FINCORP

SWAZILAND DEVELOPMENT FINANCE CORPORATION

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2014

CONTENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2014

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 64 to 145 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 environ-ment, 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, Pricewaterhouse-Coopers, audited the financial statements and their report is presented on page 63.

The annual financial statements which appear on pages 74 to 143 have been approved by the board of directors on 30 JULY 2014 and are signed on its behalf by:

Chairman

Managing Director

INDEPENDENT AUDITOR'S REPORT

To the members of Swaziland Development Finance Corporation Group Limited for the year ended 31 March 2014

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 2014, 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 2014 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: Mvuselelo Fakudze
Chartered Accountant (Swaziland)
Mbabane

28 August 2014
Date

DIRECTORS' REPORT (Group)

for the year ended 31 March 2014

The Directors take pleasure in presenting a review of group operations and group Annual Financial Statements for the year ended 31 March 2014.

1. REVIEW OF OPERATIONS

a) Lending Operation

A total of E554 million in respect of new loans was approved during the year ended 31 March 2014. General purpose finance loans accounted for E443.0 million of the total approvals which shows a significant level of lending activities for the subsidiary which largely finances educational loans and other rural development needs. Meanwhile general business and agricultural loans approved amounted to E33.6 million and E27.2 million respectively. Sugar cane loan approvals stood at E47.9 million.

Approvals per quarter are shown in the table below:

Sector	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total # Of Accts	Total Amount
Agricultural Loans	6 363761.60	4 432 680.00	5 564 293.20	10 797 479.68	74	27 158 214.48
Business Loans	7 042 152.60	7 461 867.00	6 284 955.29	12 856 519.01	251	33 645 493.90
Kobwa Loans	38 367.00	125 395.00	61 059.00	29 725.00	61	254 546.00
Micro Loans	408 375.00	386 800.00	565 375.00	528 625.00	390	1 889 175.00
Sugar Cane Loans	4 753 340.00	25 038 643.00	14 075 374.05	4 044 472.30	57	47 911 829.35
First Finance	91 444 195.00	102 441 346.00	123 315 945.00	126 041 603.00	9135	443 243 089.00
	110 050 191.20	139 886.731.00	149 867 001.54	154 298 423.99	9769	554 102 347.73

A total of E559.6 million was disbursed towards loans during the year. A total of (9968) nine thousand, seven hundred and sixty-nine new loans to the value of E554 million were approved. Below is a summary of the loans approved and disbursed during the year.

	Closing loan Commitments 31- Mar- 13	Loans Approved During the Year	Number of New Loans	Disbursed During the Year	Closing Loan Commitments 31-March-14
Agricultural Loans	3 511 155.64	27 158 214	74	23 875 585	6 793 784
SME Loans	5 468 736.19	33 645 494	251	29 477 459	9 636 771
Sugar Cane Loans	35 053 926.59	47 911 829	57	59 382 275	23 583 480
General Purpose Loans	6 244 232.81	443 243 089	9135	444 690 437	4 796 885
Kobwa Loan Scheme		254 546	61	254 546	0
Micro Loans		1 889 175	390	1 889 175	0
	50 278 051.23	554 102 347.00	9 968.00	559 569 478.02	44 810 920.21

The Group's total gross portfolio thus increased by 21% from E619 million the previous year to E746.5 Million. This represents a year on year growth of 21%.

a) Siphofaneni Branch

The company opened a new branch at Siphofaneni in January 2014, and it was officially launched by the Minister of Finance, Honourable Martin Dlamini. This branch currently manages a portfolio totaling E56 million. The Lubombo community has received the new branch with great excitement as manifested by the huge influx of clients at the branch. It will most importantly cut down on travelling costs for the sugar cane farmers under LUSIP development and all other customers.

2. FINANCIAL OVERVIEW

The group is reporting profits after tax of E11.5 million. Compared to the previous year this shows an increase of 43% which is a commendable improvement considering the domestic economy has not yet fully recovered from the fiscal challenges that the country faced some two few years back.

a) Interest Income

Group interest income earned on loans for the year is E76.0 million from E68.2 million made the previous financial year. This is an increase of 11% and is attributed to the overall gross loan portfolio growth from E619.0 million last year to E746.5 million at the end of this financial year.

