SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2018

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2018

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SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT
for the year ended 31 March 2018

The Directors of Swaziland Development Finance Corporation Limited and its subsidiaries (the Group) confirm their commitment to the principles of openness, integrity and accountability as advocated in the King IV Code on Corporate Governance. Through this process, shareholders and other stakeholders may derive assurance that the Company is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the Company's compliance with the King IV Code on Corporate Governance forms part of the mandate of the Company's executive committee.

Board of directors

The Board has three committees:

- The Main Board
- Audit, Finance and Risk Committee and
- Remuneration Committee.

Both the Main Board and the other Executive committees meet quarterly, but special Board meetings are convened when necessary. The Main Board monitors management and ensures that material matters are subject to Board approval .The Executive Committee's main functions are to review the Company's financial statements, management accounts, operational matters, staff matters and then advise the Main Board.

The Board comprises 5 directors of whom only one serves in an executive capacity. The board is balanced so that no individual or Company can dominate decision-making. The directors of the Company are listed on pages 15. Roles of chairperson and chief executive do not vest in the same person and the chairperson is a non-executive. The non-executive directors comprise individuals with diverse backgrounds and expertise. The chairperson and managing director provide leadership and guidance to the Company's Board and encourages deliberation of all matters requiring the Boards attention, and obtains sufficient input from the other board members. The chairperson and directors are elected on a three-year basis.

Risk Management

Effective risk management is essential to the Company's objective of consistently adding value to the business objectives. The Company's management is continuously developing and enhancing its risk and control procedures to improve the means for identifying and monitoring risks.

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Key policies and procedures are in place to manage operating risk involving segregation of duties, transaction authorisation, supervision, monitoring and financial and managerial reporting.

Financial risk management is disclosed in the notes to the financial statements.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

Statement of director's responsibility
for the year ended 31 March 2018

The Directors are responsible for the preparation, integrity and fair presentation of the Consolidated and separate financial statements of Swaziland Development Finance Corporation Limited and its subsidiaries (the Group). The financial statements presented on pages 18 to 87 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and include amounts based on judgements and estimates made by management.

The Directors consider that, in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS's that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the period and the financial position of the Group as at the end of the period.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose, with reasonable accuracy, the financial position and results of the Group to enable the directors to ensure that the financial statements comply with relevant legislation.

The Group operates in an established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. 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 period under review.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group will not be a going concern in the year ahead, based on forecasts and available cash resources. These financial statements support the viability of the Group.

The Group's external auditors, PricewaterhouseCoopers, audited the financial statements and their report is presented on page 3 to 7.

The annual financial statements which appear on pages 18 to 87 have been approved by the board of directors on 29 JUNE 2018 and are signed on its behalf by:

CHAIRMAN

MANAGING DIRECTOR

Independent auditor's report

To the Shareholders of Swaziland Development Finance Corporation Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Swaziland Development Finance Corporation Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Swaziland.

What we have audited

Swaziland Development Finance Corporation Limited's consolidated and separate financial statements set out on pages 18 to 87 comprise:

- the consolidated and separate statements of financial position as at 31 March 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the requirements of the Swaziland Institute of Accountants (SIA) Code of Ethics for Professional Accountants and other independence requirements applicable to performing audits of financial statements in Swaziland. We have fulfilled our ethical responsibilities in accordance with the SIA Code and in accordance with other ethical requirements applicable to performing audits in Swaziland.

Our audit approach

Overview

Overall group materiality

Overall group materiality: E 266,760, which represents 4% of the consolidated profit before tax.

Group audit scope

The group consists of three components; Swaziland Development Finance Corporation Limited as the holding company, and two subsidiaries which are First Finance Company (Pty) Ltd and Finsure Insurance Brokers (Pty) Ltd. Full scope audits have been performed on all components.

Key audit matters

Loans and advances: Provision for impairment of sugar cane loans

Partner in charge T Mason
Resident partner M Mhlanga
PricewaterhouseCoopers, RHUS Office Park, Kal Grant Street, Mbabane, Swaziland
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	E 266, 760
How we determined it	4 % of consolidated profit before tax
Rationale for the materiality benchmark applied	We selected consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 4% which is consistent with quantitative materiality thresholds used for profit- oriented companies in the sector. The audit team used 4% to adjust for the entity's high level of external debt.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

A full scope statutory audit was undertaken for the three components as they are financially significant to Group. All the subsidiaries are wholly-owned local subsidiaries. All the components are audited by PwC. Local group management team has oversight in managing all the subsidiaries in the Group.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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The following key audit matter relates to both the consolidated and separate financial statements.

Key audit matter	*How our audit addressed the key audit matter*
Loans and advances: Provision for impairment of sugar cane loans Loans and advances are split into the following: • Sugar cane loans; • Micro loans; • Kobwa loans; • Intercompany loans; • Consumer loans; • Other loans; • Agricultural loans; • Invoice discounting; • Business loans, and • General purpose loans. Sugar cane loans are loans issued to farmers who grow sugar cane. The impairment provision for sugar cane loans is assessed on an individual loan basis. An impairment loss/charge is recognised when the carrying amount of the loan is higher than the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statements of financial position. Management prepares a calculation of the present value of future cash flows that are expected to arise from the harvesting of the sugar cane each year for the duration of the loan. The total net present value of the cash flows is then compared to the carrying amount of the loan. The impairment provision for sugar cane loans for the current financial year is E12 880 900 for both the Company and the Group. An impairment loss of E681 900 was recognised in the current financial year in the statements of comprehensive income for both the Company and the Group. The disclosure relating to this impairment is set out in the following notes to the consolidated and separate financial statements: • Note 9 - Loans and advances impairment policy; • Note 38 - Loans and Advances; • Note 39 - Impairment of loans and advances. We considered the impairment provision on sugar cane loans to be a matter of most significance to our audit because it has a high level of estimation uncertainty due to the judgement involved in determining its underlying key assumptions. The key assumptions and inputs are disclosed in Note 9, namely: • The sugar price per ton; • The yield per hectare;	We obtained the sugar cane loans impairment provision computation performed by management. We performed the following procedures on the provision impairment of sugar cane loans: • We re-performed the calculation of the provision to test the mathematical accuracy thereof. No material differences were noted. • We assessed the reasonability of the key inputs and assumptions made in the determination of the future cash flows. This included: i) recalculating the effective interest rate (i.e the monthly compounded nominal approved loan interest rate over the life of loan agreement as per the signed loan agreements) and comparing it to the effective interest rate used in the sugar cane loan impairment provision calculation and no material differences were noted; ii) comparing the estimated sugar yield per hectare, the sucrose level/content and the sugar price per ton to the independent Crush Summary Report produced by the Sugar Cane Millers, that is, the Royal Swaziland Sugar Association and Illovo; and iii) comparing the production cost per hectare produced by the Sugar Cane Millers, that is, the Royal Swaziland Sugar Association and Illovo to an independent production cost per hectare report produced by the Tamil Nadu Agricultural University. We found no material differences. • We performed a look back procedure by comparing the prior financial year provision to actual impairment in the current year. Our procedures performed indicated that the previous provision was within a reasonable range of actual performance. • We made use of our valuations expertise to assess the approach adopted by management in the provisioning model. Based on our work performed, we found the approach to be

• The sucrose level/content; • The production cost per hectare; and • The effective interest rate.	consistent with market practice and the requirements of International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement.*

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Swaziland Development Finance Corporation Limited and its Subsidiaries Consolidated Financial Statements for the year ended 31 March 2018*, which includes the Directors' report as required by the Companies Act of Swaziland, Corporate governance statement, Statement of director's responsibility, company detailed statement of comprehensive income and company taxation schedules. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Swaziland, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

PricewaterhouseCoopers
Partner: Theo Mason
Registered Auditor
P.O Box 569 Mbabane Swaziland
Date: 31 August 2018.

DIRECTORS' REPORT
for the year ended 31 March 2018

The Directors take pleasure in presenting an analysis of group operations and Annual Financial Statements for the year ended 31 March 2018.

1) NATURE OF THE BUSINESS

Swaziland Development Finance Corporation (Fincorp) is in the business of providing access to financial services to Swazi Citizens in order to economically empower local entrepreneurs by providing credit and other support services. The ultimate objective being to create jobs, alleviate poverty and contribute to economic development. FINCORP is a Non-Bank Financial Institution duly licensed by the Swaziland Financial Services Regulatory Authority (FSRA).

2) STRATEGIC PLAN 2017 - 2022

In view of the fact that the company had achieved its main strategic objectives set in its 2012 – 2017 Strategic Plan of:

- Growing the loan book to a billion emalangeni by 2017,
- Achieving a branch rollout exercise as manifested by the establishment of two outlaying branches under Fincorp and another two branches under the subsidiary company, First Finance Company, as well as
- Setting up a new subsidiary company namely Finsure Insurance Brokers.

In view of the massive growth achieved it was resolved that the cornerstone of the new five year strategy for the 2017 to 2022 Strategic shall be anchored on consolidation of operations and optimisation of organisational performance thus leading to financial and institutional sustainability. This involves the reduction of credit risk and ensuring long term liquidity for the company and its subsidiaries.

3) REVIEW OF OPERATIONS

a) Lending Operations

Gross loan portfolio for the Group covering Fincorp and First Finance Company, declined by 5% from E1.062 million to E1,007 million. Meanwhile Fincorp's loan portfolio had a marginal growth of 2% whilst that of First Finance declined by 9%. The decline was part of the operations consolidation strategy where new lending was curtailed.

General business and agricultural loans approved during the year amounted to E22.9 million and E14.6 million respectively whilst Micro Loans and Sugar cane loan approvals stood at E1.9 million and E98 million respectively. In contrast, loan portfolio approvals for the subsidiary company, First Finance, which offers general purpose finance were E365.7 million in total and a significant proportion of lending activities under the subsidiary company goes towards educational, rural housing needs and purchasing of second hand motor vehicles which are ordinarily not financed by commercial banks.

Thus, total loan approvals for the group for the year, covering Fincorp and First Finance, as approved by the Board of Directors and Credit Committee, were to the value of E503 million. This funding was extended to a total of five thousand six hundred and fifty (5,650) clients.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

A summary of these approvals are shown per quarter in the table below:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	**Annual Total**	
Sector	Loan Amount	Loan Amount	Loan Amount	Loan Amount	Loan Amount	Clients
Agricultural Loans	7 139 216	985 922	6 523 876	37 595 378	14 649 014	28
Business Loans	4 656 207	12 317 478	5 888 788	7 445 217	22 862 474	157
Kobwa Loans	20 156	79 115	15 103	222 727	114 374	26
Micro Loans	487 075	729 450	657 975	550 600	1 874 500	267
Sugar Cane Loans	18 829 205	38 082 699	41 190 822	6 365 809	98 102 726	69
First Finance Loans	77 379 257	97 082 690	191 257 334	208 505 023	365 719 281	5 103
	108 511 116	**149 277 355**	**245 533 898**	**260 684 755**	**503 322 369**	**5 650**

On the other hand outstanding loan commitments representing undisbursed approvals as at the end of the year were E45.2 million as shown in the summary below:

Sector	**Closing loan Commitments 31-Mar-17**	**Loans Approved During the year**	**Number of New Loans**	**Disbursed During the Year**	**Closing Loan Commitments 31-Mar-18**
Agricultural Loans	2 717 753	14 649 014	28	13 094 951	4 271 816
SME Loans	1 922 903	22 862 474	157	22 413 793	2 371 584
Sugar Cane Loans	51 832 352	98 102 726	69	112 313 899	37 621 179
General Purpose Loans	408 452	365 719 281	5 103	365 167 012	960 721
Kobwa Loan Scheme	-	114 374	26	114 374	-
Micro Loans	-	1 874 500	267	1 874 500	-
	56 881 460	**503 322 369**	**5 650**	**514 978 529**	**45 225 300**

b) Insurance Brokerage Business

Finsure Insurance Brokers relies heavily on commission from credit life business generated by the two related parties, First Finance Company, a sister subsidiary company to Swaziland Development Finance Corporation, the parent. The Brokerage business was affected this period by the suspension of lending at First Finance whereby First Finance suspended lending to civil servants until late end of the third quarter whilst lending to civil servants resumed later on a limit of E50,000.00 per borrower. Full lending operations resumed at the beginning of the last quarter of the year.

As a result, the company generated commission income of E3.06 million compared to E3.04 million generated the previous year, indicating somewhat stagnant growth. A significant proportion of the revenue came from commission on credit life cover (64%) generated by the sister companies namely FINCORP and FIRST FINANCE. A proportion of 30% of total commission income was generated from short term insurance whilst the life commission contributed 6% of revenue. Under short term insurance, there was a significant increase in motor vehicle insurance cover commission income.

The company is increasingly making its mark in the market place by way of visibility and outreach to clients. A deliberate stance has been taken to engage more insurance agents in an effort to escalate outreach to remote communities which ordinarily would not have had access to insurance products.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

4) SPECIAL PROJECTS – OFFICE BUILDING PROJECT

Fincorp acquired vacant land in Mbabane some years back with the aim of constructing a FINCORP Head Office Building. By end of the year preparations for construction of the five storey building in city center had been finalized. The project commenced in the second quarter of the financial year and was well on course in terms of completion period as at year end, the time of reporting. It is expected to be completed in July 2018.

The project was expected to take 18 months to be completed and FINCORP is not directly managing the project and its rollout but outsource it as a Turnkey Project Solution under SANLAM (Swaziland). The building will house Fincorp's operations and those of the subsidiaries namely; First Finance Company and later on Finsure Insurance Brokers. Any excess space will be leased out to external tenants whilst at the same being reserved for future expansion.

5) FINANCIAL OVER-VIEW

The group is reporting profit after tax of E7.8 million. This shows a decline from the profits of E12.9 million made the previous year and it is largely because the company's lending operations were partially suspended since last financial year as SME lending was only lending to existing customers whilst General Purpose Finance to civil servants under First Finance was suspended up to the end of the third quarter. Full lending operations at First Finance resuming in January 2018. This resulted in a significantly depleted loan portfolio for both Fincorp and First Finance year on year.

a) Interest Income

Interest income for the group is E118.3 million from E133.1 million made the previous year. Recording a decrease of 11%. Interest income for Fincorp grew by 2% whilst that of the subsidiary, First Finance, declined by 14%.
This is largely attributable to the company's lending operations which were partially suspended since last financial year as Fincorp was only lending to existing customers whilst First Finance suspended lending to civil servants until late October 2017.

b) Interest Expense and Borrowings

The group's overall interest expense has increased by 3% from E83.6 million the previous year to E86.4 million this year ended 31 March 2018. Fincorp's interest expense is E61.3 million and First Finance incurred interest costs totalling E95.1 million (including interest on intercompany / related party loans of E70.0 million).

A total of E66.3 million was raised as new funding whilst a total of E128.2 million was made towards capital repayments for borrowings during the year under review. The new funding raised was generally concluded at increased interest rates, in particular the medium term notes hence the marginal increase in cost of funds.
Borrowings decreased by 9% from E740.6 million to E673.6 million. Below are the details of the capital repayments that were made during the year under review:

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

FINANCIER	30-Jun-17	30-Sep-17	30-Dec-17	31-Mar-18	Total
SWAZI EMPOWERMENT LTD	24 978 340				24 978 340
MEDIUM TERM NOTES	40 000 000				40 000 000
ICDF LOAN		9 814 000		28 181 854	37 995 854
PEU LOAN			4 702 740		4 702 740
STANLIB LOAN			20 000 000		20 000 000
SNPF				559 366	559 366
	64 978 340	**9 814 000**	**24 702 740**	**28 741 220**	**128 236 300**

A first bond listing of E300 million was issued with the Swaziland Stock Exchange in 2013, out of which E252.9 million was subscribed. Of that amount only E10 million was outstanding at year end as E242.9 million had matured and had been repaid.

