# ANNUAL REPORT **2013**

FINCORP

SWAZILAND DEVELOPMENT FINANCE CORPORATION


Feedlot

Market Vendor

# Vision

To be recognised and acknowledged  by our stakeholders nationally and internationally as the foremost business development finance institution providing financial  services.

# Mission

To empower our clients by providing broad-based financial services to enable their growth and successt through fostering supportive client relationships combined with prudence and competence to become a financially self-sustaining institution.

# Statement of Purpose

To economically empower Swazi entrepreneurs through the provision of accessible and sustainable financial services.

# Values

- Accessibility
- Openness
- Reliability
- Integrity

His Majesty King Mswati III

Her Majesty The Queen Mother

# BOARD OF DIRECTORS

**Mr. Musa Dlamini**
*Chairman*

**Mr. Dumsani J. Msibi**
*Group Managing Director*

**Mr. Musa Mdluli**
*Audit Committee Chairman*

**Mr. Mandla Mavuso**
*REMCO Chairman*

**Ms. Sizakele Dlamini**
*Member*

**Mr. Musa Sibandze**
*Member*

**Ms. Phindile Dlamini**
*Member*

**Mrs. Maureen Gabuza**
*Member*

**Mr. Simanga Simelane**
*Member*

**Mr. Fairlie Mabuza**
*Subsidiary Board Chairman*

# EXECUTIVE MANAGEMENT

**Dumsani J. Msibi**
*Group Managing Director*

**Siko Ntshalintshali**
*General Manager*

**Justice Simelane**
*Manager Finance & Admin*

**Mlungisi Hadebe**
*Manager Agribusiness*

**Langeni Kunene-Dlamini**
*Manager Legal Affairs*

**Innocent Thwala**
*Manager IT*

**Sipho Mkhwamubi**
*Manager Business Lending*

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*"Evidently, the fact that over half a billion Emalangeni was in the hands of Swazi citizens as at the end of the financial year, confirms that FINCORP is fulfilling our primary mandate of providing access to credit. I wish to encourage everyone at FINCORP to always keep their focus on the socio-economic development of our people at grassroots level and to aim towards the closure of the general financing gap created by the orientation of most commercial players in the Financial Services Sector."*

On behalf of His Majesty's Government and myself, I am pleased to note the level of performance demonstrated by FINCORP during the financial year ended 31 March 2013; as depicted in the Audited Financial Statements. Furthermore, I note with approval the improved level of institutional sustainability that the organisation is gradually attaining. I wish to thank all the stakeholders who are collaborating with FINCORP in various ways, in particular, the local and international funding organisations. I must, however, point out that Government would be pleased to see a positive omniscient presence of qualitative outputs such as job creation, increased access to credit and poverty alleviation.

When Government set up this institution in 1996, the main objective was to improve the citizens' livelihoods by providing increased access to finance for people at grassroots level in order to enable them to engage in entrepreneurial activities; create self-employment opportunities and reduce poverty levels. I note with great satisfaction that the organisation has broadened its product offering; incorporating general purpose finance needs for the populace. This has gone a long way towards enhancing the general standard of living for the beneficiaries. Evidently, the fact that over half a billion Emalangeni was in the hands of Swazi citizens as at the end of the financial year, confirms that FINCORP is fulfilling our primary mandate of providing access to credit. I wish to encourage everyone at FINCORP to always keep their focus on the socio-economic development of our people at grassroots level and to aim towards the closure of the general financing gap created by the orientation of most commercial players in the Financial Services Sector.

All over the world, Small and Medium Enterprises are known to be the engine for domestic economic growth and have the impetus of creating jobs. Government therefore remains committed to supporting FINCORP's activities in reaching out to Swazi citizens at grassroots level.

I congratulate the Board, Management and Staff of FINCORP for the massive institutional growth recorded to date and wish them well in the year ahead. As a shareholder, His Majesty's Government will continue to support the institution in its concerted endeavour to reach out to an increased number of Small and Medium Enterprises.

**Hon. Majozi V. Sithole**
*Minister of Finance*

# STATEMENT FROM THE MANAGING DIRECTOR OF TIBIYO TAKA NGWANE

*"On behalf of the Main Committee of Tibiyo Taka Ngwane, I would like to congratulate the Board, Management, and Staff of FINCORP for the remarkable financial results as at the end of the financial year 31 March 2013."*

Tiibiyo TakaNgwane is proud to have played a pioneering role in the formation of FINCORP way back in 1996, following a directive received from His Majesty King Mswati III. Looking back retrospectively at the organisation's achievements to date, we are reassured and convinced that many more Swazi Citizens will have their lives improved drastically through the services offered by the organisation.

In line with the founding principles of Tibiyo TakaNgwane, of nation building and prosperity for all, we urge FINCORP's Board, Management and Staff to continue researching innovative ways in which they would provide access to credit for Small and Medium Enterprises (SMEs). The SMEs will therefore be better positioned to create employment and ultimately help to alleviate the prevalent poverty scourge. We have noted that in recent years there has been a growing interest in entrepreneurship amongst our people and FINCORP is one of the institutions that have played a catalytic role in providing a platform through which Swazi Nationals can pursue their business dreams.

On behalf of the Main Committee of Tibiyo TakaNgwane, I would like to congratulate the Board, Management, and Staff of FINCORP for the remarkable financial results as at the end of the financial year 31 March 2013. The capacity to attract external finance that has been demonstrated by the organisation, as shown by the recent bond listing is highly commendable, and as such will ensure increased financial intermediation and outreach.

I would also like to reaffirm Tibiyo TakaNgwane's commitment to supporting FINCORP's activities as they implement their recently adopted strategic plan which seeks to push the organisation towards becoming a broad based financial services provider. The plan also aims to increase the organisation's loan portfolio and outreach to Small and Medium Enterprises (SMEs) to E1 Billion by the year 2017.

**Absalom T. Dlamini**
*Managing Director – Tibiyo TakaNgwane*

*"The continuous support received from FINCORP's shareholders, namely the Swaziland Government and Tibiyo Taka Ngwane, continues to be the bedrock for the success of the organisation."*

## INTRODUCTION

Notwithstanding the subdued economic fundamentals in the Swazi economy over the past financial year, it is comforting to note that FINCORP maintained a strong financial performance and recorded the highest profit figure since its inception. This strong performance has largely been underpinned by the diversified product offering and outreach which has mitigated any possible economic shocks at the height of the recent fiscal challenges which negatively affected business in Swaziland.

The continuous support received from FINCORP's shareholders, namely the Swaziland Government and Tibiyo Taka Ngwane, continues to be the bedrock for the success of the organisation. Meanwhile, the collective effort of all the Board of Directors in guiding the organisation has placed it on the right trajectory to meet the shareholder's mandate of providing access to credit and the creation of jobs for people at grassroots level.

## OVERVIEW

The domestic economy has, over the year under review, picked up slightly, surging forward from 0.3% to 1.7% in terms of economic growth as reported by the Central Bank of Swaziland's Quarterly Review. Although the fiscal situation seemed to gain stability, owing to increased Southern Africa Customs Union (SACU) remittances, the negative effects of the economic downturn, since its emergence a couple of years ago, withheld any meaningful economic recovery for the domestic economy. On a positive note, interest rates remained relatively low throughout the year, with inflation also remaining at single digit levels for the entire year. The only downside was the weakened Lilangeni (when compared to hard currencies) and this can be largely attributed to exogenous economic fundamentals.

## OUTREACH

The organisation continued to increase outreach to its target clientele, as depicted by the 21% loan portfolio growth and growth in number of clients, year on year. Our Subsidiary Company, FIRST FINANCE, has also recorded strong financial performance and growth in outreach.

## NEW STRATEGY

At the beginning of the financial year, the organisation ushered in a new five year strategic plan which is anchored in portfolio growth and strengthening of the quality of the balance sheet. Furthermore, the new strategy seeks to consolidate the success attained over the past few years and the lessons learnt thereof. Implementation of the strategy is reviewed by the Board on a quarterly basis in order to ensure that meaningful progress is achieved.

## DIRECTOR'S SKILLS DEVELOPMENT

In trying to keep abreast with the rapidly changing business environment and the resurgence of the

*Carpentry*

knowledge economy, I am pleased to note that, under my guidance, the organisation has continued to solicit training opportunities for Board Members, both locally and beyond our borders. To this end, all my fellow Directors have been registered with the Institute of Directors (IOD) in South Africa and have been provided with a Corporate Governance Toolkit on KING III. They receive regular updates from the Institute of Directors on a continual basis. We have also taken full advantage of Corporate Governance Training Sessions offered by the Development Finance Institutions Regional Body known as SADC Development Resource Centre (SDC DFRC). In these sessions, Directors from all DFIs in the region converge to experience an exciting learning platform, not only from leading experts but also amongst themselves, as far as best practice in Corporate Governance is concerned. This kind of exposure has proved to be the right tonic to empower our Board Members to deal with the dynamic development finance needs.

## ACKNOWLEDGEMENT

Special tribute goes to all our Local and International Funding Partners for the confidence they have shown in the organisation. Also, we would like to thank our Shareholders, Management, Staff and our loyal customers for the commitment they have displayed in performing their respective responsibilities. I am pleased to note that we have lived up to our promise made last year to open a branch for our subsidiary in Manzini in the last quarter of the Financial Year. We remain committed to bringing our services closer to the widespread communities we serve.

I would like to humbly acknowledge the confidence bestowed upon me by the Minister of Finance and the Government of Swaziland as I was once again entrusted with the Chairmanship of FINCORP for another three year term, up to 2015. I pledge my full commitment to pursuing the ultimate vision of the institution of creating jobs and alleviating poverty.

**Musa L. Dlamini**
*Chairman of the Board*


*BID Star Quality Award*

# GROUP MANAGING DIRECTOR'S STATEMENT

*"The past three to five years have been challenging for all economic players as the global economy slipped into an unprecedented financial crisis, as a result of the protracted subprime lending in developed economies specifically the United States of America. The effects of the global meltdown have resulted in far reaching adverse implications for the poor in developing countries."*

## INTRODUCTION

There is no doubt that FINCORP has grown tremendously, both in scope and in scale looking back at its formative years in 1995 when the organisation was launched as a wholesale lending institution. From a seed capital of E44 Million, contributed by Swaziland's International Partners and Tibiyo TakaNgwane, who both contributed E36 Million and E8 Million respectively, FINCORP has grown to become one of the leading Development Finance Institutions (DFIs) on the continent. This has been confirmed by the numerous international awards for quality and excellence received in recent years.

During the year under review the organisation continued to receive international recognition from a number of global agencies. In December, the Global Trade Leaders Club (GTLC) conferred on the organisation's "Leadership in Image & Quality Award" whilst Business Initiative Directions (BID) awarded FINCORP "The Star Leadership Award". The Global Trade Leaders Club honoured FINCORP with the "Business Excellence Award". Also, the European Society for Quality Research (ERSQ) decorated the organisation with "The International Quality Achievement Award" in London.

We are pleased to note that what initially started as a dream and a high aspiration for the organisation at its inception has now come to life; *"To be recognized and acknowledged by our stakeholders nationally and internationally as the foremost business development institution providing financial services"* This goes a long way towards bringing credence to the work that we do and further provides stimulus to our workforce of sixty five (65) employees to strive for perfection in service delivery.

## OPERATING ENVIRONMENT

The past three to five years have been challenging for all economic players as the global economy slipped into an unprecedented financial crisis, as a result of the protracted subprime lending in developed economies specifically the United States of America. The effects of the global meltdown have resulted in far reaching adverse implications for the poor in developing countries. The gap that exists between the rich and poor widened even further. Capital became illiquid as even those establishments and individuals who were endowed with capital suddenly became cautious and withheld their funds which had serious dysfunctional consequences for financial intermediation.


*Maize Milling & Packaging*

Meanwhile the Monetary Policy Committee (MPC) kept interest rates relatively unchanged and at unprecedented low levels during the financial year under review. At the beginning of the year, the repo rate stood at 5.5% and twelve months later, by the end of the year, the repo rate had only declined by five basis points, to 5%. Consumer inflation decelerated to single digit figures, settling at 6.6% at the end of the year. Disappointingly, the low interest rates era has not spurred additional investment as domestic economic growth continues to be lacklustre at 1.7% depicting a precarious future outlook and significant downside risks both locally and internationally. Meanwhile, even though inflation seemed to be under control, it has remained relatively high when compared to other Common Monetary Area (CMA) Member States. There was no indication that inflation would decline in the near future when considering other economic fundamentals such as the strength of the Rand; oil prices and the Euro Zone Debt Crisis.

According to the Central Bank of Swaziland's Quarterly Review, the Lilangeni Currency remained weakened against the Dollar, at around 9.1 at the end of the financial year. The increase in energy costs would spur an increase in production costs and ultimately a rise in food prices and inflation in general. The only possible mitigating factor would be the slight decline in fuel prices. Meanwhile, according to the Central Bank, overall national credit extension seems to have grown significantly on household credit rather than business credit and this seemed consistent with what had been seen at FINCORP. Apparently general purpose lending grew by double digit figures, whilst business lending growth remained in low level single digit figures.

Annual growth in credit extended to the Private Sector slowed down to a low of 1.4 per cent at mid-year from 9.9 per cent achieved in the preceding quarter. The stagnation of credit growth to the Private Sector, despite the Bank's effort to maintain an accommodative monetary policy stance, points to inadequate effective financial intermediation in the Financial Sector. The subdued credit levels were mainly a result of reduced demand emanating from low economic activity. Credit extended to businesses, the main driver of economic growth, was relatively low, at 3.5 per cent over the year. The slowdown was mainly due to low credit uptake by major industries coupled with sluggish economic activity within the domestic economy.

## FINANCIAL PERFORMANCE

An unprecedented E598.7 Million was disbursed as new loans during the year under review, compared to E324.1 Million the previous year, showing a surge of 85% in loans turnover. However 53% of the new loans approved are attributed to general purpose lending which evidently has a high transaction turnover and repeat loan financing. The operating profit before tax grew by 10% from E12.2 Million to E14.8 Million, resulting in a return on investment of 5%. This year's operating profit figure of E14.8 Million is the highest ever achieved in the last seventeen years of existence, notwithstanding the fragile and subdued economic environment. This positive outturn is largely due to the diversified product offering and broadened revenue streams.

## FIVE YEAR STRATEGIC PLAN IMPLEMENTATION

At the beginning of the financial year, FINCORP ushered in a new five year strategic plan which is largely anchored in growth and strengthening of institutional sustainability implementation of the of the strategy which started in earnest at the beginning of the year. Meaningful progress has been made on two pillars, namely the strengthening of Risk Management Mechanisms, Credit Appraisal and Portfolio Monitoring Mechanisms; Improvement of Funding Streams and Strengthening of the Treasury Function. On the first pillar, Technical Assistance was obtained from the Commonwealth Secretariat which largely looked at Business Process Re-engineering; Credit Appraisal Processes and Credit Risk Management. The main thrust was to grow the loan portfolio to E1 Billion and ultimately widen outreach to the target clientele in pursuit of job creation.

Meanwhile on the funding pillar, we successfully obtained approval of our E300 Million Bond Issue Listing from the Swaziland Stock Exchange (SSX) and fund inflows are expected at the beginning of the new financial year. Subsequent to this new development there is a sign of re-assurance that our main goal, the growth of the loan book to E1 Billion, will be attained.

Regarding the rest of the core pillars of the strategic plan, like Strengthening Human Resource Management Capacity; Strategic Communication, Strategic Execution; and Development of Products/ Markets; implementation is on going and in some cases still at infancy stage, particularly the development of new products. Strategic Communication has largely been carried out and implementation is work in progress.

## CORPORATE SOCIAL RESPONSIBILITY

FINCORP has been engaged in several corporate social responsibility initiatives in order to contribute positively to the communities in which the organization operates. The main guiding principle is to align FINCORP with community activities that foster entrepreneurial thinking, empowerment, and self emancipation from the vicious claws of poverty. The organization is cognizant of the fact that Corporate Social Responsibility broadly represents the integrity with which a company governs itself, fulfils its mission, lives by its values, engages with its stakeholders and finally measures its impact on core activities. Corporate governance principles dictate that Corporate Social Responsibility activities must be made an integral part of the key activities of the organisation. Clearly by its nature, Corporate Socially Responsibility can never be said to be enough but what is important is to make a meaningful difference in the communities in which a company does business.

As a good corporate citizen, the organisation has made a conscious decision to support selected national initiatives that seek to promote entrepreneurship in the country. We have also heightened the awareness on environmental compliance by clients as they launch their new ventures.

## BRAND BUILDING

During the year, the organisation continued with its countrywide brand building coupled by a mass communication drive both internally and externally through selected media channels.This was meant to ensure that the market adequately understands our positioning, product offering and internal lending processes. We have continued to share selected FINCORP entrepreneurs' success stories in an effort to motivate others. Feedback received from the general public suggests that people are now more aware of the services offered by the organisation and therefore are increasingly approach our offices with realistic and moderated expectations.

## BUSINESS DEVELOPMENT SUPPORT SERVICES

In line with the efforts being made to elevate FINCORP to become a financially sustainable organisation and also increase our effectiveness, the organisation has fully embraced the concept of creating a new structure under which all loan beneficiaries shall receive consistent mentoring and business development support. To this end, Commonwealth Technical Assistance was sought and the Technical Advisor spent ample time looking at how this unit would be structured and how it would collaborate with other external Business Development Service Providers in order to enhance outreach. As an organisation, we are convinced that FINCORP's sustainability will be enhanced by the move to increase investment in project preparation. Much against popular belief, research has shown that the biggest challenge for small businesses is the lack of marketing than access to finance.

## INTERNATIONAL APPOINTMENTS

I was deeply honoured by my appointment to the Governing Bodies of two international organisations as an Executive Committee Member namely the World Association of Small & Medium Enterprises (WASME) and the Association of African Development Finance Institutions (AADFI). WASME is headquartered in India whist AADFI is based in Cote d'' Ivoire. This shall present the organisation with an opportunity to learn from other global leaders in development finance whilst at the same time sharing our own experiences with the rest of the globe.

## ACKNOWLEDGEMENTS

The unequalled level of professional and emotional commitment demonstrated by the entire FINCORP staff in service delivery is highly commendable. They have continued to adhere to our effective post-investment monitoring system which has proved to be the cornerstone for our success. The overall stewardship provided by the Board of Directors is also unparalleled. My humble thanks and gratitude goes to the Minister of Finance and his team for always lending us their ear as the parent Ministry whenever we seek guidance and assistance. The two shareholders; the Swaziland Government and Tibiyo TakaNgwane, remain the foundation for the


electrifying experience and achievements to date. Finally and most importantly, I wish to record my appreciation to FINCORP's diverse clients for their continuous constructive feedback which directly contributes to the reshaping of our operational policies in order to remain relevant to the market that we serve.

**Dumisani J. Msibi**
*Group Managing Director*

## 1. INTRODUCTION

FINCORP was launched in November 1995 with the primary objective of providing access to credit and business development services to Swazi entrepreneurs. The organisation later opened its doors to the public on 1 April 1996. Initially operating as a wholesale lending institution, the organisation was later, in 2003, transformed to become a development finance institution encompassing both wholesale and retail lending. This culminated into a change in legal status from being a Trust to being a Company, with the two shareholders; the Swaziland Government and Tibiyo TakaNgwane, holding 80% and 20% shareholding respectively. Interestingly the core objectives of the organisation have remained unchanged despite the rapid transformation over the years. The principal objectives are as follows:

- To finance and promote the development of Swazi-owned Enterprises;
- To create job opportunities and ultimately alleviate poverty.
- To support the expansion of loan financing to SMEs;
- To support the provision of business advisory services, training, monitoring, technical transfers and development of other products and services for SMEs;

The crux of these objectives is job creation; poverty alleviation and wealth creation.

Against the backdrop of job scarcity and inadequate access to credit, FINCORP is charged with the responsibility of ensuring that aspiring Swazi entrepreneurs get the opportunity to start their own businesses and ultimately create jobs for themselves and their fellow citizens. At a high level, the organisation also positively contributes to economic growth as manifested by the over half a billion Emalangeni total annual turnover generated by the various businesses financed by FINCORP.

## 2. BUSINESS STRATEGY & OPERATING MODEL

Since its inception, the organisation has predominantly pursued a growth and innovation oriented business strategy as part of the our efforts to increase outreach and efficiently deliver financial services to the general population. The key role played by FINCORP is that of financial intermediation through raising various lines of credit from funding local and international organisations and then 'on-lend' to deserving clients.

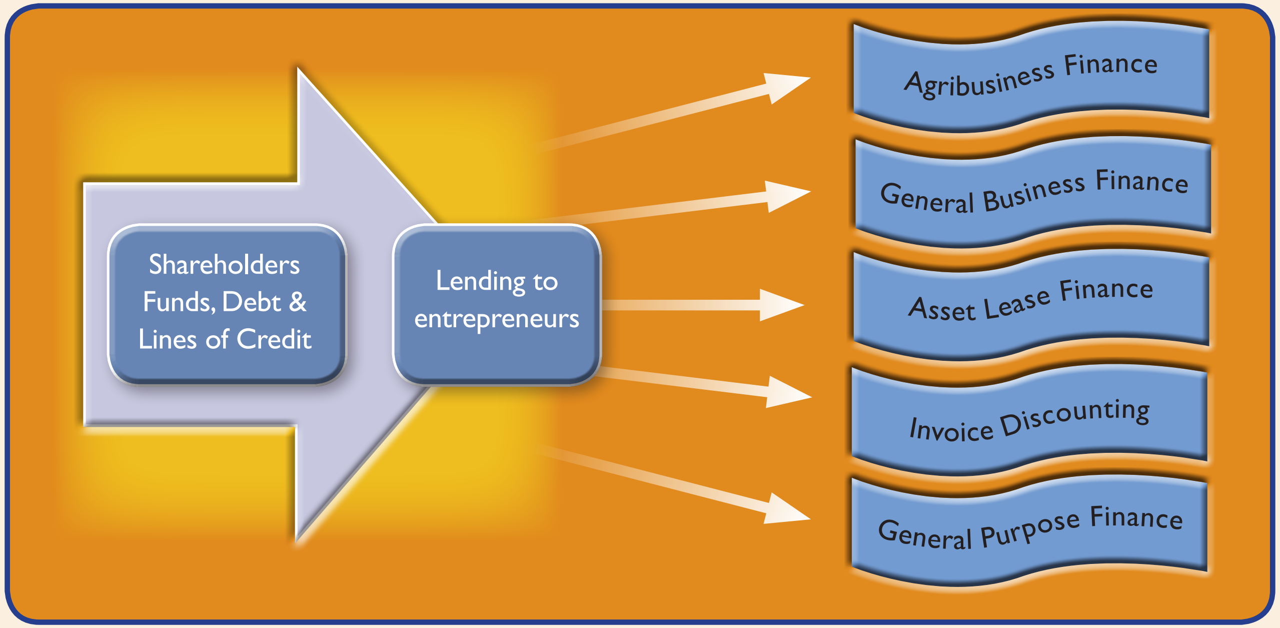
FINCORP's lending methodology encompasses both wholesale and retail lending. Over the years, FINCORP has achieved considerable success in reaching multitudes of indigenous entrepreneurs, whilst at the same time maintaining financial and institutional sustainability. Portfolio growth has historically averaged 20% a year with significant growth being recorded in the Agribusiness Sector and General Purpose Finance. The institution has, in cumulative terms, to date, provided financial and non financial support valued at slightly more than E2.4 billion to more than 80,000 clients. To date, over 10 100 permanent and seasonal jobs have been created.

The lending operation at FINCORP is underpinned by the ability to mobilize financial resources from various International Funding Partners which has significantly enhanced the credibility of the institution as more and more funding agencies have conducted due diligence on the institution; which has always come out positive.

Retail

During the year under review FINCORP mobilized a total of E120.2 Million in funding for on-lending whilst business loans approved totalled E301.9 Million. It can immediately be deduced from these figures that the loan transaction turnover is relatively high, thus enabling the organisation to use repayments received to continuously disburse new loans.

Below is a pictorial presentation of the lending model of FINCORP.




Currently FINCORP offers multiple financial services which include business credit, leasing facilities, insurance and money transfers. Traditional business sectors covered by the organisation include, amongst others, the following:

- **Manufacturing** (heavy equipment, candle making, corrugated iron sheets and roof tiles, soap making, fencing, wood carving, uniform production, textiles, food stuffs, paint manufacture, honey processing, manufacture of disposable napkins, railway lines, factory building).
- **Trucking and Bussing** (haulage of sugar cane, timber wood and wood pulp products transportation and general public passenger transport).
- **Forestry** (nursery, planting, pruning and harvesting).
- **Agribusiness** (sugar cane, green maize, horti-culture, beef and dairy, poultry, fisheries and piggery, maize purchases, marketing of horticulture produce, civiculture).
- **Building and Construction** (housing, financing of builders, installation of guard rails, road marking and road reserve maintenance, rural electrification, block -making).
- **Order Financing** – assisting entrepreneurs with finance to deliver on large orders received from major buyers in Swaziland with a good financial standing, including local and central Government.

## 2.1 International Funding Partners

FINCORP has, in the past, successfully secured loan facilities from several multilateral financing organisations which include OPEC Fund, NORSAD Fund, African Development Bank (AfDB) and the IDC of South Africa. During the year under review, the organisation signed for a new line of credit with the Taiwan International Co-operation Development Fund (ICDF), amounting to USD $10 Million and will be drawn down at the beginning of the next financial year once all conditions precedent have been satisfied. The major shareholder, the Government of Swaziland, provided a sovereign guarantee for this facility. It shall be disbursed in tranches of firstly $4 Million; followed by a second tranche of $3 Million and a final one of $3 Million. The line of credit shall be utilised to expand loan financing to Small and Medium Enterprises.

### 2.2 Domestic Funding Partners

In addition the Corporation has been able to secure funding from local financial institutions like Standard Bank, First National Bank, the Central Bank of Swaziland, Swaziland Government, Swaziland National Provident Fund (SNPF), African Alliance and Interneuron Swaziland.