This growth in loan portfolio is largely attributed to demand for general purpose loan finance.

b) Interest Expense and Borrowings

The group has incurred interest expense of E46.6 million against E37.0 million the previous financial year. This is an increase of 25% and is attributable to new funding totalling E266 million received over the course of the financial year as shown below:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Total
Medium Term Note	30 000 000.00	30 537 004.00	82 400 000.00	0	**142 937 004.00**
ICDF Taiwan Loan	38 000 000.00	0	0	0	**38 000 000.00**
STANLIB	0	0	20 000 000.00	0	**20 000 000.00**
PSPF	0	0	65 000 000.00	0	**65 000 000.00**
	68 000 000.00	**30 537 004.00**	**167 400 000.00**	**0.00**	**265 937 004.00**

The company also made the following capital repayments towards our long term borrowings over the period under review:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Total
SNPF	500 000.00	-	-	952 329.00	**1 452 329.00**
Standard Bank MTN	-	3 305 554.00	1 416 666.00	944 444.00	**5 666 664.00**
NORSAD Fund Loan	2 324 041.00	4 689 035.00	-	4 769 282.00	**11 782 358.00**
PSPF	-	25 000 000.00	-	-	**25 000 000.00**
IDC (S.A)	6 000 000.00	-	6 254 667.00	5 470 595.00	**17 725 262.00**
PEU	-	-	-	3 999 713.00	**3 999 713.00**
African Alliance	-	-	21 615 794.00	-	**21 615 794.00**
	8 824 041.00	**32 994 589.00**	**29 287 127.00**	**16 136 363.00**	**87 242 120.00**

DIRECTORS' REPORT (Group)

for the year ended 31 March 2014

One loan facility was paid-off during the year under review, namely, the E50 million Industrial Development Corporation (IDC) Line of Credit.

In an effort to raise funding for the company's lending operations and in line with the five year Strategic Plan, the organisation issued a E300 million Medium Term Note through local Brokers African Alliance. Inflows from the bond issue as at the end of the year totaled E143 million. The company will continue to draw down on the remaining balance the following financial year.

c) Employee Compensation and Benefits

Staff costs for the group increased by 23%. This was largely attributable to annual salary adjustments and the recruitment of staff for the new Branch at Siphofaneni. A total of eleven (11) employees were recruited by the company of which most of them were recruited for the Siphofaneni Branch.

The company also concluded the recruitment of the General Manager for the subsidiary, First Finance Company, during this financial year. This position had been vacant from the previous financial year.

d) Overheads

Operating expenses for the group significantly increased from the previous financial year.

This increase is largely due to expenses relating to the opening of the branch at Siphofaneni. Also, a total of E6.3 million was incurred by the group on facility fees relating to funding raised during this financial year in particular the E300 million Medium Term Note issue. As already reported, a total of E266 million funding was raised this financial year.

e) Provisions

Dynamic provisioning was applied to the company's loan portfolio. This indicated that a total of E22.7 million had to be expensed as impairment for loans and advances. Accumulated provisions thus currently stand at E53 million. This is 7% of the gross loan portfolio of E746 million.

Last financial year, the company sought the assistance of the Commonwealth Secretariat to review the company's lending operations in an effort to improve credit risk and appraisal processes in order to minimise non-performing loans. 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). The consultant finalised the report and it was duly approved by the Board of Directors for implementation. We expect that implementation of the recommendations from the report will yield positive results in subsequent years.

f) Key performance Indicators

Performance of the group improved when compared to the previous financial year. However this good performance is largely attributed to the performance of the subsidiary, First Finance Company which offers General Purpose Finance. Lending to SMEs is slowly recovering as general business climate improves from the effects of the recent financial crisis.