A second issue of E300 million was done in 2015 which was fully subscribed by the end of the previous financial year. Of that amount E186.5 million was outstanding at year end as E248.0 million had matured and had been repaid.

A third issue of E300 million was done in 2017 and E70 million had been received by year end and all of that amount was outstanding by 31 March 2018. The bond contributed immensely to the growth of the loan portfolio for the Group.

c) Provisions

A total of E15.2 million has been charged as provisions for impaired loans and advances for the year. Of this amount E12.4 million relates to the parent company, Fincorp, whilst E2.8 million is for the subsidiary company, First Finance. This increases accumulated provisions to E84.9 million which represents 60% of total loan portfolio at risk. The difference of 40% of the total loan portfolio at risk not provided for is compensated / covered by security pledged against most of these loans.

The current provision expense of E15.2 million is a decrease of 68% when compared to last year's provision expense which was E47.0 million. Last year's sharp increase in level of loan provisions was largely attributed to agricultural loans that were affected by the severe drought experienced in the Southern Africa region. General decline in domestic economic growth has resulted in negative effects on the profitability and sustainability of SMEs. Lastly timing difference on employer monthly remittances towards loan repayments for March 2017 at the subsidiary First Finance also contributed to the increase in provisions.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

d) Key performance Indicators

Performance of the group declined when compared to the previous financial period due to the reasons as indicated above. Some key performance indicators showing the performance of the corporation are shown below:

RATIOS	Fincorp	Group	Description
Profitability			
Profit Margin	1%	7%	Profit for the period / Interest Income
Portfolio Yield	16%	18%	Interest Income/Gross Portfolio.
Return on Equity	1%	2%	Net Profit / Equity.
Return on assets	0%	1%	After Tax Profit / Assets.
Cost To Income Ratio	93%	135%	Total Cost/ Total Income
Portfolio Quality			
Loan Loss Reserve Ratio	10%	8%	Accumulated provisions / gross portfolio.
Portfolio at risk	28%	14%	Account Balances of Overdue loans / Gross Portfolio.
Write-off Ratio	4.3%	1.9%	Write-offs / Gross Portfolio.
Risk Coverage Ratio	36%	60%	Provision Reserve / Portfolio at risk (90 days overdue).
Provision Expense Ratio	4%	2%	Provision Expense / Gross Portfolio.
Financial Management			
Debt / Equity Ratio	2.20	2.15	Debt / Equity.
Debt to Assets	72%	71%	Debt / Total Assets
Debt Service Coverage Ratio	13%	14%	Net Profit+ depreciation + provisions + unrealised forex + Interest Expense / Annual Debt Repayments.
Financial Expense Coverage	182%	137%	Interest Income / Interest Expense.
Financial Expense Ratio	19%	9%	Interest Expense to Net Portfolio.
Average Cost of Funds Ratio	11%	11%	Interest Expense / Borrowings.
Liquidity Ratio	0.7	1.28	Current Assets to Current Liabilities.
Acid Test / Quick Ratio	0.74	1.39	Current Assets less interest receivable/ Current Liabilities.
Portfolio to Assets	86%	85%	Portfolio / Assets.
Efficiency and Productivity			
Operational Self Sufficiency	147%	152%	Financial Income / Total Expenses (excluding provisions).
Operational Efficiency	129%	136%	Financial Income / Total Expenses.
Financial Self Sufficiency	129%	136%	Adjusted Financial Revenue/Adjusted (Financial Expense + Impairment + Operating Expense).
Operating Expense Ratio	6%	7%	Operating Expenses/Total Assets.
Overheads Expense Ratio	3%	3%	Overhead Expenses / Total Assets.
Personnel Expense Ratio	4%	4%	Staff Costs Expenses / Total Assets.
Active Clients	1,406	16,119	
Average loan size	249,466	62,488	

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

6). REGULATORY REQUIREMENTS

The company fully satisfied the licensing requirements of the Financial Services Regulatory Authority (FSRA) and was accordingly given the license to operate as an authorized Financial Services Provider over and above the oversight control that is exercised by the Ministry of Finance under the Public Enterprise Unit.

7). THE MANAGEMENT OF RISK

Risk Management Framework and Objectives

The Board acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring that adequate risk management processes are in place. The Corporation has a number of committees which deal with the various aspects on policies for accepting risks, including approval of loans and advances, use of limits and avoiding undue concentrations of risk as detailed below:

Responsibility for an Audit, Finance and Risk Committee

An Audit Committee, appointed by the Corporation's Board, is in place to assist the Board in discharging its risk management obligations.

The principal objective of the Corporation's Audit, Finance and Risk Management committee are to:

- Review the Corporation's risk philosophy, strategy, policies and processes recommended by Executive Management;
- Review compliance with risk policies and with the overall risk profile of the Corporation
- Review and assess the integrity of the process and procedures for identifying, assessing, recording and monitoring of risk;
- Review the adequacy and effectiveness of the Corporation's risk management function and its implementation by management;
- Ensure that material corporate risks have been identified, assessed and received attention; and
- Provide the Board with an assessment of the state of risk management within the Corporation.
- Act as an effective communication channel between the Board on one hand and the External Auditors and the Head of Internal Audit on the other;
- Satisfy the Board that adequate internal, financial and operating controls are being identified, addressed and monitored by management and that material corporate risks have been identified and are being contained and monitored through the Corporation's risk committee; and
- Enhance the quality, effectiveness, relevance and communication value of the published financial statements and other public documentation of a financial nature issued by the Corporation, with focus being placed on the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the statutory actuary as appropriate to the Corporation's life insurance activities.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

Responsibility for an Audit, Finance and Risk Committee (continued)

A significant part of Corporation's business involves the acceptance and management of risk. Primary responsibility for risk management at an operational level rests with the Executive Committee. The Corporation's risk management processes, of which the systems of internal, financial and operating controls are an integral part, are designed to control and monitor risk throughout the Corporation. For effectiveness, these processes rely on regular communication, sound judgement and a thorough knowledge of the products and markets by the people closest to them. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Corporation.

Remuneration Committee

The Corporation's Remuneration Committee principal objectives are as follows:

- Ensuring that the Corporation recruits and retains staff that is of relevant qualification and good caliber for the maintenance of a quality portfolio.
- Developing and monitoring strategies and general guidelines for employee compensation, including variable plans and retirement compensation;
- Approving variable pay under the previous year's plan (beginning of each year);
- Preparation of the long-term variable plan for the referral to the Board and subsequent resolution by the General Meeting of Shareholders, and
- Preparation of the targets for variable pay for the following year for resolution by the Board.

Executive Committee

This Committee's principal objectives are as follows:

- This committee is responsible for all the implementation of the policies and recommendations of the other committees.
- It ensures the proper administration and functioning of the Corporation.
- It ensures proper reporting to all the other Committees and third parties.

Credit Committee

The Corporation's Finance and Credit Committee's principal objectives pertaining to risk are as follows:

- Ensure that the Corporation ensures approval of high quality of loan investments.
- Ensure compliance to lending policies of the organization
- Ensure consistent maintenance of high quality loan portfolio.
- Ensure proper approval of annual budgets and adherence there-to.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

8). SHARE CAPITAL

The authorized share capital is 10,000 ordinary shares at E1.00 each of which 1,000 ordinary shares were issued at a premium of E84 224.07 per share, and has remained unchanged during the year.

9). DIVIDENDS

The Directors have recommended that a dividend equivalent to 15% of profits after tax be paid for the period under review.

10). BOARD OF DIRECTORS

The directors who acted during the period are:

Board Member	Representing	Appointed	Current Renewal
Mr. Musa Dlamini, Chair	Swaziland Government	17 September 2008	27 September 2014
Mr. Dumisani Msibi	Group Managing Director	01 February 2016	-
Mr. Musa Mdluli	Tibiyo TakaNgwane	08 September 2005	01 September 2014
Mr. Simanga Simelane	Tibiyo TakaNgwane	08 September 2005	01 September 2014
Mr. Wandile Mathonsi	Swaziland Government	15 February 2017	-
Dr. Phindile Dlamini (Ms)	Swaziland Government	15 November 2010	02 February 2015
Mr. Vusi Dlamini	Swaziland Government	11 July 2016	-
Ms. Maureen Gabuza	Tibiyo TakaNgwane	01 April 2012	01 April 2015
Prof. Patricia Joubert (Ms)	Swaziland Government	15 February 2017	-

11). AUDIT COMMITTEE MEMBERS

The Audit Committee members who acted during the period are:

Mr. Musa Mdluli	Chairperson, Representing Tibiyo Takangwane
Mr. Simanga Simelane	Representing Tibiyo TakaNgwane
Prof. Patricia Joubert (Ms)	Representing Swaziland Government
Ms. Vusi Dlamini	Representing Swaziland Government
Mr. Dumisani Msibi	Group Managing Director

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

12). REMUNERATIONS COMMITTEE MEMBERS

The Remuneration Committee members who acted during the period are:

Ms. Maureen Gabuza	Chairperson, Representing Tibiyo TakaNgwane
Mr. Wandile Mathonsi	Representing Swaziland Government
Dr. Phindile Dlamini (Ms)	Representing Swaziland Government
Mr. Dumisani Msibi	Group Managing Director

13). SECRETARY OF THE CORPORATION

The Secretary of the Corporation is: Mr. Sikolemaswati Ntshalintshali

14). BANKERS

The Bankers of the Corporation are:

First National Bank Swaziland Limited
PO Box 261
EVENI
Swaziland

Nedbank Swaziland Limited
PO Box 68
MBABANE
Swaziland

Standard Bank Swaziland Limited
PO Box A294
SWAZI PLAZA
Swaziland

15). BUSINESS AND POSTAL ADDRESS OF THE CORPORATION

Business Address:

7th Floor Dlanubeka Building
Corner of Mdada and Lalufadlana Streets
MBABANE
Swaziland

Postal Address:

PO Box 6099
MBABANE
Swaziland
H100

16). AUDITORS

The Auditors of the Corporation are Pricewaterhouse Coopers

Business Address:

Rhus Office Park
Kal Grant Street
MBABANE
Swaziland

Postal Address:

PO Box 569
MBABANE
Swaziland
H100

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

17). EVENTS SINCE BALANCE SHEET DATE

(a) Have been fully taken into account insofar as they have a bearing on the amounts attributed to assets and/or liabilities at that date;

(b) Apart from changes in the ordinary course of business, have not made the present financial position substantially different from that shown by the balance sheet;

(c) Have not required adjustments to the fair value measurements and disclosures included in the financial statements.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2018

		Group		Company	
	Notes	**2018**	2017	**2018**	2017
Interest Income	28	**118 256 647**	133 088 620	**111 419 110**	109 364 361
Fee Income	30	**64 939 491**	84 310 922	**472 130**	2 032 854
Interest Expense	29	**(86 422 060)**	(83 572 015)	**(61 332 189)**	(58 559 155)
Net operating income before loan impairment charges and other credit risk provisions		**96 774 078**	133 827 527	**50 559 051**	52 838 060
Impairment of loans and advances	40	**(15 179 809)**	(47 026 754)	**(12 427 710)**	(25 242 594)
Interest Income After Provisions		**81 594 269**	86 800 773	**38 131 341**	27 595 466
Net Trading Expense	31	**(4 925 087)**	(287 494)	**(4 925 087)**	(287 494)
Other operating income	32	**14 848 946**	6 237 730	**21 082 198**	20 712 475
Net operating income		**91 518 128**	92 751 009	**54 288 452**	48 020 447
Employee compensation and benefits	34	**(42 599 426)**	(40 351 484)	**(28 112 292)**	(24 044 415)
General and administrative expenses	33	**(33 424 177)**	(32 716 237)	**(20 185 926)**	(17 850 144)
Depreciation of Property Plant and Equipment	33	**(1 493 156)**	(1 742 690)	**(1 052 609)**	(1 296 597)
Total Expenses		**(77 516 758)**	(74 810 411)	**(49 350 827)**	(43 191 156)
Income from operation before income tax expense		14 001 370	17 940 598	**4 937 625**	4 829 291
Income tax expense	35	(6 237 234)	(5 018 412	(3 835 315)	(1 407 116
Profit for the year		**7 764 136**	12 922 186	**1 102 309**	3 422 175
Total profit/(loss) Attributable to:					
Owners of the parent		**7 764 136**	12 922 186	**1 102 309**	3 422 175

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
at 31 March 2018

	Note	Group 2018 E	Group 2017 E	Company 2018 E	Company 2017 E
Non-Current Assets					
Goodwill	44.2	**736 512**	736 512	-	-
Property Plant and equipment	37	**27 576 662**	14 973 999	**25 100 021**	12 730 982
Intangible assets	38	**1 186 927**	456 603	**1 018 126**	456 882
Investment in subsidiary	44	**-**	-	**14 168 986**	13 995 321
Net Loans and Advances	39	**922 326 929**	988 127 000	**315 039 643**	313 332 000
Loans and Advances		**1 007 215 435**	1 073 928 882	**350 749 297**	349 505 344
Impaired Loans and Advances		**(84 888 506)**	(85 801 882)	**(35 709 654)**	(36 173 344)
Amount due from related parties	58	-	-	**370 364 635**	488 141 759
Financial investments	41	**2 001 769**	1 956 354	**2 001 769**	1 956 353
Other assets	42	**31 686 668**	20 588 487	**39 865 704**	59 729 568
Cash and cash equivalents	43	**90 629 987**	91 804 777	**20 982 291**	49 136 559
Deferred tax assets	36	**516 959**	3 821 446	**321 277**	3 317 432
Taxation asset	49	**6 225 627**	1 582 983	**5 084 410**	1 846 863
Total Assets		**1 082 888 039**	1 124 048 161	**793 946 862**	944 643 720
Equity and Liabilities					
Ordinary share capital	45	**1 000**	1 000	**1 000**	1000
Share premium	45	**184 224 069**	184 224 069	**184 224 069**	184 224 069
General Risk Reserve	46	**12 373 666**	9 501 696	**6 300 793**	6 159 469
Retained Income		**115 255 291**	111 829 010	**27 896 344**	28 227 578
Total equity		**311 854 026**	305 555 775	**218 422 206**	218 612 116
Liabilities					
Borrowings	47	**673 588 552**	740 576 759	**483 588 552**	550 576 759
Trade and other payable	48	**95 258 911**	72 717 736	**90 767 824**	172 421 793
Provisions	50	**2 186 551**	5 197 891	**1 168 280**	3 033 052
Total liabilities		**771 034 014**	818 492 386	**575 524 656**	726 031 604
Total equity and liabilities		**1 082 888 040**	1 124 048 161	**793 946 862**	944 643 720

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 March 2018

Group - 2018	**Share capital**	**Share premium**	**General risk reserve**	**Retained earnings**	**Total Equity**
Balance at 31 March 2017	**1 000**	**184 224 069**	**9 501 696**	**111 655 344**	**305 382 109**
Total comprehensive income for the year	-	-	-	**7 764 136**	**7 764 136**
Profit for the year	-	-	-	**7 764 136**	**7 764 136**
Other comprehensive income for the year	-	-	-	-	-
Shareholders capital contribution	-	-	-	-	-
Transfer to General risk reserve	-	-	**2 871 969**	**(2 871 969)**	-
Dividends paid	-	-	-	**(1 292 219)**	**(1 292 219)**
Balance at 31 March 2018	**1 000**	**184 224 069**	**12 373 665**	**115 255 292**	**311 854 026**

Group - 2017	**Share capital**	**Share premium**	**General risk reserve**	**Retained earnings**	**Total Equity**
Balance at 31 March 2016	1 000	184 224 069	10 576 696	98 480 959	293 282 724
Total comprehensive income for the year	-	-	-	12 922 186	12 922 186
Profit for the year	-	-	-	12 922 186	12 922 186
Other comprehensive income for the year	-	-	-		-
Transfer to General risk reserve	-	-	(1 075 000)	1 075 000	-
Dividends paid	-	-	-	(822 800)	(822 800)
Balance at 31 March 2017	1 000	184 224 069	9 501 696	111 655 344	305 382 109

