

The Annual General Meeting held on 10 November 1909

Annual General Meeting of Shareholders held in the
Assembly Rooms Grosvenor Buildings 10th November 1909

Present H. Gossie Esq Chairman Messrs A. J. Egan, H. Hill,
S. Cox, H. Gossie Esq Secretary & J. Roberts the Proxy and
about 50 Shareholders

On the Motion of Mr Egan Mr Gossie was voted to the Chair
The Proxy read the Notice convening the Meeting

The Chairman moved that the Director Report and
Financial Statement for the year be received, and taken
as read recorded by Mr H. F. Gossie, and carried

The Proxy was then called upon to read the Auditor's Report
together with the annexed Statement of Irregularities etc and
after considerable discussion in which Messrs A. J. Egan
& L. Giddy and others joined the Chairman moved recorded
by Mr A. J. Egan read and carried.

The following gentlemen were then nominated to act with the
Director in drawing up a Revision of the Rules Messrs
A. J. Egan, H. R. With, J. J. Seaman, and R. E. Hill out of which
I had to be appointed after the ballot was taken the following
I were declared duly elected Messrs A. J. Egan, H. R. With
and J. J. Seaman

Mr H. R. With proposed that the two Retiring Directors Messrs
C. P. Allachay & S. Cox be re-elected recorded by Mr A. J. Egan
and carried unanimously.

Proposed by Mr L. Giddy recorded by Mr A. J. Egan that
Messrs Brett & Gill be re-elected carried

A Vote of thanks to the Chairman for his very bright
the meeting to a close

H. Gossie
Chairman

"The Secretary was called upon to read the Auditor's Report together with the annexed Statement of Irregularities etc . . ."



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GBS MUTUAL BANK

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BOARD OF DIRECTORS:

T C S TAGG	(CHAIRMAN)
A M VORSTER	(MANAGING)
G H BLOEM	
P G CLAYTON	
P HORNBY	(EXECUTIVE)
H A LONG	
K L WIBLIN	

MANAGEMENT STRUCTURE

A M VORSTER

MANAGING DIRECTOR

P HORNBY

EXECUTIVE DIRECTOR

Compliance Officer
Treasury
Administration
Rentals
Leasing and Hire Purchase

A B BOWKER

(retired 01 March 2009)

GENERAL MANAGER

W S VALLANCE

GENERAL MANAGER
Cape Town

The GBS Mutual Bank is an Authorised Financial Services Provider

CHAIRMAN'S REPORT TO SHAREHOLDERS



It is my pleasure to report to our Shareholders on the performance of our Mutual Bank for the year ended 31 March 2009.

The Global economic and financial crises have been well researched and documented. It is now commonly agreed and accepted that this downturn is unlike any others since the great depression.

Who is to blame? Probably a mixture of those governments operating on unmanageable deficits, caused mainly by rampant consumption, poor financial regulation and lastly greed, including both individual and corporates in the financial sector. Too much cheap credit, the creation of mind boggling financial instruments and unchecked risk taking by banks combined to create super profits and executive bonuses which were out of touch with reality. The accountants too attracted some uninvited criticism. However it is with some relief to note that the accounting profession is now re-evaluating some accounting conventions that in the past resulted in wild swings in profitability.

Fortunately, and unlike our American, British and European counterparts, our banks have remained relatively unaffected by the financial maelstrom. This is the result of regulatory oversight which was probably an unintended consequence of the 2002 small bank crisis. It is worthwhile recalling that only a few years ago one of the major criticisms levelled at our banking industry was one of over regulation. It now appears that we were in fact protected from ourselves.

On the banking side the GBS has not been materially affected. Since the 2002 small bank crisis we have not wavered from our conservative liquidity and credit granting policies. We do understand and accept that our policies may at times hurt profitability and retard asset growth but believe, in terms of our mutual status, that our policies are aligned to long term prosperity for all stakeholders.

However on the economic front of this global meltdown we are no different to the rest of the banking sector. We too have experienced a sharp uptick in arrears with the concomitant increase in provisions against defaulting debtors. On a positive note our overdue debt percentage is less than the national average while on the liquidity side we continue to attract depositors from an increasing depositor base.

In spite of the difficulties our Bank has enjoyed an excellent year as will be seen in the financial statements and report of the directors. I will comment only on a few aspects.

ASSETS EXCEED R700 MILLION

The Bank experienced steady growth on both sides of the balance sheet.

The growth in advances was most pleasing with mortgage loans now exceeding R300 million while our asset based finance book grew to over R200 million. One of the direct consequences of the financial turmoil to benefit our Bank is that we have obtained more quality advances at acceptable margins.

On the deposit side our investor base continues to grow. The growth in our popular share deposit is particularly pleasing as it not only benefits our depositor through a higher rate of interest but also provides a strong measure of stability to our funding.

PROFITABILITY AND RESERVES

In spite of a slight year over year drop in profits, the directors are well pleased with an after tax profit of R6,7 million which exceeded our budget. The decrease can largely be explained by separating trading from investments. Profits from our banking transactions showed positive growth while the fair value of our investments only grew by R1.8 million compared with R3.5 million in the 2008 financial year.

Our reserves at just under R62 million ensure that we remain well capitalised.



*Mr T C S Tagg
Chairman*



CHAIRMAN'S REPORT TO SHAREHOLDERS – (continued)

LIQUIDITY

The Bank's strategy of holding liquidity in excess of our statutory requirements provided much comfort to the Board over the last year. An important aspect to note is that our Bank is a net investor into the inter bank market. Thus during the initial period of the financial markets crisis when the inter bank market tightened considerably we were not affected at all.

MANAGEMENT AND STAFF

Our new managing director, Anton Vorster, has just completed his first full financial year in office. He has settled in to his position well and has been able to forge a tightly knit well focused management team, headed by Patrick Hornby and Bill Vallance, around him.

On behalf of the Bank's non executive directors I congratulate Anton and his staff for the great results and their attention to personal service. We are very fortunate to have such a dedicated and able staff.

In 2007 we lost two management stalwarts through retirement and this year Andrew Bowker, one of our most experienced bankers, joined his former colleagues in retirement. As Master of Ceremonies he was our public face at our annual dinners and will be remembered for his contribution in setting up our branch in Port Elizabeth.

BOARD OF DIRECTORS

Our Board bade an emotional farewell to our outgoing chairman Chris Stone in December 2008. I feel somewhat inadequate to pay tribute to such a fine person who served the Bank with distinction and dedication way above the norm.

Christopher Kyle Montagu Stone joined the Board in 1968, incidentally also at the time of a credit squeeze. Some 16 years later he took the chair after the death of his father, Kyle Stone. During his watch he oversaw the transition of a tightly regulated building society into a bank, the GBS Mutual Bank. More importantly, and in spite of the market predictions that small banks would not survive, his leadership ensured that we not only survived but also grew and prospered.

In spite of this achievement his greatest legacy, in my view, is the culture of care and fairness he instilled into the ethos of the Bank. His philosophy of doing the right thing even if it was not the most profitable was very far removed from that which led to either the collapse or nationalisation of many banks recently.

I take this opportunity on behalf of the board, shareholders and staff of our Bank to express deep gratitude to our friend and former colleague, Chris Stone, for his massive contribution to our Bank.

