mutual Bank to a Commercial Community Bank in order to offer clients a wider range of banking products and services.
- Selective strategic acquisitions.

Prospects

The challenging macro-economic environment as well as the adverse market conditions in the markets within which Finbond operates, are not expected to abate in the short and medium term. However, we remain confident that we have the required resources, and depth at Executive Management and Board level to successfully confront and overcome these various challenges.

We remain positive about our prospects for the future due to Finbond's:

- Improvement achieved in earnings and profitability despite difficult market conditions;
- Improvement achieved in cash generated from operating activities;
- Management expertise and Board guidance;
- Strong Cash Flow;
- Strong Liquidity and surplus cash position;
- Uniquely positioned 281 Branch Network;
- Superior Asset Quality;
- Access to funding;
- Conservative Risk Management; and
- Growth potential in the underserviced lower end of the banking market.

Finbond's strong capital position, significant surplus cash, robust liquidity and funding profile together with its conservative approach to risk management, position the business well both in adverse market conditions and as markets improve.

References to future financial performance included anywhere in this announcement have not been reviewed or reported on by the group's external auditors.

Dividend

No interim dividend has been declared.

Finbond Group Limited

STATEMENT OF FINANCIAL POSITION

For the six months ended 31 August 2014

Figures in Rand	Interim unaudited 31 August 2014	Interim unaudited 31 August 2013	Growth %	Full year audited 28 Feb 2014
Assets				
Cash and cash equivalents	100,476,330	134,268,784	-25%	86,759,771
Other financial assets	399,367,693	198,821,143	101%	413,720,500
Loans and other advances to customers	261,177,516	163,929,529	59%	210,988,685
Other receivables	26,358,380	10,949,156	141%	18,132,659
Current tax receivable	2,037,476	-	0%	3,759,606
Property, plant and equipment	31,907,951	18,821,344	70%	22,567,979
Investment property	244,817,655	238,571,174	3%	242,620,028
Goodwill	115,313,353	61,262,303	88%	62,596,218
Deferred tax	23,168,153	-	0%	24,701,780
Total Assets	**1,204,624,507**	**826,623,433**	**46%**	**1,085,847,226**
Equity and liabilities				
Equity				
Equity Attributable to Equity Holders of Parent				
Share capital & premium	205,234,112	235,995,237	-13%	225,952,568
Reserves	6,272,731	1,531,543	310%	4,875,698
Accumulated profit	107,213,294	76,226,497	41%	99,598,394
Equity attributable to owners of the Company	318,720,137	313,753,277	2%	330,426,660
Non-controlling interest	(824,052)	(824,052)	0%	(824,052)
Total Equity	**317,896,085**	**312,929,225**	**2%**	**329,602,608**
Liabilities				
Trade and other payables	16,699,857	13,197,075	27%	20,100,205
Deposits received from customers	830,710,397	492,094,546	69%	695,902,092
Current tax payable	3,337	2,314,594	-100%	8,726
Finance lease obligation	1,355,239	257,719	426%	1,327,599
Other financial liabilities	11,919	8,272	44%	-
Deferred tax	37,947,673	5,822,002	552%	38,905,996
Total liabilities	**886,728,422**	**513,694,208**	**73%**	**756,244,618**
Total equity and liabilities	**1,204,624,507**	**826,623,433**	**46%**	**1,085,847,226**

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2014

Figures in Rand	Interim unaudited 31 August 2014	Interim unaudited 31 August 2013	Growth %	Full year audited 28 Feb 2014
Interest income	69,103,421	38,427,197	80%	93,018,672
Interest expense	(35,288,939)	(16,271,026)	117%	(44,286,052)
Net interest income	**33,814,482**	**22,156,170**	**53%**	**48,732,620**
Fee income	75,653,426	61,130,667	24%	112,731,141
Management fee income	13,724,599	10,673,179	29%	20,736,996
Other microfinance income	20,673,757	12,415,667	67%	28,499,859
Operating profit from Cell captive arrangement	16,151,926	10,679,184	51%	22,804,330
Fair value adjustments	(1,206,085)	55,973	-2255%	4,957,526
Net commission expense	(1,401,675)	(1,503,869)	-7%	(2,374,768)
Net impairment charge on loans and advances	(23,697,326)	(14,496,713)	63%	(24,940,770)
Operating expenses	(109,001,329)	(84,648,876)	29%	(164,294,444)
Profit before taxation	**24,711,775**	**16,461,382**	**50%**	**46,852,490**
Taxation	(4,551,546)	(2,627,546)	73%	(9,934,869)
Total profit and comprehensive income for the year	**20,160,229**	**13,833,836**	**46%**	**36,917,621**
Profit attributable to:				
Owners of the parent	**20,160,229**	**13,833,836**	**46%**	**36,917,621**
Non controlling interest - Continuing operations	**-**	**-**		**-**
	20,160,229	**13,833,836**	**46%**	**36,917,621**