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (continued)
for the year ended 31 March 2018

COMPANY - 2018	**Share capital**	**Share premium**	**General risk reserve**	**Retained earnings**	**Total Equity**
Balance at 31 March 2017	**1 000**	**184 224 069**	**6 159 469**	**28 227 577**	**218 612 116**
Total comprehensive income for the year	-	-	-	1 102 309	1 102 309
Profit for the year	-	-	-	1 102 309	1 102 309
Other comprehensive income for the year	-	-	-	-	-
Transfer to General risk reserve	-	-	141 324	(141 324)	-
Dividends paid				(1 292 219)	(1 292 219)
Balance at 31 March 2018	**1 000**	**184 224 069**	**6 300 793**	**27 896 344**	**218 422 206**

COMPANY - 2017	**Share capital**	**Share premium**	**General risk reserve**	**Retained earnings**	**Total Equity**
Balance at 31 March 2016	1 000	184 224 069	7 314 001	24 473 671	216 012 741
Total comprehensive income for the year	-	-	-	3 422 175	3 422 175
Profit for the year	-	-	-	3 422 175	3 422 175
Other comprehensive income for the year	-	-	-	-	-
Transfer to General risk reserve	-	-	(1 154 531)	1 154 531	-
Dividends paid				(822 800)	(822 800)
Balance at 31 March 2017	1 000	184 224 069	6 159 469	28 227 577	218 612 116

CONSOLIDATE AND SEPARATE STATEMENTS OF CASHFLOWS
for the year ended 31 March 2018

	Note	Group		Fincorp	
		2018	2017	**2018**	2017
		E'	E'	**E'**	E'
Cash flow from operating activities					
Cash outflow from operating activities	53	**90 253 581**	68 599 000	**58 932 461**	37 242 000
Taxation paid during the year	49	**(9 440 355)**	(13 515 000)	**(5 941 964)**	(1 017 000)
Net cash outflow from operating activities		**80 813 226**	55 084 000	**52 990 497**	36 225 000
Cash flow from investing activities					
Additions to property, plant and equipment	37	**(15 194 909)**	(218 000)	**(14 241 659)**	(97 000)
Proceeds from sale of property, plant and equipment		**195 101**	1 023 000	**85 101**	1 023 000
Acquisition of financial instrument		**-**	(328 000)	**-**	(328 000)
Net cash outflow from investing activities		**(14 999 808)**	477 000	**(14 156 558)**	598 000
Cash flow from financing activities					
Borrowing repayments		**(131 995 989)**	182 590 000	**(131 995 988)**	182 456 000
Proceeds from long-term financing		**66 300 000**	(195 714 000)	**66 300 000**	(195 446 000)
Dividends paid to shareholders		**(1 292 219)**	(823 000)	**(1 292 219)**	(823 000)
Net cash inflows from financing activities		**(66 988 208)**	(13 947 000)	**(66 988 207)**	(13 813 000)
Movement in cash and cash equivalents					
Cash and cash equivalents at beginning of the year		**91 804 777**	50 191 000	**49 136 559**	26 127 000
Net increase in cash and cash equivalents		**(1 174 790)**	41 614 000	**(28 154 268)**	23 010 000
Cash and cash equivalents at end of the year	43	**90 629 987**	91 805 000	**20 982 291**	49 137 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31March 2018

1. General Information

Swaziland Development Finance Corporation ('the company') and its subsidiary (together, "the group") carries on the business of advancing business and general purpose loans to members of the public.

Swaziland Development Finance Corporation Limited is a limited liability company incorporated and domiciled in Swaziland.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Swaziland Development Finance Corporation Limited have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC Interpretations and Swaziland Companies Act of 2009 provisions applicable to companies reporting under IFRS they comply with these. The financial statements have been prepared under the historical cost convention,. The following are measured at fair value; derivative financial instruments at fair value through profit or loss and available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in accounting policy 26.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the company

	Standard	Description	Matter	Expected impact
•	IFRS 16 – Leases	Leases	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.	The company is yet to assess the financial impact on the implementation of this standard

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations (continued)

	Standard	Description	Matter	Expected impact
•	IFRS 9 (2014)	Financial Instruments*	Determines the measurement and presentation of financial instruments depending on their contractual cash flows and business model under which they are held. The impairment requirements are based on an expected credit loss ("ECL") model that replaces the IAS 39 incurred loss model. The new hedging model provides for more economic hedging strategies meeting the requirements for hedge accounting.	The impact of the ECL model on the Company's financial statements is currently not reasonably estimable
•	IFRS 15	Revenue from contracts with customers**	IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers.	The standard will have an impact on the Company's financial statements with potential changes to the Company's current accounting, systems and processes, the effects of which are still being assessed.

3. Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the relevant activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

3. Consolidation (continued)

(a) Subsidiaries

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Lilangeni (E), which is the company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

5. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use by management. After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the reducing balance method to write off the cost or revalued amount of the asset to their residual value over their estimated useful lives as follows:

5. Property, plant and equipment (continued)

The principal annual rates used for this purpose are:-

Computer Equipment	33⅓%
Furniture and fittings	10%
Office furniture	10%
Motor vehicle	20%-25%

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in operating profit. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits will flow to the Corporation. Major renovations are depreciated over the remaining useful life of the related assets.

6. Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Computer software

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 group are recognised at cost as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

6. Intangible assets (continued)

b) Computer software (continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives using straight line which is at cost less accumulated depreciation and which does not exceed three years.

7. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

8. Loans and advances

Loans and advances are recognised when cash is advanced to borrowers. They are derecognised when either borrower(s) repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred.

They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses. Where loans and advances are hedged by derivatives designated and qualifying as fair value hedges, the carrying value of the loans and advances so hedged includes a fair value adjustment for the hedged risk only.

9. Loans and advance impairment

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and on Corporations of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

9. Loans and advance impairment (continued)

Individually assessed loans and advances

For all loans that are considered individually significant, the Corporation assesses on a case-by-case basis at each statement of financial position date whether there is any objective evidence that a loan is impaired. For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- the Corporation's aggregate exposure to the customer;
- the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the likely dividend available on liquidation or bankruptcy;
- the extent of other creditors' commitments ranking ahead of, or *pari passu* with, the Corporation and the likelihood of other creditors continuing to support the Corporation;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding;

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

For Sugar Loan impairment model the entity uses the following key assumptions;

The Sugar price per ton
The Yield per hectare
The sucrose level/content
The production cost per hectare
The effective interest rate.

The provision model for the sugar cane loans uses the discounted cashflow model, that is, discounting the yield from the Farmers' Sugar proceeds over the life of the loan agreement. The NPV of the discounted cashflows is compared to the carrying amount of the loan and if the Carrying amount is greater than the NPV of the net cash inflows the excess is recognised as an impairment.

The rationale for this approach is that the Sugar Farming Loans are specific loans and the repayments towards this loans are derived from the sale of the Sugar Cane to the local Sugar Millers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

9. Loans and advance impairment (continued)

Individually assessed loans and advances (continued)

A change of +/-10% in Sugar Price per ton at the reporting date would have increased (decreased) profit or loss and provision for doubtful debtors by the amounts shown below:

Loan provisions 2018	**E**	**E**
	Equity	**Profit or loss**
Increase in price per ton by 10%	**14 727 336**	**14 727 336**
Decrease in price per ton by 10%	**(14 727 336)**	**(14 727 336)**

Loan provisions 2017	E	E
	Equity	Profit or loss
Increase in price per ton by 10%	2 459 696	2 459 696
Decrease in price per ton by 10%	(2 459 696)	(2 459 696)

A change of +/-1% in the effective interest rate at the reporting date would have increased (decreased) profit or loss and provision for doubtful debtors by the amounts shown below:

Loan provisions 2018	**E**	**E**
	Equity	**Profit or loss**
Increase in effective interest rate by 1%	**(416 066)**	**(416 066)**
Decrease in effective interest rate by 1%	**279 446**	**279 446**

Loan provisions 2017	E	E
	Equity	Profit or loss
Increase in effective interest rate by 1%	(219 330)	(219 330)
Decrease in effective interest rate by 1%	108 158	108 158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

9. Loans and advance impairment (continued)

Individually assessed loans and advances (continued)

A change of +/-10% in Yield per hectare at the reporting date would have increased (decreased) profit or loss and provision for doubtful debtors by the amounts shown below:

Loan provisions 2018	**E**	**E**
	Equity	**Profit or loss**
Increase in yield per hectare by 10%	**2 497 701**	**2 497 701**
Decrease in yield per hectare by 10%	**(20 313 567)**	**(20 313 567)**

Loan provisions 2017	E	E
	Equity	Profit or loss
Increase in yield per hectare by 10%	2 459 696	2 459 696
Decrease in yield per hectare by 10%	(5 560 959)	(5 560 959)

Write-off of loans and advances

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write back is recognised in the income statement.

Renegotiated/rescheduled loans

Loans subject to impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as new loans for measurement purposes once the minimum number of payments required under the new arrangements has been received. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due. The carrying amounts of loans that have been classified as renegotiated retain this classification until maturity or derecognition.

Assets acquired in exchange for loans

Non-financial assets acquired in exchange for loans as part of an orderly realisation are recorded as assets held for sale and reported in 'Other assets'. The asset acquired is recorded at the lower of its fair value (less costs to sell) and the carrying amount of the loan (net of impairment allowance) at the date of exchange. No depreciation is charged in respect of assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognised in the income statement, in 'Other operating income'. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write down, is also recognised in 'Other operating income', together with any realised gains or losses on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

10. Finance and Operating leases

Leases of property, plant and equipment where the Corporation has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

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. In all significant leasing arrangements in place during the year, the Corporation acted as a lessee.

11. Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

When such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in 'Total shareholders' equity', net of any directly attributable incremental transaction costs and related income tax effects.

12. Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

12. Financial assets (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement (continued)

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for- sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' 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 as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

13. Offset of financial assets and liabilities

Financial assets and financial liabilities are offset in the amount represented in the statement of financial position when the Corporation has a legally enforceable right to set off the recognised amount, and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

14. Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

14. Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

15. Revenue recognition

Revenue comprises of interest income accounted in the income statement on the accrual method. Revenue from rendering of services is recognised by reference to the completion of the specific transaction assessed as the basis of the actual service provided as a proportion of the total services provided when it is probable that the economic benefits associated with a transaction will flow to the Corporation and the amount of revenue, and associated costs incurred or to be incurred can be measured reliably.

(a) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Corporation reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost–recovery basis as conditions warrant.

From an operational perspective, it suspends the accrual of interest on a loan when its recovery is considered doubtful. However, in terms of IAS 39 interest income on impaired advances is thereafter recognised based on the original effective interest rate used to determine the recoverable amount.

(b) Non-interest income

Fee income
The Corporations earns fee income from a diverse range of services provided to its customers. Fee income comprise mainly of application fee, loan monitoring fee, administration fee and management fee. Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, project monitoring)
- income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and
- Income which forms an integral part loan or project appraisal (application fee) is recognised when the application of loan is being approved.

Net trading income/(expense)
Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with related interest income, expense and dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

15. Revenue recognition (continued)

(c) Non-interest income

Dividend income
Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for equity securities.

Commission income
The Corporation recognises commission income on an accrual basis when the service is rendered.

16. General Risk Reserve

General provisions which are calculated at 2% of the net loans after specific provisions are dealt with within the statement of changes in equity as appropriation of retained earnings. This treatment is in accordance with the Corporation policies.

17. Financial Instruments

Financial instruments carried in the statement of financial position include cash and bank balances, investments, receivables, trade creditors, leases and borrowings and derivatives. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(1) Financial risk factors

The Corporation's activities expose it to a variety of financial risks including currency risk, fair value interest risk and price risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses derivative financial instruments to hedge certain risk exposures.
Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Corporation operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and investing excess liquidity.

a) Market risk

Market risk comprised of three types of risks, namely: foreign exchange risk, interest rate risk and price risk.

i) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Corporation operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

Foreign exchange risk arises from future commercial transactions or recognised assets and liabilities are denominated in the currency that is not the entity's functional currency.

As at 31 March 2018, if the Lilangeni weakened by 5% against the US dollar with all the other variables held constant, post-tax profits for the year would have been E0.00 (2017: 1 890 828) lesser mainly as a result of foreign exchange losses on the translation of US dollar denominated borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

17. Financial Instruments (continued)

(1) Financial risk factors (continued)

a) Market Risk (continued)

ii) Price risk

Price risk includes equity price risk and cash flow and interest rate risk.

1) Equity Price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Corporation is currently not exposed to equity price risk because at the statement of financial position date there were no investments held by the Corporation and classified either as available for sale or at fair value through profit and loss.

The permanent shares at Swaziland Building Society classified as "available-for-sale" are not exposed the equity price risk since they are redeemable at nominal value.

Cash flow and interest rate risk is the risk that the value and cash flow of a financial instrument will fluctuate due to changes in market interest rates.

As the Corporation has significant interest-bearing assets, the Corporation's income and operating cash flows are substantially independent of changes in the market interest rates. The Corporation has no policies in place to hedge against fluctuating interest rate.

The Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings and long-term loans issued at fixed rates expose the Corporation to fair value interest rate risk. Currently the corporation has borrowings at both floating and fixed interest rates. Borrowings obtained at fixed interest rates are on-lent on loans at fixed interest rates. Loans that are issued at floating interest rates are financed and matched with borrowings that are at floating rates. As such the Corporation is not exposed to fair value interest rate risk.

During 2018 and 2017, the Corporation's borrowings at variable rates were denominated in the Swaziland lilangeni and US Dollars.

The Corporation analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

17. Financial Instruments (continued)

(1) Financial risk factors (continued)

a)Market risk (continued)

ii)Price risk (continued)

A change of 50 basis points in prime lending rates at the reporting date would have increased (decreased) profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017:

GROUP AND COMPANY	Profit or loss		Equity	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Increase of 100 basis points	**1 706 851**	5 781 000	**1 237 467**	4 191 225
Decrease of 100 basis points	**1 706 851**	(5 781 000)	**(1 237 467)**	(4 191 225)

The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

The table below gives an indication of the Group's monetary sensitivity to changes in interest rates in 2018.

	Financial Investment	**Cash at bank**	**Loans and advance**	**Borrowings**
	E'	**E'**	**E'**	**E'**
Base amounts	2 001 767	90 629 987	922 326 929	673 588 552
Interest plus 1%	10 009	453 150	4 611 635	3 367 943
Interest less 1%	(10 009)	(453 150)	(4 611 635)	(3 367 943)

The table below gives an indication of the Group's monetary sensitivity to changes in interest rates in 2017.

	Financial Investment	**Cash at bank**	**Loans and advance**	**Borrowings**
	E'000	**E'000**	**E'000**	**E'000**
Base amounts	1 956 353	91 804 777	988 127 000	786 941 000
Interest plus 1%	25 000	12 000	10 253 000	7 776 000
Interest less 1%	(25 000)	(12 000)	(10 253 000)	(7 776 000)

17. Financial Instruments

b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Corporation to incur a financial loss.

The Corporation has exposure to credit risk, which is the risk that a counterpart will be unable to pay amounts in full when due. Key areas where the Corporation is exposed to credit risk are:

- loans and advances,
- other assets,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

17. Financial Instruments (continued)

b) Credit risk (continued)

The Corporation structures the levels of credit risk it accepts by placing limits on its exposure to a single counterpart, or Corporations of counterparties. Such risks are subject to an annual or more frequent review.