*Signing Ceremony of ICDF Agreement*

### 2.3 Definition of Small and Medium Enterprises

The institution has adopted the definition of SMME as defined in the country's National Policy on the Development of Small and Medium Enterprises which categorizes enterprises as follows;

| | Micro | Small | Medium |
|---|---|---|---|
| Value of assets | Under E50 000 | E50 001 - E2 million | E2 - 5 million |
| No. of Employees | Up to 3 | 4 to 10 | 11 to 50 |
| Annual Turnover | Up to E60 000 | E60 000-E3 million | E3 - 8 million |

*1 Emalangeni (E) = 1 RSA Rand


Block Making

In terms of sectorial outreach, the organisation operates across all economic sectors in Swaziland with a significant exposure to agribusiness as the economy is strongly agriculturally oriented. Consequently, even the operational structure of the organisation is arranged such that there are different teams looking at micro enterprise lending; another on small enterprises; another on medium enterprise and one on large businesses, all principally determined by loan amount.

## 3. STRATEGIC IMPLEMENTATION

The organisation has so far operated under the newly adopted five year strategic plan for one full year. This strategic plan is the culmination of a highly inclusive process and the efforts of the Swaziland Development Finance Cor-poration (FINCORP) Executive Management Team. It seeks to address organisational core competencies and weaknesses in order to appropriately respond to a new strategic positioning of the organisation and also to drive new business growth. The main target being to grow the loan book to E1 Billion by year 2017. There is no better way to achieve this than for FINCORP to efficiently measure and disclose its performance output. At the highest level, FINCORP strives to achieve two things; Empowered Clients; and Financial Self-Sustainability. FINCORP strives to produce accurate and comparable reporting on financial and social performance which is shared with all the key stakeholders. The core lending areas are SME Loans, Micro Enterprise Loans and General Purpose Loans which all constitute the foundation of the organisation's service offering. This is underpinned by five strategic initiatives specifically crafted to enable the success of the organisation:

i) Strengthen Human Resource Management Capacity.

ii) Strengthen Risk Management, Credit Appraisal and Portfolio Monitoring Mechanisms.

iii) Improve Funding Stream and Strengthen Treasury Function.

iv) Strategic Communication, Execution and Implementation.

v) Development of Products/ Markets.

Overleaf is a table showing the strategic activities and outcomes.

| STRATEGIC INITIATIVES | ACTIVITIES | OUTPUTS / OUTCOMES |
|---|---|---|
| ■ Improve Funding Streams and<br>■ Strengthening of the Treasury Function. | ■ Listing of E300 Million Bond.<br>■ Conclusion of Taiwan ICDF Facility of E80 Million.<br>■ Mobilisation of funding resources with various local funding institutions. | ■ A total of E100 Million was secured under the Bond Issue and negotiations are underway with additional funding partners to mobilise additional funding of E200 Million.<br>■ We also made the first tranche draw down of E38 Million under the Taiwan International Co-operation Development Fund's (ICDF) E80 Million Facility. Consequently, the liquidity position was relatively stable in the last half of the year. |
| ■ Strengthening of Risk Management mechanisms, Credit Appraisal and Portfolio Monitoring. | ■ Successfully secured Technical Assistance from the Commonwealth Secretariat to undertake Business Process Re-engineering on lending operations and strengthen risk management mechanisms. | ■ Our Consultant is expected to release the final report at the beginning of the new financial year, culminating in an implementation process which should improve the quality of our loan portfolio and also increase efficiencies. |
| ■ Strengthen Human Resource<br>■ Management Capacity. | ■ Have commissioned an internal review of the Human Resource function of the organisation with a view of improving people management; motivational levels and productivity. | ■ Strengthening of the Human Resource function of the organization by adequately staffing the department. |
| ■ Strategic Communication,<br>■ Execution and Implementation | ■ Strategic communication was carried out largely with internal stakeholders than external. Two work shops were held with Management with all Supervisors and later with the entire staff to debrief the entire strategy and its objective.<br>■ Implementation is ongoing exercise. | ■ Adequately informed staff in terms of future direction of the organisation. |
| ■ Development of Products/ Markets | ■ Investigation of new products is a continuing exercise and the organisation is yet to commission a market research in order to better understand the needs of our target clientele.<br>■ Our branch rollout initiative will also increase market share and outreach. | ■ Introduced the Invoice Discounting and Commercial Property Development Product. The main aim of this pillar is to ensure that we achieve the desired portfolio growth of at least 15% a year in order to reach the E1 Billion mark in 2017. This year the portfolio grew by 23%. |

### 3.1 Strategic Initiatives

It is projected that these strategic initiatives will have a positive influence on the bottom line by growing from E8.0 million per annum, as at 31 March 2013, to E27.0 million per annum, as at March 2017. This shall be accompanied by a managed balance sheet growth to E1 Billion at the end of the five year period, with a modest return on equity of 10% and a return on assets of 4% per annum.

## 4. GOVERNANCE

FINCORP fully subscribes to the principles of good corporate governance as espoused in the KING III Code and always endeavours to comply with the requirements of the Code. Our organisation is established under the auspices of the Finance & Audit Act of 1946 and registered under the Companies Act. FINCORP is owned by two shareholders namely the Swaziland Government and Tibiyo Taka Ngwane; they own 80% and 20% respectively.

The Board is comprised of nine directors constituted to ensure a wide range of skills and knowledge necessary to meet the Corporation's strategic objectives. The size of the Board is dictated by the Public Enterprise Unit Act, which permits a minimum of five and a maximum of nine directors to be appointed by the shareholders. Government appoints six whilst Tibiyo TakaNgwane appoints three members. The present gender composition of the Board is three female directors and six male directors. The Chairperson of the Board is appointed by the majority shareholder. Meanwhile the Board appoints the Company Secretary. Only the Managing Director is an Executive Director with the rest of the members being Non- Independent Directors as they are appointed by the Shareholders. In line with the recommendations of King III, the positions of Chairperson and Managing Director are separately held to ensure a clear division of duties. The Board Members are not involved in day-to-day operations of the business and do not draw any remuneration from FINCORP, other than the prescribed board fees.

The Board is made up of directors with diverse backgrounds and expertise, thus facilitating independent judgment and effective deliberations in the decision-making process, whilst pursuing our strategic objectives. Our skills mix as at the end of the year included expertise in entrepreneurship development, chartered accountancy, financial management, supply chain management, law, industrial relations and marketing. While the Board delegates its authority to Management, it retains the responsibility concerning the exercise of its delegated authority.

Two permanent Sub-Committees are in place; the Audit, Risk & Finance Committee and the Remunerations Committee. The latter has three members whilst the former has five members. The Managing Director sits in Both Committees as an additional member.

### 4.1 Audit, Risk & Finance Committee

The Audit Committee is an important structure of the overall Corporate Governance System at FINCORP and it has full independence in discharging its fiduciary responsibilities. The Committee assumes full responsibility for the reinforcement of sound financial management and reporting practices within our organisation. The Chairman of the Committee has direct access to the Internal Auditors, External Auditors and the Finance Manager.

The Committee continually reviews the risks that are faced by the Corporation and its Subsidiary Company and more importantly the Internal Controls System; identifying and mitigating all types of risks; adequacy of financial controls and reporting.

Furthermore the Committee oversees and reviews audit plans and adherence to same; ascertains the reliability of the audit; ensures that financial reporting complies with IFRS and the Public Enterprise Unit Act and ensures the integrity of financial reports submitted to the Board. It also makes sure that there are effective measures in place on Information Technology risks as they relate to financial reporting; it also reviews and makes recommendations on major financial related matters; and recommends the appointment and removal of auditors to the Board. Consequently, where weaknesses are identified in internal controls, corrective action is taken to eliminate or reduce the risks under the supervision of the Board. The quorum of the Committee is three members. The frequency of scheduled meetings for the Committee is four times a year.

### 4.2 Human Resources & Remunerations Committee

The Human Resources & Remunerations Committee plays a lead role in all Human Resource related matters which require the attention of the Board and meetings are held on a quarterly basis. The quorum of the Committee is three members. The Committee oversees the appointment of Executive Management and also determines the levels of remuneration. Other core responsibilities include: ensuring a proper strategy for the development and retention of staff within the Corporation; advising upon issues relating to retirement funds for the employees of the organisation; as well as seeking external legal or other professional advice on the remuneration structure of the Corporation. This includes seeking out the advice of independent remuneration consultants or agencies, as well as keeping reliable and up to date information about general industry trends in level of remuneration by commissioning reviews and surveys. These are essential to enable the Committee to discharge its duties. Finally, the Committee also sets performance measurement criteria for the Corporation and reviews or causes the review and update of the terms and conditions of employment for the Corporation.

### 4.3 Attendance of Meetings

At the beginning of each financial year, a schedule of planned meetings showing dates, times and venues is prepared and agreed to by the Board Members. Board papers are electronically transmitted to all Board Members prior to the meeting.

During the year under review, attendance at meetings by the Board Members is as shown below:

| Name | Meetings held | | | Meetings Attended | | | Attendance % |
|---|---|---|---|---|---|---|---|
| | Main Board | Audit Committee | REMCO | Main Board | Audit Committee | REMCO | |
| Mr. Musa Dlamini | 11 | - | - | 11 | - | - | 100% |
| Mr. Dumisani Msibi | 11 | 5 | 5 | 11 | 5 | 5 | 100% |
| Mr. Musa Mdluli | 11 | 5 | - | 8 | 4 | - | 70% |
| Mr. Samson Mavuso | 11 | - | 5 | 8 | 0 | 5 | 81% |
| Ms. Sizakele Dlamini | 11 | 5 | - | 8 | 3 | - | 68% |
| Ms. Phindile Dlamini | 11 | 5 | - | 11 | 3 | - | 88% |
| Mr. Simanga Simelane | 11 | 5 | - | 10 | 2 | - | 75% |
| Mrs. Maureen Gabuza | 11 | - | 5 | 9 | 0 | 4 | 81% |
| Mr. Musa Sibandze * | 11 | - | 5 | 6 | 0 | 2 | 50% |

*Term ended in June 2012

## 5. PERFORMANCE REVIEW & MONITORING

FINCORP currently has five Strategic Business Units (SBU); General Business Lending; Agribusiness Lending; Finance & Administration; Information Technology Department and finally the Legal Affairs Department. There is also a stand-alone wholly owned Subsidiary Company, FIRST FINANCE, which offers general purpose finance to salaried employees of selected establishments and SME clients of FINCORP who have the capacity to accommodate loan repayments for non business related funding. In any lending organisation, the Operations Unit is at the heart of microfinance activities; it is the core business regardless of which approach is being implemented in service delivery to clients. The success of any lending institution is dependent upon how the credit operations policies, procedures, and lending methodologies are designed and adhered to by all parties.

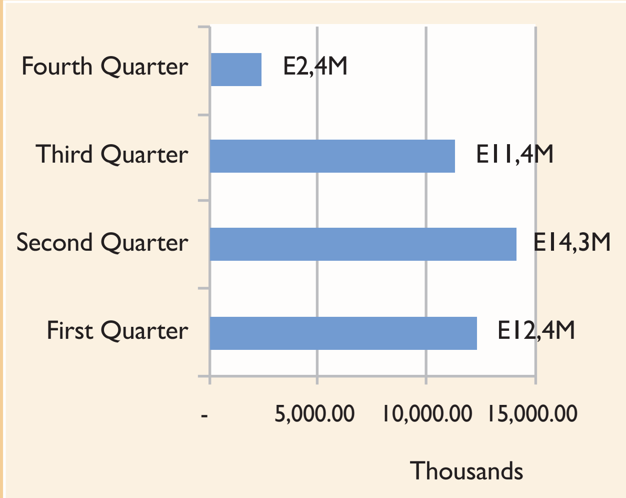
An unprecedented E598.7 Million was disbursed as new loans during the year under review compared to E324.1 Million the previous year, showing a surge of 85% in loan transaction turnover. However, 53% of the new loans approved can be attributed to general purpose lending which has a high transaction turnover and repeat loan financing. The operating profit before tax grew by 10% from E12.2 Million to E14.8 Million, resulting in a return-on- investment of 5%. This positive outturn is largely due to the diversified product offering which has broadened revenue streams. However the organisation could have performed even better had it not been for escalated loan provisions, since the recent global meltdown had a negative effect on portfolio quality. A performance review of the various Strategic Business Units is detailed below:

### 5.1 General Business Lending Department

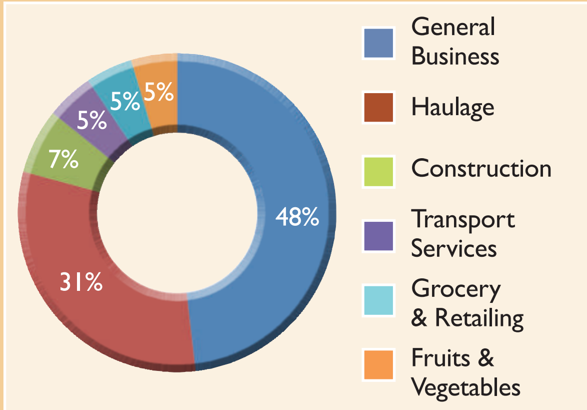
The loan portfolio under the General Business Lending Department represents all types of business which includes retail, heavy haulage, transport, construction and manufacturing. Also included are micro loans ranging from E500 to E10 000 targeted at Market Vendors and Hawkers. In total this portfolio grew by 15.2% year on year, moving from E172.2 Million to E198.3 Million. Significant growth of 8.7% was recorded on heavy haulage.

Adjecent is a pictorial presentation of the new loan approvals per quarter during the financial year.

**General Business Quarterly Loan Approvals**




**General Business Sectoral Distribution 31/03/2013**





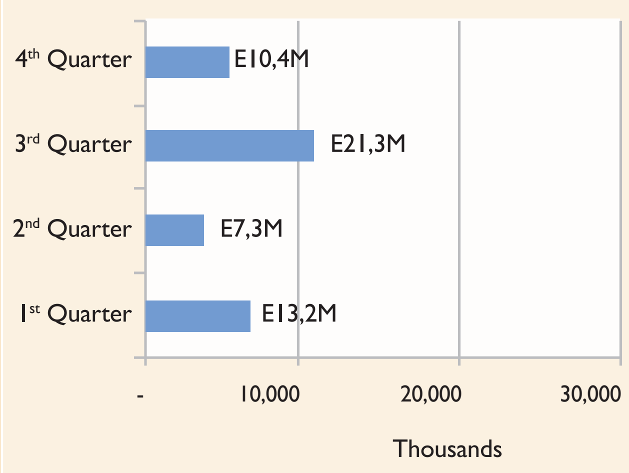
## 5.2 Agribusiness Lending Department

Agribusiness has historically been the most dominant portfolio in line with the fact that Swaziland is generally an agriculturally oriented economy. Furthermore, there are multiple value chain financing opportunities under the Agribusiness activities such as transportation and logistics which significantly contribute to the overall portfolio growth. Notwithstanding total new loan approvals during the year, totalling E52.2 Million, the agribusiness portfolio shrunk by 17% year on year, moving from E113.9 Million to E93.6 Million largely due loan settlements under sugar cane financing, since a significant number of farmers have paid off their capital loans and have also ceased taking debt for seasonal loans as they have attained financial self-sufficiency.

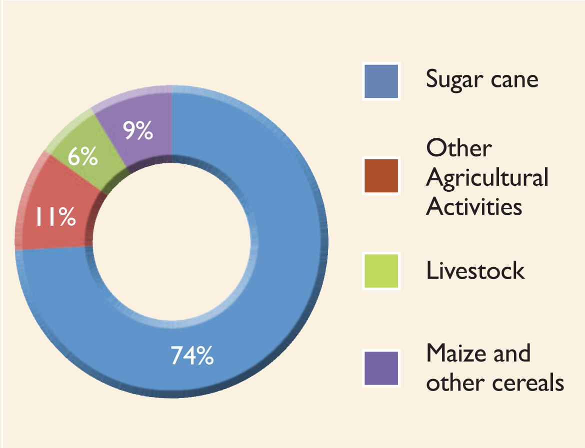
Meanwhile, the organisation saw a marked increase in lending to the Forestry Industry under as more and more SMEs were awarded off-take agreements at the various forestry companies around Swaziland, particularly for harvesting and maintenance. This sector has also made a significant contribution towards job creation as it is a highly labourintensive sector.

Adjacent is a pictorial presentation of the new loan approvals per quarter during the financial year.

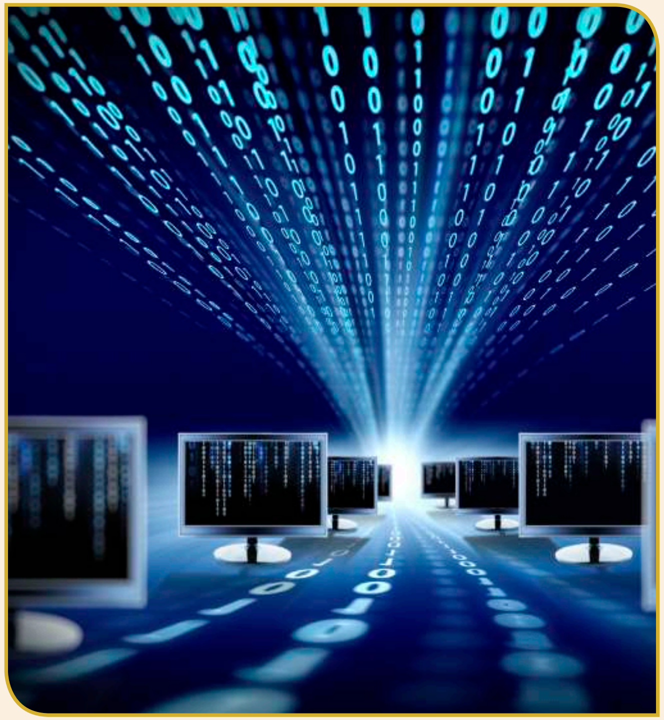
**Agribusiness Quarterly Loan Approvals**




**Agribusiness Sectoral Distribution 31/03/2013**



### 5.3 Information Technology Department



The Information Technology Department is central to the lending operations of the organisation. As a result, every year an Information Technology & Systems Audit is undertaken by external auditors just before the end of the financial period. The main purpose of the audit is to ensure integrity and reliance of the Management Information Systems in producing information that feeds back to the entire financial reporting of the organisation. The Information Technology Department is also responsible for the procurement and maintenance of all other electronic systems within the organisation such as payroll systems, cheque processing systems and electronic document management systems.

During the year under review, the Department made considerable strides towards perfecting the recent system migration from software called 'Micro Manager to Bankers Realm' both supplied by Craft Silicon based in Kenya. The MIS fully meets the present and future requirements of the organisation and generates user friendly reports customised to meet internal information and reporting requirements. The key feature of the software is the ability to manage both group and individual loans, thus being squarely in line with the present dynamic operations of the organisation. However, there is a strident aim to improve the client tracking ability of the system from the day the client walks through our doors to solicit financial assistance, up to the approval of a loan facility. Even where loan applicants are not successful or have simply made an enquiry, efforts are being made to elevate the system to maintain such basic information for future reference. This is a highly versatile system in that new reporting requirements can be met without any major programming requirements to the system. The performance of the MIS is continually monitored to ensure good service to clients, efficiency in operations and portfolio quality.

The Head of the Department made one visit to the software suppliers and the Craft Silicon also made one visit to Swaziland in an effort to complete the migration process. The Management Information System is an important functional element for any organisation, particularly in the Financial Services Industry.

The planned rollout of a branch network, both at FINCORP and FIRST FINANCE will mostly impose new skills requirements under the IT Department as all branches will need at least one Information Technology Officer in order to ensure that systems are consistently up and running. During the year the department hired only one additional officer who was deployed at the subsidiary company newly established Manzini Branch.

### 5.4 Legal Affairs Department


The Legal Department is responsible for providing internal legal services and advice to the Company. Key activities include contract management; real estate transactions; securitization; customer claims; litigation; employment law; legal documentation preparation and drafting; credit and lease matters, debt collection and much more. All these activities create the seamless workflow of our Legal Department.

Corporate legal departments in today's global environment require a unique combination of legal, business, management, technical and soft skills. In managing corporate legal departments, it is imperative that the unique operating environment under which the Company seeks to achieve its key business objectives is clearly understood. The key responsibilities of FINCORP's Legal Department include the following:

- To provide legal support to various strategic business units of the organisation; the Credit, Finance, Administration and Personnel Divisions.
- To ensure the Organisation's compliance with all relevant statutory laws.
- Debt Recovery.
- To deal with industrial relations matters.

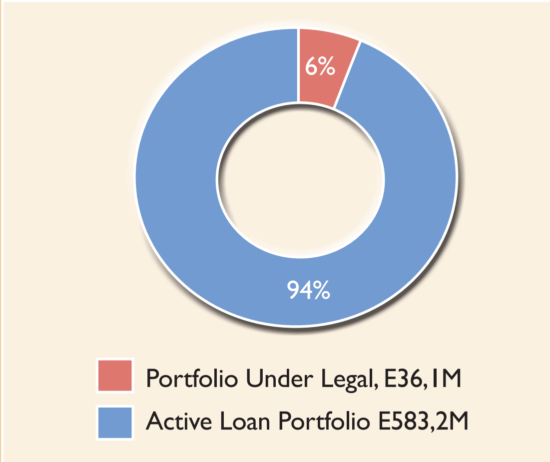
The nature of our business involves a lot of contracting; be it clients or business partners, such as funding institutions. Therefore, the Legal Department provides legal support by ensuring that all contracts entered into protect the interests of the Organisation. During the year, the Department played a critical role in the preparation for the listing of E300 Million Bond by FINCORP by ensuring full compliance with the Swaziland Stock Exchange requirements.

FINCORP also has an obligation and fiduciary responsibility to comply with laws governing the existence and operation of the organisation. The Legal Department therefore ensures that compliance is achieved at all times. Activities undertaken this year include the finalisation of registering the patent for both the Parent Company FINCORP and for FIRST FINANCE.

The Legal Department also provides loan recovery support in the event of default by reviewing and assessing all litigation instructions from various lending departments before such cases are referred to external lawyers. The most important factor is the completeness of loan agreements and securities being in place. Litigation at FINCORP is the last resort when all other persuasive recovery means have failed. Swazi entrepreneurs have to inculcate the culture of loan repayment so as to prosper in their businesses. We continuously encourage clients to build smooth working relationships with us and foster an open discussion over business challenges that will eventually inhibit their ability to repay in order to avoid litigation.

Loans under the Legal Department as at the end of the financial year totalled E36.1 Million with respect to 181 loan accounts. Out of the entire amount under legal, a sum of E11 Million is secured by way of either property or leased assets, which is 31% of the portfolio under legal. A total of E6.3 Million was recovered by the Legal Department during the year under review. Below is a graphical presentation showing loans under litigation relative to the entire loan portfolio"

**Portfolio under Legal Recovery - 31.03.13**




The Legal Department also provides support to the Human Resource Function within the organisation regarding employment laws and compliance with all industrial relations laws.

During the year under review, the Legal Department played a pivotal role in facilitating a smooth conclusion of a collective agreement with the Swaziland Union of Financial Institutions & Allied Workers (SUFIAW) which applied for recognition after obtaining a majority membership among all staff within the Bargaining Unit. The Legal Department also forms part of the negotiations team. Going forward, the Department will continue to strengthen the legal and compliance capacity of the Organisation.

### 5.5 Finance & Administration Department

The Finance and Administration Department is the nerve centre of the entire operation as it does not only look after our finances but also houses the organisation's human capital and marketing functions. Meanwhile, with the high level of resource mobilization that has been undertaken by the Organisation over the years, treasury management and asset liability management has become a core and high level activity for the Finance and Administration Department.

### Human Resource Management

Human Resource Development and Staff Welfare are considered to be the centre of FINCORP's livelihood and therefore are at the top of the agenda of the organisation's Human Resource Management Policy. It is recognised that whilst large manufacturing firms have large production plants in place, FINCORP is a service oriented business operation and its machine is its people.

The Organisation thrives on the unique relationships that exist between the staff and clients. This goes beyond just professional relationships because they also require emotional and passionate commitment to one another. FINCORP's fervent wish is to ensure professionalism and excellence among all its employees. Consequently, it is of paramount importance that the Organisation continually equips its staff members with the requisite skills in order to effectively meet the diverse and dynamic customer needs. Ultimately, FINCORP wants to attract and retain the best work force available and to be the employer of choice in the financial services labour market.

Furthermore the organization has made concerted efforts to present its employees with a pleasant and desirable working environment. Manifestation to this assertion is the high levels of staff retention as depicted by the less than one per cent staff turnover. Among other issues that the organization has made a priority in terms of staff welfare is the high benefit comprehensive medical aid cover, disability insurance cover, interest free study loans, possibility of full time post graduate paid study laeve and exciting other opportunities for career advancement. In addition employees have been afforded attractive opportunities for immovable property acquisition and other necessary personal assets.

The establishment of the subsidiary company's branch in Manzini on 1st January 2013 has seen the staff complement growing from 52 in the previous financial year to 64. Such growth has also had an impact on the structure at the First Finance Mbabane as it opened growth opportunities for some employees. Ms. Busie Simelane – Sikhondze and Mr. Bhekumusa Nxumalo were both promoted from Senior Credit Officer position to Branch Administrator at First Finance Manzini and Mbabane respectively.

Staff head count and staff changes as at the end of the year were as follows:

| Department | Number of Employees at 01.04.2012 | Recruitments | Resignations / Transfers | Number of Employees at 31.03.2013 |
|---|---|---|---|---|
| Executive Management | 7 | - | - | 7 |
| Agribusiness Department | 6 | 1 | 1 | 6 |
| General Business Department | 11 | 1 | 1* | 11 |
| Finance & Administration | 13 | 1 | 1* | 13 |
| IT Department | 1 | - | - | 1 |
| First Finance Company | 14 | 13 | - | 27 |
| **TOTALS** | **52** | **16** | **3** | **65** |

* Represents Inter-Departmental Transfers

*Staff Team Building Exercise*

FINCORP believes in continuous learning and development, hence encourages staff to empower themselves academically. Reasonable support has been given to employees who have been studying since the organization views such initiatives as investments that are beneficial to both parties.

