Contents

FINANCIAL STATEMENTS

GBS MUTUAL BANK
HEAD OFFICE

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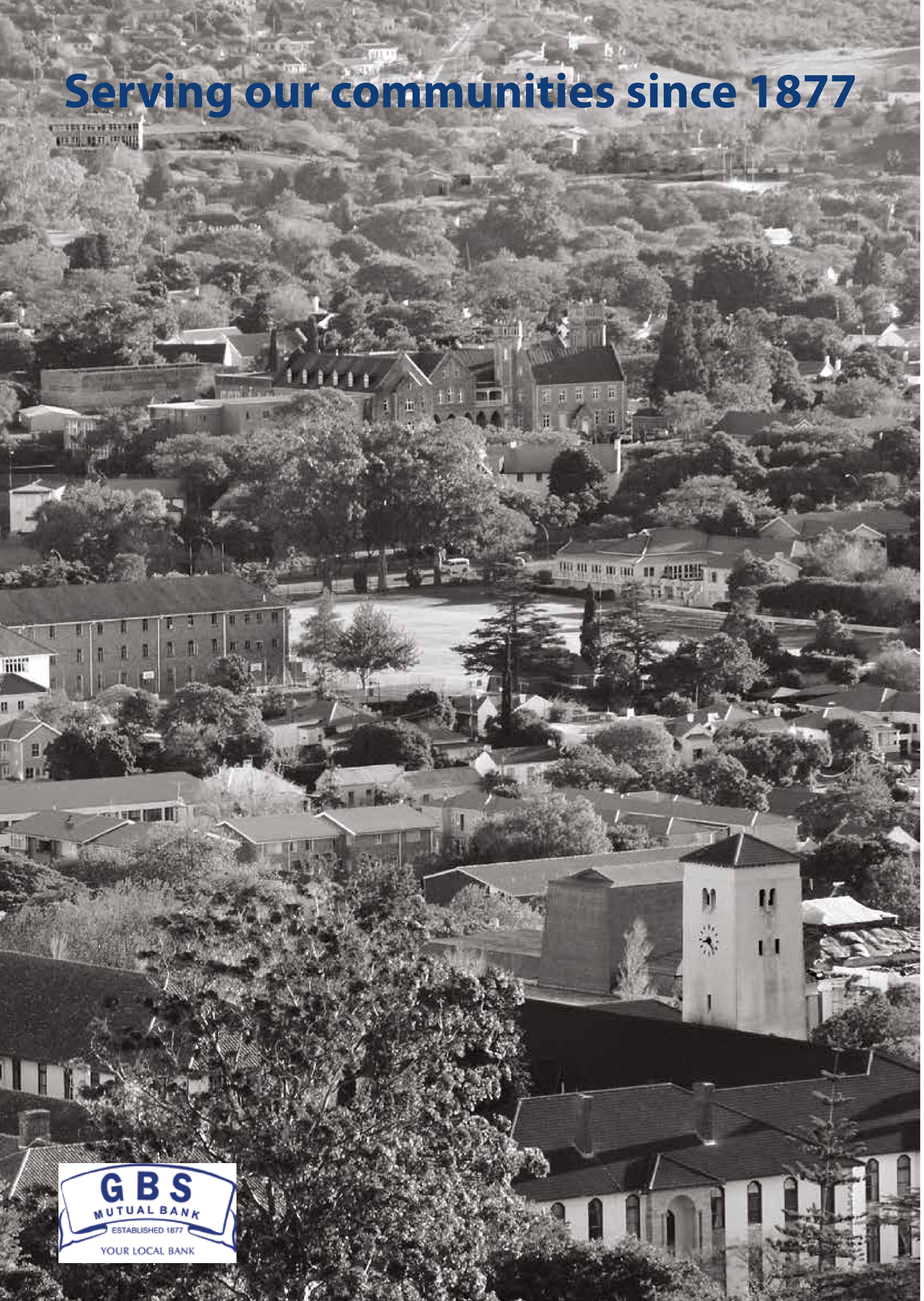

GBS Mutual Bank

BOARD OF DIRECTORS

- T.C.S. Tagg, Chairman
- F.O. Skae, Deputy Chairman
- P.G. Clayton
- A.M. Marriner
- K.L. Wiblin
- A.M. Vorster, Managing
- P. Hornby, Executive

MANAGEMENT STRUCTURE

- A.M. Vorster, Managing Director
- P. Hornby, Executive Director
- J.M. Fincham, General Manager
- K.C. Breetzke, General Manager
- W.S. Vallance, General Manager, Cape Town

NOTICE OF THE ANNUAL GENERAL MEETING

The hundred and thirty-ninth Annual General Meeting of Shareholders will be held at the Bank's Head Office at 18 – 20 Hill Street, Grahamstown on 28 July 2016, at 17h00.

AGENDA

1. To confirm the minutes of the last Annual General Meeting.
2. To receive and consider the report of the Board of Directors and the Annual Report for the year ended 31 March 2016.
3. To elect Directors in the place of Mesdames K.L. Wiblin and A.M. Marriner and Mr T.C.S. Tagg, who retire in rotation. Being eligible, they offer themselves for re-election and have been duly nominated.
4. To appoint Auditors and fix their remuneration. PricewaterhouseCoopers Inc., Registered Accountants and Auditors, offer themselves for re-election and have been duly nominated.
5. To fix the remuneration of Directors in terms of Article 21 (vi).
6. To pass a resolution that donations for charitable purposes may be made as the Directors see fit out of available profits.
7. To transact such business as may be brought forward at the Annual General Meeting.

By order of the Board of Directors.

A M Vorster
Managing Director

Statement of Responsibility

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and the related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Mutual Banks Act, 1993.

The Directors are also responsible for the Bank's systems of internal financial and operational controls. These systems are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the Directors have every reason to believe that the Bank has adequate resources in place to continue in operation for the foreseeable future.

The attached annual financial statements set out on pages 6 to 47 were approved by the Board of Directors on 6 June 2016 and are signed on its behalf by:

T C S Tagg
Chairman

A M Vorster
Managing Director

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GBS MUTUAL BANK

We have audited the financial statements of GBS Mutual Bank set out on pages 6 to 47, which comprise the balance sheet as at 31 March 2016, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the directors' report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Mutual Banks Act, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of GBS Mutual Bank as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Mutual Banks Act.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RD Stanham
Registered Auditor
Port Elizabeth
6 June 2016

Report of the Directors

NATURE OF BUSINESS

- MORTGAGE LOANS
- ASSET BASED FINANCE
- SAVINGS AND INVESTMENTS

DIRECTORS' REPORT TO SHAREHOLDERS

The Bank has delivered a solid set of results with acceptable growth on the Balance Sheet and a satisfactory level of income and profit for the year.

As in previous years the results have been thanks to a very loyal client base, a committed Board of Directors and hard working management and staff. We are pleased that the GBS has continued to grow assets and reserves.

The Board of Directors remains a very committed group of independent people and we thank them for their dedication in fulfilling their responsibilities. After 16 years of stalwart service, Tony Long retired from the Board earlier this year. We thank him for his all round contribution to the GBS, firstly as a Board member and then as Chair of the Audit Committee. His wisdom, insight and detailed knowledge of the Bank and the environment in which it operates will be sorely missed. On behalf of all at the GBS, we wish him both good health and happiness in retirement.

The Board is pleased to announce that Owen Skae has been appointed Deputy Chairman of the Bank. He is the Director of the Rhodes Business School and brings a wide range of business acumen to the Board.

ECONOMY

South Africa's economic growth has sadly been disappointing and the outlook for the coming year is no cause for optimism. GDP growth of less than 1% is well below what is needed to deal with unemployment and to inject confidence back into the economy.

During the past year the South African currency depreciated significantly against a basket of international currencies. As a result, imported inflation increased to outside the inflation targets set by the Reserve Bank and the Monetary Policy Committee increased prime interest rates from 9,25% in March 2015 to 10,5% at March this year. The higher interest rates and low level of economic activity, combined with a crippling drought in parts of the country, have severely impacted consumers' ability and willingness to invest in property.

PERFORMANCE

In line with industry trends, the GBS results for the year to March 2016 were somewhat down on the previous year. Nevertheless the Bank continued to generate satisfactory profits, grow the balance sheet and most importantly serve the community in a real and positive way. The Bank holds surplus cash and capital, and is well positioned for the year ahead.

The balance sheet grew 6,2% to R1,152 billion with growth in both mortgage loans and the asset based finance portfolio. Specific provisions were R4,6 million at year end against R4,1 million a year ago, and the provision against performing loans was increased from R3 million to R4 million.

The Bank remains well capitalised with a capital adequacy ratio at 31 March 2016 of 14,04% against a required ratio of 10%. The Reserve Bank has limited the ratio of secondary capital (mainly fixed period shares) to primary capital to 50% and the Bank has comfortably met the revised requirement.

The profit for the year was negatively affected by a number of non-recurring items: poor returns on equity investments, a FIC penalty of R0,5 million, and the R1 million increase in the provision against performing advances. During the year the Bank exited the investment in the Coronation Capital Plus Fund which had performed poorly in recent times.

The Bank has been notified of a FICA penalty, an administrative sanction in terms of Section 45C of the Financial Intelligence Centre Act of 2001. The penalty of R0,5 million has been fully provided for in the Statement of Profit or Loss. A number of other banks, including the big four, have also been sanctioned and had fines imposed. In a statement, the Reserve Bank said that these sanctions are not an indication that the banks have in any way facilitated transactions involving money laundering and the financing of terrorism.