The major concentration of credit risk arises from the Corporation's receivables and investment securities in relation to the nature of customers and issuers. Collateral is required in respect of loans issued by the Corporation. Reputable financial institutions are used for investing and cash handling purposes.

Mechanisms are in place to monitor the risk of default by individual loan holders. Exposures to individual loan holders and Corporation of loan holders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual loan holders, or homogenous Corporation of loan holders, a financial analysis carried out by the Corporation.

Quality control and risk department makes regular reviews to assess the degree of compliance with the Corporation procedures on credit and the overall control environment.

At the statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

The table below shows the security deposit and balance of the ten major counterparties at the statement of financial position date.

GROUP AND COMPANY

	31 March 2018		31 March 2017	
Counterparty	**Balance E'**	**Security valuation E'**	Balance E'	Security valuation E'
Emtini (Pty) Ltd	**24 271 797**	**29 000 000**	25 782 000	29 000 000
Umbombo Wendlovu	**17 781 623**			
DD4 Investments (Pty) Ltd – lease	**16 139 577**	**-**	15 823 000	-
Hhohho Cotton Growers	**13 719 334**	**1 585 000**	15 800 000	1 585 000
Swaziland perishable foods (Pty) Ltd	**15 769 047**	**13 370 000**	13 558 000	13 370 000
Dudas Investments (Pty) Ltd	**7 324 506**	**1 400 000**	10 949 000	1 400 000
Lomdashi Limited	**10 256 495**	**-**	8 879 000	-
Agritech Investments	**5 209 334**	**1 510 000**	6 675 000	1 510 000
Greenacres Tutorial Academy	**6 106 943**	**3 810 000**	6 038 000	3 810 000
Vukani Farmers Association	**5 113 417**	**428 000**	5 487 000	428 000
Qwabe Claribel	**5 440 585**	**684 000**	5 337 000	684 000

The securities placed as collateral are all land & buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

17. Financial Instruments (continued)

d) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Corporation maintains sufficient cash and near cash assets to meet its liquidity commitments. Due to the dynamic nature of the underlying businesses, the Corporation aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Corporation's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow.

GROUP Forecasted liquidity reserve per 31 March 2018 is as follows:

	31-Mar-2019	31-Mar-2018
	E'	E'
Opening balance for the period	**90 629 987**	91 804 777
Net Operating proceeds	**(37 933 152)**	(12 240 499)
Net cash from investing activities	**(11 546 057)**	(66 988 208)
Net cash inflow from financing Activities	**94 884 547**	(66 988 208)
At End of the year	**15 507 059**	**90 629 987**

COMPANY Forecasted liquidity reserve per 31 March 2018 is as follows:

	31-Mar-2019	31-Mar-2018
	E'	E'
Opening balance for the period	**20 982 291**	49 136 559
Net Operating proceeds	**-71 495 558**	50 231 188
Net cash from investing activities	**-9 863 000**	-11 397 249
Net cash inflow from financing Activities	**81 999 585**	-66 988 207
At End of the year	**-21 623 318**	**20 982 291**

The above forecasted liquidity analysis uses the forecasted cashflow for the upcoming financial year ending 31 March 2019. The forecasted cashflow include estimated growth in loans and advances and outflows to finance the business.

The table below analyses the Corporation's financial into relevant maturity groups based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

17. Financial Instruments (continued)

(d) Liquidity risk (continued)

GROUP

31 March 2018	**Less than 1 year E'**	**Between 1 and 2 years E'**	**Between 2 and 5 years E'**	**Over 5 years E'**	**Total E'**
Financial Liabilities:					
Trade and other payables	**91 662 271**	-	-	-	**91 662 271**
Other short-term liabilities	**4 051 808**	-	-	-	**4 051 808**
Overdraft	-	-	-	-	-
Borrowings	**373 229 801**	**180 817 174**	**119 541 577**	-	**673 588 552**
	468 943 880	**180 817 174**	**119 541 577**	-	**769 302 631**
2017					
Financial Liabilities:					
Trade and other payables	26 353 000	-	-	-	26 353 000
Other short-term liabilities	5 198 000	-	-	-	5 198 000
Overdraft	-	-	-	-	-
Borrowings	365 941 000	337 646 000	82 162 000	1 193 000	786 941 000
	397 492 000	337 646 000	82 162 000	1 193 000	818 493 000

COMPANY

31 March 2018					
Financial Liabilities:					
Trade and other payables	**89 036 441**	-	-	-	**89 036 441**
Bank overdraft		-	-	-	
Other short-term liabilities	**1 168 281**	-	-	-	**1 168 281**
Long term liabilities	**183 229 801**	**180 817 174**	**119 541 577**	-	**483 588 552**
	273 434 523	**180 817 174**	**119 541 577**	-	**573 793 274**
31 March 2017					
Financial Liabilities:					
Trade and other payables	129 300 000	-	-	-	129 300 000
Bank overdraft	-	-	-	-	-
Other short-term liabilities	3 033 000	-	-	-	3 033 000
Long term liabilities	362 698 000	147 646 000	82 162 000	1 193 000	593 699 000
	495 031 000	147 646 000	82 162 000	1 193 000	726 032 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

17. Financial Instruments (continued)

(d) Liquidity risk (continued)

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns and benefits for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or enter into further financing as applicable.

The Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

(1) Capital risk management

During the year ended 2018, the Group's strategy, was to maintain a gearing ratio not exceeding 1:4 (80%). The gearing ratios as at 31 March 2018 and 2017 were as follows:

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	E'	E'	E'	E'
Total borrowings	**673 588 552**	786 941 000	**483 588 552**	593 699 000
Long term borrowings (Note 40)	**673 588 552**	786 941 000	**483 588 552**	593 699 000
Bank overdraft (Note 42)	**-**	-	**-**	-
Less: cash and cash equivalents	**(90 629 987)**	(91 805 000)	**(20 982 291)**	(40 937 000)
Net debt	**582 958 565**	695 136 000	**462 606 261**	552 762 000
Total equity	**313 085 472**	305 555 775	**219 653 652**	218 612 115
Total capital	**896 044 038**	1 000 692 000	**682 259 913**	771 374 000
Gearing ratio	**65%**	**69%**	**68%**	**72%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

(2) Fair value estimation

The fair value of financial instruments traded in active market (such as trading and available for sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Corporation is the current bid price.

The carrying value of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

For financial assets and liabilities with maturity of less than one year, the face value less any estimated credit adjustments are assumed to approximate their fair values.

17. Financial Instruments

Effective 1 January 2006, the company adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires 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 asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Level 3 Disclosure

i) Loans and advances

Methods and assumptions used in the valuation:
The company uses the discounted cashflows of the loans to estimate their fair value. The discounted cashflows are performed over the life of the loan in line with each individual loan agreement. The company uses an imputed discount rate to calculate the cashflows over the life of the loan.

ii) Other assets

Methods and assumptions used in the valuation:
Other assets comprises of loans and advances to staff and other related party receivables. The company assumes that the carrying amount approximates the fair value.

iii) Financial instruments

Methods and assumptions used in the valuation:
Financial instruments are investment held at cost with local financial institutions. The company assumes that the carrying amount approximates the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

17. Financial Instruments (continued)

GROUP	Loans and advances	Other assets	Cash and cash equivalents	Financial instruments	Total
	E'	E'	E'	E'	E'
As at 31 March 2018					
Fair value measurement hierarchy levels:					
- Level 1	-	-	90 629 987	-	90 629 987
- Level 2	-	-	-	2 001 767	2 001 767
- Level 3	922 326 929	31 686 668	-	-	954 013 597
	922 326 929	**31 686 668**	**90 629 987**	**2 001 767**	**1 046 645 351**

As at 31 March 2017
Fair value measurement
hierarchy levels:

GROUP	Loans and advances	Other assets	Cash and cash equivalents	Financial instruments	Total
- Level 1	-	-	91 805 000	-	91 805 000
- Level 2	-	-	-	1 956 000	1 956 000
- Level 3	988 127 000	20 589 000	-	-	1 008 716 000
	988 127 000	20 589 000	91 805 000	1 956 000	1 102 477 000

COMPANY	Loans and advances	Other assets	Cash and cash equivalents	Financial instruments	Total
	E'	E'	E'	E'	E'
As at 31 March 2018					
Fair value measurement hierarchy levels:					
- Level 1	-	-	20 982 291	-	20 982 291
- Level 2	-	-	-	2 001 767	2 001 767
- Level 3	685 404 279	39 865 705	-	-	725 269 984
	685 404 279	**39 865 705**	**20 982 291**	**2 001 767**	**748 254 042**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

17. Financial Instruments (continued)

COMPANY

	Loans and Advance E'	Other assets E'	Cash and cash equivalents E'	Financial instruments E'	Total E'
As at 31 March 2017					
Fair value measurement hierarchy levels:					
- Level 1	-	-	49 137 000	-	49 137 000
- Level 2	-	59 730 000	-	-	59 730 000
- Level 3	801 474 000	-	-	1 956 000	803 430 000
	801 474 000	59 730 000	49 137 000	1 956 000	912 297 000

18. Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Corporation expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Corporation recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, other short term high liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

19. Property in possession

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'.

20. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

21. Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when they become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between the proceed (net of transaction value) and the redemption value is recognised in the income statement over the period of the borrowings.

22. Deferred income tax

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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

23. Current tax assets and liabilities

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of prior years. Income tax for current and prior periods, to the extent unpaid, shall be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.
When a tax loss is used to recover current tax of a period an asset shall be recognised in the period in which the tax loss occurs because it is probable that the benefit will flow to the entity and the benefit can

24 Cash and Cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in short-term borrowings. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

25. Employee benefits

Short-term employee benefits
The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provision for employee entitlements to salaries and annual leave represent the amount that the Corporation has a present obligation to pay, as a result of employees' services provided up to the statement of financial position date. The provision has been calculated at undiscounted amounts based on current salary rates.

Pension Obligations
The Corporation operates a defined contribution plan. The Corporation pays contributions to a privately administered pension plan on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Corporation has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

Performance bonus
A liability for employee benefits in the form of performance bonus is recognised in current provisions when there is no alternative but to settle the liability, and at least one of the following conditions is met;

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

26. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical information, experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The corporation makes estimates and assumptions concerning the future. The resulting accounting estimate will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of loans and receivables within the next financial year as discussed below.

Estimated impairment of loans and receivables
The Corporation tests annually whether loans and receivables suffered any impairment in accordance with the accounting policy stated in 9. The recoverable amounts of loans and receivables have been determined based on discount cash inflows. These calculations require the use of estimates (Note 39).

27. Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual right to receive cash flows from the assets has expired; or when the Corporation has transferred its contractual right to receive the cash flows of the financial assets, and either:
– Substantially all the risks and rewards of ownership have been transferred; or
– The Corporation has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

28 Interest income	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Revenue consists of the aggregate of interest income received and accrued.				
The analysis of interest income by category/section is as follows:				
Business loans	**15 928 504**	16 794 000	**15 928 504**	16 794 000
Micro loans	**157 485**	158 000	**157 485**	158 000
General purpose loans	**76 840 126**	89 564 000		-
Intercompany loan		-	**70 002 589**	65 840 000
Agriculture loans	**11 622 243**	12 454 000	**11 622 243**	12 454 000
Sugar cane loans	**13 708 289**	14 119 000	**13 708 289**	14 118 000
	118 256 647	133 089 000	**111 419 110**	109 364 000

Included in interest income is interest income amounting to E8 216 177 (2017: E8 122 507) earned from impaired loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

		Group		Company	
		2018	2017	**2018**	2017
29	**Interest expenditure**	**E'**	E'	**E'**	E'
	The analysis of interest expense by category is as follows:				
	Bank overdraft	**20 160**	377 000	**12 891**	43 000
	Interest on customer security deposits	**241 921**	310 000	**241 921**	310 000
	Interest payable on long term loans	**86 151 980**	82 885 000	**61 077 377**	58 206 000
		86 422 061	83 572 000	**61 332 189**	58 559 000

29.1 The analysis of interest expenditure by measurement is as follows:

COMPANY	**Measured at fair value**	**Measured at amortised cost**	**Total**
	E'	**E'**	**E'**
31 March 2018			
Bank overdraft	-	**12 891**	**12 891**
Interest on security deposits	-	**241 921**	**241 921**
Interest payable on long term loans	-	**61 069 377**	**61 069 377**
Total interest expense	-	**61 332 189**	**61 332 189**
31 March 2017			
Bank overdraft	-	43 000	43 000
Interest on security deposits	-	310 000	310 000
Interest payable on long term loans	-	58 206 000	58 206 000
Total interest expense	-	58 559 000	58 559 000

GROUP	**Measured at fair value**	**Measured at amortised cost**	**Total**
	E'	**E'**	**E'**
31 March 2018			
Bank overdraft	-	**20 160**	**20 160**
Interest on security deposits	-	**241 921**	**241 921**
Interest payable on long term loans	-	**86 151 980**	**86 151 980**
Total interest expense	-	**86 422 061**	**86 422 061**
31 March 2017			
Bank overdraft	-	377 000	377 000
Interest on security deposits	-	310 000	310 000
Interest payable on long term loans	-	82 885 000	82 885 00
Total interest expense	-	83 572 000	83 572 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

	Group		Company	
30 Fee income	**2018**	2017	**2018**	2017
	E'	E'	**E'**	E'
Facility fee	-	1 377 000	-	1 377 000
Application fee	-	1 545 000	-	136 000
Settlement fee	-	2 799 000	-	-
Administration fee	**64 939 491**	78 590 000	**472 129**	520 000
	64 939 491	84 311 000	**472 129**	2 033 000

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
31 Net trading expense				
Foreign exchange losses on long term loan	**(4 925 087)**	(287 000)	**(4 925 087)**	(287 000)
	(4 925 087)	(287 000)	**(4 925 087)**	(287 000)

	Group		Company	
32 Other operating income	**2018**	2017	**2018**	2017
	E'	E'	**E'**	E'
Interest on bank deposits	**7 199 272**	1 629 000	**1 200 469**	1 222 000
Insurance commission (32.1)	**3 114 045**	3 038 000	-	-
Management fees receivable from subsidiary	-	-	**16 404 446**	17 934 000
Interest on staff loans	**1 318 910**	1 134 000	**1 318 910**	1 134 000
Facility fee	**1 786 282**	-	**1 786 282**	-
Application fee	**1 189 000**	-	**144 000**	-
Other non-interest income	**241 437**	437 000	**228 091**	422 000
	14 878 946	6 238 000	**21 082 198**	20 712 000

	Group		Company	
32.1 Insurance commission	**2018**	2017	**2018**	2017
	E'	E'	**E'**	E'
Finsure	**3 114 045**	3 038 000	-	-
	3 114 045	3 038 000	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

	Group		Company	
33 Income from operation before income tax	**2018**	2017	**2018**	2017
	E'	E'	**E'**	E'
Income from operations before income tax is arrived at after taking into account the following items:				
External Auditors remuneration	**848 518**	1 033 000	**500 000**	567 000
First Finance	**348 518**	461 000	**-**	-
Fincorp	**500 000**	567 000	**500 000**	567 000
Finsure	**-**	5 000	**-**	-
Depreciation on property, plant and equipment and amortisation	**1 493 156**	1 743 000	**1 052 609**	1 295 000
Property, plant and equipment (Note 37)	**1 344 834**	1 597 000	**908 613**	1 149 000
Amortisation of Intangible assets (Note 38)	**148 322**	146 000	**143 996**	146 000
Net impairment charges and other credit risk	**15 179 809**	47 027 000	**12 427 710**	25 243 000
Loan impairment charges and other credit risk	**8 789 715**	21 884 000	**9 239 400**	10 172 000
Bad debts written off	**7 751 051**	26 258 000	**3 514 139**	15 928 000
Bad debts recovered	**(1 360 957)**	(1 115 000)	**(325 829)**	(857 000)
Director expenses	**843 598**	830 000	**675 499**	645 000
First Finance	**121 511**	103 000	**-**	-
Fincorp	**675 499**	645 000	**675 499**	645 000
Finsure	**46 588**	82 000	**-**	-
Donations	**311 021**	264 000	**297 021**	228 000
First Finance	**14 000**	21 000	**-**	-
Fincorp	**297 021**	228 000	**297 021**	228 000
Finsure	**-**	15 000	**-**	-
Legal fees	**449 852**	617 000		553 000
First Finance	**1 385**	14 000	**-**	-
Fincorp	**448 467**	553 000	**-**	553 000
Finsure	**-**	50 000	**-**	-
(Profit) on disposal on property, plant and equipment	**-**	1 000 000	**-**	1 000 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