Capacity development is always viewed as an integral driving force behind organisational success. A significant investment has been made in staff training and development in order to empower our staff for maximum performance and ensure that the organisation maintains its competitive edge. Such initiatives have included on – the – job training, job rotation, and taking advantage of capacity development programmes offered by international development finance networks to which we are affiliated. Since we are in a dynamic service industry where customer service is key for our survival, some employees were sent for training in Customer Relations Skills and Management, and others were trained in Investment Appraisal and Risk Analysis, both offered by SADC Development Finance Resource Centre.

Not only staff members have been earmarked for capacity building, but the programme included members of the Board of Directors. Mr. Mandla Mavuso, Ms. Phindile Dlamini and Mrs. Maureen Gabuza attended training in Corporate Governance in South Africa.

In order to live up to the expectations of the target clientele, our staff has to be uniquely and adequately trained to meet the dynamic and often changing support needs of our clients. The organisation takes full advantage of its affiliation to apex bodies such as the Association of African DFIs (AADFI); Southern Africa Development Finance Resource Centre (SADC DFRC) and African Rural & Agricultural Credit Association (AFRACA), which all provide customised training for enterprise development practitioners. Below is a presentation of the training courses attended by staff:

| Name | Position | Training | Country | Dates |
|---|---|---|---|---|
| Busie Simelane | SCO- Business | United Nations Conference on Sustainable Development (Rio+20) | Brazil | June 2012 |
| Qondile Ngwenya | Receptionist | Quality Customer Service | RSA | June 2012 |
| Nonhlanhla Ngwenya | Information Officer | Effective Records and Information Management | Kenya | July 2012 |
| Queeneth Tshabalala | Exec Admin Officer | Effective Office Management & Administration Seminar | Kenya | July 2012 |
| Siko Ntshalintshali | General Manager | Industrial and Employee Relations Conference & Master Class | RSA | July 2012 |
| Temangcamane Maseko | Senior HR Officer | Industrial and Employee Relations Conference & Master Class | RSA | July 2012 |
| Sipho Mkhwamubi | Manager Business Lending | 18th Annual Boulder Micro Finance Training | Italy | July –August 2012 |
| Lomkhosi Mkhonta | Executive Sec - First Finance | The Executive Secretary – Advanced Skills Programme | Kenya | July 2012 |
| Innocent Thwala | Manager - Information Technology | Craft Silicon | Kenya | July – August 2012 |
| Portia Khumalo | Finance Officer | Programme in Micro insurance Business Strategies for African Markets. | Cape Town | July 2012 |
| Mlungisi Hadebe | Manager - Agribusiness | 5th AFRACA Agribanks Forum | Rwanda | July 2012 |
| Brian Dlamini | Senior Credit Officer - Agribusiness | 5th AFRACA Agribanks Forum | Rwanda | July 2012 |
| Siko Ntshalintshali | General Manager | Commonwealth Third Country Training Programme – Growing Small Business | Singapore | July –August 2012 |
| Langeni Kunene | Manager - Legal Affairs | Finance for Non-Finance Managers. | RSA | July –August 2012 |
| Mlungisi Hadebe | Manager - Agribusiness | Finance for Non-Finance Managers. | RSA | July –August 2012 |
| Velibanti Khumalo | Financial Accountant | Prudential Standards and Guidelines Rating System - SADC-DFRC. | RSA | July 2012 |
| Mandla Maphalala | Credit Officer - Agribusiness | Mastering Appraisal and Financing of Small and Medium Agribusinesses –AADFI. | Uganda | August 2012 |
| Zwakele Matse | Credit Officer - Business | Project Preparation Training -SADC-DFRC. | RSA | August 2012 |

| Name | Position | Training | Country | Dates |
|---|---|---|---|---|
| Cindy Dlamini | First Finance | Customer Relations Skills and Management - SADC-DFRC. | Botswana | October 2012 |
| Innocent Thwala | Manager -IT | Strategic Management Master Class for Development Banks & Finance Institutions – AADFI. | Ethiopia | September 2012 |
| Thokozani Mavimbela | FIRST FINANCE | Strategic Management Master Class for Development Banks & Finance Institutions – AADFI. | Ethiopia | September 2012 |
| Maggie Mtethwa | Cashier | Customer Relations Skills and Management - SADC-DFRC. | Botswana | October 2012 |
| Cyprian Nxumalo | First Finance | Customer Relations Skills and Management - SADC-DFRC. | Botswana | October 2012 |
| Sanele Zondi | Credit Officer - Business | Financial Services for the Poor Professional. Development Programme. | Bangladesh | October 2012 |
| Titus Dlamini | SCO-Business | SME Africa 2012. | RSA | October 2012 |
| Bonga Ndlangamandla | IT Officer | SBO Crystal Reports 2011 – Fundamentals & SBO Crystal Reports 2011 – Report Processing. | RSA | October 2012 |
| Nokwanda Malinga | Credit Officer – Agribusiness | 18th International Conference on SMEs. | Ghana | November 2012 |
| Sipho Mkhwamubi | Manager - Business | Finance for Non-financial Managers. | RSA | November 2012 |
| Innocent Thwala | Manager - IT | Finance for Non-financial Managers. | RSA | November 2012 |
| Lomalangeni Kunene | Manager- Legal Affairs | Strategic Corporate Legal Risk Intelligence. | RSA | November 2012 |
| Sifiso Nxumalo | Credit Officer – Business | Investment Appraisal & Risk Analysis. | Swaziland | December 2012 |
| Derrick Mavuso | Credit Officer – Business | Investment Appraisal & Risk Analysis. | Swaziland | December 2012 |
| Manqoba Mazibuko | Credit Officer – Business | Investment Appraisal & Risk Analysis. | Swaziland | December 2012 |
| Mduduzi Sithole | Credit Officer - AgriBusiness | Investment Appraisal & Risk Analysis. | Swaziland | December 2012 |
| Bathobile Maphalala | Office Secretary | The Executive Secretary Management/Personal Assistant Seminar. | Kenya | February 2013 |
| Lomalangeni Kunene | Manager Legal Affairs | 2nd Annual Conference on Women in Leadership. | Swaziland | March 2013 |

### Staff Part Time Studies

Our employees continue to show great commitment to improving their academic and professional qualifications which ultimately goes a long way towards improving the quality of our service offering. The employees are taking full advantage of the concessionary study loan facility which is refunded in full upon successful completion of their part time studies. The courses range from diplomas to post graduate qualifications. Employees who took advantage of this support are Mr. Brian Dlamini who completed his Master of Business Administration (MBA) with the Management College of South Africa, Mr. Siphiwo Simelane who obtained a Bachelor's degree in Commerce from UNISWA, and Ms. Lomkhosi Mkhonta – Dlamini who was awarded the Management Development Programme by Stellenbosch University.

**Siphiwo Simelane**
*B.COM. Degree - Accounting*
*UNISWA*

**Brian Dlamini**
*MBA (MANCOSA)*

**Lomkhosi Mkhonta**
*MDP*
*University of Stellenbosch*

Below is a list of all the staff members who successfully completed their part time studies during the year under review.

| Name of Staff Member | Part Time Course Completed | Month Completed |
|---|---|---|
| Mhlanga Sindiswa | AAT Level 4 | June 2012 |
| Mhlangula Perpetua | AAT Level 4 | August 2012 |
| Simelane Siphiwo | Bachelor of Commerce Degree | August 212 |
| Dlamini Brian | Master of Business Administration - MANCOSA | October 2012 |
| Mkhonta – Dlamini Lomkhosi | Management Development Programme - Stellenbosch | January 2013 |

### Networking Event

FINCORP is a member of a group of five SADC DFIs which host one another during the annual Easter Holidays for sporting and networking activities, on a rotational basis. This year the event was hosted by FINCORP and there were four visiting external organisations; Lesotho Development Corporation; Botswana Development Corporation (BDC); National Development Bank of Botswana (NDB); and Ithala Development Finance Corporation (ITHALA), from South Africa. Unfortunately, Namibia Development Corporation (NDC) could not attend. The event was a success and we hosted the sporting events at Mhlambanyatsi Club.

Staff members from these various organisations not only get an opportunity to compete in sports but they also share their experiences and best practices in the Development Agenda which is being pursued by all the organisations.

### Marketing Activities

The Marketing Unit continues to play a major role in implementing the comprehensive brand building strategy of the organisation. Of particular note is the monthly publication in the print media of the success stories of loan beneficiaries. This has gone a long way towards promoting interest in entrepreneurship and also shows empirical evidence on the empowerment achievements of the Organisation to date. The Organisation has also maintained high visibility through media channels such as the local print media and mounting of billboards throughout the country. Furthermore all bigger supported projects have been branded with billboards in an effort to attain visibility and outreach.

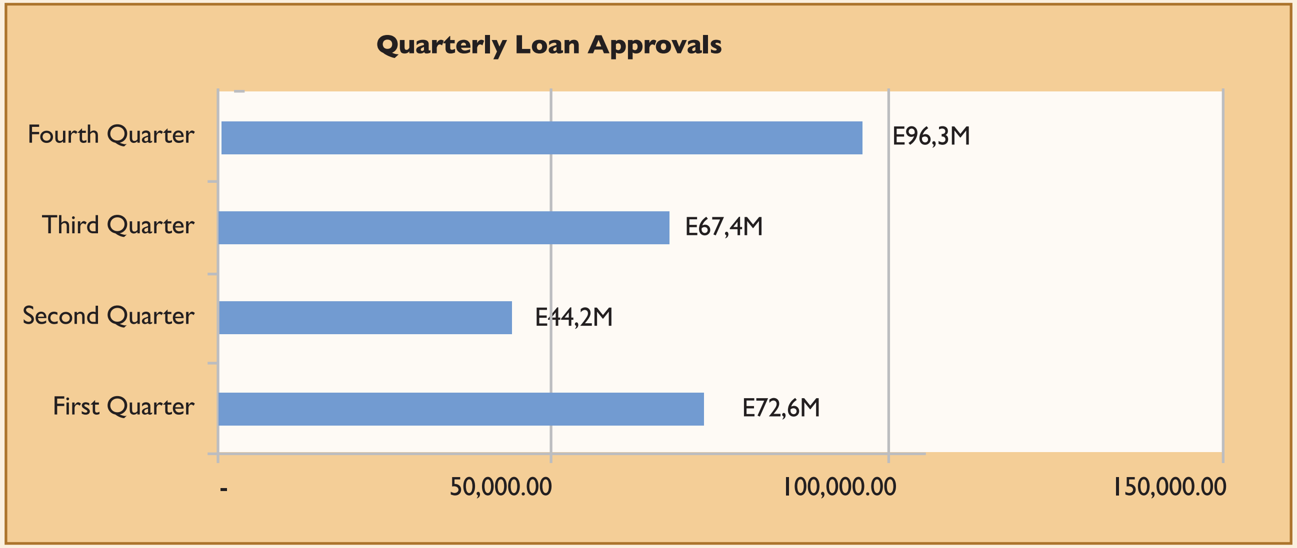

TAKE YOUR FIRST
STEP TO SUCCESS
WITH US
first 1st
FINANCE COMPANY
Your First Choice Lender
TALK TO US ABOUT
ALL YOUR GENERAL
PURPOSE FINANCE
1st

## FIRST FINANCE –

### General Purpose Finance

Under the leadership of the Subsidiary Chairperson, Mr. Fairlie Mabuza, the organisation made significant strides in consolidating its market share and positioning in the market place. FIRST FINANCE has, within a short space of time, become a force to be reckoned with in Swaziland's Financial Services Industry. The loan portfolio grew from E217 Million to E364 Million, showing a marked increase of 67% as at end of the financial year. Client numbers reached a remarkable 8 974 borrowers. Product offering covers short to medium term General Purpose Loans and Invoice Discounting. FIRST FINANCE has, since inception, achieved high profitability rates which have contributed positively to the bottom line of the entire group.

Adjecent is a pictorial presentation of the new loan approvals per quarter during the financial year.




### Opening of New Branch in Manzini

In response to the growth in demand, a new branch was opened during the last quarter of the financial year in Manzini, situated on Louw Street. This move eased the congestion at the Mbabane Branch and generally improved client service and turnaround times. As at the end of the financial year, the newly set branch had accumulated a portfolio of E31.7 Million by the end of the first three months of operation.

### Operating Environment

Small and Medium Enterprises (SMEs) are recognised globally as important drivers of economic growth. They can make a major contribution and have the impetus to enhance economic stability thus helping countries around the world to create jobs. This is the reason why National Governments, several international organisations and multilateral agencies have accorded a high priority to the development of this vibrant sector.

Swaziland is no exception, as demonstrated by the plethora of initiatives pioneered by both the public and private sector aimed at stimulating interest in entrepreneurship among citizens. These include the National Entrepreneur of the Year Award; Technoserve Business Plan Competition; Junior Achievement Swaziland; Swaziland Brewers Kick Start Programme; and several others. At a much higher level, the Government of Swaziland has introduced entrepreneurship learning in schools whilst the University of Swaziland now offers entrepreneurship lessons across all faculties and has, so far, made it compulsory in the Commerce; Agriculture and Engineering Faculties. The University has also set up the Entrepreneurship & Business Development Centre (EBDC) which is aimed at stimulating entrepreneurship in communities by providing research support. All these initiatives go a long way towards creating a conducive operating environment for FINCORP as a Small Enterprise Development Agency.

Domestic economic activity has generally been subdued during the financial year, though showing signs of improvement when compared the prior year when the country went through a very difficult fiscal crisis. Capital projects were suspended and settlement and invoices for small business that supply Government took longer than normal which affected a number of Small and Medium Enterprises (SMEs). Owing to the subdued economic growth, fewer opportunities for investment in business were availed to small enterprises. The only positive that came with the global meltdown was the forced strengthening of macroeconomic policies – including fiscal and external positions which made economies stronger and better prepared for any future shocks.

The last official national study undertaken on Small and Medium Enterprises (SMEs) was in 1991 and it revealed that there are 50,000 SMEs employing about 100,000 people in Swaziland. It also found that 40% of all Swazi households were involved in the Micro Enterprise Sector and that most of them were in the rural areas. Later in the year 2000, a UNDP study came up with the following findings:

- 77% of SMEs were located in the rural areas but only providing 65% of total employment.
- 9% of SMEs were in secondary towns, providing 10% of the Sector's employment.
- 16% were in major cities providing the remaining 25% of employment and the majority of SMEs (66) in towns were involved in retail.

According to the study Small and Medium Enterprises' female entrepreneurs account for 84% in Swaziland. The very high concentration of rural micro, small and medium enterprises have a significant impact on the population. It has been proven that extra income earned by women tends to be invested in the family and has a positive impact in education and healthcare. Evidently, the major sources of employment for the average Swazi is predominantly in the MSME Sector. This indicates that microenterprise can play a vital role in creating employment and reducing poverty particularly amongst the rural population.

## 6. ENTERPRISE WIDE RISK MANAGEMENT

Like all financial institutions, FINCORP faces risks that must be managed efficiently and effectively in order to remain sustainable. A Risk Management System operated by any Development Bank will vary in its sophistication, depending on the size and complexity of the institution. On the whole, effective risk management allows an institution to capitalise on new opportunities and to minimise threats to financial and institutional sustainability. On the whole, effective risk management allows financial institutions to capitalise on new opportunities and to minimize threats to their financial viability. When poorly managed, or absent in managerial planning, risks begin to result in financial losses. As a result, donors, investors, lenders, borrowers and savers tend to lose confidence in the organisation and funds begin to dry out. When funds dry out a micro-finance institution is not able to meet its commercial and social objective of providing services to its intended clientele and quickly goes out of business. A comprehensive approach to risk management reduces the risk of loss, builds credibility in the marketplace, and creates new opportunities for growth

Risk Management at FINCORP is a primary responsibility of the Managing Director under the direct supervision of the Audit Committee. Due to the ever changing macroeconomic environment, increased emphasis has been placed on the ability of financial institutions to manage risk. FINCORP faces several inherent risks which may result in low business performance and loss of assets which require constant monitoring. A stern commitment to robust risk management is firmly in place.

Consequently, FINCORP has undergone an enterprise wide risk assessment exercise conducted by KPMG Consultants and the report continues to inform the Internal Audit function of the organisation. The internal audit exercise is risk based and is for now completely outsourced to the external accounting and auditing firm. Plans are underway to internalize this function in response to the structural growth of the institution and to ensure that the planned massive growth is adequately managed.

The top ten risks which are continuously being monitored are the following:

| | RISK FACTOR | DESCRIPTION | MITIGATION |
|---|---|---|---|
| 1. | Liquidity Risk | The risk that the organisation may not have sufficient financial resources to meet existing and new financial commitments. | This is generally under control as there is adequate liquidity and loan collections are at acceptable levels. |
| 2. | Credit Default Risk | The probability that loan financing counterparties may not be able to repay their loans due to business failure. | This is inherent in the nature of our business but is adequately mitigated by close portfolio monitoring and promptness in litigation where necessary. |
| 3. | IT Risk | The business processes are largely dependent upon the robustness of the Management Information System (MIS) and the System's failure can compromise the lending operations. | Our IT software was upgraded in 2011. Furthermore an Annual Systems Audit is undertaken and so far the report has given the systems a clean bill of health. |
| 4. | Single Biggest Credit Exposure | The risk that the organisation could lend one client a substantial amount, which would severely affect the financial sustainability of the organisation. | Loan approvals are closely monitored in line with the credit policy to ensure compliance. As at year end, the single biggest exposure only represented 6.8% of the total portfolio which is within limits. |
| 5. | Fraud Risk | The possibility that the organisation could be defrauded both internally and externally. This would result in heavy losses for the organisation. | Internal controls are in place to mitigate both internal and external risk. |
| 6. | Interest Rate Risk | This has been an inherent risk since the organisation began. There are a number of facilities and lines of credit with various institutional lenders. | Most of our borrowings are at floating interest rates which mitigate loss as a result of interest rates volatility. |
| 7. | Foreign Exchange Risk | One facility is denominated by United States Dollars which exposes the organisation to this risk. | Fully mitigated by financial hedging using a cross currency and interest rate swap. |
| 8. | Litigation / Legal Risk | The risk that the company may be sued on transactions entered into with counterparties. | All legal contracts entered into are carried out by the organisation and are reviewed by internal legal personnel. Also, where necessary, external corporate law firms. |
| 9. | Staff Turnover Risk | Being a service oriented business, human capital is key and possible loss of staff through resignations impacts on the operations. | Staff turnover has historically been very low and the organisation has a sound staff retention policy. |
| 10. | Reputational Risk | That the corporation's business conduct may lead to loss of confidence and integrity. | All employees abide to ethical conduct as enshrined in the conditions of employment of the organisation. Furthermore the organisation fully discharges its business obligations. |

### Business Process Re-engineering (BPR)

In an effort to improve performance and strengthen Risk Management, Credit Appraisal and Portfolio Monitoring Mechanisms, FINCORP applied for Commonwealth Secretariat Technical Assistance, which was granted. It is expected that an experienced Consultant shall be engaged at the beginning of the next financial year to carry out the exercise. Terms of Reference for this exercise shall include the following:

(i) The development of a support programme that is aimed at strengthening the lending activities at FINCORP.

(ii) The review of current FINCORP product offering and loan portfolios.

(iii) The assessment of FINCORP's loan processing, loan appraisal procedures, Loan Officer Incentive Programme and Loan Tracking System.

(iv) The review of the current business processes and Risk Management System in relation to market risks in Swaziland.

(v) The identification of the Business Development Services needs of FINCORP's current and future clients and the development of a strategy and support programme with the aim of strengthening FINCORP's effectiveness on product delivery.

(vi) To review and recommend options for collaboration between FINCORP and EBDC in terms of training and development of BDS providers and provision of BDS services, especially for non-secured loans

## 7. CORPORATE SOCIAL RESPONSIBILITY

As a good corporate citizen, the organisation has made a conscious decision to support selected national initiatives that seek to promote entrepreneurship in the country. To this end, the organisation has committed annual financial support to the newly formed Entrepreneurship & Business Development Centre (EBDC) at the University of Swaziland (UNISWA) and Junior Achievement (JA) Swaziland. We have been pleased to note the introduction of the entrepreneurship subject at the University of Swaziland hence our offer to award each top student from every faculty with the "FINCORP Entrepreneurship Excellence Award" at all annual graduation ceremonies going forward. We strongly believe that if Swaziland is to successfully deal with the high rate of unemployment, serious advocacy for entrepreneurship among Swazi citizens should be elevated to center stage. We should be all concerned that far less than 20% of the Swazi population comprises of active SMEs and at FINCORP we pledge to make it our social contract to make a difference in the entrepreneurial orientation of our citizens. Investments made in Corporate Social Responsibility during the year were in excess of E300 000.

*Sponsorship to Junior Achievement*

## 8. FUTURE OUTLOOK

Going forward, the organisation plans to consolidate its growth and the biggest highlight will be the branch rollout initiative both at FINCORP and the Subsidiary Company, FIRST FINANCE. The plan is to have at least one branch in each of the four districts, meaning that three branches shall be established in the years to come. The first FINCORP branch shall be launched in the forthcoming year in the Siphofaneni area. Furthermore, strengthening of credit appraisal and risk management mechanisms by launching the Internal Business Development Support Unit will be a priority. Employee headcount has grown significantly and, with the rollout of the branch network, it is expected to grow even more. This situation logically calls for strengthening of the organisation's Human Capital Management capability. Consequently, a fully -fledged independent Strategic Business Unit shall be set up and resourced with the relevant personnel.

The above stated institutional infrastructure will provide a solid platform for the envisaged massive growth of the organisation in pursuit of the 'Vision 2017'; growing the loan portfolio to E1 Billion in four years' time. Furthermore, focus will be more on nonfinancial impact such as access to credit; job creation; and poverty alleviation indicators, in order to ensure that the organisation delivers on its high level mandate. Resource mobilization will continue to be a core activity in order to ensure meaningful financial intermediation; attainment of the planned growth and increased outreach. Judging by historical data and current trends, indications are that the VISION 2017 to grow the loan book from the current E580 Million to E1 Billion by will be achieved without any hindrances. However the branch rollout initiative and the strengthening of risk management mechanisms; setting up of a fully fledged internal audit function and the upgrading of the human resource unit to become a fully fledged department will be crucial to our ability to achieve all our future goals.

## BAHLE BENGUNI MAIZE MILL

### Background Information

Our long standing client, 'Bahle Benguni Maize Mill', has received two National Recognition Awards for their excellence in business. One of those awards being "The Most Innovative Entrepreneur in the Shiselweni Region". Bahle Benguni has come a long way in order to attain this prestigious status. Their story is one of success from humble beginnings; dedication and passion in their business. It is interesting to note that they have transformed a small business into a successful business empire in the Shiselweni Region. They have managed to incisively penetrate the territory of other much bigger entrepreneurs who are in a similar trade; successfully winning over more clientele.


Mr & Mrs Myeni, the Directors of Buhle Benguni, have shared an interesting story with us, about the establishment and transformation of their business.

*"We only registered the Company in 2008 otherwise it had been operating as a sole trader since 1983. When we started the business, our intention was to provide maize milling services to our community at Zombodze Emuva, since there was no Hammer Mill in the area. At the time, community members; ourselves included, had to go to the nearest town, Nhlangano, in order to process maize. As such, we saw this as a business opportunity and immediately took advantage of it,"* Mr Myeni narrates.

When the business started up, Mr. Myeni was a Police Officer and Mrs Myeni was a teacher. They bought their first milling machine and started operating from home. Seeing that home was not an ideal business location, they went to the Chief to ask for land for their business. They were allocated a piece of land which is where they built their business premises. The business could not be better positioned since it is close to the main road making it highly visible to passers-by. It is also next to a busy bus stop making it easily accessible to public transport users.

Mr. Myeni elaborates, *"The business premises brought in more clients, increasing the demand for our milling services. We started with a small maize miller which eventually had difficulty in keeping up with the demand. It also produced rough mealie-meal yet competitors had started providing finer mealie meal that was popularly referred to as Ligugu."*

### Finance

*"The maize mill was not the only business we operated as we were also running a driving school. It had also been financed through a loan obtained from FINCORP in the late*

*1990s, then known as 'Enterprise Trust Fund' and popularly known as '44 Million', explains Mr Myeni. "At that time loans were advanced to associations and we were members of an association called 'Kusile Association."*

Mr Myeni later retired as a Police Officer. He focused more on the driving school. Mrs Myeni, on the other hand, had to resign from teaching so that she could give the Hammer Mill her full attention. They managed to repay the first loan without any difficulties. Through the joint proceeds of the mill and the driving school, they managed to buy a bigger and better miller. The miller was faster, hence they were able to meet the increasing demand and it also produced quality, fine mealie meal.

## Upgrade

As the mill gained popularity in other neighbouring communities, the demand increased. Furthermore, clients also wanted new, additional products like samp, mealie meal and rice. Bahle Benguni also wanted to expand the outreach to remote communities that needed their services but lacked the means to get to the Hammer Mill. The Company approached FINCORP for another loan to buy a bigger miller as well as a truck that they would use to reach the remote clientele to collect maize and deliver fully processed products. By this time, FINCORP's lending criteria had expanded beyond just group lending to encompass individual lending. Bahle Benguni had the strength of a good credit record on the first loan. Hence, this loan was advanced to them without any difficulties or time delays.

*"We bought a bigger miller that was able to produce samp and mealie rice. We also bought a truck which we used to transport clients who wanted to come to our mill. As soon as we started the 'transport-to-clients' service, other people in areas we were not operating in approached us and requested that we collect maize from their homesteads as well,"* says Mrs Myeni.