I record my thanks and appreciation to all of the Board members for their work on Board sub-committees, which were chaired by Tony Long (Audit Committee), Kerry Wiblin (Remuneration Committee) and Peter Clayton (IT Committee). The IT Committee has played an important role in the re-writing of our core computer systems. And to the entire Board, thank you for your guidance and support for making the handover of the Chair relatively seamless. We have a small but very active Board.



BRANCHES

It is with much sadness I record the passing of Louis Grammar a Local Board member in Cape Town. His wise counsel over the last ten years will be sorely missed.

Our Cape Town operation continues to provide steady growth mainly in the advances. Bill Vallance is to be thanked for his contribution not only at branch level but also as a general manager to the overall success of the Bank.

It is most pleasing to note the growth in the Port Elizabeth branch. Thanks to the dedication of Karin Muller, the branch activity has increased to the extent that a senior business development officer was recently appointed.

The Port Alfred branch continues to surprise on the upside. Joan van Niekerk and her team have ensured that the growth in their deposits continues unabated.

BROKERS AND AGENTS

Our business model dictates a heavy reliance on brokers and agents to source advances and to a lesser extent deposits. We are most grateful to their loyal support.

PROFESSIONAL SERVICE PROVIDERS

Our grateful thanks goes to both our attorneys and auditors for their helpful advice and guidance at all times.

OUTLOOK FOR 2009/10

The most candid and honest answer to the vexing question of how long and deep the world wide recession will be, is “we simply do not know”.

The industry is expecting tough trading conditions, narrower margins and a probable increase in defaulting debtors as the local businesses feel the economic squeeze. We do however believe that we are well equipped to ride out the storm.

*T C S TAGG
CHAIRMAN*

19 May 2009



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 to report 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 control. 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 8 to 44 were approved by the Board of directors on 19 May 2009 and are signed on its behalf by:

T C S TAGG
Chairman

A M VORSTER
Managing Director

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



We have audited the annual financial statements of GBS Mutual Bank, which comprise the balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 8 to 44.

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, 1993. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 2009, 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, 1993.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers Inc', is written over a light blue background.

PricewaterhouseCoopers Inc.

Director: L J Rossouw
Registered Auditor

Port Elizabeth
19 May 2009

NATURE OF BUSINESS

- MORTGAGE LENDING
- ASSET BASED FINANCE
- MOTOR VEHICLE FINANCE
- SAVINGS AND INVESTMENTS



*Mr A M Vorster
Managing Director*

ECONOMY

The past year has seen individuals and corporates under financial stress both locally and internationally. Banks, particularly in the US and Eurozone have in a number of cases collapsed and others have needed and received government assistance to keep their doors open. The South African banking sector has remained sound and should continue to do so as they are well capitalised, managed and regulated.

Interest rates for the first half of the financial year remained high. The SARB started dropping rates in December 2008 and we have seen the prime rate drop by 350 basis points since the high of 15,5% late last year. We anticipate the rate to fall further and then to remain low for some time. Inflation has declined from a high of 13.7% to between 8% and 9%, and it is expected to fall further in the coming months.

While the interest rate cycle may be nearing the bottom, it will be some time before there is an economic recovery. Consumers are struggling to meet debt obligations and using the lower interest rates to reduce debt. The demand for credit has been severely dampened and there is a continued rise in defaulting retail debt.

PERFORMANCE

Your Local Bank has had another successful year. The balance sheet has grown by 11,1% to R732 million, with loans and advances exceeding R500 million for the first time. We have had growth across our range of products in our lending areas of Grahamstown, Cape Town and Port Elizabeth, and have

increased our staff complement in the coastal cities.

We continue to enjoy support from our investor base, particularly in the Eastern Cape and share deposits have grown to R248 million. The Bank remains well capitalised with a capital adequacy ratio of 16.2% at year end.

The interest margin was satisfactory, but declined towards the end of the year. Fee income increased by 11%. The Bank took a prudent view on impairments of loans and advances and put aside R3,2 million for the year. Mark to market investment impairments totalled R619 000. Operating expenses for the year increased by only 1,7%.

CORPORATE GOVERNANCE

We recognise that the implementation of sound corporate governance practices are 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 Code of Corporate Practices and Conduct and were in substantial compliance with it during the year under review.

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

THE BOARD OF DIRECTORS

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



The Board has a complement of seven directors, five being non-executive including the chairman, which ensures independent thought is brought to bear on Board decisions. The Board retains effective control through a structure of well functioning Board committees which provide in depth focus on specific areas.

The Board meets monthly with additional meetings 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 plan with the external auditors and approves the scope and extent 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, is chaired by a non-executive director, Tony Long.

REMUNERATION COMMITTEE

This committee, chaired by Chris Stone until December 2008, and by Kerry Wiblin thereafter, is responsible for the Bank's overall remuneration policy and advises the Board on succession planning. The policy is designed to recognise the value of the staff and their role within the Bank. Remuneration is competitive and is designed to attract, motivate and retain a talented staff complement.

The committee met four times during the year.

IT COMMITTEE

The IT committee has the responsibility of reviewing and monitoring the Bank's information technology operations, needs and risk management.

The Bank is in the process of re-writing its core computer systems. The old system has served us well but the new system will enable us to improve our service to clients as well as our back office operations. We anticipate the new system to be live before the end of this calendar year. This is an exciting development for the Bank and we eagerly look forward to the benefits that we will all enjoy. In addition, we will own the new system, providing us with added flexibility as well as cost benefits. We believe we have suitably trained staff to ensure a smooth transition to the new system.

The committee, chaired by Peter Clayton, met six times during the year.

RISK MANAGEMENT

The effective management of risk is critical to the growth of the Bank whereby the culture encourages sound credit decision making 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 arrears 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, as importantly, that banking risks are understood at all the relevant levels within the Bank.



REPORT OF THE DIRECTORS – (continued)

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 Banks' 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
- 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 Board. These risks arise from social and ethical issues as well as the consequence of some operational risks

The Risk Management Sub-Committee, chaired by a non-executive director on a rotational basis, meets weekly.

STAFF DEVELOPMENT

Besides the Workplace Skills Plan, we actively encourage staff to upgrade their knowledge and skills through incentives and by employing outside tutors to assist with university degree subjects.

We ensure that all relevant staff members meet the minimum educational requirements of the Financial Advisory and Intermediary Services Act.

LOOKING AHEAD

Trading conditions for the foreseeable future are likely to remain subdued for the GBS and the financial services industry. Margins will remain under pressure and it will be some time before consumers return to normal commercial activity. The Board has taken the conditions into consideration in the forward plans and we expect lower profits in the coming year.

However, lower interest rates should impact positively on consumer spending and the property market, and the international markets are showing some green shoots of spring. We look forward to the challenges of the year ahead and the activities of 2010 after that, believing that the economic conditions will improve over that period. We remain convinced that personal service is what keeps our investors and borrowers happy to have the GBS as their financial service provider.

We are grateful to staff and management who have given of themselves to achieve these results, to the Board for its wisdom and guidance, and to our clients and stakeholders for supporting us.