Reconciliation of Headline Earnings per share:

Figures in Rand	Interim unaudited 31 August 2014	Interim unaudited 31 August 2013	Growth %	Full year audited 28 Feb 2014
Basic earnings per share (cents)	3.3	2.3	46%	6.6
Headline earnings per share (cents)	3.3	2.3	45%	5.6
Diluted earnings per share (cents)	3.3	2.3	43%	5.6
Total number of ordinary shares outstanding	605,025,250	605,025,250	0%	605,025,250
Weighted average number of ordinary shares outstanding	605,025,250	596,905,870	1%	605,025,250
Net profit attributable to ordinary equity holders of the parent	20,160,229	13,833,836	46%	39,917,621
Adjusted for:				
(Loss)/ profit on disposal of property, plant and equipment	(105,309)	(27,700)	280%	282,183
Revaluation of investment properties	-	-	0%	(3,363,655)
Fair value adjustment of investment properties included in basic earnings	-	-	0%	(4,042,854)
Tax effect on re-measurement of items of a capital nature included in earnings in the current period	-	-	0%	679,199
Headline profit	**20,054,920**	**13,806,136**	**45%**	**33,836,149**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2014

Figures in Rand	Share Capital	Share premium	Treasury shares	Total Share Capital	Reserves	Accumulated profit	Total Attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 1 March 2014	**605**	**239,691,627**	**(13,739,664)**	**225,952,568**	**4,875,698**	**99,598,394**	**330,426,660**	**(824,052)**	**329,602,608**
Profit for the period	-	-	-	-	-	20,160,229	20,160,229	-	20,160,229
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**20,160,229**	**20,160,229**	**-**	**20,160,229**
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-
Transfer from contingency reserve	-	-	-	-	1,397,033	-	1,397,033	-	1,397,033
Own shares purchased	-	-	(20,718,456)	(20,718,456)	-	-	(20,718,456)	-	(20,718,456)
Dividends declared	-	-	-	-	-	(12,545,329)	(12,545,329)	-	(12,545,329)
Total transactions with owners	**-**	**-**	**(20,718,456)**	**(20,718,456)**	**1,397,033**	**(12,545,329)**	**(31,866,752)**	**-**	**(31,866,752)**
Balance at 31 August 2014	**605**	**239,691,627**	**(34,458,120)**	**205,234,112**	**6,272,731**	**107,213,294**	**318,720,137**	**(824,052)**	**317,896,085**

For the six months ended 31 August 2013

Figures in Rand	Share Capital	Share premium	Treasury shares	Total Share Capital	Reserves	Accumulated profit	Total Attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 1 March 2013	**605**	**239,691,627**	**(529,855)**	**239,162,377**	**4,221,575**	**62,373,552**	**305,757,504**	**(824,052)**	**304,933,452**
Profit for the period	-	-	-	-	-	13,833,836	13,833,836	-	13,833,836
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**13,833,836**	**13,833,836**	**-**	**13,833,836**
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-
Share incentive costs	-	-	-	-	162,487	-	162,487	-	162,487
Transfer from contingency reserve	-	-	-	-	(2,833,410)	-	(2,833,410)	-	(2,833,410)
Own shares purchased	-	-	(3,167,140)	(3,167,140)	-	-	(3,167,140)	-	(3,167,140)
Total transactions with owners	**-**	**-**	**(3,167,140)**	**(3,167,140)**	**(2,670,923)**	**-**	**(5,838,063)**	**-**	**(5,838,063)**
Balance at 31 August 2013	**605**	**239,691,627**	**(3,696,995)**	**235,995,237**	**1,550,652**	**76,207,388**	**313,753,277**	**(824,052)**	**312,929,225**