*"This meant purchasing another truck but our savings were not sufficient for us to buy the vehicle. So, we went back to FINCORP for a third loan. Mind you, we were still repaying the second loan to them. After considering the growth of our business as well our commitment to the business, we were granted this loan which we used to purchase the second truck. The two trucks serviced customers in various communities. Over time, the customers increased and there was need for a change of strategy. We then decided to exchange mealie meal for maize, which meant customers would not have to travel to the mill but would get the equivalent of their maize by quickly exchanging at a collection point and this proved to be the best innovation for business growth" Mrs Myeni explains.*

## Growth and Market Share

*"The exchange of maize for mealie meal went so well, people in other areas approached Buhle Bengini for the service to be rendered in their area. This enabled Buhle Benguni to cover the whole of the Shiselweni Region. Due to the increased demand we were forced to start working 24 hours per day which called for an unprecedented day and night shift for a business as small as Bahle Benguni Mill. Bahle Benguni does not only service the communities, but it has also established a relationship with numerous schools and shops in the Shiselweni Region. We sell samp to most schools and shops; they purchase all three products i.e. mealie meal, mealie rice and samp for resale. Our packages are professionally branded and Bahle Benguni is a popular brand in the Shiselweni Region. Some shops buy in bulk to then repack the products into their own branding. We have also opened storage facilities in Nhlangano, Sihlutse and Hlathikhulu,"* Mr. Myeni states.

## The future

According to the Directors of Bahle Bengni Mill they have a number of activities related to milling that they want to venture into. Some are capital intensive and require substantial monetary investment and as such they may not be implementing them in the short term.

*"With close to thirty years in the business, we have seen entrepreneurs start businesses with a primary activity and maintaining that activity at the same level throughout the business's lifecycle which leads to total failure. We realised over the years that what will make us different from other businesses is diversifying into other milling related business activities that will enable us to grow and secure a fair share of the target market. We will continue to look for ways and means of making our business bigger and better,"* Mr and Mrs Myeni conclude.

## GLOBAL INNOVATIVE SYSTEMS
### Information Technology Business

#### Background

Mr. Mhlonishwa Mhlanga is one of the youngest successful entrepreneurs financed by FINCORP. He started his business in 2008 when he was 19 years of age, after taking advantage of an opportunity that had never been explored. The Swaziland College of Technology (SCOT) did not have an Internet facility for its students, neither did they have anything planned to cater for Internet access as they merely provided a computer laboratory for typing assignments. Instead of opening an Internet Café, he decided to partner with the Tertiary Institution. He approached SCOT with a proposal to provide Internet services to all the full time students. The presentation made to the Academic Board was unanimously adopted and he was given a five year contract to provide Internet access to students and also to manage the Computer Laboratory. The payments were secured since they were made by the Tertiary Institution and paid at the beginning of each semester; which is bi-yearly.

#### Finance

The young entrepreneur says " *I remember walking through the doors of FINCORP, as a nineteen year old boy, with a business plan and funding proposal in excess of E 100 000.00, with no prior credit history, an un-proven yet viable business model and no collateral for the loan. The rest is history."*

Mhlanga was granted a loan facility to purchase all necessary equipment, plus working capital in order to pursue his ultimate business dream.

*"Together with FINCORP I took a big risk and applied for the loan. Without FINCORP's assistance, I would not be the successful young entrepreneur that I am today"* he adds.

Mhlanga, over the loan period, made it a point to pay more than the stipulated monthly repayments and was always ahead with payments.

*"I always knew that being the innovative entrepreneur that I am, I would continually require financial assistance from FINCORP for the further growth of the business, hence the urge to maintain a good credit record."*

### Product

Mr. Mhlanga, a Computer Systems Engineer, from the Tshwane University of Technology (T.U.T), has over the years worked tirelessly to ensure that the core objectives of the Company are maintained. He has grown Global Innovative Systems' product offering and has broadened the client base. Being in a saturated Information Communications Technology (ICT) Market within the borders of the country, Mhlanga had to devise a strategy on how to attract clientele by thinking outside the box. Global Innovative Systems' main focus has, over the years, been to ensure that they do not just sell products to their clientele but that they become the preferred solutions provider by delivering results that increase productivity. As part of their services, they are currently involved in the following:

1. Digital Board Pack Distribution: This solution removes the burden of preparing and carrying cumbersome board packs, providing meeting members and directors with additional benefits that accompany tablets and mobile devices. This enables up-to-date and secure access to documents and all resource required for board meetings, whether it is simply consuming information or making note and annotations;

2. Computer literacy infrastructure consultancy: Computer literacy for developing countries has always been a burden on government and schools themselves with regards to the cost implications. We have, through desktop virtualisation technology, developed a solution that ensures school, colleges and universities enjoy the full benefits of the digital world.

3. Electronic Document Management Systems (EDMS): Our easy document and enterprise content management system meets our clients business' unique needs without requiring expensive setup and time-consuming training – the way IT should be. Boost your organization's productivity while decreasing your risk with our EDMS solutions.

### Conclusion

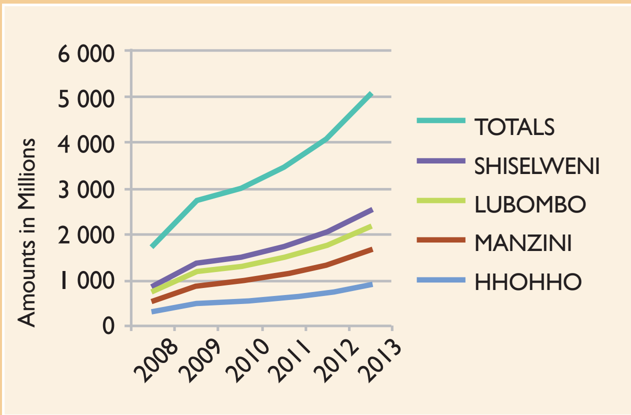
Global Innovative Systems was conceptualised with the sole purpose of being a 'solutions provider' rather than a 'product box company'. In essence, we strive to attain long lasting mutually beneficial relationships with our clientele says the charismatic Director.

The Swaziland Development Finance Corporation (FINCORP) was established with the main aim of stimulating economic growth at grassroots level. FINCORP has achieved considerable success in reaching out to large numbers of Small, Medium and Micro-scale Enterprises (SMMEs), whilst at the same time maintaining institutional and financial sustainability. FINCORP has grown to become one of the leading Development Finance Institutions (DFIs) in the Region and was in 2009 ranked as one of the top five best performing DFIs in Africa by the Association of African Development Finance Institutions (ADDFI). The institution has, since inception, provided cumulative financial and non-financial support valued at more than E2.4 billion to more than 80,000 clients, thus creating the much needed jobs.

Outreach to the target group is largely measured by the incremental loan disbursements; number of clients financed and the number of jobs created. A number of FINCORP's initiatives have resulted in the growth of the loan portfolio from E276.4 million in 2008 to E611.3 million in 2013.

Introduction of the Micro Enterprise Loans targeted at vendors in the various town markets resulted in the disbursement of loans totalling E3.9 million to 2,276 micro-entrepreneurs. This created 758 jobs by self-employment and provided the means of living to over 1,500 families.

**Cumulative Disbursements**




The launch of the E50 Million Grassroots Empowerment Fund at reduced interest rates of prime minus 2% resulted to the disbursement of loans totalling E36.1 Million and created 625 jobs.

In support of the Komati Downstream Development Project (KDDP) and Lower Usuthu Irrigation Projects (LUSIP) for sugar cane financing, FINCORP disbursed E392.1 Million from 2010 to date. This led to the creation of 358 permanent jobs and 654 casuals on a yearly basis.

FINCORP expanded loan financing to SMMEs by streamlining and expanding the scope of loan products. Twenty three loan products targeted at various classes of SMMEs were launched. This led to the funding of an additional 5,400 businesses and created 8,400 jobs for self-employment and third parties.

FINCORP has recently expanded its product offering to the micro target group by setting up a new Subsidiary Company known as FIRST FINANCE offering micro loans. As a result of this, through FIRST FINANCE, the Group has disbursed cumulative loans amounting to E452.3 million which is largely used to pay fees for school and tertiary education, rural housing, and other domestic needs. This significantly breached the gap created by the reduced Government Scholarships. It further provided access to credit for 6,600 clients between 2008 and 2013.

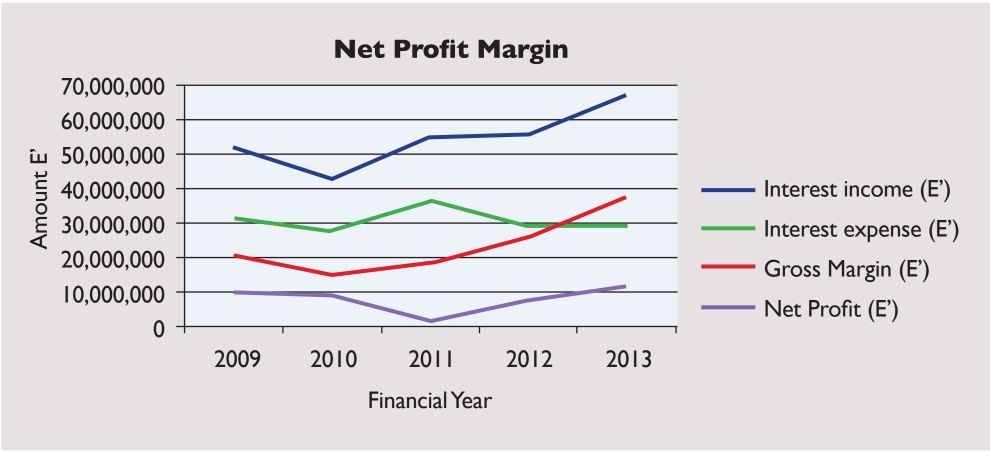
Overall, the key objectives of providing access to credit, creating jobs and contributing to economic growth were fairly achieved over the past five years, since a total of E798.6 million was disbursed to 8,800 SMMEs, creating a total of 10,100 jobs and generated an annual total turnover of E546.1 Million. Meanwhile, under the Subsidiary Company, First Finance, which was formed in January 2010, FINCORP, provided credit access amounting to E452.3 Million to 6,600 borrowers. This was for invoice discounting transactions and beneficiaries, who used the funding to improve their standard of living by paying for education and rural housing.

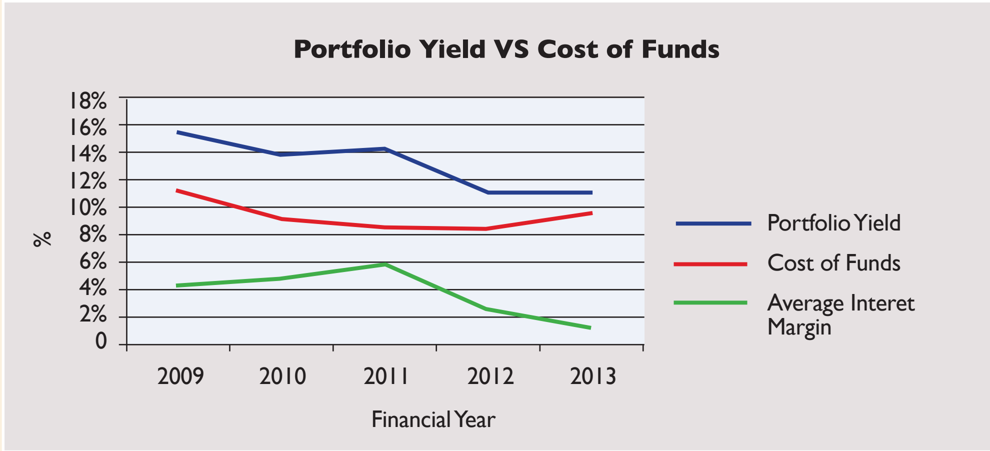
| | PRODUCT | NAME | DESCRIPTION | LOAN SIZE |
|---|---|---|---|---|
| 1. | Special Working Capital Loan | CINISA UMNOTFO LOAN | Loans for funding the procurement of inputs for business operations and acquisition of small business assets. All business activities qualify, for example, 'Other Agriculture' and 'General Business Loans' but not 'Sugar Cane Farming Loans'. | **E10 001 – E100 000** Over 36 months. |
| 2. | Micro Loan | UMTFOMBO LOAN | Micro Loans are loans targeted at the Informal Business Sector which comprises of hawkers who sell fruits and vegetables at the local market as well as direct door to door retail of clothing and accessories to people in formal employment sector. In the absence of such a facility, this category of borrowers largely depends upon loan sharks for the funding of their businesses and the aim of this product is to help them to thrive under normal financing arrangements.<br>This product would be targeted at certain groups conducting a homogenous business to ensure benefits on economies of scale by encouraging bulk sourcing. | **E500 – E10 000** Over 6 months maximum period. |
| 3. | Working Capital Loan | SIYILO LOAN | Loans funds for the procurement of inputs for business operations: General Business Loans and Agriculture (excluding Sugar Cane). | **E10 001 – E100 000** Over 36 months maximum period. |
| 4. | Capital Loan | LUDVONGA LOAN | Loans funds for the procurement of inputs for business operations: General Business Loans and Agriculture (excluding Sugar Cane). | **E101,000 – E200,000** Over 36 months maximum period. |
| 5. | Repeat Working Capital Loans | HHAMBA UBUYE LOAN | For existing Clients with at least three fully repaid previous loans, wherein thirty six consecutive instalments have been made without default. Processing time for such business loans tends to be quick, over a period not exceeding seven days. | **E101,000 – E200,000** Over 36 months maximum period. |
| 6. | Line of Credit | SUKASAMBE LOAN | A line of credit is designed to cater for a business's working capital needs. The Client is allowed to operate within the approved limit of the line of credit until the period allowed elapses. This facility is equivalent to a normal bank overdraft. It will be made available to clients who have a history of short terms loans with FINCORP over a prolonged time period. FINCORP reserves the right to renew or cancel the facility at any time. | **E10 001 - E200,000** Over 36 months maximum period. |
| 7. | Order Finance | LITIBUKO LOAN | This product is designed for Entrepreneurs who are involved in the sourcing and supplying of goods. It shall also be accessible for the supply of products and services where the period is short term and does not exceed six months. Order(s) must have been issued by a reputable organisation or individual for borrowers to qualify and there must be a cession of proceeds in place. | **E10 001 - E200,000** Over 6 months maximum period. |

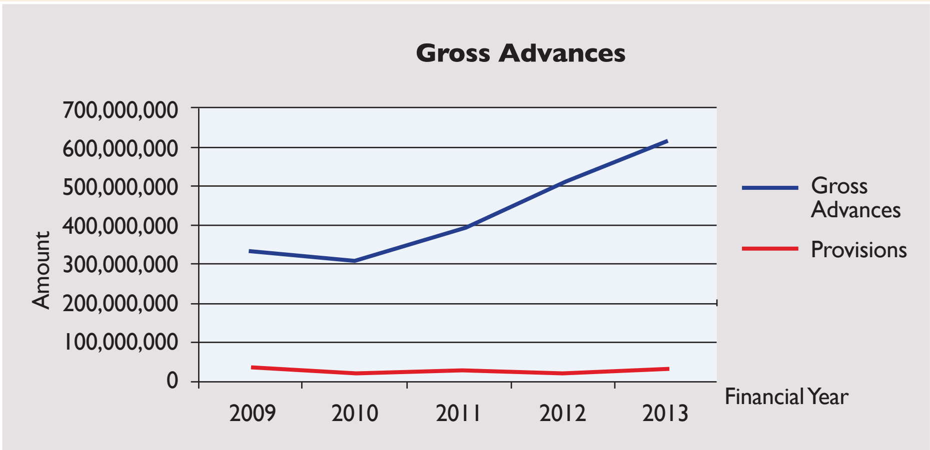
| | PRODUCT | NAME | DESCRIPTION | LOAN SIZE |
|---|---|---|---|---|
| 8. | General Agricultural Loans | SIYALU LOAN | Loans funds for the procurement of inputs for business operations: General Business Loans and Agriculture (Excluding Sugar Cane). Must have a secure market and cession over proceeds. | **E1000 – E200,000** Over 120 months maximum period. |
| 9. | Sugar Cane – Seasonal Loans | SIVANDZE LOAN | Loans funds for the procurement of seasonal inputs for business operations, for example for payment of fertilizer, electricity, wages, repairs and maintenance of plant and equipment. | **E10 000 – E5million** Over 12 months maximum period. |
| 10. | Sugar Cane – Capital Loan | INGUNGU LOAN | Loans funds for the establishment of a new sugar cane project, for example, for the payment of bush clearing, irrigation equipment, seed cane, initial fertilizer and plant & equipment. | **E10 000 – E5million** Over 120 months maximum period. |
| 11. | Long-Term Contract Work | SIVUMELWANO LOAN | The nature of such a transaction is such that the acquirer would not be required to make any contribution. | **E100 001 – E200,000** Over 60 months maximum period. |
| 12. | Asset Lease Finance | KHICITA LOAN | Loans funds for the acquisition of business assets and equipment; not working capital. The asset on its own shall remain the property of FINCORP until it is fully repaid, after which FINCORP shall transfer ownership to the client. | **E10 000 - E200,000** Over 60 months maximum period. |
| 13. | Working / Capital Loans | UMSIMISI LOAN | Loans funds for the procurement of inputs for business operations. For example, "Other Agriculture" (Excluding Sugar Cane), and "General Business Loans". | **E200,001 – E500,000** Over 60 months maximum period. |
| 14. | Working / Capital Loan | HLALAKAHLE LOAN | Loans funds for the procurement of inputs for business operations. For example "Other Agriculture" (Excluding Sugar Cane), and "General Business Loans". | **200,001 – E500,000** Over 60 months maximum period. |
| 15. | Line of Credit | INYANDZA LOAN | A line of credit is designed to cater for bigger working capital needs of a business. The client is allowed to operate within the approved limit of the line of credit until the period allowed elapses. This facility is equivalent to a normal bank overdraft. It will be made available to clients who have a history of short term loans with FINCORP over a prolonged time period. FINCORP reserves the right to renew or cancel the facility at any time. | **Above E200,000** Over 36 months maximum period. |
| 16. | Order Finance | UMCEMANE LOAN | This product is designed for Entrepreneurs who are involved in the sourcing and supplying of goods. It shall also be accessible to supply of services where the period is short term and does not exceed six months. Order(s) must have been issued by a reputable organisation or individual. | **E200,001 – E500,0000** Over 6 months maximum period. |

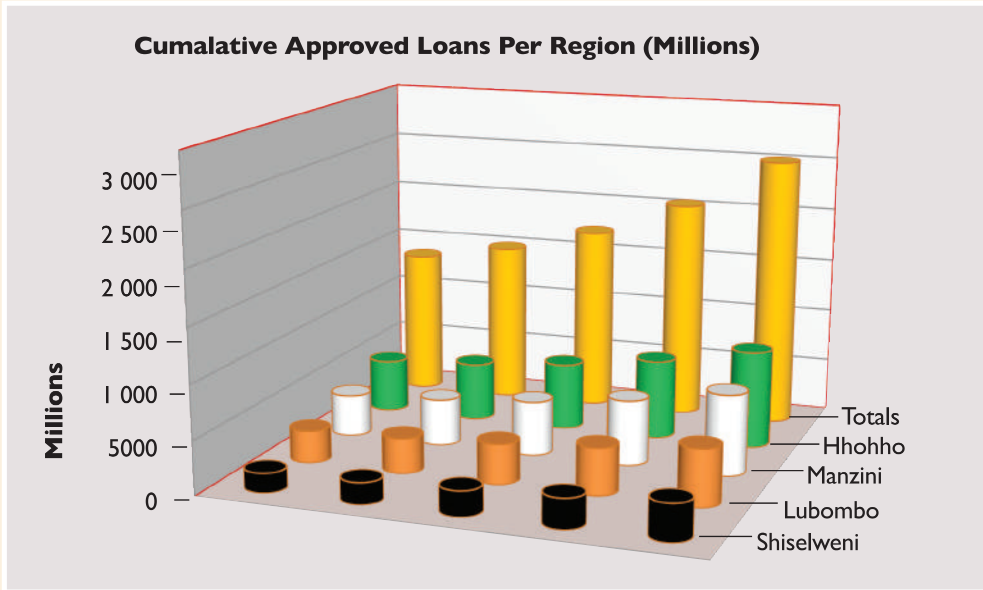
# FINCORP LOAN PRODUCT OFFERING *(continued)*

| | PRODUCT | NAME | DESCRIPTION | LOAN SIZE |
|---|---|---|---|---|
| 17. | Order Finance | UMGOGODLA LOAN | This product is designed for Entrepreneurs who are involved in the sourcing and supplying of largeconsignments of goods. It shall also be accessible to supply of services where the period is short termand does not exceed six months. Order(s) must have been issued by a reputable organisation orindividual and there must be a cession of proceeds in place. | **Above E500 000** Over 6 months maximum period. |
| 18. | Business Acquisition on Title Deed Land | UMNOTFO LOAN | The nature of such a transaction is that FINCORP shall provide a BOND until the debt is fully repaidafter which FINCORP shall relinquish the BOND. | **Above E200,000** Over 60 months maximum period. |
| 19. | General Agricultural Loans | LILIMA LOAN | For the procurement of inputs for business operations. For example 'Other Agriculture' (Excluding Sugar Cane), and 'General Business Loans'). | **Above E200,000** Over 120 months maximum period. |
| 20. | Sugar Cane – Seasonal Loans | UMHHALO LOAN | Loans funds for the procurement of seasonal inputs for large scale sugar cane projects. For example, for the payment of fertilizer, electricity, wages, repairs; maintenance of plant; machinery and equipment. | **Above E5million** Over 12 months maximum period. |
| 21. | Sugar Cane – Capital Loan | UMKANTJUBOVU LOAN | Loans funds for the establishment of a new sugar cane project. For example for the payment of bushclearing, irrigation equipment, seed cane, initial fertilizer and plant & equipment. | **Above E5million** At market rates over 120 months maximum period. |
| 22. | Long-Term Contract Work Finance | INGCIKITSI LOAN | The nature of such a transaction is that the acquirer would not be required to make any contribution but simply secure a cession over sale proceeds in favour of FINCORP.. | **Above E200,000** At market rates over 60 months maximum period. |
| 23. | Asset Lease Finance | LOLOMA LOAN | Loan funds to finance acquisition of large business assets and equipment; not working capital. FINCORP shall have a lien over the asset | **Above E200,000** At market rates over 60 months maximum period. |
| 24. | Commercial Property Development Finance | | Loan funds offered to existing clients who have a good credit history with the organisation and want to graduate from trading in rented premises to their own buildings. | **Above E100,000 – E5 Million** At market rates over 60 months maximum period |

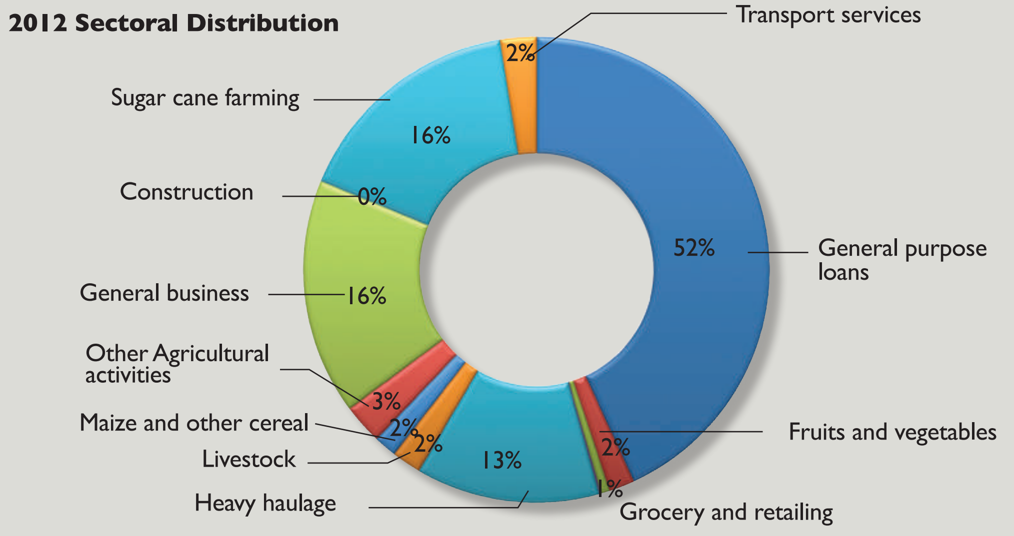

Net Profit Margin
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
Amount E'
2009
2010
2011
2012
2013
Financial Year
Interest income (E')
Interest expense (E')
Gross Margin (E')
Net Profit (E')


Portfolio Yield VS Cost of Funds
18%
16%
14%
12%
10%
8%
6%
4%
2%
0
%
2009
2010
2011
2012
2013
Financial Year
Portfolio Yield
Cost of Funds
Average Interet Margin

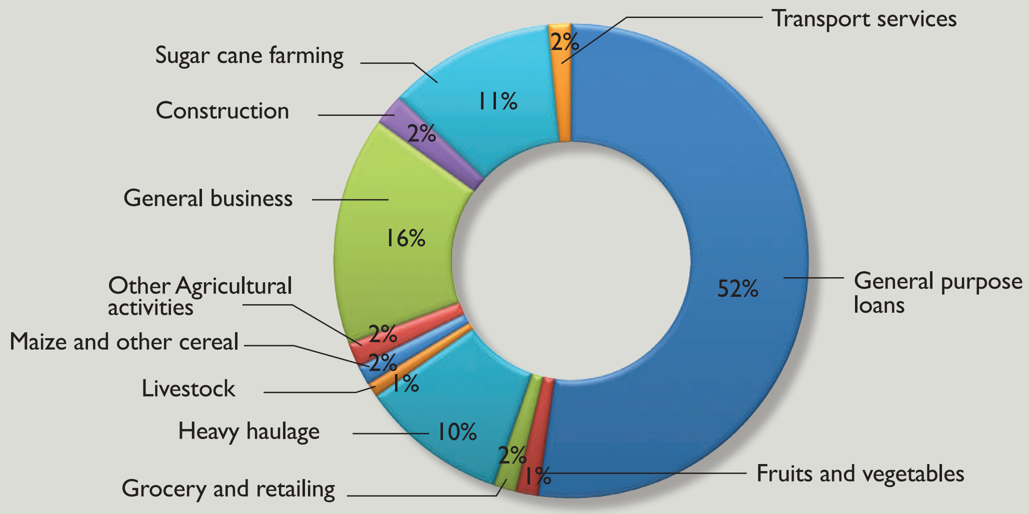

Gross Advances
700,000,000
600,000,000
500,000,000
400,000,000
300,000,000
200,000,000
100,000,000
0
Amount
2009
2010
2011
2012
2013
Financial Year
Gross Advances
Provisions


Cumalative Approved Loans Per Region (Millions)
3 000
2 500
2 000
1 500
1 000
5000
0
Millions
Totals
Hhohho
Manzini
Lubombo
Shiselweni

**2012 Sectoral Distribution**




**2013 Sectoral Distribution**



FINCORP
SWAZILAND DEVELOPMENT FINANCE CORPORATION

# STATEMENT OF DIRECTORS' RESPONSIBILITY - *for the year ended 31 March 2013*

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 subsidiary (the Group). The financial statements presented on pages 56 to 143 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 54.