*A M Vorster
Managing Director
19 May 2009*

REPORT OF THE DIRECTORS – (continued)



FIVE YEAR REVIEW

YEAR ENDED 31 MARCH (R000s)

	2009	2008	2007	2006	2005
BALANCE SHEETS					
Reserves	61 972	55 236	47 653	43 172	38 479
Risk provisions	7 375	5 419	3 737	2 237	1 654
Share deposits	247 614	231 706	195 668	126 396	56 888
Deposits	412 903	362 159	361 563	338 884	333 360
Other liabilities	9 396	9 657	9 906	8 580	7 189
	<u>739 260</u>	<u>664 177</u>	<u>618 527</u>	<u>519 269</u>	<u>437 570</u>
Cash and short term securities	89 220	83 421	98 102	75 268	63 844
Investments	101 073	77 322	51 143	45 261	41 966
Advances – mortgages	303 312	277 612	245 646	181 906	151 617
– Instalment sales, rentals & other	239 135	220 213	219 607	213 043	176 243
Other	6 520	5 609	4 029	3 791	3 900
	<u>739 260</u>	<u>664 177</u>	<u>618 527</u>	<u>519 269</u>	<u>437 570</u>
INCOME STATEMENTS					
Net interest margin	23 832	22 704	19 075	15 439	12 936
Other income	4 706	6 111	4 720	4 168	4 016
	28 538	28 815	23 795	19 607	16 952
Impairments and provisions	(2 678)	(2 342)	(1 879)	(987)	(509)
Operating expenses	(17 393)	(17 039)	(15 260)	(12 818)	(11 706)
Tax	(1 731)	(1 851)	(1 462)	(1 280)	(1 143)
NPAT	<u>6 736</u>	<u>7 583</u>	<u>5 194</u>	<u>4 522</u>	<u>3 594</u>

RETURNS AND RATIOS – %

Capital adequacy at year end	16.2	14.7	12.9	13.1	13.2
Bad debt provision: advances	1.4	1.1	0.8	0.6	0.5
Expenses to total income	60.9	59.1	64.1	65.4	69.1



GBS MUTUAL BANK

BALANCE SHEET at 31 March 2009

	Notes	2009 R'000	2008 R'000
ASSETS			
Cash and short term funds	8	89 220	83 421
Advances and loans	9	535 072	492 806
Investments	10	101 073	77 322
Investment in associate	11	645	598
Property and equipment	12	1 084	1 257
Current tax asset		455	–
Other assets	13	1 627	868
Deferred income tax asset	14	2 709	2 486
Total assets		731 885	658 758
LIABILITIES			
Share deposits	15	247 614	231 706
Other deposits	15	412 903	362 159
Other liabilities	16	3 133	3 568
Retirement benefit obligations	17	5 629	5 125
Provisions	18	634	759
Current tax liability		–	205
Total liabilities		669 913	603 522
RESERVES			
		61 972	55 236
Total liabilities and reserves		731 885	658 758

INCOME STATEMENT for the year ended 31 March 2009

	Notes	2009 R'000	2008 R'000
Interest income	3	92 163	77 579
Interest expense	3	(68 331)	(54 875)
Net interest income		23 832	22 704
Fee and commission income		2 189	1 977
Fair value adjustments of investments	10	1 817	3 517
Dividend income		556	473
Other operating income	4	97	92
Income from associate	11	47	52
Total income		28 538	28 815
Operating expenses	5	(16 343)	(16 073)
Fee and commission expense		(1 050)	(966)
Net impairment on advances	6	(2 678)	(2 342)
Profit before income tax		8 467	9 434
Income tax expense	7	(1 731)	(1 851)
Profit for the year		6 736	7 583



GBS MUTUAL BANK

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2009

	Retained earnings	General reserve	Statutory credit risk reserve	Total
	R'000	R'000	R'000	R'000
Balance at 1 April 2007	500	44 253	2 900	47 653
Profit for the year	7 583	–	–	7 583
Transfer to statutory credit risk reserve	(204)	–	204	–
Transfer to general reserves	(7 379)	7 379	–	–
Balance at 31 March 2008	500	51 632	3 104	55 236
Balance at 1 April 2008	500	51 632	3 104	55 236
Profit for the year	6 736	–	–	6 736
Transfer to statutory credit risk reserve	(183)	–	183	–
Transfer to general reserves	(6 553)	6 553	–	–
Balance at 31 March 2009	500	58 185	3 287	61 972

CASH FLOW STATEMENT for the year ended 31 March 2009

	2009 R'000	2008 R'000
Cash flows from operating activities		
Interest receipts	92 163	77 579
Interest payments	(68 331)	(54 875)
Fee and commission receipts	2 189	1 977
Fee and commission payments	(1 050)	(966)
Dividends received	556	473
Other income	97	89
Net impairment on advances	(2 678)	(2 342)
Payments to employees and suppliers	(15 608)	(14 817)
Income taxes paid	(2 614)	(2 755)
<i>Cash flows from operating activities before changes in operating assets and liabilities</i>	<u>4 724</u>	<u>4 363</u>
Changes in operating assets and liabilities		
Net increase in advances	(42 266)	(30 890)
Net increase in other assets	(759)	(1 181)
Net increase in deposits	66 652	36 634
Net decrease in other liabilities and provisions	(560)	(7)
Increase in retirement benefit obligations	504	294
<i>Net cash generated from operating activities</i>	<u>28 295</u>	<u>9 213</u>
Cash flows from investing activities		
Acquisition of property and equipment	(127)	(826)
Proceeds from sale of property and equipment	15	83
Increase in investments	(22 384)	(23 151)
<i>Net cash used in investing activities</i>	<u>(22 496)</u>	<u>(23 894)</u>
Net increase/(decrease) in cash and short term funds	5 799	(14 681)
Cash and short term funds at beginning of year	<u>83 421</u>	<u>98 102</u>
Cash and short term funds at end of year (Note 8)	<u><u>89 220</u></u>	<u><u>83 421</u></u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

1 Accounting policies

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.

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) Amendments to existing standards and interpretations to existing standards effective in 2009 but that are not relevant.

The following interpretations to published standards were mandatory for the Bank’s accounting period beginning 1 April 2008 but were not relevant to its operations:

- Amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets;
- IFRIC 12 – Service Concession Arrangements; and
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

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

- IAS 1 – ‘Presentation of financial statements – Revised’. The revised IAS 1 requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a Bank’s equity resulting from transactions with owners in their capacity as owners separately from ‘non-owner’ changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly.

c) Standards, amendments and interpretations to existing standards that are not yet effective and are not relevant for the Bank’s operations

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Bank’s accounting periods beginning on or after 1 April 2009 or later periods but are not relevant for the Bank’s operations:

- IFRS 8 – Operating Segments (effective 1 January 2009);
- IAS 27 – Consolidated and Separate Financial Statements – Revised (effective 1 July 2009);
- IAS 23 – ‘Borrowing costs – Revised’;
- IFRS 3 – Business combinations – Revised (effective 1 July 2009);
- Amendment to IFRS 2 (Amendment) – Share-Based Payment: Vesting Conditions and Cancellations (effective 1 January 2009);
- Amendment to IAS 32 – Financial Instruments: Presentation and IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009);
- Amendments to IFRS 1 and IAS 27 – Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009);
- IFRIC 13 – Customer Loyalty Programmes (effective 1 July 2009);
- IFRIC 15 – Agreements for the construction of real estate (effective 1 January 2009); and
- IFRIC 16 – Hedges of a net investment in a foreign operation (effective 1 October 2008)