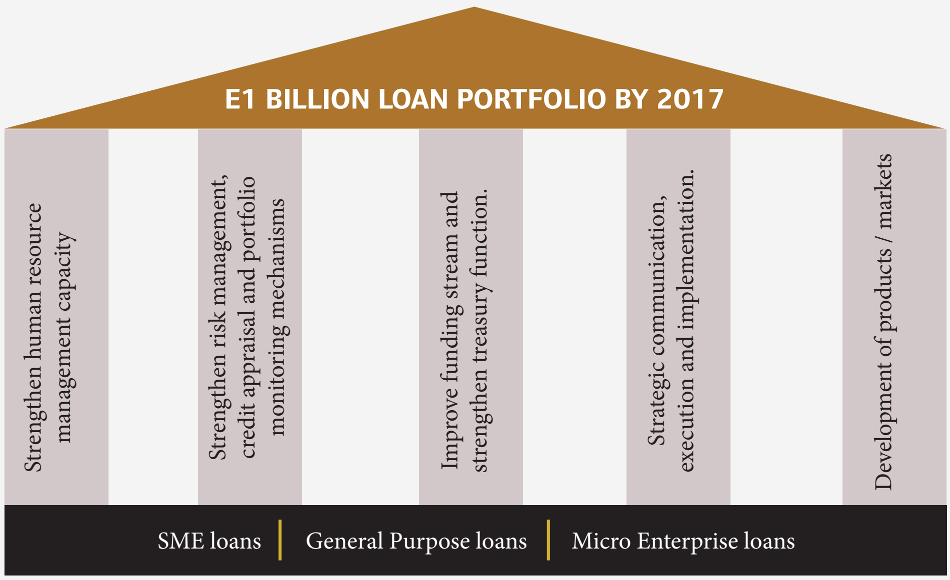
Ratio Profitability	Group	Company	Description
Profit Margin	12%	-13%	**Interest Income/Profit for the period.** This is a profitability ratio that measures net profits against interest income.
Portfolio Yield	14%	21%	**Interest Income/Gross Portfolio.** This is a measure of the interest income earned on gross portfolio.
Return on Equity	6%	-6%	**Net Profit / Equity.** A profitability ratio that measures return on investment.
Return on assets	2%	-2%	**After Tax Profit / Assets.** A profitability ratio that measures return on assets.
Portfolio Quality			
Loan Loss Reserve Ratio	7%	8%	**Acc provisions / gross portfolio.** An indicator of the overall provisioning levels.
Portfolio at risk	14%	22%	**Account Balances of Overdue loans / Gross Portfolio.** Measures the extent to which gross loan portfolio is contaminated with loans in arrears.
Write-off Ratio	0.4%	0.7%	**Write-offs / Gross Portfolio.** Measures the extent of loan default and failure resulting in write offs for unprovided losses.
Risk Coverage Ratio	50%	37%	**Provision Reserve / Balance of Accounts in Arrears.** Measures adequacy of provisions to cover potential losses.
Provision Expense Ratio	4%	4%	**Provision Expense / Gross Portfolio.** Measures the level of provisions against total loan portfolio.
Financial Management			
Debt/Equity	2.9(74%)	1.8 (64%)	**Debt / Equity.** Measures extent of borrowing against invested shareholders' funds.
Debt Service Coverage Ratio	1.37	0.82	**Cash Operating Income + Interest Expense to Annual Debt Repayments.** This ratio measures the ability of the company to meet all its short term debt obligations.
Financial Expense Coverage	1.6	1.8	**Interest Income / Interest Expense.** This ratio measures how much the company makes in interest income in relation to the interest incurs on its borrowings.
Financial Expense Ratio	9%	13%	**Interest Expense to Net Portfolio.** Measures the cost of borrowed funds relative to loan portfolio.
Average Cost of Funds Ratio	12%	12%	**Interest Expense / Borrowings.**
Liquidity Ratio	1.46	-0.84%	**Current Assets to Current Liabilities.** This measures the ability of the company to meet its short term obligations from current assets.
Debt to Assets	68%	65%	**Borrowings / Total Assets.**
Portfolio to Assets	90%	78%	**Portfolio / Assets.** An indicator of how much of our assets is in loans to clients

DIRECTORS' REPORT (Group)
for the year ended 31 March 2014

Ratio Profitability	Group	Company	Description
Efficiency and Productivity			
Operational Self-Sufficiency	141%	104%	**Financial Income / (Financial Expense + Operating Expense).** Measures ability to cover operational expenses using income.
Operational Efficiency	114%	92%	**Financial Income / (Financial Expense + Impairment + Operating Expense).** This ratio measures the ability of the company to sustain itself.
Financial Self-Sufficiency	85%	102%	**Adjusted Financial Revenue/Adjusted (Financial Expense + Impairment + Operating Expense).** This ratio measures the ability of the company to sustain itself without intervention /support from shareholders.
Operating Expense Ratio	13%	16%	**Operating Expenses/Average Performing Assets.** This ratio indicates how much the company spends in managing its assets.
Overheads Expense Ratio	8%	11%	Overhead Expenses / Gross Portfolio. Measures overhead costs of monitoring the portfolio.
Personnel Expense Ratio	3%	4%	**Staff Costs Expenses / Gross Portfolio.** Measures overhead costs of monitoring the portfolio.
Active Clients	14 494	1 829	
Average loan size	51 503	213 617	

3. STRATEGIC PLAN

The current Strategic plan is for the period 01 April 2012 to 31 March 2017. The current financial year marks the second year of the strategy. The Strategic Planning was facilitated by Genetics Analytics from South Africa. The core pillars of the Strategic Plan are as shown below:



FINCORP strategic initiatives

This being the second year of the strategy, the company has already achieved some of the strategic objectives as shown below:

Strategic Initiative	Activities	Outputs / Outcomes
Improve Funding Streams and Strengthening of the Treasury Function	Listing of E300 Million Medium Term Note; finalising of ICDF Facility of E80 Million and other sources, have adequately addressed the objectives of this strategic initiative In addition we have also discussed with Government the release of the second tranche of E50 Million equity injection and will be received early next financial year.	A total of E142.9 Million has been drawn down under the E300 Million Medium Term Note. Meanwhile other sources of funding raised in excess of E80 Million.
Strengthening of Risk Management mechanisms, Credit Appraisals and Portfolio Monitoring	The training of officers under the credit department on credit appraisal and risk management is a continuous process through the existing forums of SADC DFRC and AADFI. The implementation of the Commonwealth Business Process Re-engineering report is work-in-progress.	The Board approved the implementation of the Commonwealth Secretariat Report with a few amendments.
Strengthen Human Resource Management Capacity.	Strengthening of HR function was achieved through setting up of a separate department and the appointment of the Human Resource and Administration Manager.	We expect an improved standard of handling staff related issues and also the enhancement of the delivery of services to clients. Ultimately the organisation will strive to maintain low staff turnover.
Strategic Communication, Execution and Implementation	Activities including the Stakeholder Engagement Forum held in November 2013 and Siphofaneni Branch opening in January 2014, presented a good platform for the organisation to communicate its future strategic initiatives. Meanwhile internal Strategic communication with staff was undertaken.	Indications are that stakeholders are now more aware of who we are and what we stand for as an organisation. Staff is adequately informed in terms of future direction of the organisation and expectations from the different strategic business units within the organisation. Monitoring of key departmental deliverables is a continuous exercise.
Development of Products/ Markets	Expression of interest to conduct a customer satisfaction survey and market research have been received and the exercise will be commissioned next financial year.	It is expected that once the research is concluded the organisation will be in a better position to design and rollout appropriate new products. Furthermore new potential markets will be identified.

DIRECTORS' REPORT (Group)

for the year ended 31 March 2014

4. REGULATORY REQUIREMENTS

The company fully satisfied the licensing requirements of the newly established Financial Services Regulatory Authority (FSRA) and was accordingly given the licence to operate as an authorised Financial Services Provider over and above the oversight control that was exercised by the Ministry of Finance since inception.

5. THE MANAGEMENT OF RISK

Risk Management Framework and Objectives

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

Responsibility for an Audit, Finance and Risk Committee

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

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

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

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.

5. THE MANAGEMENT OF RISK (continued)

Remuneration Committee

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

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

Executive Committee

This Committee's principal objectives are as follows:

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

Credit Committee

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

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

6. SPECIAL PROJECTS

a) Branch Roll-out Strategy

The official launch of the Siphofaneni Branch was successfully conducted in March 2014 following its opening to the public as a test phase in January 2014. The people of Siphofaneni have shown great appreciation for the new branch and are visiting our offices in large numbers. We are confident that the new branch will contribute immensely to improved outreach and portfolio growth.

7. 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.

8. DIVIDENDS

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

DIRECTORS' REPORT (Group)
for the year ended 31 March 2014

9. BOARD OF DIRECTORS

The directors who acted during the period are:

Board Member	Representing	Appointed	Current Renewal
Mr Musa Dlamini, Chair	Swaziland Government	17 September 2008	27 September 2011
Mr Dumisani Msibi	Group Managing Director	01 November 2012	-
Mr Musa Mdluli	Tibiyo Taka Ngwane	08 September 2005	01 September 2011
Mr Simanga Simelane	Tibiyo Taka Ngwane	08 September 2005	01 September 2011
Mr Mandla Mavuso	Swaziland Government	01 June 2006	31 May 2012
Ms Phindile Dlamini	Swaziland Government	15 November 2010	01 January 2011
Ms Sizakele Dlamini	Swaziland Government	26 January 2010	-
Ms Maureen Gabuza	Tibiyo Taka Ngwane	01 April 2012	01 April 2014
Ms Maria Hoffman	Swaziland Government	01 September 2013	01 September 2013

10. AUDIT COMMITTEE MEMBERS

The Audit Committee members who acted during the period are:

Mr Musa Mdluli	Chairperson, Representing Tibiyo Taka Ngwane
Mr Simanga Simelane	Representing Tibiyo Taka Ngwane
Ms Phindile Dlamini	Representing Swaziland Government
Ms Sizakele Dlamini	Representing Swaziland Government
Mr Dumisani Msibi	Group Managing Director

11. REMUNERATIONS COMMITTEE MEMBERS

The Remuneration Committee members who acted during the period are:

Mr Mandla Mavuso	Chairperson, Representing Swaziland Government
Ms Maria Hoffman	Representing Swaziland Government
Ms Maureen Gabuza	Representing Tibiyo Taka Ngwane
Mr Dumisani Msibi	Group Managing Director

12. SECRETARY OF THE CORPORATION

The Secretary of the Corporation is : Mr Sikolemaswati Ntshalintshali

13. 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

14. BUSINESS AND POSTAL ADDRESS OF THE CORPORATION

Business address:	**Postal address:**
7^{th} Floor, Dlanubeka Building	P O Box 6099
Corner of Mdada and Lalufadlana Streets	Mbabane
Mbabane	Swaziland