The annual financial statements which appear on pages 56 to 143 have been approved by the board of directors on 30 JULY 2013 and are signed on its behalf by:

**CHAIRMAN** | **MANAGING DIRECTOR**

We have audited the consolidated and separate annual financial statements of Swaziland Development Finance Corporation Limited which comprise the directors' report, the consolidated and separate statement of financial position as at 31 March 2013, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity, the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Swaziland Companies Act 2009. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

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

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as of 31 March 2013 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Companies Act 2009.

*Supplementary information*

The detailed income statement set out on annexure 1 and the taxation schedules on annexure 2 do not form part of the financial statements and are presented as additional information. We have not audited these statements and accordingly we do not express an opinion on them.

PricewaterhouseCoopers

PricewaterhouseCoopers
Partner: Theo Mason
Chartered Accountant (Swaziland)
Mbabane
Date 16 August 2013.

The Directors take pleasure in presenting a brief review of Group operations and Group Annual Financial Statements for the year ended 31 March 2013.

## 1. REVIEW OF OPERATIONS

### a) On-Lending

Loan portfolio for the group grew by 21%. This growth came largely through the subsidiary company, First Finance Company, as the parent company, Swaziland Development Finance Corporation (Fincorp), only grew by 1% from the previous financial year. This is indicative of the current economic environment under which Fincorp operates. The country has been experiencing a very slow economic growth as reported by the Central Bank of Swaziland that "economic growth performance remained unchanged at 0.2 percent in 2012" in its 21 March 2013 Press Statement of Monetary Policy Consultative Committee (MPCC).

A total of E338.8 million was disbursed towards loans during the year, and 6571 (six thousand, five hundred and seventy one) new loans to the value of E324 million were approved during the year. A summary of these loans approved and disbursed during the year is shown in this table below:

| Economic Sector | Opening Loan Commitments 01-Apr-11 | Loans Approved During the year | Number of New Loans | Disbursed During the Year | Closing Loan Commitments 31-Mar-12 |
|---|---|---|---|---|---|
| Agricultural Loans | 3 930 696 | 89 566 012 | 57 | 89 985 552 | 3 511 155.64 |
| SME Loans | 2 749 960 | 133 112 469 | 258 | 130 393 693 | 5 468 736.19 |
| Sugar Cane Loans | 17 771 408 | 76 525 622 | 49 | 59 243 103 | 35 053 926.59 |
| General Purpose Loans | 5 294 404 | 319 108 892 | 5 873 | 318 159 063 | 6 244 232.81 |
| Kobwa Loan Scheme | 6 851 | 279 229 | 53 | 286 080 | - |
| Micro Loans | 0 | 652 944 | 1 315 | 652 944 | - |
| | **29 753 319** | **619 245 167** | **7 605** | **598 720 435** | **50 278 051.23** |

## 1. REVIEW OF OPERATIONS *(continued)*

### b) Manzini Branch

A new Branch for the subsidiary, First Finance Company, was opened in Manzini during the year under review. The Branch started full operations during the fourth quarter. As at the end of the financial year, the branch had disbursed general purpose loans to the value of E35 million. This indicates a great potential for the branch and it also confirms that there was a strong business case for the decentralization of operations to Manzini. Furthermore, this has allowed improved customer service and turn-around time as customers do not have to stand in long queues to be serviced.

## 2. FINANCIAL OVERVIEW

### a) Interest Income

Overall interest earned on loans by the Group for the year is E68.2 million from 55.4 million made the previous financial year. This is an increase of 23% and can be attributed to the overall gross loan portfolio growth from E507million last year to E617million at year end.

Whilst the economy has not fully recovered from the effects of the recent fiscal crisis, demand for domestic credit increased significantly.

### b) Interest Expense and Borrowings

Interest expense for the year increased by 42% from the previous financial year.

A total of E120.2 million new funding was obtained during the year under review, and the company made a total of E46.3 million capital repayments as shown below:

## 2. FINANCIAL OVERVIEW

### b) Interest Expense and Borrowings *(continued)*

| New Borrowings | June 2012 (1st Q) | September 2012 (2ndQ) | December 2012 (3rdQ) | March 2013 (4thQ) |
|---|---|---|---|---|
| INTERNEURON LOAN | 3 500 000.00 | 7 000 000.00 | - | - |
| ADB-SWD GOVT LOAN | 3 905 257.00 | - | - | - |
| AFRICAN ALLIANCE | 22 300 000.00 | - | 50 000 000.00 | - |
| NORSAD | - | - | 9 000 000.00 | - |
| STANLIB | - | - | - | 24 500 000 |
| | **29 705 257.00** | **7 000 000.00** | **59 000 000.00** | **24 500 000** |

Capital repayments were made as follows:

| | Total |
|---|---|
| Public Enterprise Unit Loan | 8 000 000.00 |
| Industrial Development Corporation Loan | 13 225 293.21 |
| OPEC FUND Loan | 1 908 287.34 |
| NORSAD FUND Loan | 5 095 549.75 |
| Swaziland National Provident Fund LOAN | 2 881 730.00 |
| Standard Bank Medium Term Loan | 4 722 220.44 |
| INTERNEURON Loan | 10 500 000.00 |
| | **46 333 080.74** |

Two loans were paid paid-off during the year under review, namely, the E20million OPEC Fund for International Development (OFID) Loan. Another loan that was paid off was E105million loan from Interneuron, after the Public Service Pension Fund (PSPF) took over the balance of E100million loan facility from Interneuron.

In an effort to raise funding for the company's lending operation in line with its five year strategy, the organisation issued a E300million Bond through African Alliance. Inflows from the bond issue are expected to be received during the next financial year ending 31 March 2014.

## 2. FINANCIAL OVERVIEW *(continued)*

### c) Employee Compensation and Benefits

Staff costs for the group increased by 6%. This was largely attributable to recruitment of staff for the new Manzini Branch for the subsidiary First Finance Company. A total of fifteen (15) employees were recruited by the company of which most of them were recruited for the Manzini Branch.

The company also concluded the recruitment of the Group Managing Director in February 2013.

Only one employee left the company.

### d) Overheads

Operating expenses for the group increased by 45% from the previous reporting period.

This increase is largely due to the opening of the Manzini branch of the subsidiary company, First Finance Company. Of significance as well was facility fee charges on funds raised through loan facilities. As indicated above, a total of E120.2 million was raised during the year under review. Most of these loan facilities attracted facility fee charges ranging from 1% to 3% of the funds raised.

### e) Provisions

A total of E21.9 million has been provided as loan impairment charges and other credit risk provisions. This is a 31% increment from the previous year. The loan portfolio on the other hand grew by 21%.

In an effort to improve credit risk appraisal process in order to minimise non-performing loans, the company sought the assistance of the Commonwealth Secretariat to review the company's lending operations. The main focus of the technical assistance was the strengthening of risk management mechanisms, review of lending operations, process mapping and the introduction of business development support services (BDS).

### f) Key Performance Indicators

Overall, the Group's performance improved from last financial year despite the adverse economic conditions which continued to exist over the financial year under review.

The Group posted after tax profits of E8.0million against E6.6 million made the previous financial year. This is an increase of 21%.

Key performance indicators showing the performance of the corporation over the financial year ended 31 March 2013 are shown below:

| | Group | | Company | | |
|---|---|---|---|---|---|
| **Ratio** | **Mar-13** | **Mar-12** | **Mar-13** | **Mar-12** | **Definition** |
| Profitability | | | | | |
| Profit Margin | **12%** | 12% | **-5%** | 2% | Interest Income / Profit for the period. |
| Portfolio Yield | **11%** | 11% | **14%** | 13% | Interest Income / Gross Portfolio. |
| Return on Equity | **4%** | 4% | **-1%** | 1% | Net Profit / Equity. |
| Return on assets | **1%** | 1% | **-1%** | 0% | After tax Profit / Assets. |

## 2. FINANCIAL OVERVIEW *(continued)*

| Ratio | Group Mar-13 | Group Mar-12 | Company Mar-13 | Company Mar-12 | Definition |
|---|---|---|---|---|---|
| **Portfolio Quality** | | | | | |
| Loan Loss Reserve Ratio | **6%** | 5% | **7%** | 6% | Accumulated provisions / gross portfolio. |
| Portfolio at risk | **28%** | 25% | **40%** | 32% | Overdue loan Balances / Gross Portfolio. |
| Write-off Ratio | **0.5%** | 2.3% | **0.6%** | 4% | Write-offs / gross portfolio. |
| Risk Coverage Ratio | **21%** | 20% | **17%** | 20% | Provision reserve / Overdue loan Balances |
| Provision Expense Ratio | **4%** | 3% | **5%** | 3% | Provision expense / Gross portfolio. |
| **Financial Management** | | | | | |
| Debt / Equity | **66%** | 61% | **61%** | 52% | Debt / Equity. |
| Debt Service Coverage | **19%** | 17% | **3%** | 17% | (Annual Net Income + Interest Expense + non-cash items ) / (Principal + Interest payments + Lease payments). |
| Financial Expense Coverage | **0.5** | 0.5 | **0.4** | 0.4 | Interest expense / Interest income. |
| Financial Expense Ratio | **6%** | 5% | **6%** | 6% | Interest expense to net portfolio. |
| Cost Of Funds Ratio | **10%** | 8% | **8%** | 10% | Interest expense / Borrowings. |
| Liquidity Ratio | **0.69** | 1.08 | **2.57** | 1.22 | Current Assets to Current Liabilities. |
| Acid Test / Quick Ratio | **0.33** | 0.45 | **0.32** | 0.49 | Current Assets (excluding Interest receivable) to Current Liabilities |
| Active Clients | **10 272** | 9 161 | **1 478** | 1 923 | |
| Average loan size | **60 013** | 55 311 | **263 007** | 199 031 | |
| Portfolio to Assets | **92%** | 89% | **71%** | 84% | **Portfolio/ Assets.** |

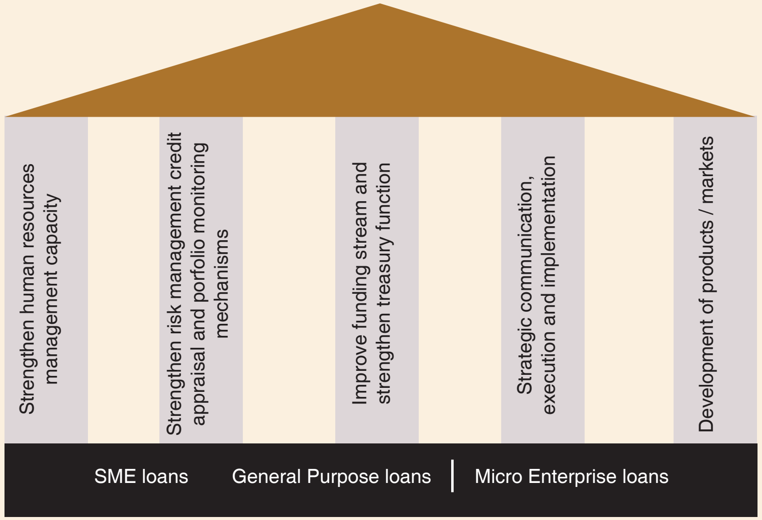
## 2. FINANCIAL OVERVIEW *(continued)*

| Ratio | Group Mar-13 | Group Mar-12 | Company Mar-13 | Company Mar-12 | Definition |
|---|---|---|---|---|---|
| **Efficiency & Productivity** | | | | | |
| Operational Self Sufficiency | **115%** | 117% | **100%** | 108% | Financial revenue /(Financial Expense +impairment + operating expense). |
| Financial Self Sufficiency | **103%** | 116% | **127%** | 145% | Adjusted financial revenue /adjusted( Financial Expense +impairment + operating expense). |
| Operating Expense Ratio | **12%** | 10% | **10%** | 10% | Operating expenses / average performing assets. |
| Overheads Expense Ratio | **6%** | 6% | **7%** | 6% | Overhead Expenses / Gross Portfolio. |
| Personnel Expense Ratio | **3%** | 4% | **4%** | 4% | Staff Costs Expenses / Gross Portfolio. |

## 3. STRATEGIC PLAN

The last strategic plan covered the period 2007 to 2013. On the 18 March 2012, the company concluded a new five year Strategic Plan that covers the period 2013 to 2017. The Strategic Planning was facilitated by Genetics Analytics from South Africa. The new Strategic Plan has already been communicated to all external and internal stakeholders in order to ensure complete buy in and appreciation of the future trajectory of the organisation.

The formulation of the new strategy was preceded by an extensive consultation with key stakeholders namely: The Shareholders, Board of Directors, Clients, Staff and Other Business Partners which gives us confidence that it is fully representative of the aspirations of all role players. The core pillars of the strategic plan stand as follows:




With one full year having been completed under the new strategic plan, the company has already achieved some of the strategic objectives as shown below:

**Pillar 1 – Strengthening Human Resource Management Capability**

- As already indicated above, the company has concluded the appointment of the Group Managing Director. This was achieved in February 2013.
- By the end of the year, processes had already started to recruit the General Manager for the subsidiary company, First Finance Company. This is expected to be concluded during the first quarter of the next financial year.
- The recruitment of Manager Human Resource remains one of the short term objectives.
- Staff training also continues to be an ongoing exercise to capacitate staff members in their respective areas to improve overall company performance.

**Pillar 2 – Strengthening Risk Management, Credit appraisal and portfolio monitoring mechanisms**

- When the company sought the assistance of the Commonwealth Secretariat to review the company's lending operations as indicated above, it was one of the means meant to strengthen risk management mechanisms. This exercise will be concluded in the first quarter of the following financial year.

**Pillar 3 – Improve Funding Stream and Strengthen Treasury Function**

- Under this initiative, the company has managed to obtain funding to the value of E120.2 million during the year under review. This has enabled to the company to on-lend without any liquidity constraints. This will be an ongoing exercise to finance a growth strategy as identified in the strategic plan.

## 4. 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 objectives 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 receive 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 Corporation.

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.

## 4. THE MANAGEMENT OF RISK

### Remuneration Committee

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

- Ensuring the recruitment and retention of qualified staff who are of good calibre.
- Developing and monitoring strategies and general guidelines for employee compensation, including retirement compensation;
- Developing and monitoring of company performance incentives for referral to the Main Board of Directors for subsequent resolutions there-of.

### 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 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 organisation.
- Ensure consistent maintenance of high quality loan portfolio.
- Ensure proper approval of annual budgets and adherence there-to.

## 5. SPECIAL PROJECTS

a) Brach Rollout Strategy

During the year under review, the Board of Directors approved a Branch Rollout strategy for Fincorp. The main objective is to establish one branch in each region in order to bring our service more closer to the communities that we service. Meanwhile the first branch is planned to be at Siphofaneni and will be established during the next financial year.

## 6. SHARE CAPITAL

The authorised share capital is 1000 ordinary shares at E1.00 each of which 100 ordinary shares were issued at a premium of E84 224.07 per share, and has remained unchanged during the year.

## 7. DIVIDENDS

The directors do not recommend that a dividend be paid in respect of the period under review.

## 8. BOARD OF DIRECTORS

### Risk management framework and objectives

The directors who acted during the period are:

| Board Member | Representing | Appointed | Expiry of Term |
|---|---|---|---|
| Mr Musa Dlamini, Chairperson | Swaziland Government | 27 September 2011 | - |
| Mr Dumisani Msibi | Group Managing Director | 01 February 2013 | - |
| Mr Musa Mdluli | Tibiyo TakaNgwane | 01 February 2005 | - |
| Mr Simanga Simelane | Tibiyo TakaNgwane | 08 September 2005 | - |
| Mr Mandla Mavuso | Swaziland Government | 24 May 2006 | 31 May 2012 |
| Ms Phindile Dlamini | Swaziland Government | 01 January 2011 | - |
| Mr Musa Sibandze | Swaziland Government | 01 July 1999 | 31 May 2012 |
| Ms Sizakele Dlamini | Swaziland Government | 01 January 2011 | - |
| Ms Maureen Gabuza | Tibiyo TakaNgwane | 01 April 2013 | - |

## 9. 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 |
| Ms Phindile Dlamini | Representing Swaziland Government |
| Ms Sizakele Dlamini | Representing Swaziland Government |
| Mr Dumisani Msibi | Group Managing Director |

## 10. REMUNERATIONS COMMITTEE MEMBERS

The remuneration committee members who acted during the period are:

| | |
|---|---|
| Mr Mandla Mavuso | Chairperson, Representing Swaziland Government |
| Mr Musa Sibandze | Representing Swaziland Government |
| Ms Maureen Gabuza | Representing Tibiyo TakaNgwane |
| Mr Dumisani Msibi | Group Managing Director |

## 11. SECRETARY OF THE CORPORATION

The Secretary of the Corporation is: Mr Sikolemaswati Ntshalintshali.

## 12. BANKERS

The Bankers of the Corporation are:

First National Bank Swaziland Limited
P O Box 261
Eveni
Swaziland

Nedbank Swaziland Limited
P O Box 68
Mbabane
Swaziland

Standard Bank Swaziland Limited
P O Box A294
Swazi Plaza
Swaziland

## 13. BUSINESS AND POSTAL ADDRESS OF THE CORPORATION

**Business address:**
7th floor, Dlanubeka Building
Corner of Mdada and Lalufadlana Streets
Mbabane

**Postal address:**
P O Box 6099
Mbabane
Swaziland

## 14. AUDITORS

The auditors of the Corporation are PricewaterhouseCoopers

**Business address:**
MTN Office Park
Karl Grant Street
Mbabane
Swaziland

**Postal address:**
P O Box 569
Mbabane
Swaziland
H100

## 15. EVENTS SINCE BALANCE SHEET DATE

Events since the balance sheet date:

(a) have been fully taken into account insofar as they have a bearing on the amounts attributable 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.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Group 2013 E'000 | Group 2012 E'000 | Company 2013 E'000 | Company 2012 E'000 |
|---|---|---|---|---|---|
| Interest income | 29 | **68 189** | 55 494 | **54 035** | 50 326 |
| Interest expense | 30 | **(37 177)** | (26 119) | **(23 341)** | (20 899) |
| **Net interest income** | | **31 012** | 29 375 | **30 694** | 29 427 |
| Fee income | 31 | **39 911** | 26 874 | **1 147** | 1 249 |
| Net trading income/(expense) | 32 | **74** | (209) | **74** | (209) |
| Other operating income | 33 | **2 917** | 2 840 | **10 794** | 7 681 |
| Net interest income before impairment of loans and advances | | **73 914** | 58 880 | **42 709** | 38 148 |
| Impairment of loans and advance | 41 | **(22 830)** | (16 723) | **(17 509)** | (10 871) |
| **Net interest income after impairment of loans and advances** | | **51 084** | 42 157 | **25 199** | 27 277 |
| Employee compensation and benefits | 35 | **(18 676)** | (17 601) | **(12 855)** | (14 090) |
| General and administrative expenses | | **(16 615)** | (11 483) | **(11 810)** | (8 243) |
| Depreciation of property, plant and equipment and amortisation of intangible assets | 38 | **(931)** | (896) | **(775)** | (738) |
| **Income/(loss) from operations** | 34 | **14 862** | 12 177 | **(241)** | 4 206 |
| Income tax expense | 36 | **(6 838)** | (5 545) | **(2 304)** | (3 155) |
| **Profit/(loss) for the year** | | **8 024** | 6 632 | **(2 545)** | 1 051 |
| Other comprehensive income | | | | | |
| Cash flow hedges | | **-** | 575 | **-** | 575 |
| Gains/(losses) arising during the year | 52 | **-** | 575 | **-** | 575 |
| **Total comprehensive income for the year** | | **8 024** | 7 207 | **(2 545)** | 1 626 |
| **Total comprehensive income Attributable to:** | | | | | |
| Owners of the parent | | **8 024** | 7 207 | **(2 545)** | 1 626 |
| | | **8 024** | 7 207 | **(2 545)** | 1 626 |

| | Notes | Group 2013 E'000 | 2012 E'000 | Company 2013 E'000 | 2012 E'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Property, plant and equipment | 38 | **10 092** | 6 368 | **8 924** | 5 622 |
| Intangible assets | 39 | **414** | 599 | **414** | 599 |
| Loans and advances | 40 | **581 244** | 480 776 | **361 020** | 357 920 |
| Investment in subsidiary | 45 | **-** | - | **11 436** | 11 436 |
| Financial investments | 42 | **1 522** | 1 522 | **1 522** | 1 522 |
| Derivative financial instruments | 52 | **-** | 231 | **-** | 231 |
| Other assets and accrued interest | 43 | **20 850** | 31 389 | **106 460** | 30 766 |
| Cash and cash equivalents | 44 | **17 996** | 20 948 | **13 698** | 19 252 |
| Deferred tax asset | 37 | **135** | 734 | **98** | 639 |
| Taxation asset | | **1 719** | - | **1 719** | - |
| **Total assets** | | **633 972** | 542 567 | **505 291** | 427 987 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' funds** | | | | | |
| Ordinary share capital | 46 | **-** | - | | - |
| Share premium | 46 | **134 225** | 134 225 | **134 225** | 134 225 |
| General risk reserve | 47 | **8 771** | 8 223 | **7 220** | 7 158 |
| Hedging reserve- cash flow hedges | | **-** | 105 | **-** | 105 |
| Retained income | | **47 361** | 39 885 | **31 438** | 34 045 |
| **Total equity** | | **190 357** | 182 438 | **172 883** | 175 533 |
| **Liabilities** | | | | | |
| Borrowings | 48 | **385 203** | 310 075 | **285 203** | 210 075 |
| Bank overdraft | 44 | **1 491** | - | **1 491** | - |
| Derivative financial instruments | 52 | **-** | - | **-** | - |
| Deferred tax Liability | 37 | **-** | - | **-** | - |
| Trade and other payable | 49 | **52 498** | 44 758 | **45 362** | 39 592 |
| Taxation payable | 50 | **3 914** | 2 773 | **-** | 630 |
| Provisions | 51 | **509** | 2 523 | **352** | 2 157 |
| Total liabilities | | **443 615** | 360 129 | **332 408** | 252 454 |
| **Total equity and liabilities** | | **633 972** | 542 567 | **505 291** | 427 987 |

| | Share capital E'000 | Share premium E'000 | General Risk reserve E'000 | Hedging Reserve Cash flow hedges E'000 | Retained Income E'000 | Total Equity E'000 |
|---|---|---|---|---|---|---|
| **GROUP -2013** | | | | | | |
| **Balance at 31 March 2013** | **-** | **134 225** | **8 223** | **105** | **39 885** | **182 438** |
| Shareholders capital contribution | **-** | **-** | **-** | **-** | **-** | **-** |
| Total comprehensive income for the year | **-** | **-** | **-** | **(105)** | **8 024** | **7 919** |
| Profit for the year | **-** | **-** | **-** | **-** | **8 024** | **8 024** |
| Other comprehensive Income | **-** | **-** | **-** | **(105)** | **-** | **(105)** |
| Transfer from General Risk Reserve | **-** | **-** | **548** | **-** | **(548)** | **-** |
| **Balance at 31 March 2012** | **-** | **134 225** | **8 771** | **-** | **47 361** | **190 357** |

| | Share capital E'000 | Share premium E'000 | General Risk reserve E'000 | Hedging Reserve Cash flow hedges E'000 | Retained Income E'000 | Total Equity E'000 |
|---|---|---|---|---|---|---|
| **GROUP - 2012** | | | | | | |
| **Balance at 31 March 2011** | - | 84 225 | 5 799 | 493 | 33 069 | 123 584 |
| Shareholders capital contribution | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | 575 | 6 632 | 7 207 |
| Profit for the year | - | - | - | - | 6 632 | 6 632 |
| Other comprehensive Income | - | - | - | 575 | - | 575 |
| Transfer from General Risk Reserve | - | - | 1 393 | - | (1 393) | - |
| **Balance at 31 March 2011** | - | 134 225 | 8 223 | 105 | 39 885 | 182 438 |

| | Share capital E'000 | Share premium E'000 | General Risk reserve E'000 | Hedging Reserve Cash flow hedges E'000 | Retained Income E'000 | Total Equity E'000 |
|---|---|---|---|---|---|---|
| **COMPANY - 2012** | | | | | | |
| **Balance at 31 March 2012** | **-** | **134 225** | **7 158** | **105** | **34 045** | **175 533** |
| Shareholders capital contribution | | **-** | | | | |
| Total comprehensive income for the year | **-** | **-** | **-** | **(105)** | **(2 545)** | **(2 650)** |
| Profit for the year | **-** | **-** | **-** | **-** | **(2 545)** | **(2 545)** |
| Other comprehensive Income | **-** | **-** | **-** | **(105)** | **-** | **(105)** |
| Transfer from General Risk Reserve | **-** | **-** | **62** | **-** | **(62)** | **-** |
| **Balance at 31 March 2013** | **-** | **134 225** | **7 220** | **-** | **31 438** | **172 883** |

| | Share capital E'000 | Share premium E'000 | General Risk reserve E'000 | Hedging Reserve Cash flow hedges E'000 | Retained Income E'000 | Total Equity E'000 |
|---|---|---|---|---|---|---|
| **COMPANY - 2011** | | | | | | |
| **Balance at 31 March 2011** | - | 134 225 | 6 106 | (470) | 34 046 | 173 907 |
| Shareholders capital contribution | - | - | - | | | |
| Total comprehensive income for the year | - | - | - | 575 | 1 051 | 1 626 |
| Profit for the year | - | - | - | - | 1 051 | 1 051 |
| Other comprehensive Income | - | - | - | 575 | - | 575 |
| Transfer from General Risk Reserve | - | - | 1 052 | - | (1 052) | - |
| **Balance at 31 March 2012** | - | 134 225 | 7 158 | 105 | 34 045 | 175 533 |

# CONSOLIDATED STATEMENT OF CASH FLOWS - *for the year ended 31 March 2013*

| | Notes | Group 2013 E'000 | Group 2012 E'000 | Company 2013 E'000 | Company 2012 E'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash (utilised)/generated from operations | 55 | **(68 418)** | **(102 358)** | **(74 387)** | **(19 165)** |
| Income taxes paid | 50 | **(6 818)** | **(6 780)** | **(4 112)** | **(5 864)** |
| | | **(75 236)** | **(109 138)** | **(78 499)** | **(25 029)** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 38 | **(4 892)** | (1 146) | **(4 152)** | (1 051) |
| Purchase of intangible assets | 39 | **(14)** | (95) | **(14)** | (95) |
| Proceeds from sale of property, plant and equipment | | **570** | 263 | **492** | 263 |
| | | **(4 336)** | **(978)** | **(3 674)** | **(883)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from long-term financing | | **175 129** | 90 543 | **75 129** | 543 |
| Long term loans repayments | | **(100 000)** | - | **-** | - |
| Finance lease principal repayments | | **-** | - | **-** | - |
| | | **75 129** | **90 543** | **75 129** | **543** |
| Net decrease in cash and cash equivalents | | **(4 443)** | (19 573) | **(7 045)** | (25 369) |
| Cash and cash equivalents at beginning of the year | | **20 948** | 40 521 | **19 252** | 44 621 |
| **Cash and cash equivalents at the end of the year** | 44 | **16 505** | 20 948 | **12 207** | 19 252 |

## 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. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. 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 2.1.