1.1 Basis of preparation (continued)

d) Amendments effective from 1 January 2009

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary (effective 1 January 2009);
- IAS 16 Property, Plant and Equipment – Recoverable amount and sale of assets held for rental (effective 1 January 2009);
- IAS 19 Employee Benefits – Curtailments and negative past service costs, plan administration costs, replacement of term “fall due” and guidance on contingent liabilities (effective 1 January 2009);
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance – Government loans with a below-market rate of interest (effective 1 January 2009);
- IAS 27 Consolidated and Separate Financial Statements – Measurement of subsidiary held for sale in separate financial statements (effective 1 January 2009)
- IAS 28 Investments in Associates – Required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of associates (effective 1 January 2009);
- IAS 31 Interests in Joint Ventures – Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss (effective 1 January 2009)
- IAS 29 Financial Reporting in Hyperinflationary Economies (effective 1 January 2009)
- IAS 36 Impairment of Assets – Disclosure of estimates used to determine recoverable amount (effective 1 January 2009)
- IAS 38 Intangible Assets – Advertising and promotional activities and Units of production method of amortisation (effective 1 January 2009)
- IAS 39 Financial Instruments: Recognition and Measurement – Reclassification of derivatives into or out of the classification of at fair value through profit or loss, designating and documenting hedges at the segment level and applicable effective interest rate on cessation of fair value hedge accounting (effective 1 January 2009)
- IAS 40 Investment Property – Property under construction or development for future use as investment property (effective 1 January 2009)
- IAS 41 Agriculture – Discount rate for fair value calculations and additional biological transformation (effective 1 January 2009)

1.2 Associated companies

Associated companies are entities in which the Bank has significant influence over the financial and operating policies, but which it does not control. Significant influence usually accompanies a shareholding of more than 20% of the associate's share capital or representation on the associate's board of directors. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Bank's share of its associate's profit or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in associates are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If the investment is impaired, provision is made to reduce the carrying value of the investment to its estimated recoverable amount.

1.3 Cash and short term funds

For the purposes of the cash flow statement, cash and short term funds comprise cash on hand, cash held at the South African Reserve Bank, balances at other banks, treasury bills and short term deposits with maturity periods of less than 90 days.

1.4 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.

1.4 Advances and loans (continued)

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.

The Bank assesses at each balance sheet date whether there is objective evidence that the advances and loans are impaired. Impairment testing of advances is described in note 1.5.

1.5 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 its estimated recoverable amount.

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.

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 income statement.

When an advance is deemed uncollectable, it is written off against the related provision for impairments. Subsequent recoveries are credited to the income statement.

In addition to impairment provisions, a statutory non-distributable credit risk reserve is maintained in terms of the regulations to the Banks Act on all advances that have not specifically been provided for.

1.6 Investments

All financial assets are initially recognised at fair value plus transaction costs. The Bank classifies its financial assets into the following categories on acquisition:

Held-to-maturity

Financial assets with 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.

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 income statement.

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

Available-for-sale

Financial assets that are not held for trading purposes, originated by the Bank or held-to-maturity, are classified as available-for-sale assets. Unrealised gains or losses arising from the changes in the fair value of available-for-sale assets are recognised in a revaluation reserve in equity. On disposal of available-for-sale assets, the fair value adjustments accumulated in equity are recognised in the income statement. If available-for-sale assets are considered to be impaired, the cumulative unrealised gain or loss previously recognised in equity is included in the income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement when the Bank's right to receive payment is established.

1.6 Investments (continued)

Fair value

The fair value of a financial instrument is the amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale.

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.

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.

1.7 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 relevant property in possession. An impairment provision is made where the amount, or a portion thereof, is considered to be not recoverable.

1.8 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 income statement during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite useful life. 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%
Furniture and equipment	15%
Computer	33%
Computer mainframes and software	20% 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 carrying amount. These are included in the income statement.

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.

1.9 Impairment of non-financial assets

Assets that are subject to amortisation 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.

1.10 Shares and other deposits

Financial liabilities are recognised initially at fair value, being their issue proceeds. 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 and loss.

1.11 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.

1.12 Current and Deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively 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 substantially 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.

1.13 Retirement benefit obligations

Healthcare benefits:

It is the policy of the Bank to provide post-retirement healthcare benefits to some of its retirees 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 income statement 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 as the present value of estimated future cash outflows.

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 as 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income in the year in which they arise.

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 income statement in the year to which they relate.

1.14 Revenue recognition

Interest income and interest expenses are both recognised in the income statement 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.

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

1.15 Leases

Operating leases – where Bank is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1.16 Other assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as other assets.

1.17 Reclassification adjustments

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. The following changes were made to comparative amounts:

- Other assets amounting to R400 846, have been reclassified to Advances and loans; and
- Due to more accurate information being available, certain disclosures within note 20.4 – “Credit risk” have been restated for the prior year

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 the next financial year. 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 1.5 and 6
- Property and equipment – note 1.8
- Retirement benefit obligations – notes 1.13 and 17
- Recoverability of deferred income tax assets – note 1.12
- Impairment of non-financial assets – note 1.9

	2009 R'000	2008 R'000
3 Interest		
Interest income		
Mortgages	40 745	33 096
General advances	3 832	3 473
Instalment sales and rentals	31 187	27 942
Investments	16 018	12 593
Other	381	475
	92 163	77 579
Interest expense		
Fixed deposits	38 425	31 059
Savings deposits	1 195	1 002
Paid up shares	17 676	14 443
Subscription shares	3 272	2 206
Fixed period shares	7 593	5 957
Other	170	208
	68 331	54 875



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

	2009 R'000	2008 R'000
4 Other operating income		
Profit on sale of property and equipment	–	3
Sundry income	97	89
	97	92
5 Operating expenses		
Operating expenses include the following items:		
Auditors' remuneration		
– audit fees	680	610
– prior year underprovision	15	–
– fees for other services	126	8
	821	618
Impairment charge – available-for-sale investments	450	605
Depreciation	279	356
Loss on disposal of property and equipment	6	–
Office rental	164	127
Repairs and maintenance	473	478
Staff remuneration and related personnel costs	10 395	10 216
Included in staff remuneration costs are:		
Directors' emoluments		
<i>Executive directors</i>		
– salaries and benefits	1 385	2 066
<i>Non executive directors</i>		
– for services as directors	422	358
– for consulting services	1 027	388
	2 834	2 812



	2008 R'000	2007 R'000
6 Impairment provisions against advances and loans		
Balance at beginning of year	(5 419)	(3 737)
Amount utilised	722	660
Charge to income statement	(2 678)	(2 342)
Recovery of amounts previously written off	479	233
Current year provision	(3 157)	(2 575)
Balance at end of year	(7 375)	(5 419)
Analysis:		
Provisions against non-performing advances	(4 856)	(3 300)
Provision against performing advances	(2 519)	(2 119)
	(7 375)	(5 419)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