Figures in Rand	Share Capital	Share premium	Treasury shares	Total Share Capital	Reserves	Accumulated profit	Total Attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 1 March 2013	**605**	**239,691,627**	**(529,855)**	**239,162,377**	**3,913,339**	**62,680,773**	**305,756,489**	**(824,052)**	**304,932,437**
Profit for the period	-	-	-	-	-	36,917,621	36,917,621	-	36,917,621
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive profit for the period	**-**	**-**	**-**	**-**	**-**	**36,917,621**	**36,917,621**	**-**	**36,917,621**
Transfer to reserve - Employees shares option scheme	-	-	-	-	962,359	-	962,359	-	962,359
Treasury shares purchased	-	-	(13,209,809)	(13,209,809)	-	-	(13,209,809)	-	(13,209,809)
Total transactions with owners	**-**	**-**	**(13,209,809)**	**(13,209,809)**	**962,359**	**-**	**(12,247,450)**	**-**	**(12,247,450)**
Balance at 28 February 2014	605	239,691,627	(13,739,664)	225,952,568	4,875,698	99,598,394	330,426,660	(824,052)	329,602,608

STATEMENT OF CASH FLOW

For the six months ended 31 August 2014

Figures in Rand	Interim unaudited 31 August 2014	Interim unaudited 31 August 2013	Growth %	Full year audited 28 Feb 2014
Cash flows from operating activities				
Cash receipts from customers	833,384,033	710,425,156	17%	1,315,824,084
Cash paid to suppliers and employees	(623,139,846)	(343,547,069)	81%	(676,815,229)
Cash generated from operations	**210,244,187**	**366,878,087**	**-43%**	**639,008,855**
Interest income	13,069,432	5,772,554	126%	15,264,706
Interest expense	(35,271,615)	(16,365,915)	116%	(40,666,664)
Taxation (paid)	(988,352)	(4,608,218)	-79%	(13,292,248)
Increase in net loans and advances	(87,466,165)	(66,568,997)	31%	(136,393,704)
Net cash from operating activities	**99,587,487**	**285,107,511**	**-65%**	**463,920,945**
Purchase of property, plant and equipment	(14,549,692)	(3,675,576)	296%	(9,117,732)
Sale of property, plant and equipment	2,520,225	-	0%	691,084
Purchase of investment property	(2,197,627)	-	0%	(5,571,292)
Purchase of other intangible assets	(52,717,135)	-	0%	(1,333,915)
Sale/(Purchase) of financial assets	14,352,807	(183,958,248)	-108%	(387,967,244)
Net cash from investing activities	**(52,591,422)**	**(187,633,824)**	**-72%**	**(403,299,099)**
Cash flows from financing activities				
Reduction of shares capital of buy back of shares	(20,718,456)	(3,167,140)	554%	(13,209,809)
Proceeds from other financial liabilities	11,919	-	0%	-
Repayment of other financial liabilities	-	(23,480,378)	-100%	(23,488,649)
Finance lease payments	(27,640)	(152,586)	-82%	(133,733)
Dividends paid	(12,545,329)	-	0%	-
Net cash from financing activities	**(33,279,506)**	**(26,800,104)**	**24%**	**(36,832,191)**
Total cash movement for the year	**13,716,559**	**70,673,583**	**-81%**	**23,789,655**
Cash at the beginning of the year	**86,759,771**	**63,595,201**	**36%**	**62,970,116**
Total cash at the end of year	**100,476,330**	**134,268,784**	**-25%**	**86,759,771**