*(a) New and amended standards adopted by the company*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2011 that would be expected to have a material impact on the group.

*(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2011 and not early adopted*

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

## 2.1 Basis of preparation (continued)

*(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2011 and not early adopted (continued)*

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group adopted IFRS 12 earlier than accounting period beginning on 1 January 2013.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group adopted IFRS 13 earlier than accounting period beginning on 1 January 2012.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

## 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 financial and operating policies 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 financial and operating policies, etc.

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

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.

## 3. Consolidation (continued)

*(a) Subsidiaries*

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.

## 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.

## 4. Foreign currency translation (continued)

*(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. 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:

The principal annual rates used for this purpose are:-

| | |
|---|---|
| Computer Equipment | 33% |
| Furniture and fittings | 10% |
| Office furniture | 10% |
| Motor vehicle | 20% |

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.

## 5. Property, plant and equipment (continued)

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 in excess of the originally assessed standard of performance of the existing assets will flow to the Corporation. Major renovations are depreciated over the remaining useful life of the related assets.

## 6. Intangible assets

### 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 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.

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, 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.

### 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.

### 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.

## 9. Loans and advance impairment (continued)

### 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.

## 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.

*(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

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.

## 12. Financial assets (continued)

### Recognition and measurement (continued)

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.

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 or held-to-maturity investment 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.

## 14. Impairment of financial assets (continued)

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.

## 15. Revenue recognition (continued)

### 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.*

## 17. Financial Instruments (continued)

### a) *Market risk* (continued)

To manage the foreign currency exchange risk arises from future commercial transactions, recognised assets and liabilities, the Corporation use forward contracts. 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 2013, 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 E 0 (2012: E 104 470) lesser mainly as a result of foreign exchange losses on the translation of US dollar denominated borrowings.

*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.

*iii) Cash flow and fair value interest rate risk*

*2) Commodity Price risk*

Commodity price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the prices of commodities.

The Corporation is also not exposed to commodity price risk. As the Corporation is not trading on commodity, therefore the risk is not considered.

*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.

*iii) Cash flow and fair value interest rate risk (continued)*

*2) Commodity Price risk*

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 as such the Corporation is not exposed to fair value interest rate risk.

During 2013 and 2012, 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.

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 2012:

| **GROUP AND COMPANY** | **Profit or loss** | | **Equity** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **E'000** | E'000 | **E'000** | E'000 |
| Increase of 50 basis points | **73** | 69 | **-** | 3 |
| Decrease of 50 basis points | **(73)** | (69) | **-** | (3) |

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 2013.

| | **Financial Investment E'000** | **Cash at bank E'000** | **Loans and advance E'000** | **Borrowings E'000** |
|---|---|---|---|---|
| Base amounts | 1 522 | 13 698 | 361 020 | 285 203 |
| Interest plus 1% | 1 537 | 13 835 | 364 630 | 288 055 |
| Interest less 1% | 1 507 | 13 562 | 357 410 | 282 379 |

## 17. Financial Instruments (continued)

*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,
- Derivative financial instruments
- Cash and cash equivalents
- Deposits with banks and other financial institutions.

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. No collateral is required in respect of financial assets. 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.

**iii) Cash flow and fair value interest rate risk** (continued)

*c) Credit risk (continued)*

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

**GROUP AND COMPANY**

| Counterparty | 31 March 2013 Balance E'000 | 31 March 2013 Security Deposit E'000 | 31 March 2012 Balance E'000 | 31 March 2012 Security deposit E'000 |
|---|---|---|---|---|
| Equatorial Forestry Solutions (Pty) Ltd | 3 775 | 4 000 | - | - |
| SWAFCU | 4 968 | - | 4 622 | - |
| Hhohho Cotton Growers | 27 605 | 29 000 | 24 171 | 29 000 |
| Mlobi Investment (Pty) Ltd | 10 432 | 6 000 | 6 447 | 6 000 |
| Emtini (Pty) Ltd | 43 105 | 28 900 | 29 136 | 40 000 |
| DD4 Investments (Pty) Ltd - lease | 15 975 | 15 000 | 15 278 | 15 000 |
| Mzamo Farmers Association | 4 373 | 6 000 | 4 873 | 6 000 |
| Lihlanti Investements (Pty) Ltd | 3 933 | 3 600 | 3 950 | 3 600 |
| Nkwanyana Christopher T | 7 777 | 5 000 | 7 777 | 5 000 |
| Mtfwalo Sugar Cane Farming | 6 414 | 4 000 | 5 379 | 4 000 |

No credit limits were exceeded during the reporting period, and management does expect losses from non-performance by some of these counterparties.

**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.

**17. Financial Instruments** (continued)

d) Liquidity risk

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.

**Forecasted liquidity reserve per 31 March 2013 is as follows:**

| | 31-Mar-2014<br>E'000 | 2015 – 2016<br>E'000 |
|---|---|---|
| Opening balance for the period | 16 505 | 52 036 |
| Net Operating proceeds | 97 126 | 118 381 |
| Net cash from investing activities | (101 054) | (165 737) |
| Net cash inflow from financing Activities | 2 127 | 93 288 |
| **At End of the year** | **14 704** | **97 968** |

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.

## 17. Financial Instruments (continued)

d) Liquidity risk (continued)

**GROUP**

**31 March 2013**

| | 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 |
|---|---|---|---|---|---|
| **Financial Liabilities:** | | | | | |
| Trade and other payables | 52 679 | - | - | - | **52 679** |
| Bank overdraft | 1 491 | - | - | - | **1 491** |
| Finance lease liabilities | - | - | - | - | **-** |
| Other short-term liabilities | 509 | - | - | - | **509** |
| Long term liabilities | 137 426 | 73 004 | 167 968 | 6 805 | **385 203** |
| | **192 105** | **73 004** | **167 968** | **6 805** | **439 882** |
| **31 March 2012** | | | | | |
| **Financial Liabilities:** | | | | | |
| Trade and other payables | 44 758 | - | - | - | 44 758 |
| Bank overdraft | - | - | - | - | **-** |
| Finance lease liabilities | - | - | - | - | **-** |
| Other short-term liabilities | 2 523 | - | - | - | **2 523** |
| Long term liabilities | 186 390 | 77 686 | 33 578 | 12 421 | **310 075** |
| | **233 671** | **77 686** | **33 578** | **12 421** | **357 356** |

**COMPANY**

**31 March 2013**

| | 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 |
|---|---|---|---|---|---|
| **Financial Liabilities:** | | | | | |
| Trade and other payables | **45 542** | **-** | **-** | **-** | **45 542** |
| Bank overdraft | **1 491** | **-** | **-** | **-** | **1 491** |
| Other short-term liabilities | **352** | | | | **352** |
| Long term liabilities | **124 852** | | **112 432** | **-** | **285 203** |
| | **172 237** | **41 114** | **112 432** | **6 805** | **332 588** |

## 17. Financial Instruments (continued)

d) Liquidity risk (continued)

**COMPANY** (continued)

| | 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 2012** | | | | | |
| **Financial Liabilities:** | | | | | |
| Trade and other payables | 40 829 | - | - | - | 40 829 |
| Bank overdraft | - | - | - | - | - |
| Finance lease liabilities | - | - | - | - | - |
| Other short-term liabilities | 2 157 | - | - | - | 2 157 |
| Long term liabilities | 86 570 | 77 686 | 33 578 | 12 241 | 210 075 |
| Derivative financial instruments | - | - | - | - | - |
| | 129 556 | 77 686 | 33 578 | 12 241 | 253 061 |

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.

## 17. Financial Instruments (continued)

### (2) Capital risk management (continued)

During 2013, the Group's strategy, was to maintain a gearing ratio (before interest accrual is taken into account) of 70%. The gearing ratios before interest accrual at 31 March 2013 and 2012 were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **E'000** | E'000 | **E'000** | E'000 |
| Total borrowings | **386 694** | 310 075 | **286 694** | 210 075 |
| Long term borrowings (Note 48) | **385 203** | 310 075 | **285 203** | 210 075 |
| Bank overdraft (Note 44) | **1 491** | - | **1 491** | - |
| Less: cash and cash equivalents | **(17 996)** | (20 948) | **(13 698)** | (19 252) |
| Net debt | **368 698** | 289 127 | **272 996** | 190 823 |
| Total equity | **190 357** | 182 438 | **172 883** | 175 533 |
| Total capital | **559 055** | 471 565 | **445 879** | 366 356 |
| **Gearing ratio** | **66%** | 61% | **61%** | 52% |

The increase in the gearing ratio during 2013 resulted primarily from a new loan facility with Stanlib as well as an additional disbursement from an existing facility with Norsad during the current year. (Refer to note 48)

### (3) 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.

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).

## 17. Financial Instruments (continued)

### GROUP

| | Loans and advance E'000 | Other assets E'000 | Cash and cash equivalents E'000 | Financial instruments E'000 | Derivatives designated as fair value hedging instruments E'000 | Total E'000 |
|---|---|---|---|---|---|---|
| **As at 31 March 2013** | | | | | | |
| **Fair value measurement hierarchy levels:** | | | | | | |
| **- Level 1** | **-** | **-** | **-** | **-** | **-** | **-** |
| **- Level 2** | **-** | **-** | **-** | **-** | **-** | **-** |
| **- Level 3** | **581 244** | **20 851** | **17 996** | **1 522** | **-** | **621 613** |
| | **581 244** | **20 851** | **17 996** | **1 522** | **-** | **621 613** |
| As at 31 March 2012 | | | | | | |
| Fair value measurement hierarchy levels: | | | | | | |
| - Level 1 | - | - | - | - | - | - |
| - Level 2 | - | - | - | - | 231 | 231 |
| - Level 3 | 480 776 | 31 390 | 20 948 | 1 522 | - | 534 636 |
| | 480 776 | 31 390 | 20 948 | 1 522 | 231 | 534 867 |

### COMPANY

| | Loans and advance E'000 | Other assets E'000 | Cash and cash equivalents E'000 | Financial instruments E'000 | Derivatives designated as fair value hedging instruments E'000 | Total E'000 |
|---|---|---|---|---|---|---|
| **As at 31 March 2013** | | | | | | |
| **Fair value measurement hierarchy levels:** | | | | | | |
| **- Level 1** | **-** | **-** | **-** | **-** | **-** | **-** |
| **- Level 2** | **-** | **-** | **-** | **-** | **-** | **-** |
| **- Level 3** | **361 020** | **106 460** | **13 698** | **1 522** | **-** | **482 700** |
| | **361 020** | **106 460** | **13 698** | **1 522** | **-** | **482 700** |
| As at 31 March 2012 | | | | | | |
| Fair value measurement hierarchy levels: | | | | | | |
| - Level 1 | - | - | - | - | - | - |
| - Level 2 | - | - | - | - | 231 | 231 |
| - Level 3 | 357 920 | 30 766 | 19 248 | 1 522 | - | 409 456 |
| | 357 920 | 30 766 | 19 248 | 1 522 | 231 | 409 687 |

## 18. Derivative financial instruments and hedging accounting

Derivatives are recognised initially, and are subsequently re-measured, at fair value. Fair values of exchange traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives may be embedded in other financial instruments, for example, a convertible bond with an embedded conversion option. Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a stand-alone derivative if they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes therein recognised in the income statement.

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the income statement.

Changes in the fair value of the effective portions of derivatives that are designed and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability.

Certain derivative transactions, while providing economic hedges under the risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in income.

### Hedge accounting

On the date a derivative is entered into, the Corporation designates certain derivates as either:

i) a hedge of the fair value of a recognised asset or liability ("fair value hedge"), or
ii) a hedge of a future cash flow attributable to a recognised asset or liability, a forecasted transaction or a firm commitment ("cash flow hedge").

At the inception of a hedging relationship, the Corporation documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge. The Corporation also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. Interest on designated qualifying hedges is included in 'Net interest income'.

## 18. Derivative financial instruments and hedging accounting (continued)

### Hedge accounting (continued)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, along with changes in the fair value of the hedged assets, liabilities or Corporation thereof that are attributable to the hedged risk.

If a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement based on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognised, in which case, it is released to the income statement immediately.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity within the cash flow hedging reserve. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction is eventually recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Corporation had not entered into a cash flow hedge arrangement or designated any derivative as such at year-end.

### Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement. These gains and losses are reported in 'Net trading income'. Currently, the Corporation does not hold any derivative that does not qualify for hedge accounting.

## 19. Taxation

### Deferred income taxes

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. Currently enacted tax rates are used in the determination of deferred income tax.

## 19. Taxation

### Deferred income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax liabilities and deferred tax assets are recognised for all temporary difference arising from the following differences:

i) The excess of book values of fixed assets over their written down values for tax purposes;
ii) The excess of book values of finance leases over their written down values for tax purposes;
iii) Income and expenditure in the financial statements of the current year dealt with in other years for tax purposes.

### Current Tax

The charge for the current tax is the amount of income taxes payable in respect of the taxable profits for the current period. It is calculated using tax rate that have been enacted or substantially enacted by the statement of financial position date.

## 20. 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.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Corporation becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Corporation are not provided in advance.

## 21. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. 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.

## 22. 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'.

## 23. 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.

## 24. 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.

## 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 23. The recoverable amounts of loans and receivables have been determined based on discount cash inflows. These calculations require the use of estimates (Note 40 and 41).

## 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. Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

| | Group 2013 E'000 | Group 2012 E'000 | Company 2013 E'000 | Company 2012 E'000 |
|---|---|---|---|---|
| **29 Interest income** | | | | |
| Revenue consists of the aggregate of interest income received and accrued. | | | | |
| **The analysis of interest income by category/section is as follows:** | | | | |
| Business loans | **15 384** | 13 289 | **15 384** | 13 289 |
| Micro loans | **89** | 158 | **89** | 158 |
| General purpose loans | **33 892** | 23 168 | **-** | - |
| Intercompany loan | **-** | - | **19 747** | 18 000 |
| Agriculture loans | **9 032** | 9 870 | **9 032** | 9 870 |
| Sugar cane loans | **9 783** | 9 009 | **9 783** | 9 009 |
| Other | **9** | - | **-** | - |
| Total interest income | **68 189** | 55 494 | **54 035** | 50 326 |

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

## COMPANY

| | Loans and Advance - Gross E'000 | Interest in Suspense E'000 | Total E'000 |
|---|---|---|---|
| **31 March 2013** | | | |
| Business loans | **15 384** | **-** | **15 384** |
| Micro loans | **89** | **-** | **89** |
| General purpose loans | **-** | **-** | **-** |
| Intercompany loan | **19 747** | **-** | **19 747** |
| Agriculture loans | **9 032** | **-** | **9 032** |
| Sugar cane loans | **9 783** | **-** | **9 783** |
| | **54 035** | **-** | **54 035** |
| **31 March 2012** | | | |
| Business loans | 13 289 | - | 13 289 |
| Micro loans | 158 | - | 158 |
| General purpose loans | - | - | - |
| Intercompany loan | 18 000 | - | 18 000 |
| Agriculture loans | 9 870 | - | 9 870 |
| Sugar cane loans | 9 009 | - | 9 009 |
| | 50 326 | - | 50 326 |

29.1 The analysis of interest income by measurement is as follows: (continued)

| | Loans and Advance - Gross E'000 | Interest in Suspense E'000 | Total E'000 |
|---|---|---|---|
| **31 March 2013** | | | |
| Business loans | **15 384** | **-** | **15 384** |
| Micro loans | **89** | **-** | **89** |
| General purpose loans | **33 892** | **-** | **33 892** |
| Agriculture loans | **9 032** | **-** | **9 032** |
| Sugar cane loans | **9 783** | **-** | **9 783** |
| Other | **9** | **-** | **-** |
| | **68 189** | **-** | **68 189** |
| **31 March 2012** | | | |
| Business loans | 13 289 | - | 13 289 |
| Micro loans | 158 | - | 158 |
| General purpose loans | 23 168 | - | 23 168 |
| Agriculture loans | 9 870 | - | 9 870 |
| Sugar cane loans | 9 009 | - | 9 009 |
| | 55 494 | - | 55 494 |

## 30 Interest expenditure

| | Group 2013 E'000 | Group 2012 E'000 | Company 2013 E'000 | Company 2012 E'000 |
|---|---|---|---|---|
| The analysis of interest expense by category is as follows: | | | | |
| Bank overdraft | **705** | 2 105 | **348** | 1 781 |
| Finance leases | **-** | - | **-** | - |
| Interest payable on long term loans | **36 472** | 24 014 | **22 993** | 19 118 |
| | **37 177** | 26 119 | **23 341** | 20 899 |

### 30.1 The analysis of interest expenditure by measurement is as follows:

| COMPANY | Measured at fair value E'000 | Measured at amortised cost E'000 | Total E'000 |
|---|---|---|---|
| **31 March 2013** | | | |
| Bank overdraft | **-** | **348** | **348** |
| Finance leases | **-** | **-** | **-** |
| Interest payable on long term loans | **-** | **22 993** | **22 993** |
| Total interest expense | **-** | **23 341** | **23 341** |

## 30 Interest expenditure (continued)

### 30.1 The analysis of interest expenditure by measurement is as follows:

| COMPANY | Measured at fair value E'000 | Measured at amortised cost E'000 | Total E'000 |
|---|---|---|---|
| **31 March 2012** | | | |
| Bank overdraft | - | 1 781 | 1 781 |
| Finance leases | - | - | - |
| Interest payable on long term loans | - | 19 118 | 19 118 |
| Total interest expense | - | 20 899 | 20 899 |

| GROUP | Measured at fair value E'000 | Measured at amortised cost E'000 | Total E'000 |
|---|---|---|---|
| **31 March 2013** | | | |
| Bank overdraft | **-** | **705** | **705** |
| Finance leases | **-** | **-** | **-** |
| Interest payable on long term loans | **-** | **36 472** | **36 472** |
| Total interest expense | **-** | **37 177** | **37 177** |

| | Measured at fair value E'000 | Measured at amortised cost E'000 | Total E'000 |
|---|---|---|---|
| **31 March 2012** | | | |
| Bank overdraft | - | 2 105 | 2 105 |
| Finance leases | - | - | - |
| Interest payable on long term loans | - | 24 014 | 24 014 |
| Total interest expense | - | 26 119 | 26 119 |

| | Group 2013 E'000 | Group 2012 E'000 | Company 2013 E'000 | Company 2012 E'000 |
|---|---|---|---|---|
| **31 Fee income** | | | | |
| Facility fee | **692** | 975 | **692** | 975 |
| Application fee | **878** | 696 | **150** | 149 |
| Loan Monitoring fee | **-** | - | **-** | - |
| Settlement fee | **466** | 679 | **71** | 2 |
| Administration fee | **37 875** | 24 524 | **234** | 123 |
| | **39 911** | 26 874 | **1 147** | 1 249 |

| | Group 2013 E'000 | Group 2012 E'000 | Company 2013 E'000 | Company 2012 E'000 |
|---|---|---|---|---|
| **32 Net trading income/(expense)** | | | | |
| Fair value adjustments on currency swap | | | | |
| Foreign exchange losses on long term loan | **246** | 209 | **246** | 209 |
| - Forward foreign exchange contracts- fair value hedge | **(172)** | (418) | **(172)** | (418) |
| | **74** | (209) | **74** | (209) |

| | Group 2013 E'000 | Group 2012 E'000 | Company 2013 E'000 | Company 2012 E'000 |
|---|---|---|---|---|
| **33 Other operating income** | | | | |
| Interest on bank deposits | **1 298** | 1 589 | **1 284** | 1 379 |
| Insurance commission | **869** | 322 | **870** | 322 |
| Management fees receivable from subsidiary | **-** | - | **7 978** | 5 435 |
| Rental Income-Nkoyoyo guest house | **12** | - | **12** | - |
| Interest on staff loans | **398** | 315 | **399** | 315 |
| Other non-interest income | **340** | 614 | **250** | 230 |
| | **2 917** | 2 840 | **10 793** | 7 681 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| **34** | **Income from operation before income tax** | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| | Income from operations before income tax is arrived at after taking into account the following items: | | | | |
| | Auditors remuneration | **743** | 925 | **565** | 778 |
| | External audit | **743** | 675 | **565** | 628 |
| | Internal audit | **-** | 250 | **-** | 150 |
| | Depreciation on property, plant and equipment and amortisation | | | | |
| | Property, plant and equipment | **731** | 513 | **575** | 369 |
| | Amortisation of Intangible assets | **200** | 247 | **200** | 247 |
| | Leased assets under finance lease | **-** | 136 | **-** | 123 |
| | | **931** | 896 | **775** | 739 |
| | Net impairment charges and other credit risk | | | | |
| | Loan impairment charges and other credit risk | **12 564** | 17 | **7 686** | (4 512) |
| | Bad debts written off | **11 163** | 17 383 | **10 580** | 15 945 |
| | Bad debts recovered | **(897)** | (678) | **(757)** | (562) |
| | | **22 830** | 16 723 | **17 509** | 10 871 |
| | Donations | **170** | 90 | **160** | 90 |
| | Legal fees | **47** | 140 | **31** | 111 |
| | (Profit)/loss on disposal on property, plant and equipment | **(134)** | 32 | **(217)** | 32 |
| | Repairs and maintenance | **459** | 120 | **61** | 89 |
| | Operating lease rentals | **1 450** | 1 171 | **956** | 810 |
| | Professional fees | **327** | 817 | **328** | 380 |
| | Employee compensation and benefits (note 35) | **18 676** | 17 601 | **12 855** | 14 090 |
| | Travelling and entertainment & International conferences | **1 201** | 831 | **1 143** | 814 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| **35** | **Employee compensation and benefits** | **E'000** | E'000 | **E'000** | E'000 |
| | Salaries and wages | **12 938** | 11 625 | **8 648** | 9 113 |
| | Provident Fund Contributions | **74** | 78 | **42** | 52 |
| | Pension costs (defined contribution plan) | **1 760** | 1 614 | **1 338** | 1 308 |
| | Staff group life cover | **96** | 89 | **77** | 71 |
| | Staff training | **1 740** | 1 141 | **1 449** | 1 089 |
| | Medical aid contribution | **1 559** | 1 440 | **949** | 1 047 |
| | Leave, bonus & gratuity payment | **509** | 1 614 | **352** | 1 410 |
| | | **18 676** | 17 601 | **12 855** | 14 090 |

The average number of persons employed during the year was 38 at Fincorp and 26 at the subsidiary (2012:37 at Fincorp, 15 at the subsidiary).

| | | Group 2013 | Group 2012 | Company 2013 | Company 2012 |
|---|---|---|---|---|---|
| **36** | **Income tax expense** | | | | |
| | Tax debit (credit) to the income statements | **6 838** | 5 545 | **2 304** | 3 155 |
| | Swaziland normal | **6 285** | 932 | **3 838** | 320 |
| | Current year tax charge | **6 239** | 3 008 | **1 763** | 561 |
| | Prior year tax charge | **-** | 2 277 | **-** | 3 277 |
| | -Deferred tax (refer note 37) | **599** | (740) | **541** | (683) |
| | | **6 838** | 5 545 | **2 304** | 3 155 |

**Taxation rate reconciliation:**

The income tax charge for the year can reconciled to the effective rate of taxation in Swaziland as follows:

| | Group 2013 | Group 2012 | Company 2013 | Company 2012 |
|---|---|---|---|---|
| Accounting profit | **15 740** | 12 177 | **637** | 4 206 |
| Tax calculated at standard rate (30%) | **4 722** | 3 653 | **191** | 1 262 |
| | **2 116** | 1 893 | **2 113** | 1 893 |
| Non deductable expenses | **2 042** | (1 353) | **2 042** | (1 353) |
| Tax on permanent differences) | **74** | 235 | **70** | 235 |
| Deferred tax- under provided in prior year | **-** | (266) | **-** | (266) |
| Prior year tax charge | **-** | 3 277 | **-** | 3 277 |
| Income tax expense | **6 838** | 5 545 | **2 304** | 3 155 |

The current year effective tax rate for the Company and the Group is 41% and 30.5% respectively (2012: 35.6% and 31.9%).