	2009 R'000	2008 R'000
7 Income tax expense		
South African normal taxation		
Current tax		
– current year	1 954	2 213
– prior year underprovision	–	6
Deferred tax		
– current year	(223)	(450)
– prior year	–	9
– tax rate adjustment	–	73
	<u>1 731</u>	<u>1 851</u>
The tax on the Bank's profit differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before tax	<u>8 467</u>	9 434
Tax calculated thereon at 28% (2008: 29%)	2 371	2 736
Tax effect of:		
Income not subject to tax	(739)	(1 115)
Expenses not deductible for tax	5	17
Tax effect on share of profit of associate	(13)	(15)
Tax effect of capital losses	107	124
Prior year adjustment	–	15
Tax rate change in opening balance of deferred tax	–	73
Result of applying different tax rates to measure current and deferred tax	–	16
Tax charge	<u>1 731</u>	<u>1 851</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)



	2009 R'000	2008 R'000
8 Cash and short term funds		
Bank balances and short-term deposits	38 702	38 669
South African Reserve Bank balance	12 384	11 629
Treasury bills	37 540	32 614
Cash on hand	594	509
	89 220	83 421

The Bank has an overdraft facility at First National Bank Ltd of R10 million (2008: R10 million). This facility is reviewed annually.

Treasury bills are classified as “held to maturity” financial instruments. All other cash and short term funds are classified as “advances and loans” financial instruments.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

	2009 R'000	2008 R'000
9 Advances and loans		
Mortgages	303 312	277 612
General	28 575	20 735
Instalment sales and rentals	210 560	199 878
	542 447	498 225
Impairment provisions (Note 6)	(7 375)	(5 419)
	535 072	492 806

Advances are classified as “advances and loans” financial instruments.

The Bank's actual recent experience with loan repayment rates is as follows:

Mortgages – average maturity period of 6.8 years (2008: 5.6 years)

Instalment sales and rentals – average maturity period of 2.1 years (2008: 2.1 years)

General – average maturity period of 0.9 years (2008: 0.8 years)

Commitment for the aggregate amount of advances and re-advances granted but not yet paid out:	2009 R'000	2008 R'000
Instalment sales and rentals	14 391	11 263
Mortgages	57 177	34 444
	71 568	45 707

The commitment for advances granted but not yet paid out will be funded out of cash and short term funds as well as deposits classified as investments in note 10.

Gross amounts due under instalment sales and rentals	254 251	246 820
Less: Unearned finance income	(43 691)	(46 942)
	210 560	199 878
Other advances	331 887	298 347
	542 447	498 225

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



	2009 R'000	2008 R'000
10 Investments		
<i>Held-to-maturity investments</i>		
Fixed deposits	77 980	60 596
<i>Financial instruments at fair value</i>		
Opening balance	12 176	13 659
Fair value adjustment through net income	1 817	3 517
(Withdrawal)/premium on Momentum Endowment Policy	5 000	(5 000)
Closing balance	18 993	12 176
<i>Available-for-sale investments</i>		
Opening balance	4 550	5 155
Impairment loss recognised	(450)	(605)
Closing balance	4 100	4 550
Total investments	101 073	77 322

Financial instruments at fair value through profit or loss comprise an investment in an endowment policy and investments in a unit trust portfolio held to partially cover the post-retirement medical obligations in note 17. The endowment policy is an undated instrument with a loan facility.

Available for sale investments comprise Investec Bank Limited non-cumulative non-redeemable preference shares bearing dividends at 75% of the prime overdraft rate, carried at fair value of R4 100 000 (2008: R4 550 000).



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

	2009 R'000	2008 R'000
11 Investment in associates		
<p>The investment consists of a 10.43% (2008: 10.69%) interest in Cape Capital Investment and Finance Company Ltd (“Cape Capital”), incorporated in South Africa, over which the Bank has significant influence but not control.</p>		
Carrying value of equity investment	645	598
	645	598
Investment at cost	500	500
Share of post-acquisition reserves in equity accounted associates at beginning of year	98	46
Income from associate	47	52
	645	598
Reconciliation of carrying value of equity investments:		
At beginning of year	598	662
Purchase of shares	-	48
Sale of shares	-	(164)
Profit from associate	47	52
At end of year	645	598

Cape Capital has a personal loan at prime from the Bank amounting to R7 293 043 (2008: R3 721 896). This amount has been included in advances (Refer note 19 for further disclosure).

The Bank sold its entire equity holding in GBS Travel on 31 August 2007. Revenue and profit for the prior year up until the effective date of sale have been disclosed below.



	2009 R'000	2008 R'000
11 Investment in associates (continued)		
According to the most recent unaudited financial statements the relevant financial information of the associates at 31 March 2009 is summarised as follows:		
<i>Assets</i>		
– Cape Capital	13 422	15 689
<i>Liabilities</i>		
– Cape Capital	(10 747)	(13 421)
<i>Revenues</i>		
– GBS Travel	–	2 490
– Cape Capital	4 715	4 371
<i>Profit for the year</i>		
– GBS Travel	–	86
– Cape Capital	460	491
<i>GBS Mutual Bank's share of post-acquisition Reserves</i>		
– GBS Travel	–	–
– Cape Capital	145	98



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

12 Property and equipment

	Office premises R'000	Furniture, equipment and motor vehicles R'000	Computers R'000	Total R'000
Year ended 31 March 2009				
Opening carrying amount	72	923	262	1 257
Additions	–	42	85	127
Disposals	–	(21)	–	(21)
Depreciation	–	(175)	(104)	(279)
Closing carrying amount	72	769	243	1 084
At 31 March 2009				
Cost	72	1 203	1 491	2 766
Accumulated depreciation	–	(434)	(1 248)	(1 682)
Closing carrying amount	72	769	243	1 084
Year ended 31 March 2008				
Opening carrying amount	72	506	305	883
Additions	–	616	210	826
Disposals	–	(80)	–	(80)
Transfers	–	–	(16)	(16)
Depreciation	–	(119)	(237)	(356)
Closing carrying amount	72	923	262	1 257
At 31 March 2008				
Cost	72	1 291	1 457	2 820
Accumulated depreciation	–	(368)	(1 195)	(1 563)
Closing carrying amount	72	923	262	1 257

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



	2009 R'000	2008 R'000
13 Other assets		
Sundry debtors	921	593
Accrued income and prepayments	22	17
Receiver of Revenue – VAT	684	258
	1 627	868

Included in sundry debtors is R839 984 (2008: R548 000) relating to software development in progress at year end

14 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% (2008: 29%).