While our Bank has over the years invested heavily in systems to facilitate FICA requirements we acknowledge that some procedures were not as water tight as they should have been and remedial steps are being taken to address the shortcomings. These steps include the appointment of a full time Compliance Officer, additional training of all relevant staff and a number of process and IT system enhancements.

The net interest income increased by 12,6% while non-interest income was lower by R3,7 million year on year mainly due to lower earnings on fair value investment adjustments, often referred to as mark-to-market adjustments. Operating expenses were higher year on year and include the fine mentioned above, and an additional senior management position. Other comprehensive income is detailed in the report and relates to actuarial gains and losses on the retirement benefit obligation, and a fair value loss on the investment in preference shares.

The results for the year, taking the non-recurring items into account, were pleasing considering the economic climate in which we operate.

Report of the Directors (Continued)

CORPORATE GOVERNANCE

We recognise that the application of sound corporate governance practices is integral to our operations as a Bank. We do not consider governance to be merely a set of rules but a culture that permeates the Bank.

We are committed to the King Code of Corporate Practices and Conduct and are in the process of aligning the Bank's practices to the revised King IV guidelines where possible and practical.

In addition, the GBS Mutual Bank subscribes to the Code of Banking Practice and its underlying values.

THE BOARD OF DIRECTORS

The Board has the ultimate responsibility for the strategic direction of the GBS Mutual Bank and is committed to the ongoing implementation of a culture of good values and sound corporate governance.

The Board is made up of seven directors, five of whom are non-executive, including the chairman. This ensures that independent thought is brought to bear on Board decisions. Effective control is maintained through a structure of well functioning Board Committees which provide in-depth focus on specific areas.

Board meetings are held monthly with additional meetings scheduled to review the budget and determine strategy. This latter meeting is held with senior management.

AUDIT COMMITTEE

The primary role of the Audit Committee is to review and evaluate the Bank's risk profile and internal controls, the efficacy of our accounting and financial systems and both the internal and external audit processes.

The Committee reviews the audit plans with the external and internal auditors and approves the scope of the internal auditor's work programme. The Committee also reviews all internal and external audit reports and monitors management's response to the auditors' recommendations.

The Committee, which met twice during the year, was chaired by Tony Long prior to his retirement and is now chaired by a non-executive director, Kerryn Wiblin.

REMUNERATION COMMITTEE

This Committee, also chaired by Kerryn Wiblin, is responsible for recommending the Bank's overall remuneration policy.

The remuneration policy is designed to recognise the value of the staff and their role within the Bank and ensures competitive remuneration which is designed to attract, motivate and retain a talented staff complement.

The Committee met twice during the year.

IT COMMITTEE

This Committee has the responsibility of reviewing and monitoring the Bank's information technology operations, needs and IT risk management. The Bank is in the process of implementing the asset based finance module into the Bank's Core Banking computer system.

The Committee, chaired by Angie Marriner, met 11 times during the year.

DIRECTORS & EXECUTIVES AFFAIRS COMMITTEE

The main objectives of this Committee are to identify new Board Members, review Board Committee participants, and the performance of the Board and its members, and it considers Management and Board succession planning.

The Committee met twice during the year and is chaired by Angie Marriner.

Report of the Directors (Continued)

DEVELOPMENT COMMITTEE

The Strategy and Business Development Committee was formed during the year. Its Charter is to advise and make recommendations to the Board on the implementation and monitoring of the strategy as formulated and agreed to by the Board and assess product and service offerings.

The Development Committee is chaired by Owen Skae and met once during the year.

RISK MANAGEMENT

The effective management of risk is critical to the growth of the Bank. It encourages a sound credit decision making culture which adequately balances risk and reward.

The risk management approach relies both on individual responsibility and collective oversight which is supported by strict and comprehensive reporting.

Our approach to risk management, and in particular to credit and liquidity, has remained conservative in the current economic climate. While our arrear statistics have increased since a year ago, they remain below the industry norm.

RISK MANAGEMENT COMMITTEE

The Committee, which meets twice a year, ensures that the risk management policies and procedures are reviewed periodically and that banking risks are understood at all the relevant levels within the Bank.

The main risks facing the Bank are:

- credit risk, the risk that a counterparty will be unable to pay amounts in full on maturity date;
- liquidity risk arises if the Bank is unable to meet its payment obligations when they fall due;
- interest rate risk is the risk that the Bank's financial condition may be adversely affected as a result of changes in interest rate levels;
- operational risk is the risk of loss suffered as a result of inadequacy of, or failure in, internal processes, people, systems and external events;
- compliance risk refers to the risk of failure to comply with applicable laws, regulations and codes of conduct which may result in regulatory sanction, financial loss or damage to the Bank's reputation; and
- reputation risk results from damage to the Bank's image which may impair its ability to operate effectively. Safeguarding the Bank's reputation is paramount and is the responsibility of both the staff and the board. These risks arise from social and ethical issues as well as the consequence of some operational risks.

Many of these functions are delegated to the Risk Management Sub-Committee, chaired by a non-executive director on a rotational basis and which meets weekly.

STAFF DEVELOPMENT

We actively encourage staff to upgrade their knowledge and skills through incentives and this has proved to be a satisfactory practice. Extensive training, including the Board of Directors, has been undertaken relating to anti money laundering (AML) and combating the financing of terrorism (CFT). All staff members who are required to, have met the educational requirements of the Financial Advisory and Intermediary Services Act.

OUTLOOK AND THANKS

While the year to March 2016 will be remembered for the headwinds it brought, the outlook for the foreseeable future remains one of optimism. The Bank continues to seek opportunities to serve our members and clients and to grow the assets and reserves in line with our strategic objectives.

Thanks also to the dedicated staff and management team.

On behalf of the Board we thank our clients for trusting us to meet their financial needs.

T C S Tagg
Chairman
6 June 2016

A M Vorster
Managing Director
6 June 2016

Report of the Directors (Continued)

FIVE YEAR REVIEW

YEAR ENDED 31 MARCH (R 000)	2016	2015	2014	2013	2012
BALANCE SHEETS					
Reserves and Liabilities					
Reserves	91 423	86 606	79 623	73 099	67 770
Risk provisions	8 653	7 093	7 639	6 991	8 796
Share deposits	274 816	264 871	264 887	238 872	257 946
Deposits	765 677	715 950	658 897	585 146	523 851
Other liabilities	20 434	17 614	15 482	15 741	13 421
	1 161 003	1 092 134	1 026 528	919 849	871 784
Assets					
Cash & short term securities	150 176	137 575	128 605	91 206	102 510
Investments	82 875	72 370	88 832	53 350	47 185
Advances - mortgages and other	607 739	574 350	517 627	497 412	486 206
- Instalment sales, rentals	311 968	298 394	284 838	273 558	230 632
Other	8 245	9 445	6 626	4 323	5 251
	1 161 003	1 092 134	1 026 528	919 849	871 784
Income Statements					
Net interest margin	29 321	26 033	23 615	21 969	19 580
Other income	6 412	10 072	9 062	7 306	5 755
	35 733	36 105	32 677	29 275	25 335
Impairments & provisions	(2 025)	(1 489)	(1 540)	(880)	(2 982)
Operating expenses	(27 481)	(24 110)	(23 327)	(20 333)	(19 045)
Tax	(787)	(2 398)	(1 793)	(1 766)	(486)
Profit for the year	5 440	8 108	6 017	6 296	2 822
Other comprehensive (loss)/ income	(623)	(1 125)	507	(967)	11
Comprehensive income	4 817	6 983	6 524	5 329	2 833
Key Ratios – %					
Capital adequacy at year end	14,0%	14,6%	15,8%	14,0%	14,1%
Bad debt provision: advances	0,9%	0,8%	1,0%	0,9%	1,2%
Expenses to total income	76,9%	66,8%	71,4%	69,5%	75,2%

GBS Mutual Bank

BALANCE SHEET AT 31 MARCH 2016

	NOTES	2016 R'000	2015 R'000
ASSETS			
Cash and cash equivalents	3	150 176	137 575
Advances and loans	4	911 054	865 651
Investments	5	82 875	72 370
Investment in equity instrument	6	–	-
Property and equipment	7	2 382	2 321
Current income tax asset		3 633	4 797
Other assets	8	63	484
Deferred income tax asset	9	2 167	1 843
Total assets		**1 152 350**	1 085 041
LIABILITIES			
Share deposits	10	274 816	264 871
Other deposits	10	765 677	715 950
Other liabilities	11	7 007	5 578
Retirement benefit obligations	12	12 661	11 294
Other long-term employee benefits	13	766	742
Total liabilities		**1 060 927**	998 435
RESERVES		91 423	86 606
Total liabilities and reserves		**1 152 350**	1 085 041

GBS Mutual Bank

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	NOTES	2016 R'000	2015 R'000
Interest income	14	100 133	87 973
Interest expense	14	(70 812)	(61 940)
Net interest income		29 321	26 033
Net impairment on advances	17	(2 025)	(1 489)
Net interest income after impairment on advances		27 296	24 544
Total non-interest income		6 412	10 072
Fee and commission income	15	3 521	3 995
Fair value adjustments on investments	5	2 366	5 427
Dividend income		465	370
Other operating income		60	280
Total expenses		(27 481)	(24 110)
Operating expenses	16	(26 620)	(23 255)
Commission expense		(861)	(855)
Profit before income tax		6 227	10 506
Income tax expense	18	(787)	(2 398)
Profit for the year		5 440	8 108
Other comprehensive income			
Items that may not be reclassified to profit or loss		(459)	(859)
Remeasurements of retirement benefit obligation	12	(637)	(1 193)
Deferred tax	9	178	334
Items that may be reclassified to profit or loss		(164)	(266)
Fair value loss on investments	5	(266)	(327)
Deferred tax	9	102	61
Total comprehensive income for the year		4 817	6 983