## 37 Deferred tax

Deferred income taxes are calculated in full on temporal differences under the liability method using a principal tax rate of 30% (2011:30%). Deferred tax arises from the following item:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| The movement on the deferred income tax account is as follows: | | | | |
| At the beginning of the year | **734** | (7) | **639** | (44) |
| Income statement charge (refer note 36) | **(599)** | 740 | (541) | **683** |
| Deferred tax asset/(liability) at year end | **135** | 734 | **98** | 639 |

### GROUP

| | Opening balance E'000 | Charged to Profit or loss E'000 | Closing balance E'000 |
|---|---|---|---|
| **31 March 2013** | | | |
| ***Deferred tax liabilities:*** | | | |
| Provisions | **769** | **(616)** | **153** |
| Capitalised finance lease assets | **-** | **-** | **-** |
| Prepayments | **(36)** | **18** | **(18)** |
| | **733** | **(598)** | **135** |
| **31 March 2012** | | | |
| ***Deferred tax liabilities:*** | | | |
| Provisions | 269 | 500 | 769 |
| Capitalised finance lease assets | (267) | 267 | - |
| Prepayments | (8) | (27) | (36) |
| | (6) | 740 | 733 |

## 37 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'000 | Charged to Profit or loss E'000 | Closing balance E'000 |
|---|---|---|---|
| **31 March 2013** | | | |
| Deferred tax liabilities: | | | |
| Provisions | **647** | **(541)** | **1 06** |
| Capitalised finance lease assets | **-** | **-** | **-** |
| Prepayments | **(8)** | **-** | **(8)** |
| | **639** | **(541)** | **98** |
| **31 March 2012** | | | |
| Deferred tax liabilities: | | | |
| Provisions | 231 | 416 | 647 |
| Capitalised finance lease assets | (267) | 267 | - |
| Prepayments | (8) | - | (8) |
| | (44) | 683 | 639 |

## 38 Property, plant and equipment

### GROUP

| | Computer equipment E'000 | Furniture & fittings E'000 | Office equipment E'000 | Motor vehicles E'000 | Leased motor vehicles E'000 | Land & buildings E'000 | Total E'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2013** | | | | | | | |
| Opening Balance | 453 | 1 030 | 519 | 1 606 | - | 2 760 | 6 368 |
| Transfer of leased assets | - | - | - | - | - | - | - |
| Additions | 299 | 363 | 424 | 2 199 | - | 1 607 | 4 892 |
| Disposal at cost | (14) | (13) | - | (1 344) | - | - | (1 371) |
| Disposal accumulated depreciation | 10 | 7 | - | 917) | - | - | 934 |
| Depreciation | (184) | (119) | (66) | (363) | - | - | (731) |
| Closing net book amount | 564 | 1 268 | 877 | 3 015 | - | 4 367 | 10 092 |
| **At 31 March 2013** | | | | | | | |
| Cost | 1 568 | 1 897 | 1 185 | 3 897 | - | 4 367 | 12 914 |
| Accumulated depreciation | (1 004) | (629) | (308) | (882) | - | - | (2 822) |
| Carrying amount at year end | 564 | 1 268 | 877 | 3 015 | - | 4 367 | 10 092 |

## 38 Property, plant and equipment

### GROUP

| | Computer equipment E'000 | Furniture & fittings E'000 | Office equipment E'000 | Motor vehicles E'000 | Leased motor vehicles E'000 | Land & buildings E'000 | Total E'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2012** | | | | | | | |
| Opening Balance | 605 | 1 008 | 444 | 492 | 932 | 2 686 | 6 167 |
| Transfer of leased assets | - | - | - | 932 | (932) | - | |
| Additions | 68 | 124 | 152 | 728 | - | 74 | 1 146 |
| Disposal at cost | - | - | (42) | (749) | - | - | (791) |
| Disposal accumulated depreciation | - | - | 19 | 476 | - | - | 495 |
| Depreciation | (220) | (102) | (54) | (273) | - | - | (649) |
| Closing net book amount | 453 | 1 030 | 519 | 1 606 | - | 2 760 | 6 368 |
| **At 31 March 2012** | | | | | | | |
| Cost | 1 283 | 1 547 | 762 | 3 143 | - | 2 760 | 9 495 |
| Accumulated depreciation | (830) | (517) | (243) | (1 537) | - | - | (3 127) |
| Carrying amount at year end | 453 | 1 030 | 519 | 1 606 | - | 2 760 | 6 368 |

**38 Property, plant and equipment** (continued)

## COMPANY

| | Computer equipment E'000 | Furniture & fittings E'000 | Office equipment E'000 | Motor vehicles E'000 | Leased motor vehicles E'000 | Land & buildings E'000 | Total E'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2013** | | | | | | | |
| Opening Balance | **366** | **811** | **353** | **1 333** | **-** | **2 759** | **5 622** |
| Transfer of leased assets | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Additions | **100** | **115** | **131** | **2 198** | **-** | **1 608** | **4 152** |
| Disposal at cost | **(14)** | **(13)** | **-** | **(955)** | **-** | **-** | **(982)** |
| Disposal accumulated depreciation | **10** | **8** | **-** | **689** | **-** | **-** | **707** |
| Transfer of assets to subsidiary at cost | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Transferred assets accumulated depreciation | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Depreciation | **(135)** | **(89)** | **(41)** | **(310)** | **-** | **-** | **(575)** |
| Closing net book amount | **327** | **832** | **443** | **2 955** | **-** | **4 367** | **8 924** |
| **At 31 March 2012** | | | | | | | |
| Cost | 1 198 | 1 377 | 700 | 3 822 | - | 4 367 | 11 464 |
| Accumulated depreciation | (871) | (545) | (257) | (867) | - | - | (2 540) |
| Carrying amount at year end | 327 | 832 | 443 | 2 955 | - | 4 367 | 8 924 |

## 38 Property, plant and equipment (continued)

### COMPANY

| | Computer equipment E'000 | Furniture & fittings E'000 | Office equipment E'000 | Motor vehicles E'000 | Leased motor vehicles E'000 | Land & buildings E'000 | Total E'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2012** | | | | | | | |
| Opening Balance | 513 | 767 | 322 | 222 | 847 | 2 686 | 5 357 |
| Transfer of leased assets | 847 | (847) | - | | | | |
| Additions | 35 | 122 | 93 | 728 | - | 73 | 1 051 |
| Disposal at cost | - | - | (41) | (749) | - | - | (790) |
| Disposal accumulated depreciation | - | - | 19 | 476 | - | - | 495 |
| Transfer of assets to subsidiary at cost | - | - | - | - | - | - | - |
| Transferred assets accumulated depreciation | - | - | - | - | - | - | - |
| Depreciation | (182) | (78) | (40) | (191) | - | - | (491) |
| Closing net book amount | 366 | 811 | 353 | 1 333 | - | 2 759 | 5 622 |
| **At 31 March 2012** | | | | | | | |
| Cost | 1 112 | 1 275 | 569 | 2 681 | - | 2 759 | 8 396 |
| Accumulated depreciation | (746) | (464) | (216) | (1 348) | - | - | (2 774) |
| Carrying amount at year end | 366 | 811 | 353 | 1 333 | - | 2 759 | 5 622 |

## 39 Intangible Assets

### COMPANY AND GROUP

| | Computer Software E'000 | Total E'000 |
|---|---|---|
| **Year ended 31 March 2013** | | |
| Opening Balance | **599** | **599** |
| Additions | **14** | **14** |
| Amortisation | **(199)** | **(199)** |
| Closing net book amount | **414** | **414** |
| **At 31 March 2013** | | |
| Cost | **997** | **997** |
| Accumulated depreciation | **(583)** | **(583)** |
| Carrying amount at year end | **414** | **414** |
| **Year ended 31 March 2012** | | |
| Opening Balance | 751 | 751 |
| Additions | 887 | 887 |
| Amortisation | (247) | (247) |
| Closing net book amount | 599 | 599 |
| **At 31 March 2012** | | |
| Cost | 583 | 583 |
| Accumulated depreciation | (384) | (384) |
| Carrying amount at year end | 599 | 599 |

## 40 Loans and advances

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **E'000** | E'000 | **E'000** | E'000 |
| Line of credit | **3 097** | - | **3 097** | |
| Sugar cane loans | **76 526** | 81 766 | **76 526** | 81 766 |
| Agricultural loans | **81 291** | 93 021 | **81 291** | 93 021 |
| Business and other loans | **130 015** | 110 391 | **130 015** | 110 391 |
| Micro loans | **653** | 672 | **653** | 672 |
| Kobwa loans | **279** | 335 | **279** | 335 |
| Intercompany loan | **-** | - | **90 000** | 90 000 |
| Consumer loans | **318 812** | 217 385 | **-** | - |
| Invoice discounting | **297** | - | **-** | - |
| Gross advances | **610 970** | 503 570 | **381 861** | 376 185 |
| Less: Impairment | **(29 726)** | (22 794) | **(20 841)** | (18 265) |
| - sugar cane loans | **(12 606)** | (12 566) | **(12 606)** | (12 566) |
| - business, agriculture and other loans | **(8 236)** | (5 699) | **(8 235)** | (5 699) |
| - General purpose loans | **(8 884)** | (4 529) | **-** | - |
| Total loans and advances | **581 244** | 480 776 | **361 020** | 357 920 |

## 40 Loans and advances (continued)

A maturity analysis of loans and advances is set out in note 40.1 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 | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| Not later than 1 year | | 75 679 | **42 682** | 62 227 |
| Later than 1 year and not later than 2 years | | 70 993 | **15 670** | 42 875 |
| Later than 3 years | | 334 104 | **302 668** | 252 818 |
| | | 480 776 | **361 020** | 357 920 |

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

| | Company and Group | Company |
|---|---|---|
| | **2013** | 2012 |
| | **%** | % |
| Business and other loans | **13.5** | 13.5 |
| Sugar cane loans | **15.5** | 15.5 |
| General purpose loans | **12.0** | 12.0 |

**The analysis of sugar cane loans is as follows:-**

| | | |
|---|---|---|
| Sugar cane loans | **76 525** | 86 531 |
| Loans financed internally sourced funds | **46 291** | (70 439) |
| Loans financed by African Development Bank Funds | **30 234** | 16 092 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| **Sector analysis of loans and advance is as follows:** | | | | |
| General purpose loans | **319 072** | 217 385 | **-** | - |
| Fruits and vegetables | **9 276** | 8 911 | **9 276** | 8 911 |
| Grocery and retailing | **9 425** | 3 155 | **9 425** | 3 155 |
| Hawking | **-** | 640 | **-** | 640 |
| Heavy Haulage | **61 524** | 64 193 | **61 524** | 64 193 |
| Livestock | **5 974** | 10 262 | **5 974** | 10 262 |
| Maize and other cereal | **8 073** | 7 984 | **8 073** | 7 984 |
| Other Agricultural activities | **10 122** | 13 957 | **10 122** | 13 957 |
| General business | **95 501** | 82 574 | **95 501** | 82 574 |
| Construction | **13 052** | - | **13 052** | - |
| Sugar cane farming | **69 427** | 81 790 | **69 427** | 81 790 |
| Transport services | **9 524** | 12 719 | **9 524** | 12 719 |
| Intercompany loan | **-** | - | **90 000** | 90 000 |
| | **610 970** | 503 570 | **381 898** | 376 185 |
| Impairment of loans and advances | **(29 726)** | (22 794) | **(20 878)** | (18 265) |
| | **581 244** | 480 776 | **361 020** | 357 920 |

**The fair values of loans and advances are as follows:**

**GROUP AND COMPANY**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| Sugar cane loans | **76 526** | 69 200 | **76 526** | 69 200 |
| Business and other loans | **194 494** | 198 720 | **194 494** | 198 720 |
| General purpose loans | **310 224** | 212 856 | **-** | - |
| Loan to related company | **-** | - | **90 000** | 90 000 |
| | **581 244** | 480 776 | **361 020** | 357 920 |

## 40 Loans and advances (continued)

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 advance.

Loans and advances that are less than three months past due are not considered impaired. As of 31 March 2013, loans and advances of E 58 967 557 (2012: E103 800 548) 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 | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| Up to 3 months | **11 979** | 31 050 | **11 979** | 31 050 |
| Over 3 months | **46 989** | 72 750 | **46 989** | 72 750 |
| | **58 968** | 103 800 | **58 968** | 103 800 |

As of 31 March 2013, loans and advances of E 29 726 400(2012: E18 265 096) were impaired and provided for. The amount of the provision was E 29 626 400 (2012: E 18 265 096). 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:

**GROUP AND COMPANY**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| Up to 3 months | **6 031** | 5 222 | **4 298** | 4 311 |
| Over 3 months | **23 694** | 15 929 | **16 543** | 13 954 |
| | **9 725** | 21 151 | **20 841** | 18 265 |
| **The carrying amounts of the Corporation's loans and advances are denominated in the following currencies:** | | | | |
| Emalangeni (SZL) | **582 122** | 480 776 | **361 898** | 357 920 |

## 40 Loans and advances (continued)

### 40.1 Impairment of advances

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| **Analysis of movement in impairment of advances At 31 March 2013** | | | | |
| Opening balance | **22 794** | 25 932 | **18 265** | 24 817 |
| Net new impairments created/reversed (Note 41) | **12 041** | 17 | **7 686** | (4 512) |
| Provision utilised during the year | **(5 109)** | (3 155) | **(5 110)** | (2 040) |
| At 31 March 2013 | **29 726** | 22 794 | **20 841** | 18 265 |

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 AND COMPANY**

### 40.3 The analysis of carrying amount and impairment of sugar cane loans rescheduled as at 31 March 2013 is as follows:

| | Gross carrying amount E'000 | Impairment E'000 | Net carrying amount E'000 | Average period of rescheduling E'000 |
|---|---|---|---|---|
| Sugar cane loans rescheduled | **2 657 375** | **(1 312 540)** | **1 344 835** | **4.7 years** |

**GROUP AND COMPANY**

The analysis of carrying amount and impairment of sugar cane loans rescheduled as at 31 March 2012 is as follows:

| | Gross carrying amount E'000 | Impairment E'000 | Net carrying amount E'000 | Average period of rescheduling E'000 |
|---|---|---|---|---|
| Sugar cane loans rescheduled | 6 993 | (371) | 6 622 | 6 years |

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| **41 Impairment of loans and advances** | | | | |
| Bad debts write-off | **11 163** | 17 384 | **10 580** | 15 945 |
| Provision raised/(reversed) in the current year | **12 564** | 17 | **7 686** | (4 512) |
| Bad debts recovered | **(897)** | (678) | **(757)** | (562) |
| | **22 830** | 16 723 | **17 509** | 10 871 |
| **42 Financial investment** | | | | |
| Swaziland Building Society permanent shares | **1 522** | 1 522 | **1 522** | 1 522 |

The investment has been pledged as security in respect of staff housing loans with Swaziland Building Society (refer note 53).

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

| | Group | | Company | |
|---|---|---|---|---|
| **43 Other assets and accrued interest** | | | | |
| Accrued interest | **8 362** | 16 656 | **5 221** | 14 308 |
| Less: Interest in suspense | **-** | - | **-** | - |
| | **8 362** | 16 656 | **5 221** | 14 308 |
| Property in possession | **5 000** | 5 000 | **5 000** | 5 000 |
| Interest receivable from related company | | - | **25 648** | 2 151 |
| Other receivables from related company | **-** | - | **63 135** | - |
| Credit life cover receivable from customers | **-** | 395 | **-** | 395 |
| Customer deposits | **-** | 3 355 | **-** | 2 978 |
| Staff loans | **7 399** | 5 912 | **7 399** | 5 912 |
| Prepayments | **59** | 71 | **27** | 27 |
| Other receivables | **30** | - | **31** | (5) |
| | **20 850** | 31 389 | **106 460** | 30 766 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| **44 Cash and cash equivalents** | | | | |
| Cash in hand | **65** | 68 | **43** | 65 |
| Cash at bank | **17 931** | 20 880 | **13 655** | 19 187 |
| | **17 996** | 20 948 | **13 698** | 19 252 |
| For the purpose of cash flow statement, cash and cash equivalent comprise the following: | | | | |
| Cash and bank balance | **17 996** | 20 948 | **13 698** | 19 252 |
| Bank overdraft (Note 44.1) | **(1 491)** | - | **(1 491)** | - |
| Cash and cash equivalents | **16 505** | 20 948 | **12 207** | 19 252 |

## 44.1 Cash and cash equivalents (continued)

### 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..

The facility is on a fluctuating basis and secured by a negative pledge of assets. Interest rate is charged at prime overdraft rate and payable monthly in arrears.

The facilities are expiring within one year after date of commencement and are subject to annual review at various dates. The current facility is due for review on 30 September 2013.

Standard Bank Swaziland Limited

During the current year the Corporation maintained its level of bank overdraft to E3 000 000 (2012: E3 000 000) with Standard Bank of Swaziland Limited to finance working capital requirements. The overdraft facility is secured by cession of the Corporation's rights in and to all book debts, other debts and claims due and to become due to it as well as unlimited surety ship by the First Finance Company for all obligations and indebtedness of the Corporation to the bank. The facility is repayable on demand with interest is charged at prime rate prevailing from time to time per annum, plus 1%.

## 45 Investment in subsidiaries

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.

**The acquisition- date values of the assets acquired and liabilities assumed are as follows:**

| | 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** | - |

**45.1** 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.

**45.2** 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.

| | 2013 E'000 | 2012 E'000 |
|---|---|---|
| **46 Share capital** | | |
| The share capital of the Corporation consists of the following: | | |
| Authorised | | |
| 1 000 ordinary shares at E1 each | 1 | 1 |
| Issued | | |
| 100 ordinary shares of E 1 each * | - | - |
| ** - amounts are less than E1,000* | | |
| Premium on issue of shares | 134 225 | 134 225 |

## 46 Share capital (continued)

In 2011, the Swaziland Government being the major shareholder of the company made a capital contribution in the company for E50 Million. The shareholding of the company was then changed to 80% for Swaziland Government and 20% for Tibiyo Takangwane. Share premium thus increased from E84 224 969 to E134 224 969.

## 47 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 provisions 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 0.5% for the Subsidiary, of the net loans after specific provisions totalling E361 019 766 (2012: E357 919 925) for the company and E 310 224 442 (2012: E212 856 182) for the subsidiary.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| Opening balance | **8 223** | 6 830 | **7 158** | 6 106 |
| General provisions raised during the period | **548** | 1 393 | **62** | 1 052 |
| Closing balance | **8 771** | 8 223 | **7 220** | 7 158 |

## 48 Borrowings

| | Group 2013 E'000 | Group 2012 E'000 | Company 2013 E'000 | Company 2012 E'000 |
|---|---|---|---|---|
| Long term loans (Note 48.2) | **269 943** | 269 086 | **169 943** | 169 086 |
| Other short term borrowings (Note 48.3) | **115 260** | 40 989 | **115 260** | 40 989 |
| Total borrowings | **385 203** | 310 075 | **285 203** | 210 075 |

## 48 Borrowings (continued)

### 48.1 Long term loans

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| **The analysis of long term loans is as follows:** | | | | |
| Swaziland Government | **10 000** | 10 000 | **10 000** | 10 000 |
| Swaziland Government - ADB | **64 909** | 61 003 | **64 909** | 61 003 |
| OPEC Fund | **-** | 1 908 | **-** | 1 908 |
| Swaziland National Provident Fund | **7 500** | 10 382 | **7 500** | 10 382 |
| Norsad | **26 782** | 23 673 | **26 782** | 23 673 |
| Kobwa loan fund | **1 193** | 1 208 | **1 193** | 1 208 |
| IDC Loan | **11 725** | 24 384 | **11 725** | 24 384 |
| PEU Loan | **12 000** | 20 000 | **12 000** | 20 000 |
| Public Service Pension Fund | **100 000** | 100 000 | **-** | - |
| Standard Bank Loan | **11 334** | 16 528 | **11 334** | 16 528 |
| Stanlib | **24 500** | - | **24 500** | - |
| Total long term loans | **269 943** | 269 086 | **169 943** | 169 086 |

#### 48.1.1 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. Furthermore, an additional loan amounting to E 20 Million was obtained from the Central Bank of Swaziland through the Swaziland Government on 06 March 2006.The Corporation is to lend the money to deserving and potential and existing entrepreneurs. Interest is payable at a fixed rate of 6.5% per annum and paid half yearly whilst the capital shall be repaid in five annual instalments of E 4 Million from 6 March 2008.

## 48 Borrowings (continued)

### 48.1.2 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 10.5% per annum. 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.

### 48.1.3 OPEC Fund

The OPEC is a line of credit amounting to US $ 3 Million to Swaziland Development Finance Corporation Limited. Interest accrues from day to day and is pro rated on the basis of 360 days at a floating rate of LIBOR plus 2% margin. Repayment of the capital shall be made on the second anniversary of the first disbursement (07/11/2007) to 7 November 2012. As at 31 March 2010 US $ 1 363 638 was payable to OPEC Fund. This loan was fully repaid in the year ending 31 March 2013.

### 48.1.4 Swaziland National Provident Fund

The Swaziland National Provident Fund (SNPF) loan agreement in terms of which will lend Swaziland Development Finance Corporation Limited E 15 million. Interest is calculated at prime minus one percent (prime-1%) per annum on the outstanding balance and is chargeable bi-annually on the anniversary date of the median dates of the draw downs. The repayments shall be made in 10 annual instalments of E 1.5 million with the first instalment date after the expiry of the first anniversary date of the median date of draw downs. The first drawn down was for E 5 million obtained on 22 April 2006 and the last drawn down amount was for E 10 million obtained on 13 January 2008.

### 48.1.5 Norsad

The Norsad Agency loan agreement in terms of which will lend and advance E 30 million to Swaziland Development Finance Corporation. Interest is at variable interest rate of prime per annum calculated on the outstanding balance on the basis of a 360-day year composed of 12 months of 30 days each. 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 payable quarterly in March, June, September and December. The first drawn down was for E 15 million obtained on 07 December 2006 and the last drawn down amount was for E 15 million obtained on 01 April 2007.

### 48.1.6 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.

## 48 Borrowings (continued)

### 48.1.7 IDC loan

The IDC loan is repayable over a period of 5 years. Interest payment at South African prime plus 2% (currently 12%) commenced on 01 June2010 and is payable monthly, whereas the payment of the principal shall commence 6 months after first disbursement with 6 months grace period, i.e on 31 June 2010.

### 48.1.8 Public Service Pension Fund

The loan with Public Service Pension Fund amounting to E 100 million was granted 22 August 2012; with interest at prime plus 2.5%, as published by Swaziland Development and Savings bank, payable semi annually. The repayment date shall be E20 000 000 annually for 5 years.

### 48.1.8 Public Enterprise Unit

Interest on the E20 Million Public Enterprise Unit loan is payable at a fixed rate of 6.5% and paid half yearly whilst the capital shall be repaid in five annual instalments of E 4 Million from 22 June 2012.

### 48.1.9 Standard Bank Loan

The Standard Bank loan is for E 17 million and repayable over a period of 36 months commencing from March 2012, interest is charged at prime plus 2% (currently 10%) and is payable monthly.

## 48 Borrowings (continued)

### 48.2 The maturity of the long term borrowing is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| Within 1 year | **60 871** | 145 491 | **35871** | 45 401 |
| Between 1 and 2 years | **53 389** | 77 686 | **28 389** | 77 686 |
| Between 2 and 5 years | **150 016** | 33 578 | **100 016** | 33 578 |
| Over 5 year | **5 667** | 12 331 | **5 667** | 12 421 |
| Total long term borrowings | **269 943** | 269 086 | **169 943** | 169 086 |
| **Long term loans- minimum payments** | | | | |
| Not later than 1 year | **93 015** | 210 900 | **59 310** | 96 360 |
| Later than 1 year and not later than 2 years | **73 004** | 90 399 | **41 114** | 90 399 |
| Later than 2 year and not later than 5 years | **167 968** | 41 900 | **112 432** | 41 900 |
| Later than 5 years | **6 805** | 14 607 | **6 805** | 14 607 |
| | **340 791** | 357 806 | **219 661** | 243 266 |
| Future finance charges on loans | **(70 848)** | (88 720) | **(49 718)** | (74 180) |
| | **269 943** | 269 086 | **169 943** | 169 086 |

## 48.2 Borrowings (continued)

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

| | Group Carrying Amount E'000 | Company Carrying Amount E'000 | Fair Values E'000 |
|---|---|---|---|
| Swaziland Government | 10 000 | 10 000 | 17 771 |
| Swaziland Government – ADB | 64 909 | 64 909 | 105 791 |
| Swaziland National Provident Fund | 7 500 | 7 500 | 7 584 |
| Norsad Agency | 26 782 | 26 782 | 17 737 |
| IDC | 11 725 | 11 725 | 11 809 |
| PEU-Public Enterprise Unit | 12 000 | 12 000 | 12 388 |
| Kobwa | 1 193 | 1 193 | - |
| Public Service Pension Fund | 100 000 | - | 100 991 |
| Standard Bank Loam | 11 334 | 11 334 | 11 042 |
| Stanlib | 24 500 | 24 500 | 24 921 |
| | 269 943 | 169 943 | 298 992 |

| | 2013 E'000 | 2012 E'000 |
|---|---|---|
| **48.3 Other short term loans** | | |
| African Alliance Swaziland (Note 48.3.1) | 115 260 | 40 989 |
| | 115 260 | 40 989 |

### 48.3.1 African Alliance

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

**E115.26 Million loan**

The corporation received the following loans, in three tranches one of E14M received on the 27th of October 2010, E4.7 million in 1 November 2010 and E21.9M on 27 October 2011, the loans are subject to the following interest rates: 9.5%, Prime plus 2%, Prime less 1% and 9% fixed respectively. The loans are payable in monthly instalments of E1 Million. The pre-conditions of the loan is that the Corporation maintains a E9M account with African Alliance and Pay monthly deposit of E1M to the same account. The Corporation will not transact on the account until the loan matures and has been settled. The E4.7 million loan is subject to the condition that at maturity E5 will be payable, therefore this loan was discounted to its present value of E4.7 million which was actually received by the Corporation .Interest on this loan will be calculated at 182 days based on the ruling rate at last reset date until 28 Oct 2013.