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

	2009 R'000	2008 R'000
At beginning of year	2 486	2 118
Income statement credit (note 7)	223	368
At end of year	2 709	2 486

Deferred income tax is attributable to the following items:

	31 March 2008 R'000	(Charged)/ credited to profit R'000	31 March 2009 R'000
Accelerated depreciation	4	(4)	–
Provisions against advances	608	156	764
Leave pay accrual	304	(117)	187
Retirement benefit obligations	1 435	141	1 576
Provisions	221	(44)	177
Deferred capital gains tax	–	26	26
Deferred income tax asset	2 572	158	2 730
Accelerated depreciation	–	(15)	(15)
Prepaid expenses	(5)	(1)	(6)
Deferred capital gains tax	(81)	81	–
Deferred income tax asset	2 572	158	2 730
Deferred income tax liability	(86)	65	(21)
Net deferred income tax asset	2 486	223	2 709



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

	2009 R'000	2008 R'000
15 Deposits		
<i>Share deposits</i>		
Indefinite period paid-up shares	144 946	144 147
Subscription shares	30 049	25 172
Fixed period shares	72 619	62 387
	247 614	231 706
<i>Other deposits</i>		
Fixed deposits	393 653	342 262
Savings and transmission deposits	19 250	19 897
	412 903	362 159
There is a net commitment for the approved redemption of shares amounting to:	548	2 974
16 Other liabilities		
Sundry creditors	1 120	673
Accruals	2 013	2 895
	3 133	3 568



	2009 R'000	2008 R'000
17 Retirement benefit obligations		
The Bank's retirement obligations are summarised as follows:		
Post-retirement healthcare obligation	5 070	4 418
Pension liability	559	707
	5 629	5 125
<i>Post-retirement healthcare obligation</i>		
The main actuarial assumptions used in the calculation of the healthcare obligation were:		
– Average investment returns	10%	9%
– Medical cost inflation	7.84%	6.34%
Post-retirement mortality tables: a55 annuity tables		
– Average number of members:		
– In-service employees	19	19
– Retired members	16	16
	35	35
– Average age of members:		
– In-service employees	45	45
– Retired members	72	72
	2009 R'000	2008 R'000
Amounts recognised in the income statement were:		
Increase in liability:		
– benefits paid	(239)	(193)
– interest cost	387	363
– service cost	102	100
– actuarial loss	402	24
	652	294

Included in investments held at fair value (note 10) is an investment with a carrying value of R2.486m (2008 : R2.654m) 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 of investments” in the income statement.

Expected contributions to retirement benefit obligations for the year ended 31 March 2010 are anticipated to be R273 000.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

17 Retirement benefit obligations (continued)

As at 31 March	Present value of defined benefit obligation R'000	Experience adjustments on plan liabilities – loss/(gain) R'000
2009	5 070	402
2008	4 418	24
2007	4 124	118
2006	3 743	(153)
2005	3 613	521
	2009 R'000	2008 R'000

Sensitivity

A 1.0% increase in the medical cost inflation rate will result in the following:

– increase in current service cost	23	22
– increase in liability	688	577

A 1.0% decrease in the medical cost inflation rate will result in the following:

– decrease in current service cost	(18)	(17)
– decrease in liability	(570)	(485)

Pension liability

The main actuarial assumptions used to calculate the Bank's liability in respect of unfunded pension obligations were a discount rate of 2009: 9.0% (2008: 9.0%) and life expectancies based on actuarial life expectancy tables (refer note 1.13).

	2009 R'000	2008 R'000
The movement on the pension liability is as follows:		
At beginning of year	707	707
Credit to the income statement	(148)	–
At end of year	559	707

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 39 (2008 : 40) members and total contributions for the year amounted to R1 024 316 (2008: R1 060 957).



	2009 R'000	2008 R'000
18 Provisions		
Service awards		
At beginning of year	759	676
Additional provision (credited)/charged to income statement	<u>(125)</u>	83
At end of year	<u>634</u>	<u>759</u>

The provision relates to long-service awards payable to qualifying employees on retirement.

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 GBS Travel Group (sold during the prior financial year), Cape Capital and 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. These transactions were carried out on commercial terms and conditions and at market rates. Details of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

Directors and key management	2009 R'000	2008 R'000
Advances and loans		
Advances and loans outstanding at end of year	<u>3 769</u>	<u>4 471</u>

No provision for impairment has been recognised in respect of advances and loans provided to related parties (2008: R Nil).

Deposits		
Deposits at end of year	<u>3 457</u>	<u>3 908</u>

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 members of family of key management personnel. These are limited to their domestic partners

Other expenses

Compensation		
– Short term employee and consulting benefits	2 321	3 383
– Post employment benefits	308	370
Non executive directors' fees		
– for services as directors	422	358
– for consulting services	<u>1 027</u>	<u>388</u>
	<u>4 078</u>	<u>4 499</u>



19 Related party transactions (continued)

Related Entities	Cape Capital		GBS Travel (SureGo Travel)	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Guarantees issued by the Bank	-	-	335	640
Loans				
Loans outstanding as at end of year	7 293	3 722	-	-
Other revenue				
- Interest income	1 175	991		47
Other expenses				
- Net interest paid	-	-	-	(8)

No provisions for impairment were recognised in the current financial year in respect of loans to related parties (2008: Rnil).

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 are consistent with that of the prior year.

20.2 Fair value estimation

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

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 that of first tier capital. The capital adequacy ratio is monitored by the 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 16.12% (2008: 13.82%).

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.

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 that have been specifically provided for against future losses.

20 Financial risk management (continued)

20.4.1 Maximum exposure to credit risk and collateral held (continued)

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

2009	Advances – Mortgage loans	Advances – Instalment sales and rentals	Advances – General	Total
	R'000	R'000	R'000	R'000
Gross	303 312	210 560	28 575	542 447
Past due and impaired	19 315	16 770	3 784	39 869
Fair value of collateral held against past due and impaired advances	(19 187)	(11 802)	(3 519)	(34 508)
Exposure to credit risk	128	4 968	265	5 361

2008	Advances – Mortgage loans	Advances – Instalment sales and rentals	Advances – General	Total
	R'000	R'000	R'000	R'000
Gross	277 612	199 878	20 735	498 225
Past due and impaired	20 781	10 120	97	30 998
Fair value of collateral held against past due and impaired advances	(20 420)	(6 230)	(91)	(26 741)
Exposure to credit risk	361	3 890	6	4 257

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.
- 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.

For mortgages, in cases where an advance is not individually assessed as impaired, the original valuation of the property is used as the collateral value. For instalment sales and rentals, the collateral, being the original cost of the asset, is depreciated in order to estimate the fair value. In instances where the asset financed is a motor vehicle, the trade-in value is used as the value of the security.

During the 2009 and 2008 financial year, the Bank did not recognise any collateral it held as security against advances, as an asset of the Bank.

20.4.2 Credit quality per class of asset

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:

20 Financial risk management (continued)

20.4.2 Credit quality per class of asset (continued)

2009	Advances – Mortgage loans	Advances – Instalment sales and rentals	Advances – General	Total
	R'000	R'000	R'000	R'000
Performing advances	283 997	193 790	24 791	502 578
Non-performing advances	19 315	16 770	3 784	39 869
Impaired advances	1 064	6 704	3 640	11 408
Unimpaired advances: 0 – 3 months in arrears	15 275	8 477	127	23 879
Unimpaired advances: more than 3 months in arrears	2 976	1 589	17	4 582
Total	303 312	210 560	28 575	542 447
Impaired advances (as above)	1 064	6 704	3 640	11 408
Security against impaired advances	(936)	(2 241)	(3 375)	(6 552)
Net impaired advances	128	4 463	265	4 856
2008	Advances – Mortgage loans	Advances – Instalment sales and rentals	Advances – General	Total
	R'000	R'000	R'000	R'000
Performing advances	256 831	189 758	20 638	467 227
Non-performing advances	20 781	10 120	97	30 998
Impaired advances	911	3 689	6	4 606
Unimpaired advances: 0 – 3 months in arrears	18 159	5 309	91	23 559
Unimpaired advances: more than 3 months in arrears	1 711	1 122	–	2 833
Total	277 612	199 878	20 735	498 225
Impaired advances (as above)	911	3 689	6	4 606
Security against impaired advances	(550)	(756)	–	(1 306)
Net impaired advances	361	2 933	6	3 300

Advances are defined as non-performing if they have a specific provision for future losses, or are in arrears.