SEGMENTAL REPORT
For the six months ended 31 August 2014

Figures in rand	Deposits Received	Micro Finance	Property Investment	Reconciling	Consolidated
Interest income	11,900,163	56,279,675	6,974	916,609	69,103,421
Interest expense	(22,086,420)	(5,892,782)	(23)	(7,309,714)	(35,288,939)
Net interest income	**(10,186,257)**	**50,386,893**	**6,951**	**(6,393,105)**	**33,814,482**
Fee income	-	75,653,427	-	(1)	75,653,426
Management fee income	-	13,724,599	-	-	13,724,599
Other microfinance income	407,443	18,458,960	-	1,807,354	20,673,757
Operating profit from Cell Captive arrangement	-	16,151,426	-	-	16,151,426
Fair Value adjustment	(1,120,404)	-	-	(85,681)	(1,206,085)
Net commission income	(2,000)	(1,593,488)	193,022	791	(1,401,675)
Net impairment charge on loans and advances	-	(23,439,106)	-	(258,220)	(23,697,326)
Operating expenses	(727,662)	(98,263,724)	(415,767)	(9,594,176)	(109,001,329)
Profit before taxation	(11,628,880)	51,078,987	(215,794)	(14,522,538)	24,711,775
Taxation	-	70,701	(55,177)	(4,567,070)	(4,551,546)
Profit for the period	(11,628,880)	51,149,688	(270,971)	(19,089,608)	20,160,229
Profit for the period attributable to:	-	-	-	-	-
Owners of the company	(11,628,880)	51,149,688	(270,971)	(19,089,608)	20,160,229
Non-controlling interest	-	-	-	-	-
	(11,628,880)	**51,149,688**	**(270,971)**	**(19,089,608)**	**20,160,229**
Segment assets	**383,434,947**	**419,972,989**	**244,817,655**	**156,398,916**	**1,204,624,507**
Investment property	-	-	244,817,655	-	244,817,655
Loans and advances	-	257,977,225	-	136,436	258,113,661
Cash and cash equivalents	39,892,930	37,722,149	-	43,042,456	120,657,535
Other Financial Assets	343,542,017	124,273,615	-	-	467,815,632
Segment liabilities	**814,341,163**	**-**	**-**	**72,387,259**	**886,728,422**
Deposits received from customers	806,438,511	-	-	-	-

SEGMENTAL REPORT
For the six months ended 31 August 2013

Figures in rand	Deposits Received	Micro Finance	Property Investment	Reconciling	Consolidated
Interest income	3,675,739	33,737,891	13,634	999,933	38,427,197
Interest expense	(5,472,903)	(10,688,090)	-	(110,033)	(16,271,026)
Net interest income	**(1,797,163)**	**23,049,799**	**13,634**	**889,900**	**22,156,170**
Fee income	-	51,944,657	-	9,186,010	61,130,667
Management fee income	-	10,673,179	-	-	10,673,179
Other microfinance income	-	12,319,571	115,836	(19,740)	12,415,667
Operating profit from Cell Captive arrangement	-	10,679,184	-	-	10,679,184
Fair Value adjustment	55,973	-	-	-	55,973
Net commission income	-	(1,535,671)	31,144	658	(1,503,869)
Net impairment charge on loans and advances	-	(14,496,713)	-	-	(14,496,713)
Operating expenses	(1,121,584)	(81,520,502)	(52,582)	(1,954,208)	(84,648,876)
Profit before taxation	(2,862,774)	11,113,504	108,032	8,102,620	16,461,382
Taxation	-	(10,131)	(6,401)	(2,611,014)	(2,627,546)
Profit for the period	(2,862,774)	11,103,373	101,631	5,491,606	13,833,836
Profit for the period attributable to:	-	-	-	-	
Owners of the company	(2,862,774)	11,103,373	101,631	5,491,606	13,833,836
Non-controlling interest	-	-	-	-	-
	(2,862,774)	**11,103,373**	**101,631**	**5,491,606**	**13,833,836**
Segment assets	**219,720,638**	**304,990,704**	**242,198,279**	**68,453,654**	**835,363,275**
Investment property	-	-	238,571,174	-	238,571,174
Loans and advances	-	163,929,531	-	-	163,929,531
Cash and cash equivalents	51,403,790	21,322,565	-	61,476,750	134,203,105
Other Financial Assets	166,024,848	38,146,216	-	-	204,171,064
Segment liabilities	**492,094,546**	**154,115,797**	**96,234**	**(123,872,527)**	**522,434,050**
Deposits received from customers	492,094,546	-	-	-	492,094,546