The corporation also concluded a E22.3million loan facility on the 21st May 2012 at 8% per annum, and another E50million loan facility at 10% on the 5th December 2012 renewable half yearly and annually, respectively.

| | Group 2013 E'000 | Group 2012 E'000 | Company 2013 E'000 | Company 2012 E'000 |
|---|---|---|---|---|
| **49 Trade and other payables** | | | | |
| Trade payables | **3 657** | 8 812 | **1 646** | 3 671 |
| Accruals | **6 330** | 2 624 | **2 152** | 2 624 |
| Accrued interest | **40 624** | 34 105 | **39 693** | 34 080 |
| Guarantee accounts held for Subsidiary | **2 249** | (783) | **2 232** | (783) |
| | **52 498** | 44 758 | **45 362** | 39 592 |
| **50 Income tax liability** | | | | |
| Opening balance | **2 773** | 3 268 | **630** | 2 657 |
| Taxation paid during the year | **(6 818)** | (6 780) | **(4 112)** | (5 864) |
| Current year tax (refer note 36) | **6 838** | 3 008 | **1 763** | 560 |
| Disallowable tax deductions from prior year | **-** | 3 277 | **-** | 3 277 |
| Closing balance | **2 195** | 2 773 | **(1 719)** | 630 |

## 51 Provisions

### GROUP

| | Performance bonus and gratuity E'000 | Leave pay E'000 | Total E'000 |
|---|---|---|---|
| **31 March 2013** | | | |
| At 1 April 2012 | **1 613** | **910** | **2 523** |
| Additional provision | **-** | **-** | **-** |
| Utilised during the year | **(1 613)** | **(401)** | **(2 014)** |
| At year-end | **-** | **509** | **509** |

**51 Provisions** (continued)

**GROUP**

| | Performance bonus and gratuity E'000 | Leave pay E'000 | Total E'000 |
|---|---|---|---|
| **31 March 2012** | | | |
| At 1 April 2011 | - | 896 | 896 |
| Additional provision | 1 613 | 648 | 2 261 |
| Utilised during the year | - | (634) | (634) |
| At year-end | 1 613 | 910 | 2 523 |

| **Analysis of total provisions:** | **2013 E'000** | 2012 E'000 |
|---|---|---|
| Current | **2 523** | 896 |

**COMPANY**

| | Performance bonus and gratuity E'000 | Leave pay E'000 | Total E'000 |
|---|---|---|---|
| **31 March 2012** | | | |
| At 1 April 2012 | **1 408** | **749** | **2 157** |
| Additional provision | **-** | **-** | **-** |
| Utilised during the year | **(1 408)** | **(397)** | **(1 805)** |
| At year-end | **-** | **352** | **352** |
| **31 March 2012** | | | |
| At 1 April 2011 | - | 769 | 769 |
| Additional provision | 1 408 | 614 | 2 022 |
| Utilised during the year | - | (634) | (634) |
| At year-end | 1 408 | 749 | 2 157 |

| **Analysis of total provisions:** | **2013 E** | 2012 E |
|---|---|---|
| Current | 352 | 2 157 |

## 51 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.

## 52 Derivative financial instruments

### COMPANY AND GROUP

### Fair values of derivatives by product contract type held by the Company and the group is as follows:-

| | Financial assets | | Financial liabilities | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| **Cross currency swaps:-** | | | | |
| Forward foreign exchange swap currency- fair value hedge | - | 126 | - | - |
| Interest rate swaps – fair value hedges | - | 105 | - | - |
| | - | 231 | - | - |

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. The ineffective portion recognised in the profit or loss that arises from fair value hedges amounts to a gain of E0 (2012: loss E575 185)

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2013 is E0 (2012: E 2 089 419)

## 52 Derivative financial instruments (continued)

### *Interest rate swaps*

Effective 31 December 2007, the fixed interest rate is 10.6% and the main floating rates are LIBOR plus 2%. Gains and losses recognised in the hedging reserve in statement of changes in equity on interest rate swap contracts as of 31 March 2012 will be continuously released to the statement of comprehensive income until the repayment of the borrowings

The Corporation entered into a cross currency swap arrangement with Rand Merchant Bank (RMB) to hedge against foreign exchange risk on its foreign currency based commitment with the OPEC Fund for International Development.

The Corporation transacts derivatives for the primary purpose of managing and hedging its own risk. Cross currency swap agreement was entered into to manage exposure to fluctuations in foreign currency exchange rate on the based commitment with the OPEC Fund for International Development.The Corporation's credit risk represents the potential cost to replace the swap contracts if counter parties fail to perform their obligation.The OPEC Fund was fully paid in the current year.

## 53 Contingencies

### Contingent liabilities

At 31 March 2013 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 EI 521 900 (2012: E I 521 900) to Swaziland Building Society in respect of staff housing loans.

## 54 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 | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 202 E'000 |
| Loan amounts approved but not disbursed | **50 278** | 29 753 | **6 183** | 24 458 |

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

## 54 Commitments (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| Not later than 1 year | **1 043 211** | 1 110 | **474 509** | 785 |
| Later than 1 year and not later than 5 years | **2 363 972** | 1 441 | **553 593** | 791 |
| Later than 5 years | **215 302** | - | **-** | - |
| | **3 622 485** | 2 551 | **1 028 102** | 1 576 |

The Corporation entered into an operating lease agreement with Swaziland National Provident Fund Properties. Operating lease current year rentals amounts to E 45 109 per month with an annual fixed escalation rate of 6%.

## 55 Cash utilised by operations

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| Cash flows from operating activities: | | | | |
| Profit for the period before taxation | **14 862** | 12 178 | **(241)** | 4 206 |
| Adjustment for non-cash items: | | | | |
| Bad debts | **11 686** | 17 383 | **10 580** | 15 945 |
| Impairment of loans and advances | **12 041** | 9 041 | **7 686** | 4 511 |
| Depreciation | **731** | 649 | **575** | 491 |
| Amortisation of intangible assets | **201** | 247 | **201** | 247 |
| Net trading (income)/expense (Note 32) | **(74)** | 209 | **(74)** | 209 |
| Loss/(profit) on sale of fixed assets | **(134)** | 32 | **(218)** | 32 |
| Operating profit before working capital changes | **39 312** | 39 739 | **18 509** | 25 641 |
| Increase/(Decrease) in working capital | **(107 731)** | (142 097) | **(92 896)** | (44 806) |
| Increase in loans and advances | **(124 195)** | (147 091) | **(21 366)** | (73 069) |
| (Increase) in other current assets | **(76 093)** | 22 399 | **(75 695)** | 23 420 |
| Increase in current liabilities | **94 571** | (19 032) | **5 970** | 3 454 |
| Increase in provisions | **(2 014)** | 1 627 | **(1 805)** | 1 389 |
| Net cash outflows from operating activities | **68 418** | (102 358) | **(74 387)** | (19 165) |

## 56 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in IAS 39 and by the statement of financial position heading.

### GROUP

| | Loans and receivables E'000 | Available for-sale securities E'000 | Financial assets liabilities at amortised cost E'000 | Derivatives and designated as fair value hedging instruments E'000 | Total E'000 |
|---|---|---|---|---|---|
| **As at 31 March 2012** | | | | | |
| Loans and advances | 581 244 | - | - | - | 581 244 |
| Financial investment | - | 1 522 | - | - | 1 522 |
| Other asset | 20 851 | - | - | - | 20 851 |
| Cash and cash equivalent | 17 996 | - | - | - | 17 996 |
| Derivative financial instruments | - | - | - | - | - |
| | 620 091 | 1 522 | - | - | 621 613 |
| **Financial liabilities** | | | | | |
| Bank overdraft | - | 1 491 | - | - | 1 491 |
| Finance lease liabilities | - | - | - | - | - |
| Long term liabilities | - | 385 203 | - | - | 385 203 |
| Other short term liabilities | - | 509 | - | - | 509 |
| Trade and other payables | - | 52 498 | - | - | 52 498 |
| Derivative financial instruments | - | - | - | - | - |
| | - | 439 701 | - | - | 439 701 |

## 56 Analysis of financial assets and liabilities by measurement basis (continued)

### GROUP (continued)

| | Loans and receivables E'000 | Available for-sale securities E'000 | Financial assets liabilities at amortised cost E'000 | Derivatives and designated as fair value hedging instruments E'000 | Total E'000 |
|---|---|---|---|---|---|
| As at 31 March 2012 | | | | | |
| Financial assets | | | | | |
| Loans and advances | 480 776 | - | - | - | 480 776 |
| Financial investment | 1 522 | - | - | - | 1 522 |
| Other asset | 31 390 | - | - | - | 31 390 |
| Cash and cash equivalent | 20 948 | - | - | - | 20 948 |
| Derivative financial instruments | - | - | - | 231 | 231 |
| | 534 636 | - | - | 231 | 534 867 |
| Financial liabilities | | | | | |
| Bank overdraft | - | - | - | - | - |
| Finance lease liabilities | - | - | - | - | - |
| Long term liabilities | - | 310 075 | - | - | 310 075 |
| Other short term liabilities | - | 2 523 | - | - | 2 523 |
| Trade and other payables | - | 45 997 | - | - | 45 997 |
| Derivative financial instruments | - | - | - | - | - |
| | - | 358 595 | - | - | 358 595 |

## 56 Analysis of financial assets and liabilities by measurement basis (continued)

| COMPANY | Loans and receivables E'000 | Available for-sale securities E'000 | Financial assets liabilities at amortised cost E'000 | Derivatives and designated as fair value hedging instruments E'000 | Total E'000 |
|---|---|---|---|---|---|
| **As at 31 March 2013** | | | | | |
| **Financial assets** | | | | | |
| Loans and advances | 361 020 | - | - | - | 361 020 |
| Financial investment | - | 1 522 | - | - | 1 522 |
| Other asset | 106 460 | - | - | - | 106 460 |
| Cash and cash equivalent | 13 698 | - | - | - | 13 698 |
| Derivative financial instruments | - | - | - | - | - |
| | 481 178 | 1 522 | - | - | 482 700 |
| **Financial liabilities** | | | | | |
| Bank overdraft | - | 1 491 | - | - | 1 491 |
| Finance lease liabilities | - | 285 203 | - | - | 285 203 |
| Long term liabilities | - | 352 | - | - | 352 |
| Other short term liabilities | - | - | - | - | - |
| Derivative financial instruments | | | | | |
| Trade and other payables | - | 45 362 | - | - | 45 362 |
| | - | 332 408 | - | - | 332 408 |

## 56 Analysis of financial assets and liabilities by measurement basis (continued)

**COMPANY** (continued)

| | Loans and receivables E'000 | Available for-sale securities E'000 | Financial assets liabilities at amortised cost E'000 | Derivatives and designated as fair value hedging instruments E'000 | Total E'000 |
|---|---|---|---|---|---|
| As at 31 March 2012 | | | | | |
| Financial assets | | | | | |
| Loans and advances | 357 920 | - | - | - | 357 920 |
| Financial investment | 1 522 | - | - | - | 1 522 |
| Other asset | 30 767 | - | - | - | 30 767 |
| Cash and cash equivalent | 19 248 | - | - | - | 19 248 |
| Derivative financial instruments | - | - | - | 231 | 231 |
| | 409 457 | - | - | 231 | 409 688 |
| Financial liabilities | | | | | |
| Bank overdraft | - | - | - | - | - |
| Finance lease liabilities | - | - | - | - | - |
| Long term liabilities | - | 210 075 | - | - | 210 075 |
| Other short term liabilities | - | 2 157 | - | - | 2 157 |
| Derivative financial instruments | - | - | - | - | - |
| Trade and other payables | - | 40 829 | - | - | 40 829 |
| | - | 253 061 | - | - | 253 061 |

## 57 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the credit rating about the counterparty

**GROUP**

| | Loans and Advance E'000 | Other assets E'000 | Cash and cash equivalents E'000 | Financial instruments E'000 | Derivatives designated as fair value hedging instruments E'000 | Total E'000 |
|---|---|---|---|---|---|---|
| **As at 31 March 2013** | | | | | | |
| **Counterparties without external credit ratings** | | | | | | |
| **- Low Risk** | **373 294** | **20 851** | **17 996** | **1 522** | **-** | **413 663** |
| **- General Credit risk** | **174 505** | **-** | **-** | **-** | **-** | **174 505** |
| **- High risk** | **33 445** | **-** | **-** | **-** | **-** | **33 445** |
| | **581 244** | **20 851** | **17 996** | **1 522** | **-** | **621 613** |
| As at 31 March 2011 | | | | | | |
| Counterparties without external credit ratings | | | | | | |
| - Low Risk | 276 383 | 31 390 | 20 948 | 1 522 | 231 | 330 474 |
| - General Credit risk | 177 942 | - | - | - | - | 177 942 |
| - High risk | 26 451 | - | - | - | - | 26 451 |
| | 480 776 | 31 390 | 20 948 | 1 522 | 231 | 534 867 |

**COMPANY**

| | Loans and Advance E'000 | Other assets E'000 | Cash and cash equivalents E'000 | Financial instruments E'000 | Derivatives designated as fair value hedging instruments E'000 | Total E'000 |
|---|---|---|---|---|---|---|
| **As at 31 March 2013** | | | | | | |
| **Counterparties without external credit ratings** | | | | | | |
| **- Low Risk** | **159 427** | **106 460** | **13 698** | **1 522** | **-** | **281 107** |
| **- General Credit risk** | **168 148** | **-** | **-** | **-** | **-** | **168 148** |
| **- High risk** | **33 445** | **-** | **-** | **-** | **-** | **33 445** |
| | **361 020** | **106 460** | **13 698** | **1 522** | **-** | **482 700** |

## 57 Credit quality of financial assets (continued)

### COMPANY (continued)

| | Loans and Advance E'000 | Other assets E'000 | Cash and cash equivalents E'000 | Financial instruments E'000 | Derivatives designated as fair value hedging instruments E'000 | Total E'000 |
|---|---|---|---|---|---|---|
| - Low Risk | 96 475 | 54 188 | 60 542 | 1 523 | 334 | 213 061 |
| - General Credit risk | 69 713 | - | - | - | - | 69 713 |
| - High risk | 139 119 | - | - | - | - | 139 119 |
| | 305 307 | 54 188 | 60 542 | 1 523 | 334 | 421 893 |

**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 2 months due, and mainly comprise of consumer loans and business loans.
**General credit risk-** This category is for all clients' accounts that are 60-91 days due, where a moderate credit risk is taken. Included in the category are Agricultural loans.
**High Risk-** this category is for all high risk clients and comprises all clients immediately they are over 91 days due.

## 58 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'000 | Between 1 and 2 years E'000 | Between 2 and 5 years E'000 | Over 5 years E'000 | Total E'000 |
|---|---|---|---|---|---|
| **As at 31 March 2013** | | | | | |
| **Financial assets:** | | | | | |
| Other assets | **20 851** | **-** | **-** | **-** | **20 851** |
| Financial investment | **1 522** | **-** | **-** | **-** | **1 522** |
| Loans and advances | **57 792** | **43 515** | **372 811** | **107 126** | **582 244** |
| Cash and bank | **17 996** | **-** | **-** | **-** | **17 996** |
| Derivative financial instruments | **-** | **-** | **-** | **-** | **-** |
| | **98 161** | **43 515** | **372 811** | **107 126** | **622 613** |

## 58 Financial instruments – maturity (continued)

### GROUP (continued)

| | 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 |
|---|---|---|---|---|---|
| **Financial Liabilities:** | | | | | |
| Other assets | 31 390 | - | - | - | 31 390 |
| Financial investment | 1 522 | - | - | - | 1 522 |
| Loans and advances | 75 679 | 70 993 | 334 104 | | 480 776 |
| Cash and bank | 20 948 | - | - | - | 20 948 |
| Derivative financial instruments | 231 | - | - | - | 231 |
| | 129 770 | 70 993 | 334 104 | - | 534 867 |
| **31 March 2012** | | | | | |
| **Financial Assets:** | | | | | |
| Trade and other payables | 44 758 | - | - | - | 44 758 |
| Bank overdraft | - | - | - | - | - |
| Finance lease liabilities | - | - | - | - | - |
| Other short-term liabilities | 2 523 | - | - | - | 2 523 |
| Long term liabilities | 186 390 | 77 686 | 33 578 | 12 421 | 310 075 |
| Derivative financial instruments | - | - | - | - | - |
| | 233 671 | 77 686 | 33 578 | 12 421 | 357 356 |

### COMPANY

| | 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 2013** | | | | | |
| **Financial Liabilities:** | | | | | |
| Other assets | **106 460** | **-** | **-** | **-** | **106 460** |
| Financial investment | **1 522** | **-** | **-** | **-** | **1 522** |
| Loans and advances | **42 682** | **15 670** | **123 633** | **179 035** | **361 020** |
| Cash and bank | **13 698** | **-** | **-** | **-** | **13 698** |
| Derivative financial instruments | **-** | **-** | **-** | **-** | **-** |
| | **164 362** | **15 670** | **123 633** | **179 035** | **482 700** |

## 58 Financial instruments – maturity (continued)

**COMPANY** (continued)

| | 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 2013** | | | | | |
| **Financial Assets:** | | | | | |
| Other assets | 106 460 | - | - | - | 106 460 |
| Financial investment | 1 522 | - | - | - | 1 522 |
| Loans and advances | 42 682 | 15 670 | 123 633 | 179 035 | 361 020 |
| Cash and bank | 13 698 | - | - | - | 13 698 |
| Derivative financial instruments | - | - | - | - | - |
| | 164 362 | 15 670 | 123 633 | 179 035 | 482 700 |
| **Financial Liabilities:** | | | | | |
| Trade and other payables | 45 362 | - | - | - | 45 362 |
| Bank overdraft | 1 491 | | | | 1 491 |
| Finance lease liabilities | - | - | - | - | - |
| Other short-term liabilities | 352 | | | | 352 |
| Long term liabilities | 214 431 | - | 70 772 | - | 285 203 |
| Derivative financial instruments | | | | | |
| | 261 636 | - | 70 772 | - | 336 408 |

## 58 Financial instruments – maturity (continued)

### COMPANY (continued)

| | 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 2012** | | | | | |
| **Financial Assets:** | | | | | |
| Other assets | 30 766 | - | - | - | 30 766 |
| Financial investment | 1 522 | - | - | - | 1 522 |
| Loans and advances | 62 227 | 42 875 | 252 818 | - | 357 920 |
| Cash and bank | 19 252 | - | - | - | 19 252 |
| Derivative financial instruments | 231 | - | - | - | 231 |
| | 113 998 | 42 875 | 252 818 | - | 409 691 |
| **Financial Liabilities:** | | | | | |
| Trade and other payables | 39 592 | - | - | - | 39 592 |
| Bank overdraft | - | - | - | - | - |
| Finance lease liabilities | - | - | - | - | - |
| Other short-term liabilities | 2 157 | - | - | - | 2 157 |
| Long term liabilities | 86 390 | 77 686 | 33 578 | 12 421 | 210 075 |
| Derivative financial instruments | - | - | - | - | - |
| | 128 139 | 77 686 | 33 578 | 12 421 | 251 824 |

## 59 Assets charged as security for liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 E'000** | 2012 E'000 | **2013 E'000** | 2012 E'000 |
| Loans and advance | **123 059** | 33 074 | **23 059** | 12 533 |
| Cash and cash equivalents | **12 000** | 12 000 | **3 000** | 3 000 |
| Financial instrument | **1 500** | 1 500 | **1 500** | 1 500 |
| | **136 559** | 46 574 | **27 559** | 17 033 |

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

## 60 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.

## 61 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 one hand the corporation is a 100% shareholder of First Finance Company (Pty) Ltd.

The following transactions were carried out with related parties.

### COMPANY

| | **2013 E'000** | 2012 E'000 |
|---|---|---|
| **i) Loan from related parties:** | **E'000** | E'000 |
| Movement: | | |
| At 1 April | **63 803** | 75 893 |
| Loans advanced during the year | **-** | 7 200 |
| Loan repayments received | **-** | - |
| Captialised interest during the year | **3 906** | - |
| Balance at year end | **74 909** | 71 003 |
| Amounts due to related party: | | |
| Swaziland Government – ADB | **64 909** | 61 003 |
| Swaziland Government | **10 000** | 10 000 |
| | **74 909** | 71 003 |

As at 31 March 2013, the company had three loan facilities obtained from or through the Government of Swaziland. These facilities had outstanding balances totalling E87million with interest rate ranging from 6.5% and 10.5%. There were no loan facilities obtained from Tibiyo TakaNgwane during the year under review.

## 61 Related party transactions (continued)

| | 2013 E'000 | 2012 E'000 |
|---|---|---|
| **ii) Loan to Group Managing Director:** | | |
| Balance at beginning of the year | **128** | 46 |
| Disbursed during the year | **52** | 159 |
| Interest accrued during the year | **15** | 8 |
| Loan repayments during the year | **(105)** | (85) |
| Balance at the end of the Period | **90** | 128 |

The Group Managing Director has two loans with the company. One of the loans is for E200 000. It was granted in May 2009 at prime plus 4.5% interest. The other one is for E50,000.00 granted in February 2011 at staff rates

## 61.1 Balances and transaction with related company

| | 2013 E'000 | 2012 E'000 |
|---|---|---|
| ***Loan to related party*** - | | |
| Loan due from related company | **90 000** | 90 000 |
| ***Amounts due from related party*** | | |
| Intercompany account-amount due from related company | **-** | - |
| ***Management fees*** | | |
| Management fee due from related company | **-** | - |
| ***Interest Income*** | | |
| Interest receivable from related company | **19 747** | 18 000 |

## 61 Related party transactions (continued)

The corporation advanced E90 000 000 to its subsidiary at a 20% interest per annum. The loan is repayable over 20 years by the subsidiary with a grace period of 5 years.

### (iii) Doubtful debts

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

| | | 2013 E'000 | 2012 E'000 |
|---|---|---|---|
| **62 Financial guarantees** | | | |
| National Maize Corporation | 62.1 | **273** | 273 |
| Swaziland Dairy Board | 62.2 | **531** | 531 |
| Voluntary Deferred Pay Guarantee Fund | 62.3 | **1 250** | 1 250 |
| Komati Basin Water Authority | 62.4 | **682** | 682 |
| Shewula Account | 62.5 | **31** | 31 |
| Customer Deposit Account | 62.6 | **-** | - |
| Balance at the end of the Period | | **2 767** | 2 767 |

### 62.1 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 2013.

### 62.2 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. On these loans E 32 716.91 was outstanding as at 31 March 2013.

### 62.3 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 2013.

## 62 Financial guarantees (continued)

### 62.4 Komati Basin Water Authority (KOBWA)

Swaziland Development Finance Corporation Limited has agreed to administer loans to communities in the Peri Reservoir Area around the Maguga Dam in an effort to promote entrepreneurial development thus strengthening the small enterprise sector. KOBWA will pay 10% of the total amount loaned by the Corporation as management fee on a quarterly basis from the date of disbursement of the first loan. KOBWA agreed to provide up to E1 million (2009:E 0.5million) as guarantee against these loans. The funds are kept in a separate bank account called KOBWA Scheme account with interest accruing to the KOBWA fund. Swaziland Development Finance Corporation Limited acts as signatories to this account. The carrying amount of these loans as at 31 March 2013 was E 178 685.61.

### 62.5 Shewula Account

he 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.

### 62.6 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 117 (2012: 117) sub-accounts to the Customer Deposit Account.

# DETAILED STATEMENT OF COMPREHENSIVE INCOME - *for the year ended 31 March 2013*

## COMPANY

| INCOME | 2013 E'000 | 2012 E'000 |
|---|---|---|
| Interest receivable | **54 035** | 50 326 |
| Bad debts recovered | **757** | 562 |
| Sundry Income | **12 015** | 8 929 |
| Fair value adjustment on currency swap | **186** | 208 |
| | **66 993** | 60 025 |
| **EXPENSES** | | |
| Advertising | **1 526** | 910 |
| Audit remuneration | **565** | 628 |
| Bank charges | **460** | 380 |
| Bad debts written off | **10 580** | 15 945 |
| Board expenses | **338** | 303 |
| Computer expenses | **61** | 11 |
| Cleaning | **73** | - |
| Consulting fees | **-** | 4 |
| Depreciation | **776** | 738 |
| Donations | **160** | 90 |
| Facility fee charge | **2 193** | 246 |
| Impairment of loans and advances | **7 686** | (4 512) |
| Insurance | **342** | 225 |
| Interest expense | **23 341** | 20 899 |
| Legal fees | **31** | 111 |
| Loss on foreign exchange | **-** | 417 |
| Magazines and subscriptions | **881** | 940 |
| Motor vehicle expenses | **845** | 719 |
| Printing and stationery | **508** | 394 |
| Professional fees | **328** | 380 |
| Repairs and maintenance | **61** | 89 |
| Rent, water and light | **956** | 810 |
| Salaries and wages | **12 855** | 14 090 |
| Security | **366** | 277 |
| Sundry expenses | **270** | 228 |
| Telephone and postage | **882** | 652 |
| Loss on sale of fixed assets | **8** | 32 |
| Travelling and entertainment & international conferences | **1 143** | 814 |
| Total operating expenses | **(67 234)** | (55 820) |
| Profit before tax | **(241)** | 4 206 |
| Income tax expense | **(2 304)** | (3 155) |
| Profit for the year | **(2 545)** | 1 051 |

## COMPANY

| | | 2012 E'000 | 2011 E'000 |
|---|---|---|---|
| (Loss)/Profit before tax | | **(241)** | 4 206 |
| Add back: | Provision for leave pay 2012 | **352** | 2 157 |
| | Provision for gratuity and performance bonus 2013 | | - |
| | Interest on leases | | - |
| | Depreciation on leases | | - |
| | Donations | **160** | 90 |
| | Foreign exchanges losses | **-** | 417 |
| | Loss on disposal of assets | **178** | 32 |
| | Recoupment on transfer of assets to subsidiary | **-** | 486 |
| | Penalties & Interest | **-** | - |
| | Provision for impairment reversed | **7 686** | (4 512) |
| Deduct: | Provision for leave pay 2012 | **(2 156)** | (769) |
| | Provision for gratuity and performance bonus 2012 | **-** | - |
| | Lease payments | **-** | - |
| | Fair value gains on currency swaps | **74** | (208) |
| | Scrapping allowance on assets disposed | **(178)** | (32) |
| Taxable income/(loss) | | **5 875** | 1 867 |
| Taxation at 30% | | **1 763** | 560 |

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

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