33 Income from operation before income tax *(continued)*

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Repairs and maintenance	**222 162**	224 000	**180 745**	146 000
First Finance	**41 204**	76 000	-	-
Fincorp	**180 745**	146 000	**180 745**	146 000
Finsure	**213**	2 000	-	-
Operating lease rentals	**3 299 538**	3 174 000	**1 670 874**	1 560 000
First Finance	**1 492 080**	1 487 000	-	-
Fincorp	**1 670 874**	1 560 000	**1 670 874**	1 560 000
Finsure	**136 584**	127 000	-	-
Professional fees	**338 715**	410 000	**338 715**	410 000
First Finance	-	-	-	-
Fincorp	**338 715**	410 000	**338 715**	410 000
Finsure	-	-	-	-
Employee compensation and benefits (note 34)	**42 599 426**	40 351 000	**28 112 292**	24 044 000
First Finance	**12 255 002**	14 460 000	-	-
Fincorp	**28 112 292**	24 044 000	**28 112 292**	24 044 000
Finsure	**2 232 132**	1 847 000	-	-
Travelling and entertainment & International conferences	**1 538 081**	965 000	**1 523 030**	952 000
First Finance	**15 051**	13 000	-	-
Fincorp	**1 523 030**	952 000	**1 523 030**	952 000
Finsure	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

	Group		Company	
34 Employee compensation and benefits	**2018**	2017	**2018**	2017
	E'	E'	**E'**	E'
Salaries and wages	**31 904 236**	28 962 000	**21 594 767**	16 822 000
Provident Fund Contributions	**252 320**	146 000	**115 290**	22 000
Pension costs (defined contribution plan)	**3 959 104**	3 528 000	**2 503 145**	2 054 000
Staff group life cover	**611 849**	369 000	**228 531**	202 000
Staff training	**1 269 530**	2 066 000	**1 244 072**	2 044 000
Medical aid contribution	**4 098 548**	3 510 000	**2 175 360**	1 889 000
Leave, bonus & gratuity payment	**503 839**	1 770 000	**251 127**	1 011 000
	42 599 426	40 351 000	**28 112 292**	24 044 000

The average number of persons employed during the year was 52 at Fincorp and 42 and 6 at First Finance and Finsure respectively (2017:50 at Fincorp, 40 at First Finance and 6 at Finsure).

	Group		Company	
35 Income tax expense	**2018**	2017	**2018**	2017
	E'	E'	**E'**	E'
Tax debit to the income statement	**6 237 234**	5 018 000	**3 835 315**	1 407 000
Swaziland normal tax	**2 932 748**	6 034 000	**839 160**	2 272 000
Current year tax charge	**2 932 748**	6 034 000	**839 160**	2 272 000
Prior year tax Credit		-	-	-
-Deferred tax (refer note 36)	**3 304 486**	(1 016 000)	**2 996 155**	(865 000)
	6 237 234	5 018 000	**3 835 315**	1 407 000
Taxation rate reconciliation: The income tax charge for the year can reconciled to the effective rate of taxation in Swaziland as follows:				
Accounting profit	14 001 370	17 937 032	**4 937 625**	4 829 290
Tax calculated at standard rate 27.5%	**3 850 377**	4 932 684	**1 357 847**	1 328 055
Tax on permanent differences	**2 386 857**	85 748	**2 477 468**	79 061
Non-deductible expenses	**428 868**	311 811	**297 021**	287 494
Utilisation of unrecognised deferred tax	**8 250 613**		**8 711 955**	
Income tax expense	**6 237 234**	5 018 432	**3 835 315**	1 407 116
The current year effective tax rate for the Company and the Group is 65% and 29% respectively (2017: 27.5% for both group and company).	**45%**	28%	**78%**	29%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

36 Deferred tax

Deferred income taxes are calculated in full on temporal differences under the liability method using a principal tax rate of 27.5%. Deferred tax arises from the following item:

	Group		Company	
	2018	2016	**2018**	2017
The movement on the deferred income tax account is as follows:	**E'000**	E'000	**E'000**	E'000
At the beginning of the year	**3 821 445**	2 807 000	**3 317 432**	2 452 000
Income statement charge (refer note 35)	**(3 304 486)**	1 016 000	**(2 996 155)**	865 000
Deferred tax asset at year end	**516 959**	3 821 000	**321 277**	3 317 000

GROUP

	Opening balance	Charged to Profit or loss	Closing Balance
	E'	E'	E'
31 March 2018			
Deferred tax liabilities and assets:			
Provisions	**3 840 445**	**2 810 540)**	**1 029 905**
Assessed loss	**-**	**-**	**-**
Prepayments	**(19 000)**	**(19 000)**	**-**
	3 821 445	**2 791 540**	**1 029 905**
31 March 2017			
Deferred tax liabilities and assets:			
Provisions	2 826 000	1 014 000	3 840 000
Assessed loss	-	-	-
Prepayments	(19 000)	-	(19 000)
	2 807 000	1 014 000	3 821 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

36 Deferred tax (continued)

COMPANY

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:-

	Opening balance E'	Charged to profit or loss E'	Closing Balance E'
31 March 2018			
Deferred tax liabilities and assets:			
Provisions	3 320 000	2 485 777	**834 223**
Assessed loss	-	-	-
Prepayments	(2 568)	(2 568)	-
	3 317 432	**2 483 209**	**834 223**
31 March 2017			
Deferred tax liabilities and assets:			
Provisions	2 455 000	865 000	3 320 000
Assessed loss	-	-	-
Prepayments	(2 568)	-	(2 568)
	2 452 432	865 000	3 317 432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

37 Property, plant and equipment

GROUP	Computer equipment E'	Furniture & fittings E'	Office equipment E'	Motor vehicles E'	Land & Buildings E'	Total E'
Year ended 31 March 2018						
Opening Balance	840 454	2 225 756	1 272 115	3 037 526	7 597 874	14 973 725
Additions	319 533	62 10	347 542	945 901	12 700 599	14 375 885
Disposal at cost	(10 005)	-	-	(615 156)	-	(625 161)
Depreciation on disposal	9 610	-	-	267 602	-	277 212
Depreciation	(354 761)	(221 151)	(139 349)	(709 738)	-	(1 424 999)
Closing net book amount	804 831	2 066 915	1 480 308	2 926 135	20 298 473	27 576 662
At 31 March 2018						
Cost	3 478 860	3 714 763	2 421 300	5 888 167	20 298 473	35 801 563
Accumulated depreciation	(2 674 029)	(1 647 848)	(940 992)	(2 962 032)	-	(8 224 901)
Carrying amount at year end	804 831	2 066 915	1 480 308	2 926 135	20 298 473	27 576 662

37 (i) Land and Buildings include an amount of E12.7 million representing amounts already paid towards the construction of a five storey FINCORP Head Office Building in Mbabane. The project commenced in the second quarter of this financial year and it is expected to be completed in July 2018. The initial contract cost of the building is E87, 857,200.00 and it will be financed by debt of E75, 857,200.00.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

37 Property, plant and equipment (continued)

GROUP

	Computer equipment E'	Furniture & fittings E'	Office equipment E'	Motor vehicles E'	Land & Buildings E'	Total E'
Year ended 31 March 2017						
Opening Balance	1 323 000	2 250 000	1 334 000	3 870 000	7 598 000	16 375 000
Additions	116 000	32 000	70 000	-	-	218 000
Disposal at cost	(42 00)	(23 000)	-	-	-	(65 000)
Depreciation on disposal	29 000	14 000	-	-	-	43 000
Depreciation	(394 000)	(240 000)	(130 000)	(833 000)	-	(1 597 000)
Closing net book amount	1 032 000	2 033 000	1 274 000	3 037 000	7 598 000	14 974 000
At 31 March 2017						
Cost	3 337 000	3 446 000	2 091 000	5 716 000	7 598 000	22 188 000
Accumulated depreciation	(2 305 000)	(1 413 000)	(817 000)	(2 679 000)	-	(7 214 000)
Carrying amount at year end	1 032 000	2 033 000	1 274 000	3 037 000	7 598 000	14 974 000

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

37 Property, plant and equipment (continued)

Company At 31 March 2018	Computer Equipment	Furniture & Fittings	Office Equipment	Motor Vehicles	Leased Motor Vehicles	Land & Buildings	TOTAL
	E'	E'	E'	E'	E'	E'	E'
Opening Carrying Amount	**455 142**	**1 343 055**	**727 518**	**2 551 655**	**53 979**	**7 597 874**	**12 729 223**
Additions	**103 683**	**31 620**	**301 297**	**295 609**	-	**12 700 599**	**13 432 808**
Disposals	**(395)**	-	-	**(78 692)**	-		**(79 087)**
Depreciation	**(176 611)**	**(135 663)**	**(97 439)**	**(567 100)**	**(6 110)**	-	**(982 923)**
Closing book amount	**381 819**	**1 239 012**	**931 376**	**2 201 472**	**47 869**	**20 298 473**	**25 100 021**
At 31 March 2018							
Cost	**2 101 426**	**2 426 389**	**1 560 393**	**4 577 642**	**234 289**	**20 298 472**	**31 198 611**
Accumulated Depreciation	**(1 719 607)**	**(1 187 377)**	**(629 017)**	**(2 376 169)**	**(186 420)**	-	**(6 098 590)**
Closing book amount	**381 819**	**1 239 012**	**931 376**	**2 201 473**	**47 869**	**20 298 472**	**25 100 021**

COMPANY

	Computer equipment	Furniture & fittings	Office equipment	Motor vehicles	Land & Buildings	Total
	E'	E'	E'	E'	E'	E'
Year ended 31 March 2017						
Opening Balance	598 000	1 498 000	783 000	3 328 000	7 598 000	13 805 000
Additions	71 000	3 000	23 000	-	-	97 000
Disposal at cost	(42 000)	(23 000)	-	-	-	(65 000)
Depreciation on disposal	29 000	14 000	-	-	-	43 000
Depreciation	(206 000)	(150 000)	(75 000)	(718 000)	-	(1 149 000)
Closing net book amount	450 000	1 342 000	731 000	2 610 000	7 598 000	12 731 000
At 31 March 2017						
Cost	2 010 000	2 395 000	1 259 000	4 738 000	7 598 000	18 000 000
Accumulated depreciation	(1 560 000)	(1 053 000)	(528 000)	(2 128 000)	-	(5 269 000)
Carrying amount at year end	450 000	1 342 000	731 000	2 610 000	7 598 000	12 731 000

38 Intangible Assets

	Computer Software E'	Total E'
COMPANY AND GROUP		
Year ended 31 March 2018		
Opening Balance	**456 883**	**456 883**
Additions	**638 556**	**638 556**
Amortization	**(77 312)**	**(77 312)**
Closing net book amount	**1 186 927**	**1 186 927**
At 31 March 2018		
Cost	**2 326 557**	**2 326 557**
Accumulated amortization	**(1 308 430)**	**(1 308 430)**
Carrying amount at year end	**1 186 927**	**1 186 927**
Year ended 31 March 2017		
Opening Balance	603 000	603 000
Additions	-	-
Amortization	(146 000)	(146 000)
Closing net book amount	457 000	457 000
At 31 March 2017		
Cost	1 688 000	1 688 000
Accumulated amortisation	(1 231 000)	(1 231 000)
Carrying amount at year end	457 000	457 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

39 Loans and advances	**Group**		**Company**	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Line of credit	-		-	
Sugar cane loans	**130 571 003**	107 276 000	**130 571 003**	107 276 000
Agricultural loans	**88 764 005**	90 055 000	**88 764 005**	90 055 000
Business loans	**129 958 700**	145 209 000	**129 653 994**	145 209 000
Micro loans	**1 491 981**	1 354 000	**1 491 981**	1 354 000
Kobwa loans	**268 316**	285 000	**268 316**	285 000
Intercompany loan	**-**	-	**370 364 634**	488 142 000
Consumer loans	**656 115 488**	717 975 000	-	-
Invoice discounting	**45 942**	99 000	-	-
Other loans	-	11 676 000	-	5 326 000
Gross advances	**1 007 215 435**	1 073 929 000	**721 113 933**	837 647 000
Less: Impairment	**(84 888 506)**	(85 802 000)	**(35 709 654)**	(36 173 000)
sugar cane loans	**(12 880 900)**	(12 199 000)	**(12 880 900)**	(12 199 000)
business loans	**(10 887 916)**	(12 121 000)	**(10 887 916)**	(12 121 000)
agricultural loans	**(11 940 838)**	(11 853 000)	**(11 940 838)**	(11 853 000)
general purpose loans	**(49 178 852)**	(49 629 000)		-
Total loans and advances	**922 326 929**	988 127 000	**685 404 279**	801 474 000

A maturity analysis of loans and advances is set out below and is based on the remaining periods to contractual maturity from the year end.

The maturity of loans and advance is as follows:	**Group**		**Company**	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Not later than 1 year	**126 615 777**	265 945 000	**104 873 542**	246 953 000
Later than 1 year and not later than 2 years	**108 604 972**	150 253 000	**74 302 118**	92 430 000
Later than 2 years and not later than 5 years	**693 394 212**	261 331 000	**201 471 312**	118 064 000
Above 5 years	**78 600 474**	396 400 000	**340 466 961**	380 200 000
	1 007 215 435	1 073 929 000	**721 113 933**	837 647 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

39 Loans and advances (continued

The effective interest rates on receivables (current and non-current) were as follow:

	Company and Group	Company
	2018	2017
	%	%
Business and other loans	**14.75**	13.5
Sugar cane loans	**12.75**	11
General purpose loans	**12**	12

The analysis of sugar cane loans is as follows:-	**2018**	2017
	E'	E'
Sugar cane loans	134 387 135	107 276 000
Loans financed internally sourced funds	105 500 181	84 923 000
Loans financed by African Development Bank Funds	28 886 954	22 353 000

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Sector analysis of loans and advance is as follows:				
Construction	**2 045 130**	7 444 000	**2 045 130**	7 444 000
Education	**8 104 611**	8 877 000	**8 104 611**	8 877 000
Forestry	**19 364 536**	23 978 000	**19 364 536**	23 978 000
Fruits and vegetables	**22 357 578**	21 057 000	**22 357 578**	21 057 000
General business	**63 195 353**	30 787 000	**62 890 647**	30 787 000
General purpose loans	**656 161 432**	718 074 000	**-**	-
Grocery and retailing	**1 422 084**	9 400 000	**1 422 084**	9 400 000
Hawking	**328 681**	494 000	**328 681**	494 000
Heavy Haulage	**65 190 041**	64 837 000	**65 190 041**	64 837 000
Hospitality	**28 102 605**	31 002 000	**28 102 605**	31 002 000
Intercompany loan	**-**	-	**370 364 635**	488 142 000
Livestock	**2 080 696**	1 224 000	**2 080 696**	1 224 000
Maize and other cereal	**1 506 564**	7 275 000	**1 506 564**	7 275 000
Other Agricultural activities	**1 983 141**	8 741 000	**1 983 141**	8 741 000
Sugar cane farming	**134 387 134**	107 276 000	**134 387 135**	107 276 000
Transport services	**985 849**	21 787 000	**985 849**	21 787 000
Other loans	**-**	11 676 000	**-**	5 326 000
	1 007 215 435	1 073 929 000	**721 113 933**	837 647 000
Impairment of loans and advances	**(84 888 506)**	(85 802 000)	**(35 709 654)**	(36 173 000)
Net Loans and advances	**922 326 929**	988 127 000	**685 404 279**	801 474 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

The fair values of loans and advances are as follows:

GROUP AND COMPANY

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	E'	E'
Agricultural loans	**88 764 005**	90 055 000	**88 764 005**	90 055 000
Sugar cane loans	**134 387 135**	107 277 000	**130 571 003**	107 277 000
Business loans	**126 142 567**	236 902 000	**129 653 994**	146 847 000
General purpose loans	**656 161 432**	628 019 000	**-**	-
Loan to related company	-	-	**370 364 635**	488 142 000
Other loans	**1 760 296**	11 676 000	**1 760 296**	5 326 000
	1 007 215 434	1 073 929 000	**721 113 933**	837 647 000

The above values of loans and advances approximate fair value. There is no concentration of credit risk with respect to loans and advances, as the Corporation has a large number of clients that are industry dispersed. The Corporation's historical experience in collection of loans and advances falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Corporations' loans and advances. The maximum exposure to credit risk at the reporting date is the fair value of each class of loans and advances mentioned above. The Corporation does hold collateral as security on some loans and advances. Loans and advances that are less than three months past due are not considered impaired. As of 31 March 2018, loans and advances of E248 107 448 (2017: E234 275 283) for company and for group E 862 938 553 (2017: E 890 470 000) were past due but not impaired. These relate to a number of independent loan accounts which are adequately secured.