15. AUDITORS

The auditors of the Corporation are PricewaterhouseCoopers

Business address:	**Postal address:**
MTN Office Park	P O Box 569
Karl Grant Street	Mbabane
Mbabane	Swaziland
Swaziland	H100

16. EVENTS SINCE BALANCE SHEET DATE

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

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

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Notes	Group 2014 E'000	Group 2013 E'000	Company 2014 E'000	Company 2013 E'000
Interest income	27	76 039	68 189	60 648	54 035
Interest expense	28	(46 691)	(37 177)	(34 341)	(23 341)
Net interest income		29 348	31 012	26 307	30 694
Fee income	29	58 304	39 911	1 802	1 147
Net trading income/(expense)	30	(3 743)	74	(3 743)	74
Other operating income	31	5 553	2 917	14 888	10 794
Net interest income before impairment of loans and advances		89 462	73 914	39 254	42 709
Impairment of loans and advance	32	(22 669)	(22 830)	(9 428)	(17 509)
Net interest income after impairment of loans and advances		66 792	51 084	29 826	25 199
Employee compensation and benefits	33	(22 905)	(18 676)	(15 924)	(12 855)
General and administrative expenses		(25 542)	(16 615)	(18 820)	(11 810)
Depreciation of property, plant and equipment and amortisation of intangible assets	32	(1 413)	(931)	(1 077)	(775)
Income/(loss) from operations	32	16 932	14 862	(5 995)	(241)
Income tax expense	34	(5 444)	(6 838)	870	(2 304)
Profit/(loss) for the year		11 488	8 024	(5 125)	(2 545)
Other comprehensive income					
Cash flow hedges		-	-	-	-
Gains/(losses) arising during the year		-	-	-	-
Total comprehensive income/(loss) for the year		11 488	8 024	(5 125)	(2 545)
Total comprehensive income/(loss) Attributable to:					
Owners of the parent		11 488	8 024	(5 125)	-
		11 488	8 024	(5 125)	(2 545)

STATEMENT OF FINANCIAL POSITION
at 31 March 2014

	Notes	Group 2014 E'000	Group 2013 E'000	Company 2014 E'000	Company 2013 E'000
ASSETS					
Property, plant and equipment	36	10 862	10 092	9 062	8 924
Intangible assets	37	378	414	378	414
Loans and advances	38	694 026	581 244	360 529	361 020
Investment in subsidiary	43	-	-	11 436	11 436
Financial investments	40	1 522	1 522	1 522	1 522
Other assets and accrued interest	41	37 425	20 850	189 605	106 460
Cash and cash equivalents	42	22 743	17 996	10 077	13 698
Deferred tax asset	35	1 011	135	967	98
Taxation asset		1 719	1 719	1 719	1 719
Total assets		769 686	633 972	585 295	505 291
EQUITY AND LIABILITIES					
Shareholders' funds					
Ordinary share capital	44	-	-	-	-
Share premium	44	134 225	134 225	134 225	134 225
General risk reserve	45	9 326	14 976	7 212	13 424
Retained income		58 294	41 156	26 321	25 234
Total equity		201 845	190 357	167 758	172 883
Liabilities					
Borrowings	46	525 956	385 203	385 956	285 203
Bank overdraft	42	-	1 491	-	1 491
Trade and other payable	47	35 079	52 498	30 977	45 362
Taxation payable	48	5 865	3 914	-	-
Provisions	49	941	509	604	352
Total liabilities		567 841	443 615	417 537	332 408
Total equity and liabilities		769 686	633 972	585 295	505 291

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

	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 -2014						
Balance at 31 March 2013	-	134 225	14 976	-	41 156	190 357
Shareholders capital contribution						
Total comprehensive income for the year	-	-	-	-	11 488	11 488
Profit for the year	-	-	-	-	11 488	11 488
Other comprehensive Income	-	-	-	-	-	-
Transfer from General Risk Reserve	-	-	(5 650)	-	5 650	-
Balance at 31 March 2014	-	134 225	9 326	-	58 294	201 845

	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 2012	-	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	-	-	6 753	-	(6 753)	-
Balance at 31 March 2013	-	134 225	14 976	-	41 156	190 357

STATEMENT OF CHANGES IN EQUITY- continued

for the year ended 31 March 2014

	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 -2013						
Balance at 31 March 2013	-	134 225	13 424	-	25 234	172 883
Shareholders capital contribution						
Total comprehensive income for the year	-	-	-	-	11 488	11 488
Profit for the year	-	-	-	-	11 488	11 488
Other comprehensive Income	-	-	-	-	-	-
Transfer from General Risk Reserve	-	-	(6 212)	-	6 212	-
Balance at 31 March 2014	**-**	**134 225**	**7 212**	**-**	**26 321**	**167 758**