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:

2009	Eastern Cape %	Western Cape %	Other %	Total %
Mortgage loans	59	36	5	100
General	76	23	1	100
Instalment sales and rentals	38	46	16	100
Specific impairment provision	52	37	11	100
2008	Eastern Cape %	Western Cape %	Other %	Total %
Mortgage loans	58	36	6	100
General	78	19	3	100
Instalment sales and rentals	40	43	17	100
Specific impairment provision	50	35	15	100

20.4.4 Financial assets renegotiated

No terms of loans and advances have been renegotiated during the 2009 and 2008 financial year.

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 10).

20.5.1 Interest rate risk

Interest rate risk is the risk that the Banks' 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 and cash flows. Interest rate margins are monitored as part of the Bank's normal risk management processes.

A 1% increase in the prime rate is expected to increase pre-tax net margins by R1.8m (2008: R1.4m) per annum and a 1% decrease is expected to reduce pre-tax net margins by R1.9m (2008: R1.3m). The following demonstrates the Bank's interest rate repricing mismatch at 31 March:



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

20 Financial risk management (continued)

20.5.1 Interest rate risk (continued)

2009

	0-31 days R'000	32-90 days R'000	91-365 days R'000	Other R'000
Assets	580 404	32 280	72 956	28 717
Liabilities	(132 723)	(225 049)	(193 328)	(69 016)
Other	–	–	–	(94 241)
	<u>447 681</u>	<u>(192 769)</u>	<u>(120 372)</u>	<u>(134 540)</u>

2008

	0-31 days R'000	32-90 days R'000	91-365 days R'000	Other R'000
Assets	526 995	38 248	60 596	17 105
Liabilities	(142 498)	(217 271)	(161 062)	(30 135)
Other	–	–	–	(91 978)
	<u>384 497</u>	<u>(179 023)</u>	<u>(100 466)</u>	<u>(105 008)</u>

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.

	2009 R'000	2008 R'000
Momentum Policy	16 507	9 522
Investec Securities	4 100	4 550
Medical Investment	2 486	2 654
	<u>23 093</u>	<u>16 726</u>

Momentum 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 offshore investments. The asset allocation largely resembles that of a balanced unit trust:



20 Financial risk management (continued)

20.5.2 Price risk (continued)

	2009	2008
South African Equities	47%	60%
Cash	24%	13%
Bonds	6%	5%
Property	7%	5%
Offshore assets	16%	17%

The policy is a smooth bonus one 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's. 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.

Investec Securities

These preference shares are long term liquid investments held to enhance the yield on our surplus cash. The yield is set at 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.

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 Momentum Policy.

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 draw downs. 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 one of extreme conservatism in that policies dictate that at least R80 million in excess of the statutory minimum liquid asset requirement must be held. 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.

The table below 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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

20 Financial risk management (continued)

2009

	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Financial Assets						
Cash: Bank balances and ST deposits	-	32 936	5 766	-	-	38 702
Cash: SARB balance	-	-	-	-	12 384	12 384
Cash: Treasury bills	-	11 000	27 000	-	-	38 000
Cash: Cash on hand	594	-	-	-	-	594
Advances: Mortgage	-	8 752	43 627	56 084	268 917	377 380
Advances: General	-	2 614	12 892	11 060	4 584	31 150
Advances: Instalment sales and rentals	-	10 068	48 712	59 430	136 042	254 252
Investments: Fixed Deposits	-	-	22 343	61 199	-	83 542
Investments: Momentum & Medical Investment	18 993	-	-	-	-	18 993
Investments: Investec Securities	4 100	-	-	-	-	4 100
Sundry Debtors	-	17	-	-	-	17
	23 687	65 387	160 340	187 773	421 927	859 114
Financial Liabilities						
Deposits	(14 975)	(124 120)	(148 685)	(127 818)	(310 561)	(726 159)
Sundry Creditors	-	(584)	-	-	-	(584)
	(14 975)	(124 704)	(148 685)	(127 818)	(310 561)	(726 743)
Total recognised financial instruments	8 712	(59 317)	11 655	59 955	111 366	132 371
Financial guarantees	-	-	(335)	-	-	(335)
Irrevocable unutilised facilities	-	(41 367)	-	(65 207)	-	(106 574)
Total unrecognised financial instruments	-	(41 367)	(335)	(65 207)	-	(106 909)
Net inflow/(outflow)	8 712	(100 684)	11 320	(5 252)	111 366	25 462

20 Financial risk management (continued)

2008

	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Financial Assets						
Cash: Bank balances and ST deposits	–	22 178	16 491	–	–	38 669
Cash: SARB balance	–	–	–	–	11 629	11 629
Cash: Treasury bills	–	11 000	22 000	–	–	33 000
Cash: Cash on hand	509	–	–	–	–	509
Advances: Mortgage	–	8 696	43 487	56 212	259 919	368 314
Advances: General	–	2 179	10 966	5 800	4 145	23 090
Advances: Instalment sales and rentals	–	9 778	47 315	57 726	130 894	245 713
Investments: Fixed Deposits	–	–	25 549	38 947	–	64 496
Investments: Momentum & Medical Investment	12 177	–	–	–	–	12 177
Investments: Investec Securities	4 550	–	–	–	–	4 550
Sundry Debtors	–	37	–	–	–	37
	17 236	53 868	165 808	158 685	406 587	802 184
Financial Liabilities						
Deposits	(17 680)	(130 933)	(127 579)	(126 955)	(237 624)	(640 771)
Sundry Creditors	–	(546)	–	–	–	(546)
	(17 680)	(131 479)	(127 579)	(126 955)	(237 624)	(641 317)
Total recognised financial instruments	(444)	(77 611)	38 229	31 730	168 963	160 867
Financial guarantees	–	–	(640)	–	–	(640)
Irrevocable unutilised facilities	–	(33 681)	–	(29 829)	–	(63 510)
Total unrecognised financial instruments	–	(33 681)	(640)	(29 829)	–	(64 150)
Net (outflow)/inflow	(444)	(111 292)	37 589	1 901	168 963	96 717



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009 (continued)

21 Commitments

	2009 R'000	2008 R'000
<i>(a) Capital Commitments</i>		
Capital expenditure commitments:		
Software upgrade		
– Approved, but not yet contracted	446	738
– Approved and contracted for	48	47
These commitments are to be financed from internally generated cash flows.		
<i>(b) Operating lease commitments</i>		
The Bank leases various offices under operating lease agreements		
No later than 1 year	159	181
Later than 1 year and no later than 5 years	45	201
	204	382
<i>(c) Guarantees</i>		
The Bank has provided a guarantee in respect of SureGo Travel	335	640
The guarantee is secured by a mortgage bond in favour of the Bank. No losses are thus anticipated in respect of these guarantees.		