The ageing analysis of these loans and advances that are past due but not impaired is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	E'	E'
From 0 - 90 days	**862 938 553**	890 470 000	**248 107 448**	234 275 000

As of 31 March 2018, loans and advances of E 156 009 129 (2017: E156 009 129) were impaired and provided for, the amount of the provision was E 35 709 654 (2017: E27 630 075). The individually impaired loans and advances were mainly relating to sugar cane farmers and business and other agricultural loans, which are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

39 Loans and advances (continued)

GROUP AND COMPANY

The ageing analysis of loans and advances provided for is as follows:	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	E'	E'
Up to 3 months	**34 978 200**	10 604 000	**12 427 091**	10 527 000
Over 3 months	**49 910 306**	75 198 000	**23 282 563**	17 104 000
	84 888 506	85 802 000	**35 709 654**	27 631 000

	Group		Company	
	2018	**2018**	**2018**	**2018**
	E'	E'	E'	E'
	Ageing	Provision	**Ageing**	Provision
Current: 0-30 days overdue	786 832 319	7 481 640	233 862 654	7 481 640
Watch: 31-90 days Overdue	79 247 903	27 496 561	17 298 944	4 945 451
Sub-Standard: 91-120 days Overdue	13 314 706	982 022	5 957 111	982 022
Doubtful: 121-365 days Overdue	31 365 980	404 260	24 020 991	404 260
Bad: Above 365 days Overdue	96 237 340	48 524 023	69 609 597	21 896 281
	1 006 998 248	**84 888 506**	**350 749 297**	35 709 654

39.1 Impairment of advances

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	E'	E'
Analysis of movement in impairment of advances				
At 31 March 2017				
Opening balance	85 801 881	65 548 000	36 173 344	27 631 000
Net new impairments created/reversed (Note 40)	8 789 716	21 882 000	9 239 401	10 170 000
Loans written-off against provisions	(9 703 091)	(1 628 000)	(9 703 091)	(1 628 000)
At 31 March 2018	**84 888 506**	**85 802 000**	**35 709 654**	**36 173 000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

39.1 Impairment of advances (Continued)

At 31 March 2018	Sugar cane loans	Business loans	Agricultural loans	General purpose	Total
Opening Balance	**12 199 381**	**12 121 441**	**11 852 522**	**49 628 537**	**85 801 881**
Net new impairments	-	-	-	-	-
created/reversed (Note 39)	**681 519**	**4 097 058**	**4 460 824**	**(449 685)**	**8 789 715**
Loans written-off against provisions	-	**(5 330 583)**	**(4 372 508)**	-	**(9 703 091)**
At 31 March 2018	**12 880 900**	**10 887 916**	**11 940 838**	**49 178 852**	**84 888 506**

The creation and release of provision for impaired loans and advances have been included as a separate line in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
40 Impairment of loans and advances				
Bad debts write-off	**7 751 051**	26 258 000	**3 514 138**	15 928 000
Provision raised/(reversed) in the current year *(note 39.1)*	**8 789 715**	21 882 000	**9 239 400**	10 170 000
Bad debts recovered	**(1 360 957)**	(1 113 000)	**(325 828)**	(855 000)
	15 179 809	47 027 000	**12 427 710**	25 243 000

		Group		Group
41 Financial investment	**2018**	2017	**2018**	2017
	E'	E'	**E'**	E'
Swaziland Building Society permanent shares	**2 001 767**	1 956 353	**2 001 767**	1 956 353

The investment has been pledged as security in respect of staff housing loans with Swaziland Building Society (note 50).

The carrying amount of the investments approximates fair value. The shares will be redeemed at nominal value.

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
42 Other assets				
Interest Receivable	**10 349 210**	5 326 431	**4 752 745**	5 326 431
Other receivables from related company	**-**	(5 387 118)	**15 879 741**	39 150 339
Staff loans	**18 550 945**	17 277 956	**18 550 945**	17 207 930
Trade and Other Receivables	**2 786 513**	3 371 731	**682 274**	3 371 731
Non-Current Assets held for sale	**-**	-	-	-
	31 686 668	20 589 000	**39 865 705**	59 730 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

42 Non-Current Assets held for sale

Land and Buildings	**2018**	2017	**2018**	2017
The non-current asset held for sale is repossessed property which was used as collateral for a loan. The company has the intention and ability to dispose the property through sale in the property market within 12 months from financial year ended 30 June 2016.				
Profit/(loss) sale of non-current assets				
Proceeds	-	4 500 000	-	4 500 000
Carrying amount	-	(3 500 000)	-	(3 500 00)
Profit on sale	-	100 000	-	100 000

The profit on sale was recognised in other income.

43 Cash and cash equivalents

Cash in hand	**113 247**	328 777	**107 297**	281 559
Cash at bank	**90 516 740**	91 476 000	**20 874 994**	48 855 000
	90 629 987	91 804 777	**20 982 291**	49 136 559
For the purpose of cash flow statement, cash and cash equivalent comprise the following:				
Cash and bank balance	**90 629 987**	91 804 777	**20 982 291**	49 136 559
Bank overdraft	-	-	-	-
Cash and cash equivalents	**90 629 987**	91 804 777	**20 982 291**	49 136 559

43.1 First National Bank of Swaziland Limited

First National Bank of Swaziland Limited

The Corporation has an overdraft facility with First National Bank of Swaziland Limited of E3 000 000 to be utilised for working capital requirements.

44 Investment in subsidiaries

	2018	2017
First Finance Company (44.1)	11 435 867	11 435 867
Finsure Insurance Brokers (44.2)	736 512	736 512
Finsure Insurance Brokers Additional Cash Injection (44.2)	1 996 507	1 822 842
Total	**14 168 886**	**13 995 221**
Equity	100	100
Total Investment	**14 168 986**	**13 995 321**

44.1 First Finance Company

On 1 April 2010 the company acquired shares at 100% in First Finance Company (Pty) Ltd, a company incorporated for administration of the general purpose loans portfolio of the company. There was no goodwill which arose due to the acquisition of the wholly owned subsidiary as the consideration made for the investment was equal to the net assets value of the company's assets.

	First Finance E'000
Loans and advances	100 527
Motor vehicles	324
Leased motor vehicles	156
Office Furniture	106
Computer Equipment	130
Office fittings	193
Long term borrowings	(90 000)
Total Net asset value	11 436
Non-controlling interest(Fair value)	-
Total consideration transferred	11 436
Consideration discharged other than transferring cash	(11 436)
Consideration discharged in cash	-
Cash and cash equivalents acquired	-
Net decrease in cash and cash equivalents	-

The consideration transferred relates to the total assets net of the borrowings, as First Finance Company is required to repay back the E 90 million as a loan was granted to First finance at acquisition.

Loans and advances acquired in the business combination have been recognised at their Fair value of E100 627 954 which was equal to the gross contractual amounts receivable at the acquisition date and there was no amounts expected to be not collectible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

44.2 Finsure Insurance Brokers

On 1 January 2015 the company acquired 100% in Finsure Insurance Brokers a company incorporated in Swaziland. Goodwill that arose as a result of the transaction amounted to E 930 041. On finalisation of the purchase, the purchase consideration was reduced by E 193 429 which resulted in the new goodwill balance of E 736 512.

Goodwill is monitored by management at the level of the operating segment identified. An asset-level summary of the goodwill allocation is presented below.

	Finsure Insurance Brokers E' 000
Property plant and equipment	12
Shareholders loan	100
Current tax prepayment	11
Trade debtors	562
Cash and cash equivalents	52
Goodwill	**736**

Significant estimate: key assumptions used for value-in-use calculations

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates.

	Finsure Insurance Brokers E' 000
Property plant and equipment	15
Shareholders loan	127
Current tax prepayment	14
Trade debtors	715
Cash and cash equivalents	66
Trade payables	(322)
Trust creditors	(789)
Total Net asset value	**(174)**
Non-controlling interest(Fair value)	-
Purchase consideration	**562**
Goodwill/(Purchase bargain)	**736**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

44.2.2 Movement in investment in subsidiary

	2018	2017
Opening balance	**736 512**	736 512
Additional capital investment	**-**	-
Closing balance	**736 512**	736 512

In 2016 the company injected capital of E 1 803 000 to Finsure. These funds were to fund capital infrastructure.

45 Share capital

The share capital of the Corporation consists of the following:

Authorised		
10 000 ordinary shares at E1 each	**10 000**	10 000
Issued		
1 000 ordinary shares of E 1 each (Fully paid)*	**1 000**	1 000

** - amounts are less than E1,000*
The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to vote per share at meetings of the company. All shares rank equally with regards to the company's residual assets.

Premium on issue of shares	**184 224 069**	184 224 069

46 General risk reserve

The general risk reserve arises from the disclosure requirement as per the Corporation's policy regarding the treatment of general provisions. General risk reserve are accounted for through the statement of changes in equity in the general risk reserve. General provisions which are calculated at 2%, for the company and at 1% for the Subsidiary, of the net loans after specific provisions totalling E685,404,279 (2017: E796 147 672) for the company and E607 287 286 (2015: E668 445 494) for the subsidiary.

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Opening balance	**9 501 696**	10 577 000	**6 159 468**	7 315 000
General provisions movement for the period	**2 871 970**	(1 075 304)	**141 324**	(1 155 532)
Closing balance	**12 373 666**	9 501 696	**6 300 792**	6 159 468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

47 Borrowings	**Group**		**Company**	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Non-current (Note 47.2)	**298 427 896**	421 000 756	**298 427 896**	231 000 756
Current (Note 47.2)	**375 160 653**	319 576 000	**185 160 653**	319 576 000
Total borrowings	**673 588 549**	740 576 756	**483 588 549**	550 576 756

47.1	**Long term loans**	**Group**		**Company**	
		2018	2017	**2018**	2017
		E'	E'	**E'**	E'
	The analysis of long term loans is as follows:				
47.1.1	Swaziland Government	**10 000 000**	10 000 000	**10 000 000**	10 000 000
47.1.2	Swaziland Government (ADB)	**61 166 707**	61 166 707	**61 166 707**	61 166 707
47.1.3	ICDF - Taiwan Loan	-	37 575 854	-	37 575 854
47.1.4	Swaziland National Provident Fund (SNPF)	**7 589 166**	9 206 948	**7 589 166**	9 206 948
47.1.5	Norsad	-	1 746 155	-	1 746 155
47.1.6	Kobwa loan fund	**1 193 239**	1 193 239	**1 193 239**	1 193 239
47.1.7	African Alliance	**77 599 932**	75 000 000	**77 599 932**	75 000 000
47.1.8	Public Service Pension Fund	**190 000 000**	190 000 000	-	-
47.1.9	PEU Loan	**16 000 000**	20 702 740	**16 000 000**	20 702 740
47.1.10	Swaziland Empowerment Limited	-	42 979 295	-	42 979 295
47.1.11	Stanlib	**33 437 635**	53 500 000	**33 437 635**	53 500 000
47.1.12	Medium Term Notes	**276 601 870**	237 505 818	**276 601 871**	237 505 818
	Total long term loans	**673 588 549**	740 576 756	**483 588 549**	550 576 756

47.1.1 Swaziland Government

The loan with the Swaziland Government (E 10 million), received 11 February 2003, is for a 10 year period at 8% interest per annum payable semi-annually on 30 June and 31 December. The capital amount is payable in two instalments of E5m on 30 June 2008 and 30 June 2013.

47.1.2 Swaziland Government – ADB

The African Development Bank (ADB) in terms of which the bank advanced E150 million to the Government for the purposes of financing agricultural activities on the Komati Downstream Development Project. For this purpose, the Swaziland Government advanced E75 million to Swaziland Development Finance Corporation Limited. The amount has been advanced to the Corporation in five tranches of E12,500,000, E12,500,000, E19,230,000, E10 823 355 and E 7 200 000 at market related interest rates. The principal and interest payments shall commence 2 years after date of disbursement, with the first payment made on 31 December 2006. The loan shall be repaid over a period of 10 years and the last payment due on 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31March 2018

47. Borrowings (continued)

47.1.3 International Corporation for Development Finance (ICDF) Taiwan Loan

The International Corporation for Development Finance (ICDF) Taiwan granted Swaziland Development Finance Corporation a loan facility of 10 million United Stated Dollars and the first disbursement of USD$4 million was received in April 2013. This facility will be drawn in three tranches of USD $4 million (as received), and two tranches of USD$3 million. The term of the loan is 7 years with a grace period of 2 years at market related interest rates. The loan was to be repayable in full in January 2019 but an early settlement was agreed with the financier and the loan was settled in January 2018.

47.1.4 Swaziland National Provident Fund

The Swaziland National Provident Fund (SNPF) loan agreement in terms of which will lend Swaziland Development Finance Corporation Limited E 10 million. Interest is at market related interest rates. The loan shall be settled in September 2021.

47.1.5 Norsad

The Current Norsad Finance loan agreement is for an advance of E12.1 million to Swaziland Development Finance Corporation. Interest is at market related interest rates. The repayments shall be made in 7 years inclusive of one (1) grace period. Amounts due as a percentage of totals disbursed shall be 4.17% and interest is payable quarterly in March, June, September and December. The loan was settled on its maturity date in September 2017.

47.1.6 Kobwa loan fund

The Kobwa revolving fund is aimed at assisting residents of the communities that were displaced by Maguga and Driekopis dams. A large number of budding entrepreneurs are increasingly becoming aware of the opportunities presented by the revolving fund. The Corporation only helps in the administration of the loan fund and charges only a management fee on the management services provided to the Fund.

47.1.7 African Alliance

African alliance has loan agreements in terms of which the following loans were given :

E75 Million loan
The Corporation currently has two Promissory Note to African Alliance for E75 million signed on 23 December 2016 and 20 February 2017, for E 30 million and E 45 million, respectively. These notes are due for settling on 23rd June 2017 and 21st August 2017, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

47. Borrowings (continued)

47.1.8 Public Service Pension Fund

The loan with Public Service Pension Fund amounting to E 140 million was granted 12 November 2013 at market related interest rates. The loan shall be settled on the 12 November 2018.

An additional borrowing of E 50 000 000 was secured with the Public Service Pension Fund. The borrowing attracts a market related interest rates with interest being payable quarterly and the capital portion payable on 6 August 2021.