	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	-	-	6 266	-	(6 266)	-
Balance at 31 March 2013	-	134 225	13 424	-	25 234	172 883

STATEMENT OF CASHFLOWS

for the year ended 31 March 2014

		Group		Company	
	Notes	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Cash flows from operating activities					
Cash utilised from operations	52	(128 002)	(68 418)	(101 708)	(74 387)
Income taxes paid	48	(4 369)	(6 818)	-	(4 112)
		(132 371)	(75 236)	(101 708)	(78 499)
Cash flows from investing activities					
Purchase of property, plant and equipment	38	(2 037)	(4 892)	(1 069)	(4 152)
Purchase of intangible assets	37	(111)	(14)	(111)	(14)
Proceeds from sale of property, plant and equipment		4	570	4	492
		(2 144)	(4 336)	(1 176)	(3 674)
Cash flows from financing activities					
Proceeds from long-term financing		165 753	175 129	100 753	75 129
Long term loans repayments		(25 000)	(100 000)	-	-
Finance lease principal repayments			-	-	-
		140 753	75 129	100 753	75 129
Net decrease in cash and cash equivalents		6 238	(4 443)	(2 130)	(7 045)
Cash and cash equivalents at beginning of the year		16 505	20 948	12 207	19 252
Cash and cash equivalents at the end of the year	42	22 743	16 505	10 077	12 207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2014

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 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.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the group:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).'Financial instruments: Disclosures', on asset and liability offseting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- 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 with IFRSs, 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.

  Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the group until 1 January 2014, however the group has decided to early adopt the amendment as of 1 January 2013.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement andrecognition 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 beclassified 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. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

3. Consolidation (continued)

(b) 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.

(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	33⅓%
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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

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;

9. Loans and advance impairment (continued)

Individually assessed loans and advances (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

10. Finance and Operating leases (continued)

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.

12. Financial assets (continued)

(c) Available-for-sale financial assets (continued)

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.

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

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

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

13. Offset of financial assets and liabilities

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

14. Impairment of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

14. Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan 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.

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.

15. Revenue recognition (continued)

(b) Non-interest income (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

17. Financial Instrumentss (continued)

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

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 2014, 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 (2 138 887) (2013: E 0) 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.

17. Financial Instrumentss (continued)

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

2) Commodity Price risk (continued)

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 2014 and 2013, 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 2014:

GROUP AND COMPANY	Profit or loss		Equity	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Increase of 50 basis points	1 929	73	-	-
Decrease of 50 basis points	(1 929)	(73)	-	-

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 2014.

	Financial Investment E'000	Cash at bank E'000	Loans and advance E'000	Borrowings E'000
Base amounts	1 522	10 077	360 529	385 956
Interest plus 1%	15	101	3 605	3 860
Interest less 1%	15	101	3 605	3 860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

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.

17. Financial Instruments (continued)

b) 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 2014 Balance E'000	31 March 2014 Security valuation E'000	31 March 2013 Balance E'000	31 March 2013 Security valuation E'000
Equatorial Forestry Solutions (Pty) Ltd	3 346	4 000	3 775	4 000
SWAFCU	5 402	-	4 968	-
Hhohho Cotton Growers	22 951	2 900	27 605	2 900
Mlobi Investment (Pty) Ltd	8 595	6 000	10 432	6 000
Emtini (Pty) Ltd	35 542	28 900	43 105	28 900
DD4 Investments (Pty) Ltd - lease	15 998	15 000	15 975	15 000
Mzamo Farmers Association	4 074	6 000	4 373	6 000
Lihlanti Investements (Pty) Ltd	4 244	3 600	3 933	3 600
Nkwanyana Christopher T	5 000	5 000	7 777	5 000
Mtfwalo Sugar Cane Farming	7 830	4 000	6 414	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

17. Financial Instruments (continued)

d) Liquidity risk (continued)

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 2014 is as follows:

	31-Mar-2015 E'000	2015 – 2016 E'000
Opening balance for the period	22 743	1 623
Net Operating proceeds	(120 943)	1 968
Net cash from investing activities	(1 400)	(300)
Net cash inflow from financing Activities	97 977	(20 030)
At End of the year	1 623	1 261

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 2014

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial Liabilities:					
Trade and other payables	35 075				35 075
Other short-term liabilities	941	-	-	-	941
Long term liabilities	157 036	178 006	190 914	-	525 956
	193 052	178 006	190 914	-	561 972
Financial Liabilities:					
Trade and other payables	52 498	-	-	-	52 679
Bank overdraft	1 491	-	-	-	1 491
Other short-term liabilities	509	-	-	-	509
Long term liabilities	285 203	73 004	167 968	6 805	385 203
	287 701	73 004	167 968	6 805	439 882
COMPANY					
31 March 2014					
Financial Liabilities:					
Trade and other payables	30 975	-	-	-	30 975
Bank overdraft	-	-	-	-	-
Other short-term liabilities	604	-	-	-	604
Long term liabilities	157 036	178 006	50 911	-	385 957
	188 615	178 006	50 911	-	417 536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