GBS Mutual Bank

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	RETAINED EARNINGS R'000	GENERAL RESERVE R'000	REVALUATION RESERVE R'000	STATUTORY CREDIT RISK RESERVE R'000	TOTAL R'000
Balance at 1 April 2014	750	73 778	325	4 770	79 623
Profit for the year	8 108	–	–	–	8 108
Other comprehensive income for the year	–	(859)	(266)	–	(1 125)
Transfer to statutory credit risk reserve	(402)	–	–	402	–
Transfer to general reserves	(7 706)	7 706	–	–	–
Balance at 31 March 2015	750	80 625	59	5 172	86 606
Balance at 1 April 2015	750	80 625	59	5 172	86 606
Profit for the year	5 440	–	–	–	5 440
Other comprehensive income for the year	–	(459)	(164)	–	(623)
Transfer to statutory credit risk reserve	(228)	–	–	228	–
Transfer to general reserves	(5 212)	5 212	–	–	–
Balance at 31 March 2016	750	85 378	(105)	5 400	91 423

Notes

- Retained Earnings: the Bank maintains its Retained Earnings at R750 000 and transfers excess funds to the General Reserve.
- General Reserve: represents profits which have been formally appropriated by the Board of Directors, as required by the Mutual Banks Act.
- Revaluation Reserve: relates to the accumulated unrealised gains and losses on available-for-sale investments.
- Statutory Credit Risk Reserve: separate reserve maintained in terms of regulations to the Mutual Banks Act on all advances that have not specifically been provided for.

GBS Mutual Bank

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	2016 R'000	2015 R'000
Cash flows from operating activities		
Interest receipts	**100 133**	87 973
Interest payments	**(70 812)**	(61 940)
Fee and commission receipts	**3 521**	3 995
Fee and commission payments	**(861)**	(855)
Dividends received	**465**	370
Other income	**60**	280
Payments to employees and suppliers	**(25 812)**	(22 680)
Income taxes refunded / (paid)	**333**	(4 828)
Cash flows from operating activities before changes in operating assets and liabilities	**7 027**	2 315
Changes in operating assets and liabilities:		
Net increase in advances	**(47 428)**	(72 314)
Net decrease in other assets	**421**	574
Net increase in share and other deposits	**59 672**	57 037
Net increase in other liabilities	**953**	263
Increase in retirement benefit obligations	**730**	676
Net cash generated from / (used in) operating activities	**21 375**	(11 449)
Cash flows from investing activities		
Acquisition of property and equipment	**(369)**	(1 143)
Net (increase) / decrease in investments	**(8 405)**	21 562
Net cash (used in) / generated from investing activities	**(8 774)**	20 419
Net increase in cash and cash equivalents	**12 601**	8 970
Cash and cash equivalents at beginning of year	**137 575**	128 605
Cash and cash equivalents at end of year (Note 3)	**150 176**	137 575

1. ACCOUNTING POLICIES

GBS Mutual Bank is incorporated in South Africa. The address of its registered office and principal place of business is 18-20 Hill Street, Grahamstown, 6139.

The principal accounting policies set out below are, in all material respects, consistent with those of the prior year.

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Bank's accounting policies (refer to note 2).

1.1 BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with IFRS. The financial statements are prepared under the historical cost convention, except for financial instruments which are accounted for in terms of the stated accounting policies.

a) New and amended standards adopted

The Bank has adopted the following amended standards as of 1 April 2015:

- Amendments to IAS 1, Presentation of financial statements disclosure initiative. In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- IFRS 7 Financial Instruments: Disclosures - Servicing contracts: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Bank

The following standards and amendments to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 April 2016 or later periods. These standards have not been early adopted.

- IFRS 9 addresses the recognition, classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

  The new hedging rules align hedge accounting more closely with the Bank's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

  The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.
- Amendment to IAS 7, Cash flow statements. In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities. The effective date of the implementation is for all accounting periods starting on or after 1 January 2017.
- IFRS 15 Revenue from contracts with customers. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

  The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 April 2018), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The effective date of the implementation is for all accounting periods starting on or after 1 January 2018.
- IFRS 16, Leases. IFRS 16, requires lessees to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

  The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

  A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

  One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

The Bank is still assessing the full impact of the above changes on the financial statements.

There are no other standards, interpretations or amendments that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

1.2 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, cash held at the South African Reserve Bank, deposits held at call with banks, treasury bills and other short-term liquid investments with maturity periods of less than 91 days.

1.3 ADVANCES AND LOANS

Advances and loans are financial assets with fixed or determinable payments and include purchased advances. Advances and loans are accounted for at amortised cost using the effective interest rate method. Transaction costs and origination fees received are capitalised to the value of the advance and expensed or taken to interest income over the estimated duration of the advance or loan.

Advances and loans include rental agreements and lease agreements where the Bank is acting as the lessor. The substance of these transactions is that they are financing arrangements by their nature.

Impairment testing of advances is described in note 1.4.

1.4 IMPAIRMENT OF ADVANCES

Advances are stated net of provisions for impairments. Advances are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any impairment indicators show that it is probable that the Bank will be unable to collect all amounts due, a provision for impairment is made to reduce the carrying amount of the asset to the present value of expected future cash flows.

Provisions for non-performing advances, covering identified doubtful debts, are based on periodic evaluations of advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure. Advances and loans are considered to be non-performing when amounts are due and unpaid for three months, or when specific circumstances are indicative of the advance being non-performing.

1. ACCOUNTING POLICIES (CONTINUED)

1.4 IMPAIRMENT OF ADVANCES (CONTINUED)

Portfolio provisions for the impairment of performing advances cover losses which, although not yet specifically identified, are present in any portfolio of bank advances. Portfolio provisions are calculated based on industry historical experience, modified by the Bank's historical experience where different. Historical loss experience is adjusted (on the basis of current observable data) to reflect the effects of current conditions that do not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Increases in the provisions for advance impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in the statement of profit or loss and other comprehensive income.

When an advance is deemed uncollectable, it is written off against the related provision for impairments. Subsequent recoveries are credited to the statement of profit or loss and other comprehensive income. In addition to impairment provisions, a statutory non-distributable credit risk reserve is maintained in terms of the regulations to the Mutual Banks Act on all advances that have not specifically been provided for.

1.5 INVESTMENTS

Financial assets at fair value through profit or loss are initially recognised at fair value. All other financial assets are initially recognised at fair value plus transaction costs. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to the delivery of a financial asset. All other purchases are recognised when the Bank becomes a party to the contractual provisions of the instrument.

The Bank classifies its financial assets into the following categories on acquisition:

Held-to-maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturity, where management has both the intent and the ability to hold the securities to maturity, are classified as held-to-maturity. Financial assets classified as held-to-maturity by the Bank are carried at amortised cost, using the effective interest rate method, less any provisions for impairment.

Interest on held-to-maturity investments is included in the statement of profit or loss and other comprehensive income.

Fair value through profit or loss
Where the Bank has elected in terms of IAS 39 to designate financial assets as held at fair value through profit or loss or where financial instruments are held for trading, these financial assets are classified as assets held at fair value through profit or loss. All related realised and unrealised gains and losses arising from the change in fair value of these financial assets are included as a separate line item in the statement of profit or loss and other comprehensive income.

These gains and losses are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss and other comprehensive income when the Bank's right to receive payment is established.

Available-for-sale
Financial assets that are not held at fair value through profit or loss, originated by the Bank or held-to-maturity, are classified as available-for-sale financial assets. Unrealised gains or losses arising from the changes in the fair value of available-for-sale financial assets are recognised in a revaluation reserve in equity via other comprehensive income.

On disposal of available-for-sale financial assets, the fair value adjustments accumulated in equity are recognised in the statement of profit or loss and other comprehensive income. If available-for-sale financial assets are considered to be impaired, the cumulative unrealised gain or loss previously recognised in equity is included in the statement of profit or loss and other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss and other comprehensive income when the Bank's right to receive payment is established.

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.5 INVESTMENTS (CONTINUED)

Fair value
The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date..

Considering the nature of the Bank's financial assets, the best evidence of fair value on initial recognition is the transaction price.

Subsequent to initial recognition, fair values of financial assets are based on quoted prices excluding transaction costs. Where this is not available, fair value is determined using applicable valuation techniques.

Derecognition
Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

1.6 PROPERTIES IN POSSESSION

Properties in possession comprise the amounts outstanding on advances where mortgagors have defaulted and the properties securing the advances have been bought in by the Bank. Until resale, all expenditure and income is allocated to the value of the relevant property in possession. An impairment provision is made where the amount of the property value, or a portion thereof, is considered to be not recoverable.

1.7 PROPERTY AND EQUIPMENT

Land and buildings comprise banking halls and offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite useful life. Except for computer mainframes and software, banking software and motor vehicles, depreciation on other property and equipment is calculated on the reducing balance basis to write down the cost of assets to their residual values over their estimated useful lives as follows:

Buildings	4%	
Motor vehicles	20%	straight line
Furniture and equipment	17%	
Computer equipment	33%	
Computer mainframes & software	20%	straight line
Banking software	10%	straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss and other comprehensive income.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation/depreciation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

1.9 SHARES AND OTHER DEPOSITS

Financial liabilities are recognised initially at fair value, being their issue proceeds, minus transaction costs. They are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest rate method.

No financial liabilities have been classified as financial liabilities through profit or loss.