47.1.9 Public Enterprise Unit

Interest on the E20 Million Public Enterprise Unit loan is payable at market related interest rates and paid half yearly whilst the capital shall be repaid in five annual instalments of E 4 Million from 22 June 2012.

47.1.10 Swaziland Empowerment Limited

The SEL loan of E 42 million is payable at the end of 12 months. The loan was granted on 20 December 2016 and attracted a market related interest rates. It was settled in December 2017.

47.1.11 Stanlib

The Stanlib loan is for E20M and E24.5M at market related interest rates.

47.1.12 E300 Million Medium Term Note

A first bond listing of E300 million was issued with the Swaziland Stock Exchange in 2013, out of which E252.9 million was subscribed. Of that amount only E10 million was outstanding at year end as E242.9 million had matured and had been repaid.

A second issue of E300 million was done in 2015 which was fully subscribed by the end of the previous financial year. Of that amount E186.5 million was outstanding at year end as E248.0 million had matured and had been repaid.

A third issue of E300 million was done in 2017 and E70 had been received by year end and all of that amount was outstanding by 31 March 2018. The bond contributed immensely to the growth of the loan portfolio for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

47 Borrowings (continued)

47.2 The maturity of the long term borrowing is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Within 1 year	**373 967 414**	365 940 000	**183 967 414**	319 575 756
Between 1 and 2 years	**168 127 786**	241 281 756	**168 127 786**	147 646 000
Between 2 and 5 years	**130 300 110**	132 162 000	**130 300 110**	82 162 000
Over 5 year	**1 193 239**	1 193 000	**1 193 239**	1 193 000
Total long term borrowings	**673 588 549**	740 576 756	**483 588 549**	550 576 756
Long term loans- minimum payments				
Not later than 1 year	**439 700 459**	444 563 000	**231 520 322**	416 146 000
Later than 1 year and not later than 2 years	**224 582 011**	271 825 000	**224 582 011**	112 995 000
Later than 2 year and not later than 5 years	**156 584 310**	166 417 000	**156 584 310**	116 417 000
Later than 5 years	**1 193 239**	1 193 000	**1 193 239**	1 193 000
	822 060 019	883 998 000	**613 879 882**	**646 751 000**
Future finance charges on loans	**(148 471 470)**	(143 421 244)	**(130 291 333)**	(96 174 244)
	673 588 549	740 576 756	**483 588 549**	550 576 756

The carrying amounts and fair value of the long term loans are as follow:

	Group	Company	Fair Values
	2018	**2018**	**2018**
	E'	**E'**	**E'**
Swaziland Government	**10 000 000**	**10 000 000**	**18 056 386**
Swaziland Government - ADB	**61 166 707**	**61 166 707**	**76 821 273**
Swaziland National Provident Fund	**7 589 166**	**7 589 166**	**7 466 767**
Kobwa loan fund	**1 193 239**	**1 193 239**	-
African Alliance	**77 599 932**	**77 599 932**	**79 486 690**
Public Service Pension Fund	**190 000 000**	-	**188 738 318**
PEU Loan	**16 000 000**	**16 000 000**	**14 283 160**
Stanlib	**33 437 635**	**33 437 635**	**34 179 100**
Medium Term Notes	**276 601 870**	**276 601 870**	**303 924 240**
Total long term loans	**673 588 549**	483 588 549	**722 955 934**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

	Group		Company	
48 Trade and other payables	**2018**	2017	**2018**	2017
	E'	E'	**E'**	**E'**
Interest Payable	**62 463 796**	46 364 013	**59 283 248**	43 122 300
Funds owing within the group	-	155 379	**3 158 250**	108 326 381
Suspended Interest	**8 122 508**	8 122 508	**8 122 508**	8 122 508
Other Creditors	**13 005 327**	8 543 068	**11 895 033**	6 455 098
Guarantee Funds and Other Payables	**3 836 378**	3 273 512	**482 676**	136 250
Customer Deposits	**6 099 519**	6 259 256	**6 094 726**	6 259 256
	93 527 528	72 717 736	**89 036 441**	172 421 793

		Group		Company
49 Income tax liability/(Asset)	**2018**	2017	**2018**	2017
	E'	E'	**E'**	
Opening balance	**(1 583 276)**	5 898 000	**(1 846 863)**	(3 103 000)
Taxation paid during the year	**(9 440 356)**	(13 515 000)	**(5 941 964)**	(1 016 000)
Tax Audit Provision Raised	**1 865 257**	-	**1 865 257**	-
Current year tax (refer note 35)	**2 932 748**	6 034 000	**839 160**	2 272 000
Closing balance	**(6 225 627)**	(1 583 000)	**(5 084 410)**	(1 847 000)

50 Provisions

GROUP	Performance bonus and gratuity	Leave pay	Total
	E'	E'	E'
At 1 April 2017	3 017 992	2 180 192	5 198 184
Additional provision	91 378	2 060 707	2 152 085
Utilised during the year	(3 017 992)	(2 145 726)	(5 163 718)
At year-end	**91 378**	**2 095 173**	**2 186 551**

This provision is in respect of employees calculated on the number of days that the employees have not taken in respect of their leave entitlement. The anticipated utilisation of the amount provided is in the near future. Provision also comprise of Gratuity for all management that are employed on a contract basis and this is computed as a percentage of the basic pay and is based on the period the person was in service with the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

50 Provisions (continued)

GROUP

	Performance bonus and gratuity E'	Leave pay E'	Total E'
31 March 2017			
At 1 April 2016	1 915 000	1 456 000	3 371 000
Additional provision	5 089 000	149 000	5 238 000
Utilised during the year	(3 411 000)	-	(3 411 000)
At year-end	3 593 000	1 605 000	5 198 000

Analysis of total provisions:	**2018** E'	2017 E'
Current	**2 186 551**	5 198 000

50 Provisions

Company	**Performance bonus and gratuity** E'	**Leave pay** E'	**Total** E'
At 1 April 2017	**2 115 900**	**917 153**	**3 033 053**
Additional provision	-	**1 310 539**	**1 310 539**
Utilised during the year	**(2 115 900)**	**(1 059 411)**	**(3 175 311)**
At year-end	**-**	**1 168 281**	**1 168 281**
At 1 April 2016	1 105 000	917 153	2 022 000
Additional provision	3 016 000	-	3 016 000
Utilised during the year	(2 005 000)	-	(2 005 000)
At year-end	2 116 000	917 153	3 033 000

Analysis of total provisions:	Total E' **2018**	Total E' 2017
Current	**1 168 281**	3 033 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

50 Provisions (continued)

Leave pay provision

The leave pay provision related to vested leave pay to which employees are entitled. The provision arises as employees render services that increase their entitlement to future compensated leave. The provision is utilised when employees, who are entitled to leave pay, leave the employment of the Corporation or when accrued entitlement is utilised.

This provision in respect of staff and employees calculated on the number of days that the employees have not taken in respect of their leave entitlement. The anticipated utilisation of the amount provided is in the near future.

51 Contingencies

Contingent liabilities

At 31 March 2018 the Corporation had contingent liabilities in respect of a bank guarantee arising out in the ordinary course of business from which it is anticipated that no material liabilities will arise as the liability will not crystallise. In the ordinary course of business, the Corporation has given guarantees amounting to E2 001 767 (2016: E1 956 356) to Swaziland Building Society in respect of staff housing loans.

52 Commitments

Capital Commitments

Loan amounts contracted and approved for at the statement of financial position date but not recognised in the financial statements are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	E'000	E'000	**E'000**	E'000
Loan amounts approved but not disbursed	**45 225 300**	56 881 000	**44 264 579**	56 473 000

Current and future cash resources will fund the above loan amounts.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	E'		**E'**	E'
Not later than 1 year	-	1 190 000	-	-
Later than 1 year and not later than 5 years	-	679 000	-	-
Later than 5 years	-	-	-	-
	-	1 869 000	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

52 Commitments (continued)

Operating lease commitments –where the Corporation is the lessee.

The Corporation entered into an operating lease agreement with Swaziland National Provident Fund Properties. Operating lease current year rentals amounts to E 67 095.88 per month with an annual fixed escalation rate of 6%.

53 Cash flows from operating activities:

	Group		Company	
	2018	2017	**2018**	2017
	E'	E'	**E'**	E'
Profit for the period before taxation	**14 001 370**	17 939 000	**4 937 625**	4 829 000
Adjustment for non-cash items:				
Provision for loan and advance impairments (note 36)	**8 789 715**	21 882 000	**9 239 400**	10 172 000
Bad debts written-off (note 36)	**7 751 051**	26 258 000	**3 514 138**	15 928 000
Depreciation (note 34)	**1 493 156**	1 597 000	**1 052 609**	1 149 000
Amortisation of intangible assets	-	147 000	-	147 000
Profit on sale of assets	-	(1 000 000)	-	(1 000 000)
Operating profit before working capital changes	**32 035 291**	66 823 000	**18 743 772**	31 225 000
Increase in working capital	**58 218 290**	1 776 000	**40 188 688**	6 017 000
Decrease in loans and advances	**37 583 712**	(2 881 000)	**97 989 855**	(81 662 000)
Decrease in other current assets	**531 998**	2 527 000	**25 144 537**	29 777 000
Increase / (Decrease) in current liabilities	**23 114 213**	302 000	**(81 080 931)**	56 888 000
(Decrease)/ Increase in provisions	**(3 011 633)**	1 828 000	**(1 864 773)**	1 014 000
Cash outflows from operating activities	**90 253 581**	68 599 000	**58 932 460**	37 242 000

NOTES TO THE CONSOLIDTED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

54 Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to the credit rating about the counterparty

Group	Loans and advance	Other assets	Cash and cash equivalents	Financial Instrument	Total
	E	E	E		E
As at 31 March 2018 Counterparties without external credit ratings					
Low Risk	**866 080 221**	**34 445 977**	**90 629 987**	**2 001 767**	**993 157 952**
General Credit Risk	**13 531 894**	-	-	-	**13 531 894**
High Risk	**127 603 320**	-	-	-	**127 603 320**
Impairment	**(84 888 506)**	-	-	-	**(84 888 506)**
	922 326 929	**34 445 977**	**90 629 987**	**2 001 767**	**1 049 404 660**

As at 31 March 2017					
Counterparties without external credit ratings					
Low Credit Risk	905 672 000	20 589 000	91 805 000	1 956 000	1 020 022 000
General Credit Risk	63 527 000	-	-	-	63 527 000
High Credit Risk	104 730 000	-	-	-	104 730 000
Impairment	(85 802 000)	-	-	-	(85 802 000)
	988 127 000	20 589 000	91 805 000	1 956 000	1 102 477 000

NOTES TO THE CONSOLIDTED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

54 Credit quality of financial assets (continued)

Company	**Loans and advance**	**Other assets**	**Cash and cash equivalents**	**Financial Instrument**	**Total**
	E	**E**	**E**		**E**
As at 31 March 2018 Counterparties without external credit ratings					
Low Risk	**251 161 598**	**42 625 013**	**20 982 291**	**2 001 767**	**316 770 669**
General Credit Risk	**5 957 111**	**-**	**-**	**-**	**5 957 111**
High Risk	**93 630 588**	**-**	**-**	**-**	**93 630 588**
Impairment	**(35 709 654)**	-	**-**	**-**	**(35 709 654)**
	315 039 643	**42 625 013**	**20 982 291**	**2 001 767**	**380 648 714**

	Loans and Advance	Other assets	Cash and cash equivalents	Financial instruments	Total
	E'	E'	E'	E'	E'
As at 31 March 2017 Counterparties without external credit ratings					
- Low Risk	694 182 000	59 730 000	49 137 000	1 956 000	805 005 000
- General Credit risk	38 735 000	-	-	-	38 735 000
- High risk	104 730 000	-	-	-	104 730 000
- Impairment	(36 173 000)	-	-	-	(36 173 000)
	801 474 000	59 730 000	49 137 000	1 956 000	912 297 000

The grouping of loans and advances is based on the following:

Low risk- This category is utilised for the performing loans that are classified as current, and comprise of consumer loans which are 0 to 30 days overdue.

General credit risk- This category is for all clients' accounts that are 31-120 days due. These are classified as "Watch" and 'Sub- standard"

High Risk- this category is for all high risk clients and comprises all clients immediately they are over 121 days due. These are the loans that have been classified as "Doubtful and Bad".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

55 Financial instruments – maturity

The Corporation's financial instruments are made up of the following financial assets and liabilities by maturity:

Group	Less than 1 year E	Between 1 and 2 years E	Between 2 and 5 years E	Over 5 years E	Total E
31 March 2018					
Financial Assets:					
Other assets	34 445 977	-	-	-	34 445 977
Financial investment	-	-	-	2 001 767	2 001 767
Loans and advances	126 615 777	108 604 972	668 404 019	103 590 666	1 007 215 434
Cash and bank	90 629 987	-	-	-	90 629 987
	251 691 741	108 604 972	668 404 019	105 592 433	1 134 293 165
Financial Liabilities:					
Trade and other payables	93 527 528	-	-	-	93 527 528
Other short-term liabilities	-	-	-	-	-
Borrowings	375 160 656	168 127 786	79 930 855	50 369 255	673 588 552
	468 688 184	168 127 786	79 930 855	50 369 255	767 116 080

	Less than 1 year E'000	Between 1 and 2 years E'000	Between 2 and 5 years E'000	Over 5 years E'000	Total E'000
31 March 2017					
Financial Assets:					
Other assets	20 589 000	-	-	-	20 589 000
Financial investment	1 956 000	-	-	-	1 956 000
Loans and advances	61 556 000	12 857 000	697 459 000	16 255 000	988 127 000
Cash and bank	91 805 000	-	-	-	91 805 000
	175 906 000	12 857 000	697 459 000	16 255 000	102 477 000
Financial Liabilities:					
Trade and other payables	26 353 000	-	-	-	26 353 000
Provisions	5 198 000	-	-	-	5 198 000
Borrowings	365 940 000	87 646 000	132 162 000	1 193 000	786 941 000
	397 491 000	87 646 000	132 162 000	1 193 000	818 492 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

55 Financial instruments – maturity (continued)

Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	E	E	E	E	E
31 March 2018					
Financial Assets:					
Other assets	42 625 013	-	-	-	42 625 013
Financial investment	-	-	-	2 001 767	2 001 767
Loans and advances	79 883 351	49 311 926	126 500 736	95 053 284	350 749 297
Cash and bank	20 982 291	-	-	-	20 982 291
	143 490 655	49 311 926	126 500 736	97 055 051	416 358 368
Financial Liabilities:					
Trade and other payables	89 036 440	-	-	-	89 036 440
Other short-term liabilities	-	-	-	-	-
Borrowings	185 160 657	168 127 786	79 930 855	50 369 256	483 588 553
	274 197 097	168 127 786	79 930 855	50 369 256	572 624 993

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	E'000	E'000	E'000	E'000	E'000
31 March 2017					
Financial Assets:					
Other assets	59 730 000	-	-	-	59 730 000
Financial investment	1 956 000	-	-	-	1 956 000
Loans and advances	22 862 000	54 021 000	125 658 000	98 933 000	801 474 000
Cash and bank	49 137 000	-	-	-	49 137 000
	33 685 000	54 021 000	125 658 000	98 933 000	912 297 000
Financial Liabilities:					
Trade and other payables	29 300 000	-	-	-	129 300 000
Other short-term liabilities	3 033 000	-	-	-	3 033 000
Borrowings	62 698 000	47 646 000	82 162 000	1 193 000	593 699 000
	59 031 000	47 646 000	82 162 000	1 193 000	726 032 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

56 Assets charged as security for liabilities

	Group		Company	
	2018	2017	**2018**	2017
Financial assets pledged to secure liabilities were as follows as at 31 March 2018:	E'	E'	E'	E'
Loans and advance	**55 720 000**	55 720 000	**53 467 000**	53 467 000
Cash and cash equivalents	**13 000 000**	13 000 000	**4 000 000**	4 000 000
Financial instrument	**1 628 000**	1 628 000	**1 628 000**	1 628 000
	70 348 000	70 348 000	**59 095 000**	59 095 000

These transactions are conducted under terms that are usual and customary to standard securities lending and repurchase agreements.