17. Financial Instruments (continued)

d) Liquidity risk (continued)

COMPANY (continued)

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	41 114	112 432	6 805	285 203
	172 237	41 114	112 432	6 805	332 588

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 2014, the Group's strategy, was to maintain a gearing ratio (before interest accrual is taken into account) of 71%. The gearing ratios before interest accrual at 31 March 2014 and 2013 were as follows:

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Total borrowings	525 956	386 694	385 956	286 694
Long term borrowings (Note 40)	525 956	385 203	385 956	285 203
Bank overdraft (Note 42)	-	1 491	-	1 491
Less: cash and cash equivalents	(22 743)	(17 996)	(10 077)	(13 698)
Net debt	503 213	368 698	375 879	272 996
Total equity	201 845	190 357	167 758	172 883
Total capital	705 058	559 055	543 637	445 879
Gearing ratio	71%	66%	69%	61%

The increase in the gearing ratio during 2014 resulted primarily from a new loan facility with ICDF 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

continued

17. Financial Instruments (continued)

GROUP

	Loans and advance E'000	other assets E'000	Cash and cash equivalents E'000	Financial instruments E'000	Total E'000
As at 31 March 2014					
Fair value measurement hierarchy levels:					
- Level 1					
- Level 2					
- Level 3	694 026	37 425	22 743	1 522	755 716
	694 026	37 425	22 743	1 522	755 716
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

COMPANY

	Loans and advance E'000	other assets E'000	Cash and cash equivalents E'000	Financial instruments E'000	Total E'000
As at 31 March 2014					
Fair value measurement hierarchy levels:					
- Level 1					
- Level 2					
- Level 3	360 592	189 605	10 077	1 522	561 796
	360 592	189 605	10 077	1 522	561796
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

18. 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.

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.

19. 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.

20. 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.

21. 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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 **continued**

22. 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.

23. 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.

24. 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.

24. Employee benefits (continued)

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.

25. 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 38 and 39).

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.

26. Comparative Figures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
27 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	8 824	15 384	8 824	15 384
Micro loans	79	89	79	89
General purpose loans	47 940	33 892	-	-
Intercompany loan	-	-	32 593	19 747
Agriculture loans	9 281	9 032	9 281	9 032
Sugar cane loans	9 871	9 783	9 871	9 783
Other	44	9	-	-
Total interest income	76 039	68 189	60 648	54 035

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

COMPANY

	Interest Gross E'000	Interest in Suspense E'000	Total E'000
31 March 2014			
Business loans	8 824	-	8 824
Micro loans	79	-	79
General purpose loans	-	-	-
Intercompany loan	32 593	-	32 593
Agriculture loans	9 281	-	9 281
Sugar cane loans	9 871	-	9 871
	60 648	-	60 648
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

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

GROUP

	Interest Gross E'000	Interest in Suspense E'000	Total E'000
Business loans	8 824	-	8 824
Micro loans	79	-	79
General purpose loans	47 940	-	47 940
Agriculture loans	9 281	-	9 281
Sugar cane loans	9 871	-	9 871
Other	44	-	44
	76 039	-	76 039
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
	9		-
	68 189	-	68 189

28 Interest expenditure

	Group 2014 E'000	Group 2013 E'000	Company 2014 E'000	Company 2013 E'000
The analysis of interest expense by category is as follows:				
Bank overdraft	200	705	87	348
Interest payable on long term loans	46 490	36 472	34 254	22 993
	46 690	37 177	34 341	23 341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

28.1 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 2014			
Bank overdraft	-	87	87
Interest payable on long term loans	-	34 254	34 254
Total interest expense	-	34 341	34 341
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

GROUP	Measured at fair value E'000	Measured at amortised cost E'000	Total E'000
31 March 2014			
Bank overdraft	-	200	200
Interest payable on long term loans	-	46 491	46 491
Total interest expense	-	46 691	46 691
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

	Group		Company	
	2014	2013	2014	2013
29 Fee income	E'000	E'000	E'000	E'000
Facility fee	1 463	692	1 463	692
Application fee	1 152	878	173	150
Settlement fee	1 999	466	(66)	71
Administration fee	53 690	37 875	232	234
	58 304	39 911	1 802	1 147

	Group		Company	
	2014	2013	2014	2013
30 Net trading income/(expense)	E'000	E'000	E'000	E'000
Foreign exchange losses on long term loan	(3 743)	246	(3 743)	246
- Forward foreign exchange contracts- fair value hedge	-	(172)	-	(172)
	(3 743)	74	(3 743)	74