COMMUNITY PROJECTS and SPONSORSHIPS



Life Skills

An integral facet of the GBS Mutual Bank's concept of mutuality is Corporate Social Investment (CSI). It should be borne in mind that as Your Local Bank, we continue to enjoy unstinting support from the local community. In turn, we invest in our community. We are a Bank with solid values and a strong purpose that commits to supporting a society that takes care of its people.

The National Credit Act came into effect on 1 June 2007, and one of its aims is to protect the consumer from being granted credit recklessly. Generally, South Africans have a reputation of being 'borrowers' rather than 'savers'. Poor people have been on the receiving end due to a lack of information and education. As part of the CSI initiatives and based on this critical need, the GBS Mutual Bank responded by designing and offering a Personal Financial Life Skills Course to indigent people. Mfuzo Dyira, a GBS staff member, has been through a rigorous training programme and is facilitating the course that consists of five modules. The course commenced in May 2008 and has so far reached 75 individuals. The feedback from participants has been very positive, some reporting that it has been life changing. This successful initiative will continue to be offered, and promises to bring meaningful and lasting change to the lives of those living in challenging situations.



Learning for Life . . . the first recipients of the GBS Financial Life Skills Course.

Education

What is needed in South Africa are leaders who are able to contemplate the long-term consequences of their decisions which should have a positive impact for us, our children and our children's children. In addition to supporting local schools, GBS Mutual Bank has supported the Scifest Africa Science Festival and the annual Schools' Festival.

Our donation to Scifest enables the pupils of one local school to attend this festival, while the support given to the Eastern Cape Schools' Festival gives over 70 grade 11 pupils from local township schools the opportunity to attend the festival.

The Bank has also sponsored the Grahamstown Music Society with its annual Rising Stars competition for the youth. The event is open to all Eastern Cape residents, students and pupils. The competition features up-and-coming musical talent, with young artists encouraged to take part. The popular event aims to encourage the exchange of pupils within the region, motivating each other and sharing musical skills. The prize winners display their talent at a concert in the Beethoven Room at Rhodes University and the Grand Finale concert, with selected artists performing with the Rhodes orchestra, is held in the Monument.

The Bank assisted in rescuing Grahamstown's only street shelter for boys and girls, Eluxolweni Children's Shelter from closure. As part of a three-year CSI strategy, the

Bank would have donated R360 000 over the period.

An inferior high school education often means that the dream of a University degree is out of reach for many. However, this dream has become a reality for many Grahamstown students thanks to a 15-year partnership between Rhodes University and GBS Mutual Bank. These students commenced their university studies via a Foundation Year. This Foundation Year course nurtures the potential of students with additional support and has introduced outstanding employees into the corporate world, including IT specialists, a chartered accountant and a Registrar of Finance at a Training College in the Eastern Cape. GBS Mutual Bank is the only remaining founding sponsor.

Sport and Recreation

Our philosophy is to continue to support those clubs and club members that in turn support the Bank. Therefore, the past year has seen local bowls, golf and tennis clubs, as well as various charity tournaments, enjoying sponsorship by the Bank. These events are well-patronised by local and visiting players.

The hugely popular Bathurst Agricultural Show that attracts thousands of visitors from far and wide, and has been going for over 100 years, is also sponsored by the Bank. We are currently the title sponsor for a three-year period. The 2009 Show was held in April, and was once again a huge success with thousands of people visiting the three day event.

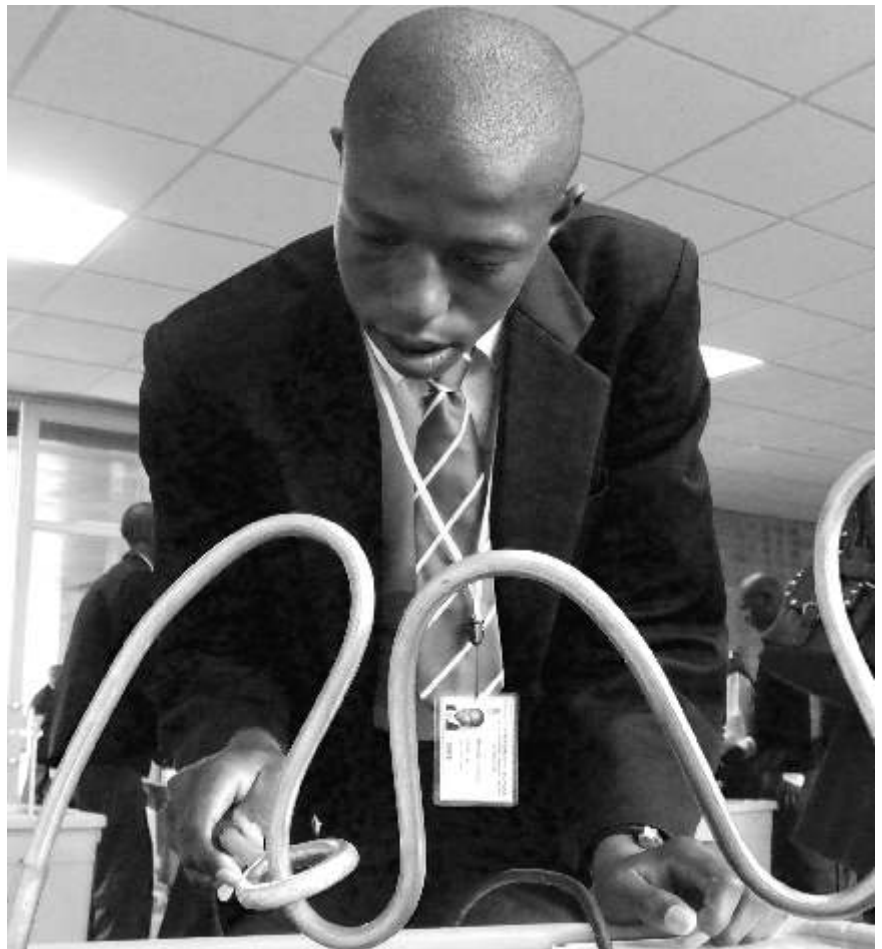
Caring for our most vulnerable members of the community

The GBS Mutual Bank continues to support a diverse range of institutions that care for and support the most vulnerable members of our community, the aged, the ill and children. The Bank supports all the local old aged homes, and makes an annual donation to Meals on Wheels.

Through its social responsibility programmes the Bank continues to display a caring and supportive role through its social responsibility programmes, believing that our investment in the local communities will secure an improved future for all to enjoy.

The Community

The GBS Mutual Bank has given generously to the Restoration Fund of the Cathedral of St Michael and St George in Grahamstown, as well as having assisted with the costs involved in the repairs and additions to the Toposcope on Signal Drive in the hills above Grahamstown.



A learner from Mthatha enjoys the interactive displays at the MTN Sciencentre at SciFest Africa.

NOTICE OF ANNUAL GENERAL MEETING



The hundred and thirty second Annual General Meeting of Shareholders will be held at the Bank's Head Office at 18 – 20 Hill Street, Grahamstown on 23 July 2009, 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 Financial Statements for the year ended 31 March 2009.
- (3) No Director will retire this year in terms of the Articles of Association.
- (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



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