57 Litigation

The Corporation is party to a number of legal actions arising out of its normal business operations in which it has taken some of its clients for non-performing of loans and advances to court. In the on-going legal actions, there are no litigations that are against the Corporation.

Management considers that none of the actions is material, and none is expected to result in a significant favourable effect on the financial position of the Corporation, either individually or in the aggregate.

Management believes that adequate provisions have been made in respect of such litigation. The Corporation has not disclosed any contingent liability or asset associated with these legal actions because it is not practicable to do so.

58 Related party transactions

The Corporation is controlled by the Swaziland Government, which own 80% of the Corporation shares. The remaining 20% of the shares are held by Tibiyo TakaNgwane, in trust for the Swazi Nation. On the other hand the corporation is a 100% shareholder of First Finance Company (Pty) Ltd and Finsure Insurance Brokers.

The following transactions were carried out with related parties.

COMPANY

	2018	2017
(i) **Borrowings from related parties:**	**E'000**	E'
Amounts due to related party:		
Swaziland Government – ADB	**61 166 707**	61 166 707
Swaziland Government	**16 000 000**	16 000 000
	71 166 707	71 166 707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

58 Related party transactions (continued)

As at 31 March 2018, the company had three loan facilities obtained from or through the Government of Swaziland. These facilities had outstanding balances totalling E71.2 million (2016: 71.2 Million) with interest rate ranging from 6.5% and 10.5%. There were no loan facilities obtained from Tibiyo TakaNgwane during the year under review.

(ii) **Loan to Group Managing Director:**	**2017** **E**	2017 E
Balance at beginning of the year	**205 000**	282 000
Disbursed during the year	**40 000**	-
Interest accrued during the year	**20 000**	49 000
Loan repayments during the year	**(107 000)**	(126 000)
Balance at the end of the Period	158 000	205 000

The Group Managing Director has two loans with the company. One of the loans is for E 188,665. It was granted in December 2013 at staff rate. The other one is for E 200,000.00 it was granted in April 2016 at staff interest rates as well.

(iii) **Loan to Board Member:**	**2018** **E'**	2017 E'
Balance at beginning of the year	**250 000**	217 000
Disbursed during the year	-	-
Interest accrued during the year	**30 000**	37 000
Loan repayments during the year	**(280 000)**	(4 000)
Balance at the end of the Period	-	250 000

Ms Maureen Gabuza has one loan with the company. This loan was granted in September 2014 at Prime plus 4.5% interest.

(iv) **Loan to W&N Enterprises (A company where former Chairman of the Board has 33% shareholding)**	**2018** **E**	2017 E
Balance at beginning of the year	**1 754 000**	1 512 000
Disbursed during the year	-	-
Interest accrued during the year	**286 000**	242 000
Loan repayments during the year	-	-
Balance at the end of the Period	**2 040 000**	1 754 000

Mr Musa Dlamini is a director at W&N Enterprises. His company has one loan with the company. It was granted in May 2014 at Prime plus 4.5% interest

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

58 Related party transactions (continued)

(v) Loan to Chairman of the Board

	2018	2017
	E	E
Balance at beginning of the year	**283 000**	281 000
Disbursed during the year	**-**	6 000
Interest and charges accrued during the year	**57 000**	53 000
Loan repayments during the year	**(20 000)**	(57 000)
Balance at the end of the Period	**320 000**	283 000

The former Chairman of the Board of Directors at Fincorp has two loans with First Finance Company, a subsidiary of Fincorp. The loans were granted in August 2014 and January 2015 respectively at commercial rates.

58 Related party transactions

	2018	2017
	E	E
Amounts due (to)/from related party		
Borrowing due from First Finance	**370 364 635**	488 142 000

The borrowing of the E370 364 635 (2017: 488 142 000) to the company by Swaziland Development Finance was at prime plus 4.5%. The loan is payable over 20 years with a grace period of 5 years

Intercompany account-amount due to First Finance Company	**3 158 250**	(106 316 000)
Management fees		
Management fee due from related company	**15 879 741**	35 275 000

The company pays a charge of 2.5% of its loan portfolio at year end as management fee per annum for other function the company performs on behalf of First Finance which amongst others is the payroll function and Information Technology support.

Interest Income		
Interest receivable from related company	**70 002 589**	3 875 000

(vi) Doubtful debts
There is no provision for doubtful debts, nor any bad debt written off during the year, that relates to related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

69	**Financial guarantees**		**2018**	2017
			E	E
	National Maize Corporation	58.1	342 000	342 000
	Swaziland Dairy Board	58.2	-	-
	Voluntary Deferred Pay Guarantee Fund	58.3	38 000	38 000
	Shewula Account	58.4	-	-
	FAO Grant Fund	58.5	7 910 000	9 465 000
	SNTC	58.6	74 000	62 000
	Happy Valley	58.7	31 000	32 000
	University of Swaziland(UNISWA)	58.8	694 000	1 125 000
	Swaziland post and telecommunication(SPTC)	58.9	868 000	710 000
	Raleigh Fitkin Memorial Hospital (RFM)	58.10	1 007 000	817 000
	The Times of Swaziland	58.11	257 000	294 000

59.1 National Maize Corporation (NMC) Guarantee

Swaziland Development Finance Corporation Limited has agreed to administer loans to local maize farmers. NMC will pay 8% of the total amount loaned by the Corporation as management fee at the end of each season. NMC has agreed to provide up to E2 million as guarantee against these loans. The funds are kept in a separate bank account called NMC Credit Guarantee Fund with interest accruing to the NMC Fund. There were no loan balances outstanding on this scheme as at 31 March 2017.

59.2 Swaziland Dairy Board (SDB)

Swaziland Development Finance Corporation Limited has agreed to administer loans to smallholder dairy farmers. SDB will pay 10% of the total amount loaned by the Corporation as management fee at the end of each season. SDB has agreed to provide up to E1.5 million as guarantee against these loans. The funds are kept in a separate bank account called SDB Credit Guarantee Fund with interest accruing to the SDB fund. Swaziland Development Finance Corporation Limited acts as signatories to this account.

59.3 Voluntary Deferred Pay Special Fund (VDPSF)

In terms of a 5 year contract with VDPSF, Swaziland Development Finance Corporation Limited has agreed to administer loans to qualifying ex-miners in order to enable them to engage in meaningful income generating activities. VDPSF will pay 8% of the total amount loaned by the Corporation as management fee at the end of each season. VDPSF agreed to provide E2.5 million as guarantee against these loans. The funds are kept in a separate bank account called Voluntary Deferred Pay Guarantee Fund with interest accruing to the VDPS fund. There were no loan balances outstanding on this scheme as at 31 March 2017.

59.4 Shewula Account

The values reflected as Shewula funds in the books refers to funds that were left by volunteers from Italy to FINCORP on behalf of Shewula people. These volunteers from Italy had come to the country to help set up a certain project for the Shewula people. They could not finish this project and there were funds remaining for the project. Realising that they could not give it to anyone there to oversee the completion of the project, they decided to give the money to FINCORP to advance to people seeking to start projects that will develop Shewula. So far no one has come up with a project to be advanced on in that respect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

59 Financial guarantees (continued)

59.5 FAO Grant Fund
The FAO Grant Fund gave money to FINCORP of which they would lend to qualifying business people. This money is maintained in its own bank account.

59.6 SNTC
First Finance company has agreed to administer loans to employees of SNTC. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called SNTC Trust account with interest accruing to the SNTC Trust. The trust accounts for the SNTC scheme are held at Swaziland Building Society. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme.

59.7 Happy Valley
First Finance company has agreed to administer loans to employees of Happy Valley. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called Happy Valley Trust account with interest accruing to the Happy Valley trust. The trust accounts for the Happy Valley scheme are held at Swaziland Building Society. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme.

59.8 University of Swaziland (UNISWA)
First Finance company has agreed to administer loans to employees of UNISWA. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called UNISWA Trust account with interest accruing to the UNISWA trust. The trust accounts for the UNISWA scheme are held at Standard bank, Stanlib and African alliance. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme.

59.9 Swaziland post and telecommunication (SPTC)
First Finance company has agreed to administer loans to employees of SPTC. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called SPTC Trust account with interest accruing to the SPTC trust. The trust account for the SPTC scheme is held at Swaziland Building Society. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme.

59.10 Raleigh Fitkin Memorial Hospital(RFM)
First Finance company has agreed to administer loans to employees of RFM. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called RFM Trust account with interest accruing to the RFM trust. The trust account for the RFM scheme is held at Swaziland Building Society. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

59 Financial guarantees (continued)

59.11 The Times of Swaziland

First Finance company has agreed to administer loans to employees of the Times of Swaziland. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called Times of Swaziland Trust account with interest accruing to the Times of Swaziland trust. The trust account for the Times of Swaziland scheme is held at Swaziland Building Society. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme.

59.12 Customer deposit Account

FINCORP sometimes requires that some projects be secured by a deposit. These deposit monies are then banked with Swaziland Building Society in the clients name but with FINCORP holding the deposit book and the withdrawal rights of the funds from Swaziland Building Society. After the client has settled the funds are withdrawn and given to the client with interest. As at year end there were 0 (2015: 125) sub-accounts to the Customer Deposit Account. In March 2015 these deposits were transferred to Fincorp bank account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

The corporation has identified its reportable segments in terms of products offered and geographical location. There were no judgements made by management in identifying the operating segments. The financial results of the segments are presented below:

		Company	
		2018	2017
		E'	E'
60	**Summary segment report**		
60	**Interest Income**		
	Interest income – by product		
	Business Loans	**15 928 504**	16 794 000
	Micro Loans	**157 485**	158 000
	Interest on Intercompany loans	**70 002 589**	89 564 000
	Agriculture loans	**11 622 242**	12 454 000
	Sugar cane loans	**13 708 290**	14 119 000
	Total Interest Income	**111 419 110**	133 089 000

		Group	
		2018	2017
	Fee Income	**E'**	E'
	Fee income segmented by component		
	First Finance Company (Proprietary) Limited	**64 467 362**	82 278 000
	Swaziland Development Finance Corporation	**472 129**	2 033 000
	Finsure	**-**	-
	Total Fee Income	**64 939 491**	84 311 000
60	**Interest Expense**		
	Interest Expense segmented by component:		
	First Finance Company (Proprietary) Limited	**(25 089 872)**	(25 013 000)
	Swaziland Development Finance Corporation	**(61 332 189)**	(58 559 000)
	Finsure	**-**	-
	Total Interest Expense	**(86 422 061)**	(83 572 000)
60	**Administrative expenses**		
	Expenses segmented by component:		
	First Finance Company (Proprietary) Limited	**(28 898 114)**	28 472 000
	Swaziland Development Finance Corporation	**(20 185 926)**	41 896 000
	Finsure	**(744 583)**	2 701 000
	Total operating expenses	**(49 828 623)**	73 069 000
60	**Total assets**		
	Total assets segmented by component:		
	First Finance Company (Proprietary) Limited	**688 532 111**	717 030 000
	Swaziland Development Finance Corporation	**793 446 925**	403 652 000
	Finsure	**3 399 443**	3 366 000
	Total assets	**1 485 378 479**	1 124 048 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

61 Total liabilities

	Group	
	2018	2017
	E'	E'
Total Liabilities segmented by component:		
First Finance Company (Proprietary) Limited	**584 370 848**	205 509 000
Swaziland Development Finance Corporation	**573 793 273**	628 857 000
Finsure	**696 412**	1 020 000
Total liabilities	**1 158 860 533**	835 386 000

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

COMPANY DETAILED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2018

	Fincorp 2018 E	Fincorp 2017 E
INCOME		
Interest Income	**111 419 110**	109 364 361
Bad debts recovered	**325 829**	857 249
Other income	**19 295 915**	2 032 854
Fee income	**2 258 412**	20 712 476
Profit on disposal	**-**	1 000 000
	133 299 266	133 966 939
EXPENSES		
Advertising	**(1 265 136)**	(1 358 449)
Annual FSRA Levy	**(1 041 451)**	(1 115 956)
Audit remuneration	**(500 000)**	(566 961)
Bad debts written off	**(3 514 138)**	(15 927 937)
Bank charges	**(838 316)**	(512 307)
Board expenses	**(675 499)**	(644 104)
CDAS Collection Fees	**(13 999)**	-
Cleaning expenses	**(170 692)**	(160 164)
Communication cost	**(1 544 106)**	(1 583 569)
Computer expenses	**(86 876)**	(79 413)
Consultancy	**(21 482)**	(405 000)
Depreciation	**(1 052 609)**	(1 296 597)
Donations	**(297 021)**	(227 786)
Entertainment	**(1 011 562)**	(542 325)
Facility fee charge	**(4 152 965)**	(2 839 932)
Foreign Exchange Losses	**(4 925 087)**	(287 494)
Generator Consumables	**(487)**	-
Impairment of loans and advances	**(9 239 400)**	(10 171 906)
Insurance	**(450 718)**	(514 937)
International Conferences	**(382 010)**	(279 187)
Interest expense	**(61 332 189)**	(58 559 154)
Legal fees	**(448 467)**	(552 849)
Loss on disposal of assets	**(2 123)**	-
Motor vehicle expenses	**(777 090)**	(815 035)
Postage	**(7 491)**	(21 120)
Printing and stationery	**(339 520)**	(456 442)
Professional Fees	**(338 715)**	(410 379)
Rates, taxes and fines	**(83 273)**	(42 202)
Rent, water and light	**(1 670 874)**	(1 560 109)
Repairs and maintenance	**(180 745)**	(145 672)
Salaries and wages	**(28 112 292)**	(24 044 415)
Security	**(877 629)**	(887 929)
Staff uniforms	**(170 364)**	(527 645)
Subscriptions	**(2 602 975)**	(2 334 456)
Tea, coffee, other expenses	**(104 881)**	(138 900)
Travelling expenses	**(129 458)**	(130 321)
Total operating expenses	**(128 361 641)**	(129 137 649)
Profit before tax	**4 937 625**	4 829 290
Income tax expense	**(3 835 315)**	(1 405 116)
Profit for the year	**1 102 309**	3 424 175

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

COMPANY TAXATION SCHEDULE
for the year ended 31 March 2018

Current tax computation	2018	2017
	E	E
Profit before tax	**4 937 625**	4 829 290
Permanent differences:	**297 021**	287 494
Penalties & Fines	-	287 494
Donations	**297 021**	-
Prepayments and advance payments		
Current year	-	(13 000)
Prior years	-	13 000
Provisions for employee benefits		
Current year	**1 168 281**	3 033 054
Bonus provision	-	2 115 900
Annual leave provision	**1 168 281**	917 153
Prior year	**(3 033 054)**	(2 022 488)
Bonus provision	**(2 115 900)**	(1 105 334)
Annual leave provision	**(917 154)**	(917 153)
Provision for doubtful debtors	**(463 690)**	2 135 817
Write-Offs against provisions	**(9 703 090)**	-
Current year provisions	**9 239 400**	9 043 336
Prior year provisions		(6 907 519)
Taxable income	**2 906 183**	8 263 168
Opening assessed loss	-	-
Taxable income /(Assessed loss)	**2 906 183**	8 263 168
less donations allowed limited to 5% of taxable income	**145 309**	-
Taxable income /(Assessed loss)	**3 051 492**	8 263 168
Tax thereon	**839 160**	2 272 371

These schedules do not form part of the financial statements and are unaudited