1. ACCOUNTING POLICIES (CONTINUED)

1.10 PROVISIONS

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

1.11 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit for the year, except to the extent that it relates to items recognised directly in other comprehensive income.

In this case, the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date. The Bank periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.12 RETIREMENT BENEFIT OBLIGATIONS

Healthcare benefits
It is the policy of the Bank to provide post-retirement healthcare benefits to certain employees employed by the Bank prior to 2002 in the form of medical aid contributions. The entitlement to post-retirement healthcare benefits is based on the employee remaining in service up to retirement age. Valuations of these obligations are carried out by independent actuaries. The costs are assessed using the projected unit credit method.

Under this method the cost of providing post-retirement benefits is charged to the statement of profit or loss and other comprehensive income to spread the regular cost over the service lives of employees in accordance with the advice of actuaries. The post-retirement healthcare obligation is measured at the present value of estimated future cash outflows. Remeasurement gains and losses are immediately charged or credited to other comprehensive income in the year that it arises.

Pension benefits
The Bank has an obligation to pay fixed pensions to certain retired employees. These payments are funded internally, and not through a formal pension fund. The post-retirement pension liability was measured at the present value of estimated future cash outflows based on the fixed pensions and the life expectancy of the pensioners. The valuation of the liability was performed internally based on actuarial life expectancy tables.

Remeasurement gains and losses are charged or credited to other comprehensive income in the year in which they arise.

Provident fund benefits
In accordance with the Bank's terms of employment, all current employees are required to be members of the GBS Mutual Bank Provident Fund. This fund is a defined contribution plan. The Bank's contributions to this plan are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

1.13 REVENUE RECOGNITION

Interest income and interest expenses are both recognised in the statement of profit or loss and other comprehensive income on an accrual basis using the effective interest rate method.

Fees and commissions, net of value added tax, are recognised on an accrual basis. Where fees are received in advance, the income is deferred and recognised over the period to which the fees relate.

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.13 REVENUE RECOGNITION (CONTINUED)

Dividends are recognised when the right to receive payment is established.

1.14 LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating leases – where the Bank is the lessee
Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Operating leases – where the Bank is the lessor
Payments received under operating leases (net of any incentives granted to the lessee) are credited to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

2. KEY MANAGEMENT ASSUMPTIONS

In preparing the financial statements, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within current and future financial years. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. Key management assumptions are made and disclosed in the following areas:

- Impairment of advances – notes 1.4 and 17
- Property and equipment – notes 1.7 and 7
- Retirement benefit obligations – notes 1.12 and 12
- Recoverability of deferred income tax assets – note 1.11
- Impairment of non-financial assets –note 1.8

3. CASH AND CASH EQUIVALENTS

	2016 R'000	2015 R'000
Bank balances	20 248	14 226
Short-term deposits	51 911	52 001
South African Reserve Bank deposit	22 541	21 582
Treasury bills	54 593	48 671
Cash on hand	883	1 095
	150 176	137 575

The bank balances and short-term deposits were held with the following financial institutions at year end, which comply with the Bank's internal risk management policies of only investing with sound, reputable institutions: First National Bank, Investec Bank, Grindrod Bank, Rand Merchant Bank, Sasfin Bank and Standard Bank.

The Bank has an overdraft facility at First National Bank Limited of R10 000 000 (2015: R10 000 000). This facility is reviewed annually. A fixed deposit of R10 000 000 with Rand Merchant Bank has been ceded to FirstRand Bank Limited as security for this facility.

Treasury bills are classified as "held to maturity" financial instruments. All other cash and cash equivalents are classified as "loans and receivables" financial instruments.

4. ADVANCES AND LOANS

	2016 R'000	2015 R'000
Mortgages	594 804	563 446
General	12 935	10 904
Instalment sales and rentals	311 968	298 394
	919 707	872 744
Impairment provisions (Note 17)	(8 653)	(7 093)
	911 054	865 651

Advances and loans are classified as "loans and receivables" financial instruments.

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

4 . ADVANCES AND LOANS (CONTINUED)

	2016 R'000	2015 R'000
Commitment for the aggregate amount of advances and re-advances granted but not yet paid out:		
Instalment sales and rentals	15 746	22 282
Mortgages	52 382	48 834
	68 128	71 116
The commitment for advances granted but not yet paid out will be funded out of cash and cash equivalents as well as deposits classified as investments in note 5.		
Gross amounts due under instalment sale and rental agreements	372 124	350 154
Less: Unearned finance income	(60 156)	(51 760)
	311 968	298 394

Refer to note 20 for further disclosures regarding credit quality and collateral held.

5 . INVESTMENTS

	2016 R'000	2015 R'000
Held-to-maturity investments		
Fixed deposits	43 605	15 160

The fixed deposits were held with Grindrod, Sasfin Bank and First National Bank (2015: Sasfin Bank and First National Bank). These financial institutions comply with the Bank's risk management policies of investing with sound, reputable entities.

	2016 R'000	2015 R'000
Financial instruments designated at fair value through profit or loss		
Opening balance	53 037	50 545
Additions	–	10 000
Withdrawals	(21 663)	(12 935)
Fair value adjustment through profit or loss	2 366	5 427
Closing balance	33 740	53 037

5 . INVESTMENTS (CONTINUED)

	2016 R'000	2015 R'000
Available-for-sale investments		
Opening balance	4 173	4 500
Additions	1 623	–
Fair value loss through other comprehensive income	(266)	(327)
Closing balance	5 530	4 173
Total investments	82 875	72 370

Financial instruments at fair value through profit or loss comprise an investment in an endowment policy with Momentum Wealth and investments in unit trust portfolios with Allan Gray Investment Services and Momentum Collective Investments. In 2015, this also included an investment with Coronation Fund Managers which was disposed of during the year. The endowment policy is an undated instrument with a loan facility. The investments held with Allan Gray Investment Services and Momentum Collective Investments, with a carrying value of R5 870 990 (2015: R5 284 997), are held to partially cover the post-retirement medical obligations in note 12.

Available for sale investments comprise Investec Bank Limited non-cumulative non-redeemable preference shares bearing dividends at 83.3% (2015: 75%) of the prime overdraft rate, carried at fair value of R5 530 000 (2015: R4 172 500). These instruments are classified as equity instruments.

6. INVESTMENT IN EQUITY INSTRUMENT

The investment consists of a 8.65% (2015: 8.65%) interest in Cape Capital Investment and Finance Company Ltd (''Cape Capital''), incorporated in South Africa.

Reconciliation of carrying amount of investment:

	2016 R'000	2015 R'000
At beginning of year	–	266
Impairment of investment	–	(266)
At end of year	–	–

The investment in Cape Capital of R665 770 has been fully impaired in prior financial years, based on the directors' valuation.

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

7. PROPERTY AND EQUIPMENT

	OFFICE PREMISES R'000	FURNITURE, EQUIPMENT & MOTOR VEHICLES R'000	COMPUTER EQUIPMENT & SOFTWARE R'000	TOTAL R'000
Year ended 31 March 2016				
Opening carrying amount	72	351	1 898	2 321
Additions	–	39	330	369
Disposals	–	(2)	(5)	(7)
Depreciation	–	(67)	(234)	(301)
Closing carrying amount	72	321	1 989	2 382
At 31 March 2016				
Cost	72	819	4 092	4 983
Accumulated depreciation	–	(498)	(2 103)	(2 601)
Closing carrying amount	72	321	1 989	2 382
Year ended 31 March 2015				
Opening carrying amount	72	400	1 015	1 487
Additions	–	39	1 104	1 143
Disposals	–	(21)	–	(21)
Depreciation	–	(67)	(221)	(288)
Closing carrying amount	72	351	1 898	2 321
At 31 March 2015				
Cost	72	785	3 877	4 734
Accumulated depreciation	–	(434)	(1 979)	(2 413)
Closing carrying amount	72	351	1 898	2 321

Office premises consist of land and buildings situated in Grahamstown, the details of which are available at the Bank's registered office.

An independent valuation of the Bank's office premises was performed by valuers to determine the fair value of the land and buildings as at 31 March 2015. A fair value of R8 850 000 was established.

Level 3 fair value of office premises have been derived by using the return on investment approach. Level 3 fair value are defined as inputs for the asset that are not based on observable market data (that is, unobservable inputs).

7. PROPERTY AND EQUIPMENT (CONTINUED)

The fair value was established using an annualised rental income and an expected fair return on investment. The market rental income was established for comparable land and buildings in close proximity to the office premises and was adjusted for differences in key attributes such as property size. The return on investment was determined based on current market and economic conditions. The most significant inputs into this valuation approach are price per square metre and the return on investment.

8. OTHER ASSETS

	2016 R'000	2015 R'000
Sundry debtors	63	25
Payments in advance	–	459
	63	484

9. DEFERRED INCOME TAX ASSET

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted corporate tax rate of 28% (2015: 28%).