SEGMENTAL REPORT
For the 12 Months ended 28 February 2014

Figures in rand	Deposits Received	Micro Finance	Property Investment	Reconciling	Consolidated
Interest income	13,264,721	78,012,417	27,177	1,714,357	93,018,672
Interest expense	(31,005,074)	(13,140,106)	(11)	(140,861)	(44,286,052)
Net interest income	**(17,740,353)**	**64,872,312**	**27,166**	**1,573,496**	**48,732,620**
Fee income	-	112,731,141	-	-	112,731,141
Management fee income	-	20,736,996	-	-	20,736,996
Other microfinance income	-	27,840,164	658,248	1,447	28,499,859
Operating profit from Cell Captive arangement	-	22,804,330	-	-	22,804,330
Fair Value adjustment	914,672	(7,027,646)	-	11,070,500	4,957,526
Net commission income	258,128	(19,827,082)	115,836	17,078,350	(2,374,768)
Net impairment charge on loans and advances	-	(24,899,428)	-	(41,342)	(24,940,770)
Operating expenses	(1,902,024)	(143,162,077)	(530,045)	(18,700,298)	(164,294,444)
Profit before taxation	(18,469,577)	54,068,709	271,205	10,982,153	46,852,490
Taxation	-	(13,865)	(203,382)	(9,717,622)	(9,934,869)
Profit for the period	(18,469,577)	54,054,844	67,823	1,264,531	36,917,621
Profit for the period attributable to:					
Owners of the company	(18,469,577)	54,054,844	67,823	1,264,531	36,917,621
Non-controlling interest	-	-	-	-	-
	(18,469,577)	**54,054,844**	**67,823**	**1,264,531**	**36,917,621**
Segment assets	**401,343,968**	**272,002,607**	**243,527,577**	**168,973,074**	**1,085,847,226**
Investment property	-	-	242,620,028	-	242,620,028
Loans and advances	-	210,998,685	-	-	210,998,685
Cash and cash equivalents	18,679,486	29,947,904	907,549	37,224,832	86,759,771
Other Financial Assets	382,664,482	31,056,018	-	-	413,720,500
Segment liabilities	**695,902,092**	**7,530,018**	**-**	**52,812,508**	**756,244,618**
Deposits received from customers	695,902,092	-	-	-	695,902,092

Notes to the condensed consolidated interim financial statements

Finbond Group Limited is a company domiciled in South Africa. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 August 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

These condensed consolidated interim financial statements have been prepared in accordance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, IAS 34 Interim Financial Reporting, the Companies Act and the JSE Listings Requirements. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated, audited annual financial statements of the Group as at and for the year ended 28 February 2014.

These unaudited interim results have been prepared under the supervision of Mr. GT Sayers, CA(SA).

These condensed consolidated interim financial statements were approved by the Board of Directors on 18 September 2014.

Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated, audited annual financial statements as at and for the year ended 28 February 2014.

The 2013 six-month consolidated figures have been restated due to the change in accounting policy whereby the Cell Captive arrangement is now accounted for by applying IFRS10 instead of SIC12 (AC412). The restatement had no effect on net profit after taxation or the earnings of the Group.

Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated, audited annual financial statements as at and for the year ended 28 February 2014.

Fair value disclosures

Fair value hierarchy of instruments measured at fair value

The table below analyses assets and liabilities carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the instruments and have been defined as follows:

Level 1: Fair value is based on quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Levels of fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets and liabilities measured at fair value: Recurring				
Other financial assets	8,957	369,228,079	30,130,657	399,367,693
Investment property	-	-	244,817,655	244,817,655
	8,957	**369,228,079**	**274,948,312**	**644,185,348**

Valuation techniques used to derive level 2 and 3 fair values

Level 2 fair values of other financial assets have been derived by using the rate as available in active markets. The underlying assets and liabilities of the investment in the cell captive arrangement are mainly cash and cash equivalents, gross debtors and SARS liabilities. These all approximate fair value and the fair value hierarchy is considered level 1 and level 2, with no elevated risk areas. The IBNR provision is managed from industry data accumulated on the Alexander Forbes Risk and Insurance Services claim system, and is classified as a Level 3. Refer to the accounting policy on insurance claims provisions for further details on the calculations performed

Level 3 fair values of investment properties have been generally derived using the market value, comparable sales method of valuation, and the residual land valuation method, as applicable to each property.

The fair value is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuation company provides the fair value of the Group's investment portfolio every twelve months.

Reconciliation of assets and liabilities measured at level 3

Group 2015	**Opening Balance**	**Purchases**	**Subsequent capitalised expenditure**	**Closing balance**
Investment Property				
Investment properties	242,620,028	2,100,000	97,627	244,817,655

Transfer of assets and liabilities within levels of the fair value hierarchy

No transfers of assets and liabilities within levels of fair value hierarchy occurred during the current financial year. There were no transfers in 2014.

Assets and liabilities not measured at fair value, but fair values are disclosed	Level 1	Level 2	Level 3
Finance lease obligations	-	1,355,239	-
	-	**1,355,239**	**-**

Cash and cash equivalents are not fair valued and the carrying amount is presumed to equal fair value.