The movement on the deferred income tax account is as follows:

	2016 R'000	2015 R'000
At beginning of year	1 843	2 422
Credit / (charge) to the profit and loss component of the statement of profit or loss and other comprehensive income (note 18)	44	(974)
Credit directly to other comprehensive income	280	395
At end of year	2 167	1 843

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

9. DEFERRED INCOME TAX ASSET (CONTINUED)

Deferred income tax is attributable to the following items:

	2015 R'000	CREDITED / (CHARGED) TO PROFIT R'000	(CHARGED) / CREDITED TO OCI [A] R'000	2016 R'000
Provisions against advances	849	312	–	1 161
Leave pay accrual	251	64	–	315
Deferred income	442	70	–	512
Retirement benefit obligations	3 161	204	178	3 543
Other long-term employee benefits	572	(255)	–	317
Other provisions	–	28	–	28
Deferred capital gains tax	125	25	–	150
Deferred income tax asset	5 400	448	178	6 026
Accelerated depreciation	(305)	(77)	–	(382)
Deferred capital gains tax	(723)	98	102	(523)
Rental deals	(2 529)	(425)	–	(2 954)
Deferred income tax liability	(3 557)	(404)	102	(3 859)
Net deferred income tax asset	1 843	44	280	2 167

[A] – Other comprehensive income

The budget speech on 24 February 2016 announced a budgeted change in the effective capital gains tax rate from 18.6% to 22.4%. The deferred tax balance for 2016 has been calculated based on the effective rate of tax on capital gains of 22.4%, as the new tax rate is substantively enacted at the reporting date. The impact of the increased effective rate of tax on capital gains was to decrease the deferred tax asset opening balance by R 98 000 and to increase the deferred tax asset opening balance for OCI by R 43 000.

10 . SHARE AND OTHER DEPOSITS

	2016 R'000	2015 R'000
Share deposits		
Indefinite period shares	101 170	96 056
Subscription shares	55 043	46 289
Fixed period shares	118 603	122 526
	274 816	264 871
Other deposits		
Fixed and call deposits	734 676	691 076
Savings and transmission deposits	31 001	24 874
	765 677	715 950
Total indefinite period paid-up shares maturing within the next 12 months	4 843	3 945

Details of the various deposits offered are as follows:

	TERM	INTEREST METHOD
Indefinite period shares	Indefinite, minimum of 15 months	Variable
Subscription shares	36 months	Variable
Fixed period shares	60 months	Fixed
Fixed and call deposits	Ranges from 1 to 60 months	Variable
Savings and transmission deposits	Demand	Variable

11. OTHER LIABILITIES

	2016 R'000	2015 R'000
Sundry creditors	530	1 026
Accruals and other liabilities	4 309	2 797
South African Revenue Services - VAT	338	174
Deferred income	1 830	1 581
	7 007	5 578

12. RETIREMENT BENEFIT OBLIGATIONS

	2016 R'000	2015 R'000
The Bank's retirement obligations are summarised as follows:		
Post-retirement healthcare obligation	12 102	10 735
Pension liability	559	559
	12 661	11 294

Post-retirement healthcare obligation	2016	2015
The main actuarial assumptions used in the calculation of the healthcare obligation were:		
– Discount rate	10,00%	8,50%
– Medical cost inflation	9,00%	7,00%
– Net discount rate	0,92%	1,40%
– Retirement age	60	60

	R'000	R'000
The movement in the defined benefit obligation over the year is as follows:		
At beginning of year	10 735	8 866
Current service cost	308	255
Interest cost	893	820
Remeasurement loss	637	1 193
Employer benefit payments	(471)	(399)
At end of year	12 102	10 735
Expected contributions to the retirement benefit obligations for the year ended 31 March 2017 are anticipated to be R584 000.		
Amounts recognised in the statement of profit or loss and other comprehensive income:		
– interest cost	893	820
– service cost	308	255
	1 201	1 075
The remeasurement loss recognised in other comprehensive income is as follows:		
Loss due to changes in financial assumptions	697	626
Experience (gain) / loss for the year	(60)	555
Loss due to demographic adjustments	–	12
	637	1 193

12. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Included in investments held at fair value (note 5) is an investment with a carrying value of R5 870 990 (2015: R5 284 997) which the Directors of the Bank have designated to fund the post-retirement medical aid liability. This is not a specific plan asset as defined and has thus been disclosed separately. The movement on the investment account has been included in "fair value adjustments on investments" in the statement of profit or loss and other comprehensive income.

	2016	2015
Post-retirement mortality tables: PA90-1 (Retired members) and SA1956/62 (In-service employees)		
– Average number of members:		
In-service employees	**14**	15
Retired members	**16**	16
	30	31
– Average age of members:		
In-service employees	**52**	51
Retired members	**76**	75

	R'000	R'000
The Bank's retirement obligations are summarised as follows:		
Active members	**6 657**	5 648
Pensioners	**5 445**	5 087
	12 102	10 735

The weighted average duration of the benefit obligation is 13.6 years (2015: 14.2 years).

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

12. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as follows:

	INCREASE IN ASSUMPTION AND INCREASE/ (DECREASE) IN OBLIGATION R'000	DECREASE IN ASSUMPTION AND DECREASE/ (INCREASE) IN OBLIGATION R'000
1% change in health cost inflation	**1 671**	1 381
1% change in discount rate	**(1 386)**	(1 707)
1 year change in retirement age	**(541)**	(485)
1 year change in average age	**(464)**	(472)

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognised within the balance sheet.

Risks Involved in Maintaining the Post-employment Healthcare Obligation:

The risks faced by the Bank as a result of the post-employment healthcare obligation can be summarised as follows:

– Inflation: The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.
– Longevity: The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.
– Open-ended, long-term liability: The risk that the liability may be volatile in the future and uncertain.

All risks are managed through the Bank's subsidy policy and are monitored through annual valuations of the liability.

12. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Pension liability

The main assumptions used to calculate the Bank's liability in respect of unfunded pension obligations were a discount rate of 8.67% (2015: 7.39%) and life expectancies based on actuarial life expectancy tables (refer note 1.12). There are 6 former employees and spouses included in this plan, with an average age of 83 years.

There was no movement in the pension liability.

	2016 R'000	2015 R'000
At beginning and end of year	**559**	559

GBS Mutual Bank Provident Fund

This plan is a defined contribution plan registered under the Pension Funds Act and is funded through contributions made by the Bank. The fund has 41 (2015: 40) members and total contributions for the year amounted to R1 704 020 (2015: R1 501 064).

13. OTHER LONG-TERM EMPLOYEE BENEFITS

	2016 R'000	2015 R'000
Service awards		
At beginning of year	**742**	700
Additional provision charged to statement of profit or loss and other comprehensive income	**228**	195
Amount utilised against provision	**(204)**	(153)
At end of year	**766**	742

The benefit relates to long-service awards. Employees are entitled to this benefit provided that:
– they remain in service up to the date of retirement (normally about 60 years of age) or on death of the employee;
– they have worked for the Bank for a minimum of 15 years (unless specifically agreed otherwise by the Board).

Generally, the award is calculated on 3 months cost to company (the Board may however approve additional amounts in exceptional circumstances).

14. INTEREST

	2016 R'000	2015 R'000
Interest income		
Mortgages	**54 783**	48 689
General advances	**1 335**	1 259
Instalment sales and rentals	**33 278**	30 947
Investments	**10 411**	6 760
Other	**326**	318
	100 133	87 973
Interest expense		
Fixed deposits	**49 836**	41 713
Savings deposits	**1 077**	686
Indefinite period paid-up shares	**6 771**	6 847
Subscription shares	**3 490**	2 980
Fixed period shares	**9 638**	9 714
	70 812	61 940

15. FEE AND COMMISSION INCOME

	2016 R'000	2015 R'000
Fee income	**3 022**	3 380
Commission income	**499**	615
	3 521	3 995

16. OPERATING EXPENSES

	2016 R'000	2015 R'000
Operating expenses totalled R26 620 000 (2015: R23 255 000) and include the following items:		
Auditors' remuneration		
- audit fees	973	945
- prior year over provision	(49)	(235)
- fees for other services	147	79
	1 071	789
Depreciation	301	288
Office rental expense	316	298
Staff remuneration and related personnel costs	15 575	14 776
Impairment of investment in equity instrument	–	266
Regulatory penalties	500	–
Computer expenses	1 072	773
Directors' emoluments:		
Executive Directors		
– salaries and benefits	2 259	2 210
Non-Executive Directors		
– for services and consulting fees	1 039	953
	3 298	3 163

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

17. IMPAIRMENT PROVISIONS AGAINST ADVANCES AND LOANS

	2016 R'000	2015 R'000
Balance at beginning of year	(7 093)	(7 639)
Amount utilised	465	2 035
Charge to statement of profit or loss and other comprehensive income	(2 025)	(1 489)
Recovery of amounts previously written off	594	590
Current year provision	(2 619)	(2 079)
Balance at end of year	(8 653)	(7 093)
Analysis:		
Provisions against non-performing advances	(4 653)	(4 093)
Provision against performing advances	(4 000)	(3 000)
	(8 653)	(7 093)

18. INCOME TAX EXPENSE

	2016 R'000	2015 R'000
South African normal taxation		
Current tax		
– current year	(1 359)	(1 602)
– prior year	528	178
Deferred tax		
– current year	142	(754)
– prior year	–	(220)
– rate change	(98)	–
	(787)	(2 398)

GBS Mutual Bank

18. INCOME TAX EXPENSE (CONTINUED)

The tax on the Bank's profit differs from the theoretical amount that would arise using the basic tax rate as follows:

	2016 R'000	2015 R'000
Profit before income tax	6 227	10 506
Tax calculated thereon at 28% (2015: 28%)	(1 744)	(2 942)
Tax effect of:		
Income not subject to tax	684	1 251
Expenses not deductible for tax	(157)	(137)
Tax effect of capital gains	–	(528)
Prior year current and deferred tax	528	(42)
CGT inclusion rate change adjustment	(98)	–
Tax charge	(787)	(2 398)

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The Bank's related parties are the Bank's directors and key management personnel.

A number of banking transactions are entered into with related parties in the normal course of business. These include advances and deposits. Details of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

	2016 R'000	2015 R'000
Directors and key management		
Advances and loans		
Advances and loans outstanding at end of year	3 361	2 253
No provision for impairment has been recognised in respect of advances and loans provided to related parties (2015: R Nil).		
Deposits		
Deposits at end of year	5 955	5 768

GBS Mutual Bank

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management has been defined as the Board of Directors and other members of management who are considered to be key to the operation of the Bank. The definition of key management includes the close family members of key management personnel. These are limited to their domestic partners.

Other expenses	2016 R'000	2015 R'000
Key management compensation		
– Short-term employee and consulting benefits	3 481	3 432
– Post-employment benefits	582	462
Non-executive directors' fees		
– for services as directors	1 039	903
– for consulting services	–	50
	5 102	4 847

Related Entities: Grahamstown Brokering Services (Subsidiary)
In the 2012 financial year, a shelf company was acquired at a cost of R100. The company had not engaged in any trading activities and was disposed of during the 2015 financial year.

20. FINANCIAL RISK MANAGEMENT

20.1 STRATEGY IN USING FINANCIAL INSTRUMENTS

By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest rates by investing these funds in high quality assets. The Bank does not trade in derivative financial instruments.

The Bank's objectives, policies and processes for managing financial risks is consistent with that of the prior year.

20.2 FAIR VALUE ESTIMATION

The carrying amount less the impairment provision of all financial assets not carried at fair value, are assumed to approximate their fair values.

The carrying amount of all financial liabilities not carried at fair value, are assumed to approximate their fair values, other than share and other deposits which have a fair value of R1 022 428 000, compared to a carrying amount of R1 040 493 000, due to the fact that certain share and other deposits (note 10) are issued at a fixed rate lower than current market rates as they were issued in prior years (2015: fair value of R971 352 000, compared to a carrying amount of R980 821 000).

IFRS 13 requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:
– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
– Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.2 FAIR VALUE ESTIMATION (CONTINUED)

The following table presents the Bank's assets and liabilities that are measured at fair value at 31 March 2016:

Assets	LEVEL 1 R'000	LEVEL 2 R'000	LEVEL 3 R'000
Financial assets at fair value through profit or loss			
– Investments (note 5)	–	33 740	–
Available-for-sale investments			
– Investments (note 5)	5 530	–	–

The fair values of financial assets at fair value through profit or loss are provided by the manager or the administrator of the respective funds, and are determined using observable inputs. The fair value of the available-for-sale financial asset is determined by reference to the quoted bid price, due to the fact that these investments are listed equities.

The following tables present the Bank's assets and liabilities that are measured at amortised cost at 31 March 2016:

Assets	LEVEL 1 R'000	LEVEL 2 R'000	LEVEL 3 R'000
Advances and loans (note 4)	–	–	919 707

Fair value is determined using a valuation technique and significant inputs that are not based on observable market data (i.e. unobservable inputs) such as an entity's own assumptions about what market participants would assume in pricing assets and liabilities. This category includes loans and advances to customers.

Although the fair value credit movement is not significant year-on-year, it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the Bank has classified loans and advances to customers in level 3 of the fair value hierarchy. In the event that credit spreads are observable for a counterparty, advances and loans to customers are classified as level 2 of the fair value hierarchy.

No information has come to the Bank's attention that would lead us to conclude that the fair values of advances and loans are materially different to the values disclosed on the balance sheet. All rates on advances and loans are variable and were market related at the time of grant.

Liabilities	LEVEL 1 R'000	LEVEL 2 R'000	LEVEL 3 R'000
Share and other deposits (note 10)	–	–	1 022 428

The level 3 debt instruments are valued at the net present value of estimated future cash flows. The Bank also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.3 CAPITAL ADEQUACY

The Bank's capital requirement is made up of both first tier capital, the reserves, and second tier capital, being a portion of the fixed period share capital. The amount of second tier capital cannot exceed 50% of first tier capital. The capital adequacy ratio of all banks is monitored by the South African Reserve Bank..

The Bank has a statutory capital requirement, in terms of the Mutual Banks Act, which sets a minimum amount of capital and reserves to be held. This amount, termed the capital adequacy ratio, is set at 10% of risk weighted assets. This ratio in effect determines the amount the Bank may lend out on advances. The average capital adequacy ratio for the year under review was 13.80% (2015: 14.66%).

20.4 CREDIT RISK

Credit risk is the risk that the counterparty will be unable to pay amounts in full on maturity date. The Bank manages the levels of credit risk by placing limits on the amount of risk accepted in relation to any one counterparty.

In the management of credit risk, the Bank limits its lending to those products in which it has knowledge of the market and has the relevant expertise. New product approval is a high level management decision. Credit risk management is conducted in terms of documented policies and procedures which includes credit granting, arrears management and management reporting systems. .

Credit risk management is consistent with that of previous years.

20.4.1 MAXIMUM EXPOSURE TO CREDIT RISK AND COLLATERAL HELD

For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals the carrying amount. The Bank analyses its exposure to credit risk relating to advances based on past due and impaired advances, less collateral held or other credit enhancements.

Past due and impaired advances are defined as those advances that are in arrears, or have been specifically provided for.

The following table calculates the Bank's exposure to credit risk in relation to advances:

2016	ADVANCES – MORTGAGE LOANS R'000	ADVANCES – INSTALMENT SALES AND RENTALS R'000	ADVANCES – GENERAL R'000	TOTAL R'000
Gross	594 804	311 968	12 935	919 707
Performing advances	567 264	302 243	12 935	882 442
Estimated value of collateral held	(567 264)	(282 837)	(12 935)	(863 036)
Estimated exposure to credit risk	–	19 406	–	19 406
Past due and impaired advances	27 540	9 725	–	37 265
Estimated value of collateral held	(27 103)	(4 772)	–	(31 875)
Estimated exposure to credit risk	437	4 953	–	5 390

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.4.1 MAXIMUM EXPOSURE TO CREDIT RISK AND COLLATERAL HELD (CONTINUED)

2015	ADVANCES – MORTGAGE LOANS R'000	ADVANCES – INSTALMENT SALES & RENTALS R'000	ADVANCES – GENERAL R'000	TOTAL R'000
Gross	563 446	298 394	10 904	872 744
Performing advances	538 716	291 663	10 893	841 272
Estimated value of collateral held	(538 716)	(273 782)	(10 893)	(823 391)
Estimated exposure to credit risk	–	17 881	–	17 881
Past due and impaired advances	24 730	6 731	11	31 472
Estimated value of collateral held	(24 100)	(3 310)	(11)	27 421)
Estimated exposure to credit risk	630	3 421	–	4 051

In the 2016 and 2015 tables above, if the collateral held against an advance exceeded the outstanding amount, the value of the collateral was limited to the outstanding amount.

The Bank holds the following types of collateral within the following classes:
- Mortgages: First mortgage bonds and personal sureties;
- Instalment sales and rentals: Assets financed, and personal and entity sureties; and
- General: Hard collateral, such as cession of bank deposits, and personal sureties.

For most forms of security, the collateral given is valued only on origination of the advance or in the course of enforcement actions. The value of security is not updated except where an advance is individually assessed as impaired.

In cases where an advance is not individually assessed as impaired, the collateral value is determined as follows:
- Mortgages: the original valuation of the property;
- Instalment sales and rentals: the original cost of the asset is depreciated. In instances where the asset financed is a motor vehicle, the trade-in value, net of repossession costs, is used as the value of the security.

The Bank is permitted to sell and repledge all collateral it holds as security against advances.

During the 2016 and 2015 financial years, the Bank did not recognise any collateral it held as security against advances, as an asset of the Bank.

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.4.2 CREDIT QUALITY

The credit quality of advances is managed in terms of the Bank's credit risk policies which include credit granting mandates. Each application is individually assessed, initially by management and thereafter, if needed in terms of mandates, by the risk management sub-committee and the Board.

The credit quality of advances can be summarised as follows:

2016	ADVANCES – MORTGAGE LOANS R'000	ADVANCES – INSTALMENT SALES & RENTALS R'000	ADVANCES – GENERAL R'000	TOTAL R'000
Performing advances	567 264	302 243	12 935	882 442
Past due and impaired advances	27 540	9 725	–	37 265
Impaired advances	1 523	4 454	–	5 977
Unimpaired advances: 0 – 3 months in arrears	21 593	4 001	–	25 594
Unimpaired advances: more than 3 months in arrears	4 424	1 270	–	5 694
Total	**594 804**	**311 968**	**12 935**	**919 707**
Impaired advances (as above)	1 523	4 454	–	5 977
Security against impaired advances	(1 086)	(238)	–	(1 324)
Net impaired advances	437	4 216	–	4 653

GBS Mutual Bank

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.4.2 CREDIT QUALITY (CONTINUED)

2015	ADVANCES – MORTGAGE LOANS R'000	ADVANCES – INSTALMENT SALES & RENTALS R'000	ADVANCES – GENERAL R'000	TOTAL R'000
Performing advances	538 716	291 663	10 893	841 272
Past due and impaired advances	24 730	6 731	11	31 472
Impaired advances	3 080	4 195	–	7 275
Unimpaired advances: 0 – 3 months in arrears	18 799	1 918	11	20 728
Unimpaired advances: more than 3 months in arrears	2 851	618	–	3 469
Total	563 446	298 394	10 904	872 744
Impaired advances (as above)	3 080	4 195	–	7 275
Security against impaired advances	(2 450)	(732)	–	(3 182)
Net impaired advances	630	3 463	–	4 093

Advances and loans are considered to be non-performing when amounts are due and unpaid for three months, or when specific circumstances are indicative of the advance being non-performing.