Short term receivables and short term payables are measured at amortised cost and approximates fair value due to the short term nature of these instruments. These instruments are not included in the fair value hierarchy.

Restatements

The 2013 six-month consolidated figures have been restated due to the change in accounting policy whereby the Cell Captive arrangement is now accounted for by applying IFRS10 instead of SIC12 (AC412). The restatement had no effect on net profit after taxation or the earnings of the Group.

STATEMENT OF FINANCIAL POSITION

Figures in Rand	As previously reported unaudited	Restatements	Interim unaudited 31 August 2013
Assets			
Cash and cash equivalents	134,203,105	(65,679)	134,268,784
Other financial assets	204,171,064	5,349,921	198,821,143
Loans and other advances to customers	163,929,529	-	163,929,529
Other receivables	14,404,756	3,455,600	10,949,156
Property, plant and equipment	18,821,344	-	18,821,344
Investment property	238,571,174	-	238,571,174
Goodwill	61,262,303	-	61,262,303
Deferred tax	-	-	-
Total Assets	**835,363,275**	8,739,842	**826,623,433**

Equity and liabilities			
Equity			
Equity Attributable to Equity Holders of Parent			
Share capital & premium	235,995,237	-	235,995,237
Reserves	1,550,652	19,109	1,531,543
Accumulated profit/ (loss)	76,207,388	(19,109)	76,226,497
Equity attributable to owners of the Company	313,753,277	-	313,753,277
Non-controlling interest	(824,052)	-	(824,052)
Total equity	**312,929,225**	-	**312,929,225**
Liabilities			
Trade and other payables	16,401,139	3,204,064	13,197,075
Deposits received from customers	492,094,546	-	492,094,546
Current tax payable	5,833,315	3,518,721	2,314,594
Finance lease obligation	257,719	-	257,719
Other financial liabilities	8,272	-	8,272
Deferred tax	7,839,059	2,017,057	5,822,002
Total liabilities	**522,434,050**	8,739,842	**513,694,208**
Total equity and liabilities	**835,363,275**	8,739,842	**826,623,433**

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2013

Figures in Rand	As previously reported unaudited	Restatements	Interim unaudited 31 August 2013
Interest income	39,390,188	(962,991)	38,427,197
Interest expense	(16,365,915)	94,889	(16,271,026)
Net interest income	**23,024,273**	**(868,103)**	**22,156,170**
Fee income	61,130,667	-	61,130,667
Management fee income	-	10,673,179	10,673,179

Other microfinance income	38,001,737	(25,586,070)	12,415,667
Operating profit from Cell captive arrangement	-	10,679,184	10,679,184
Fair value adjustments	61,779	(5,806)	55,973
Net commission expense	(1,503,869)	-	(1,503,869)
Net impairment charge on loans and advances	(14,496,713)	-	(14,496,713)
Operating expenses	(85,624,314)	975,438	(84,648,876)
Profit/(loss) before taxation	**20,593,560**	**(4,132,178)**	**16,461,382**
Taxation	(6,759,724)	4,132,178	(2,627,546)
Total profit and comprehensive income for the year	13,833,836	-	13,833,836
Profit attributable to:	-	-	-
Owners of the parent	13,833,836	-	13,833,836
Non-controlling interest - Continuing operations	-	-	-
	13,833,836	**-**	**13,833,836**

For and on behalf of the Board

Dr. Malesela Motlatla **Dr. Willie van Aardt**
18 September 2014

Directors

Chairman: Dr MDC Motlatla* *(BA, DCom (Unisa));* **Chief Executive Officer:** Dr W van Aardt *(BProc (Cum Laude), LLM (UP), LLD (PU CHE) Admitted Attorney of The High Court of South Africa, QLTT (England and Wales), Solicitor of the Supreme Court of England and Wales);* HJ Wilken-Jonker* *(BComHons (Unisa);* **Chief Financial Officer:** GT Sayers *(CA (SA), BCom (Hons) (UNP), BCompt (Hons) (Unisa));* Adv J Noeth* *(B Iuris LLB); Adv. N Melville* (B Law, LLB(Natal) LLM(cum laude)(Natal)SEP(Harvard) RN Xaba* (CA (SA) BCompt, BCompt (Hons) (Unisa))R Emslie* (B Comm Law, Hons Acc, CA (SA)) D Brits* (B Com, MBA) (NW)* *Non-Executive. **Secretary:** CD du Plessis – *Sekretari*