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20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.4.3 GEOGRAPHICAL CONCENTRATION OF CREDIT RISK

Geographical sector risk concentrations within the customer advances portfolio were as follows:

2016	EASTERN CAPE %	WESTERN CAPE %	OTHER %	TOTAL %
Mortgage loans	**69**	**27**	**4**	**100**
General	**79**	**20**	**1**	**100**
Instalment sales and rentals	**27**	**13**	**60**	**100**
Specific impairment provision	**37**	**44**	**19**	**100**

2015	EASTERN CAPE %	WESTERN CAPE %	OTHER %	TOTAL %
Mortgage loans	66	30	4	100
General	87	11	2	100
Instalment sales and rentals	27	14	59	100
Specific impairment provision	40	20	40	100

20.5 MARKET RISK

The Bank is exposed to market risk, which is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates and equity prices.

Market risk arises from the Bank's holding of assets that are exposed to general and specific market movements. Essentially they comprise treasury bills, which are held to maturity and thus limits the Bank's exposure, and an investment in preference shares, an endowment policy and unit trusts (note 5).

20.5.1 INTEREST RATE RISK

Interest rate risk is the risk that the Bank's financial condition may be adversely affected as a result of changes in interest rate levels. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position, financial performance and cash flows. Interest rate margins are monitored as part of the Bank's normal risk management processes.

In order to preserve the Bank's liquidity and provide an adequate second tier capital base, fixed period shares having a fixed interest rate and redemption date are issued, as considered necessary. In a declining or low interest rate environment this has a negative impact on the Bank's net interest margin.

A 1% increase in the prime rate is expected to increase pre-tax net margins by R4 273 000 (2015: R4 043 000) per annum and a 1% decrease is expected to reduce pre-tax net margins by R4 355 000 (2015: R4 119 000) per annum. In order to determine the sensitivity of the pre-tax net margins to interest rate repricing, an assessment was made of the effect of an increase or decrease in the prime interest rate on all variable advances and loans and deposits to determine the impact on interest income and interest expense.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.5.1 INTEREST RATE RISK (CONTINUED)

The following demonstrates the Bank's interest rate repricing mismatch at 31 March:

2016	0 – 31 DAYS R'000	32 – 90 DAYS R'000	91 – 365 DAYS R'000	OTHER R'000
Assets	991 672	55 338	38 500	39 271
Liabilities	(231 362)	(248 583)	(310 951)	(191 718)
Other	–	–	–	(142 167)
	760 310	(193 245)	(272 451)	(294 614)

2015	0 – 31 DAYS R'000	32 – 90 DAYS R'000	91 – 365 DAYS R'000	OTHER R'000
Assets	946 395	42 059	10 114	57 209
Liabilities	(238 995)	(217 903)	(254 535)	(207 357)
Other	–	–	–	(136 987)
	707 400	(175 844)	(244 421)	(287 135)

20.5.2 PRICE RISK

The table below lists financial instruments accounted for at fair value, the values of which fluctuate with a combination of changes in stock market indices, interest rate cycles and exchange rate fluctuations. As there are no published indices to benchmark these investments against, it is not possible to quantify possible gains or losses on these investments with the movement in the equity market, fixed interest market or currency fluctuations.

	2016 R'000	2015 R'000
Endowment Policy	27 870	26 005
Preference Shares	5 530	4 173
Coronation Capital Plus Fund	–	21 747
Medical Investment	5 871	5 285
	39 271	57 210

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.5.2 PRICE RISK (CONTINUED)

Endowment Policy
This is a tax free, liquid investment which is and has been held for the long-term to enhance the yield on surplus cash. The investment is held in a policy of insurance whose assets are invested in equities, cash, bonds, property and commodity investments. The asset allocation largely resembles that of a balanced unit trust:

	2016 %	2015 %
Equities	68	64
Cash	5	16
Bonds	20	7
Property	7	8
Inflation linked bonds	–	1
Commodities	–	2
Other	–	2

The policy is a smooth bonus investment declaring an interim bonus rate at the beginning of each year and a final bonus shortly after the year end. The year end of the policy is however not co-terminus with that of the Bank. The objective is to smooth out investment gains over a period of time thereby enabling bonus declarations in periods of poor or even negative returns.

Preference Shares
These preference shares are long-term liquid investments held to enhance the yield on our surplus cash. The yield is set at 83.3% (2015: 75%) of the prime overdraft rate. As the rate attached to the preference shares is not a fixed coupon rate, the capital value should not react to rises and falls in interest rates in the same manner as bonds. Share price fluctuations rather reflect investor sentiment which could be driven by potential changes in tax or bank legislation, and/or other fixed interest investments available in the market.

Coronation Capital Plus Fund
The fund invests in a range of domestic and international equities, real estate, bonds, commodoties and cash. It is a moderate risk fund. The fund intends to preserve capital over any twelve month period, while maintaining the potential to produce a long-term return of 4% in excess of inflation. This investment was disposed of during the year.

Medical Investment
The medical investment was created as partial funding for the post-retirement healthcare obligation. This long-term investment is made up of unit trust investments, spread over two asset managers, with the asset allocation largely reflecting a balanced portfolio of equities, cash, bonds, property and offshore investments. Their percentage allocations are similar to those reflected above in the Endowment Policy.

GBS Mutual Bank

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.6 LIQUIDITY RISK

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

The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

The Bank is exposed to liquidity risk relating to daily calls on its cash resources from call accounts, savings accounts, maturing deposits and loan drawdowns. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in controlling the Bank's exposure to liquidity risk.

The Bank's policy with respect to managing liquidity risk is conservative in that policies dictate that approximately twenty percent of deposits maturing within twelve months must be held in cash or liquid investments, which comfortably exceeds the statutory minimum liquid asset requirements. In addition we meet annually with our bankers to ensure our credit lines are in place. Liquidity is reviewed weekly by the risk management sub-committee. Liquidity risk management is consistent with that of the previous year.

No assets of the Bank have been pledged as collateral for financial liabilities.

The table in note 22 summarises the remaining contractual maturities of the Bank's financial liabilities based on undiscounted cash flows, and the expected inflows, based on historical data, of the corresponding financial assets. Using the same principles for expected outflows on financial liabilities, short-term liquidity mismatches would not occur.

20.7 FOREIGN EXCHANGE RISK

The Bank is not exposed to any foreign exchange risk through the Bank's normal operations.

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

21. COMMITMENTS

(a) Operating lease commitments

With the Bank as lessee
The Bank leases various offices under operating lease agreements. Below are the future minimum lease payments under these non-cancellable operating leases:

	2016 R'000	2015 R'000
No later than 1 year	166	294
Later than 1 year and no later than 5 years	61	227
	227	521

With the Bank as lessor
The Bank leases a portion of the head office building. Below are the future minimum lease receipts under this non-cancellable operating lease:

	2016 R'000	2015 R'000
No later than 1 year	40	43
Later than 1 year and no later than 5 years	–	–
	40	43

(b) Guarantees

The Bank provided a guarantee in respect of Sure Go Travel.	–	335

The guarantee was secured by a mortgage bond in favour of the Bank. No losses were incurred in respect of this guarantee.

22. LIQUIDITY RISK ANALYSIS

The table on the next page summarises the remaining contractual maturities of the Bank's financial liabilities based on undiscounted cash flows, and the expected inflows, based on historical data, of the corresponding financial assets:

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

22. LIQUIDITY RISK ANALYSIS (CONTINUED)

2016	REDEEMABLE ON DEMAND R'000	MATURING WITHIN 1 MONTH R'000	MATURING AFTER 1 MONTH BUT WITHIN 6 MONTHS R'000	MATURING AFTER 6 MONTHS BUT WITHIN 12 MONTHS R'000	MATURING AFTER 12 MONTHS R'000	TOTAL R'000
Financial Assets						
Cash: Bank balances and deposits	–	41 674	30 795	–	–	72 469
Cash: SA Reserve Bank balance	–	–	–	–	22 541	22 541
Cash: Treasury bills	–	20 000	35 000	–	–	55 000
Cash: Cash on hand	883	–	–	–	–	883
Advances: Mortgage	–	4 696	24 087	30 229	1 127 518	1 186 530
Advances: General	–	451	2 320	2 925	9 603	15 299
Advances: Instalment sales and rentals	–	11 912	59 559	71 470	228 705	371 646
Investments: Fixed Deposits	–	–	28 928	16 251	–	45 179
Investments: Other	33 740	–	–	–	–	33 740
Investments: Investec Securities	5 530	–	–	–	–	5 530
	40 153	78 733	180 689	120 875	1 388 367	1 808 817
Financial Liabilities						
Deposits	(23 774)	(221 314)	(229 572)	(241 997)	(375 305)	(1 091 962)
Sundry Creditors	–	(3 286)	–	–	–	(3 286)
	(23 774)	(224 600)	(229 572)	(241 997)	(375 305)	(1 095 248)
Total recognised financial instruments	16 379	(145 867)	(48 883)	(121 122)	1 013 062	713 569
Financial guarantees	–	–	–	–	–	–
Irrevocable unutilised facilities	–	(26 135)	–	(53 867)	–	(80 002)
Total unrecognised financial instruments	–	(26 135)	–	(53 867)	–	(80 002)
Net inflow / (outflow)	16 379	(172 002)	(48 883)	(174 989)	1 013 062	633 567

GBS Mutual Bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

22. LIQUIDITY RISK ANALYSIS (CONTINUED)

2015	REDEEMABLE ON DEMAND R'000	MATURING WITHIN 1 MONTH R'000	MATURING AFTER 1 MONTH BUT WITHIN 6 MONTHS R'000	MATURING AFTER 6 MONTHS BUT WITHIN 12 MONTHS R'000	MATURING AFTER 12 MONTHS R'000	TOTAL R'000
Financial Assets						
Cash: Bank balances and deposits	–	41 949	24 376	–	–	66 325
Cash: SA Reserve Bank balance	–	–	–	–	21 582	21 582
Cash: Treasury bills	–	17 000	32 000	–	–	49 000
Cash: Cash on hand	1 095	–	–	–	–	1 095
Advances: Mortgage	–	4 961	25 382	31 712	932 682	994 737
Advances: General	–	1 304	6 689	3 359	–	11 352
Advances: Instalment sales and rentals	–	11 210	56 050	67 260	215 233	349 753
Investments: Fixed Deposits	–	–	15 444	–	–	15 444
Investments: Other	53 037	–	–	–	–	53 037
Investments: Investec Securities	4 173	–	–	–	–	4 173
	58 305	76 424	159 941	102 331	1 169 497	1 566 498
Financial Liabilities						
Deposits	(17 650)	(232 470)	(192 275)	(190 241)	(393 439)	(1026 075)
Sundry Creditors	–	(1 613)	–	–	–	(1 613)
	(17 650)	(234 083)	(192 275)	(190 241)	(393 439)	(1 027 688)
Total recognised financial instruments	40 655	(157 659)	(32 334)	(87 910)	776 058	538 810
Financial guarantees	–	(335)	–	–	–	(335)
Irrevocable unutilised facilities	–	(29 372)	–	(64 600)	–	(93 972)
Total unrecognised financial instruments	–	(29 707)	–	(64 600)	–	(94 307)
Net inflow/(outflow)	40 655	(187 366)	(32 334)	(152 510)	776 058	444 503

Community Projects and Sponsorships

COMMUNITY PROJECTS & SPONSORSHIP

Each year, Grahamstown-based newspaper Grocott's Mail administers the Christmas Cheer Fund. The first donation deposited into this fund each year is the one received from GBS Mutual Bank. The Grocott's Mail Christmas Cheer Fund has been in existence for many decades, supporting needy, deserving and charitable causes within the Makana community.

Apart from the generous annual grant made by GBS Mutual Bank to Grocott's Mail Christmas Cheer Fund, financial support is also given to a host of institutions and organisations annually, ranging from hospitals and animal care centres to retirement centres and health care bodies.

These include Grahamstown Hospice and Child Welfare Society. GBS Mutual Bank continues to sponsor the popular coastal fun run at Kenton-on-Sea during the December holiday period, with proceeds going to Kenton/Bushmans Child Welfare.

Archie Mbolekwa Senior Primary School is a non-fee-paying school in Tantyi Village Township, Grahamstown, with 590 pupils from Grade R to Grade 9. For several years it has been the school's dream to have a fully-functional computer lab for the benefit of its pupils.

Five years ago the school managed to attain 14 computers but these remained in their original boxes as the school was not in a position to finance the installation process.

GBS Mutual Bank was approached by the school to assist, and the Bank readily agreed, bringing another Grahamstown business, IT Solutions, on board to manage the project jointly. GBS Mutual Bank financed the electrical side of making the computer lab fully functional.

GBS Mutual Bank is supportive of both Grahamstown Hospice and Sunshine Coast Hospice, and has committed to sponsoring a fund-raising campaign over a three year period.

Sponsorship of the campaign, Stride with Pride, amounts to R180 000 over the three years.

The Stride With Pride initiative, organised by the Grahamstown and Sunshine Coast Hospices, and sponsored by GBS Mutual Bank, received a massive boost in March 2016 with the appearance of former Springbok rugby captain Naas Botha at the Assegaai Trails leg between Grahamstown and Kenton-on-Sea. Mr Botha also took part in a Hospice Golf day at The Belmont and was the guest speaker at a dinner in Grahamstown.

Thanks to GBS Mutual Bank and IT Solutions, the dream of a computer lab for Archie Mbolekwa Senior Primary School has been realised, and is utilised to its full by pupils. Seen in the lab are Lindiso Funani (Deputy Headmaster, left) and Mfuzo Dyira (GBS Mutual Bank), with Rodney Govender (IT Solutions) standing behind them.

GBS Mutual Bank exudes a caring and supportive perspective through its various social responsibility programmes, confident this investment would ensure a better future for community members. The Bank continues to make concerted efforts to care for the more vulnerable members by supporting a wide range of organisations and societies caring for and supporting children, the ill and the aged.

Local resident from Somerset Place, Ben Bezuidenhout, undertook an epic 300 kilometre run in order to raise funds for their various projects. GBS Mutual Bank donated generously to this fundraiser.

GBS also supported and sponsored the Bountiful Grains Trust by donating money for nutrition garden training in the Grahamstown District. The Bountiful Grains Trust has been actively conducting vegetable nutrition gardens in conjunction with the Siyakholwa Development Foundation and have trained over 1000 participants with great results.

EDUCATION

GBS Mutual Bank has supported education in Grahamstown and the Makana district for many years, and continues to do so, making donations to local schools, GADRA Matric School and tertiary institutions. The support the Bank offers to a number of local schools is utilised for both academic purposes and sports events.

Also on the receiving end of financial support from GBS Mutual Bank in the sphere of education is Rhodes University's "Commerce Extended Studies Programme". The programme has assisted in the education of disadvantaged school leavers with the potential of succeeding at university level.

GBS Mutual Bank values its partnership with Rhodes University in this programme, and the empowerment proffered to young people in their future education and endeavours. The course develops and nurtures the potential of students with additional support, and GBS Mutual Bank prides itself on its association with the programme that has, over the past 22 years, produced a large number of exceptional and outstanding employees in the corporate sector.

FINANCIAL SKILLS

The "Financial Skills Programme" was established by GBS Mutual Bank almost a decade ago with 1 468 people attending the programme thus far.

The aim of the programme is to provide Makana residents with the skills required to manage their personal finances in an efficient and competent manner.

Former Springbok rugby captain Naas Botha was in Grahamstown this year as part of the Hospice "Stride With Pride" campaign, sponsored by GBS Mutual Bank. While in Grahamstown he took part in a competition over the newly-established Belmont Golf Club. Resplendent in their GBS Mutual Bank shirts were Botha's foursome, from left, Marius Lombard, Naas Botha, Etienne le Roux and Patrick Hornby.

The "Financial Skills Programme" forms part of GBS Mutual Bank's Social Responsibility Programme, designed by the Bank, whose solid values and strong purpose are committed to building a society that takes care of its people and their needs.

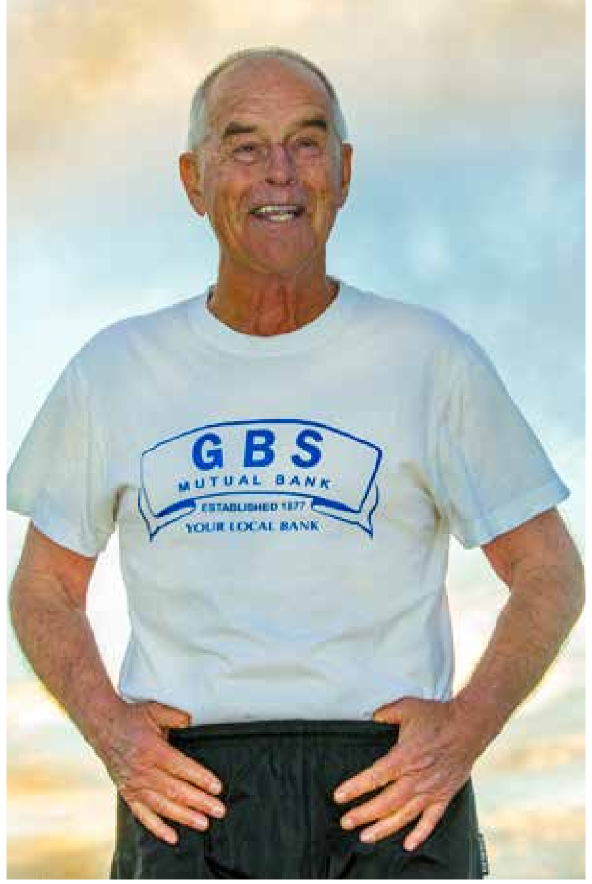
GBS Mutual Bank staff member Mr Mfuzo Dyira is the presenter of the highly-regarded course that consists of theoretical and practical modules covering the fields of saving, budgeting, banking, managing and avoiding debt, and setting financial goals. The course also covers the all-important procedural and practical aspects of using ATMs.

SPORT

GBS Mutual Bank continues to support sport at club and school level in the Makana and Ndlambe districts. It is also supportive of sporting events, many of them raising funds for charity. The Bank offers financial support and support in kind, including the provision of prizes.
It has been encouraging and gratifying to note the reciprocal support for the Bank from these clubs and their members.

Among the sports events and tournaments receiving support from GBS Mutual Bank in Grahamstown and along the Sunshine Coast are:

- GBS mixed fours bowls tournament in Kenton-on-Sea and Grahamstown;
- GBS Grahamstown ladies' open golf day which the Bank has sponsored for many years;
- GBS teams-of-three angling competition hosted by the Port Alfred River and Ski Boat Club;
- GBS Settlers Plate bowls tournament in Port Alfred;
- Rapportryers/PJ Olivier family fun run annually attracting in excess of 600 runners and walkers;
- The veterans' tennis tournament hosted by the Kenton Tennis Club;
- A number of charity golf days held over Port Alfred, Grahamstown and Port Elizabeth courses.



Ben Bezuidenhout's epic 300km run to raise funds for Somerset Place was supported by GBS Mutual Bank.

Notes