	Group		Company	
	2014	2013	2014	2013
31 Other operating income	E'000	E'000	E'000	E'000
Interest on bank deposits	1 892	1 298	1 628	1 284
Insurance commission	2 870	869	1 338	870
Management fees receivable from subsidiary	-	-	11 143	7 978
Rental Income-Nkoyoyo guest house	-	12	-	12
Interest on staff loans	515	398	515	399
Other non-interest income	276	340	265	251
	5 553	2 917	14 888	10 794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
32 Income from operation before income tax				
Income from operations before income tax is arrived at after taking into account the following items:				
Auditors remuneration	718	743	369	364
External audit	718	743	369	364
Internal audit	-	-	-	-
Depreciation on property, plant and equipment and amortisation				
Property, plant and equipment (Note 36)	1 267	731	931	575
Amortisation of Intangible assets (Note 37)	146	200	146	200
	1 413	931	1 077	775
Net impairment charges and other credit risk				
Loan impairment charges and other credit risk	21 844	12 564	8 445	7 686
Bad debts written off	2 788	11 163	2 715	10 580
Bad debts recovered	(1 963)	(897)	(1 732)	(757)
	22 669	22 830	9 428	17 509
Director expenses	1 042	414	904	338
Donations	218	170	198	160
Legal fees	216	47	174	31
(Profit) on disposal on property, plant and equipment	(3 400)	(134)	(3 400)	(217)
Repairs and maintenance	694	459	646	61
Operating lease rentals	2 005	1 450	1 185	956
Professional fees	1 279	327	971	328
Employee compensation and benefits (note 33)	22 882	18 676	15 902	12 855
Travelling and entertainment & International conferences	1 270	1 201	1 109	1 143

		Group		Company	
		2014 E'000	2013 E'000	2014 E'000	2013 E'000
33	**Employee compensation and benefits**				
	Salaries and wages	16 723	12 938	11 679	8 648
	Provident Fund Contributions	109	74	58	42
	Pension costs (defined contribution plan)	2 096	1 760	1 256	1 338
	Staff group life cover	124	96	69	77
	Staff training	1 433	1 740	1 406	1 449
	Medical aid contribution	1 988	1 559	1 204	949
	Leave, bonus & gratuity payment	432	509	252	352
		22 905	18 676	15 924	12 855
	The average number of persons employed during the year was at Fincorp and at the subsidiary (2013:38 at Fincorp, 26 at the subsidiary).				
34	**Income tax expense**				
	Tax debit (credit) to the income statements	5 444	6 838	(870)	2 304
	Swaziland normal	6 320	6 239	(870)	1 763
	Current year tax charge	6 320	6 239	-	1 763
	Prior year tax charge	-	-	-	-
	-Deferred tax (refer note 35)	(876)	599	(870)	541
		5 444	6 838	(870)	2 304
	Taxation rate reconciliation:				
	The income tax charge for the year can reconciled to the effective rate of taxation in Swaziland as follows:				
	Accounting profit/(Loss)	16 932	14 862	(5 995)	(241)
	Tax calculated at standard rate 27.5% (2013:30%)	4 656	4 458	(1 648)	(72)
		788	2 380	778	2 376
	Non deductable expenses	-	2 305	-	2 305
	Tax on permanent differences)	60	75	54	71
	Deferred tax- under provided in prior year	716	-	716	-
	Charge in rate	12	-	8	-
	Income tax expense	5 444	6 838	(870)	2 304

The current year effective tax rate for the Company and the Group is 10% and 40% respectively (2013: 41% and 30.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

35 Deferred tax

Deferred income taxes are calculated in full on temporal differences under the liability method using a principal tax rate of 27.5% (2013:30%). Deferred tax arises from the following item:

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
The movement on the deferred income tax account is as follows:	-	-	-	-
At the beginning of the year	135	734	98	639
Income statement charge (refer note 34)	876	(599)	870	(541)
Deferred tax asset at year end	1 011	135	967	98

GROUP

	Opening Balance E'000	Charged to Profit or loss E'000	Closing Balance E'000
31 March 2014			
Deferred tax liabilities and assets:			
Provisions	153	2 119	2 272
Assessed loss	-	(1 210)	(1 210)
Prepayments	(18)	(33)	(51)
	135	876	1 011
31 March 2013			
Deferred tax liabilities and assets:			
Provisions	769	(616)	153
Prepayments	(36)	18	(18)
	733	(598)	135

35 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 2014			
Deferred tax liabilities and assets:			
Provisions	106	2 072	2 178
Assessed loss	-	(1 210)	(1 210)
Prepayments	(8)	7	(1)
	98	870	967
31 March 2013			
Deferred tax liabilities and assets:			
Provisions	647	(541)	1 06
Prepayments	(8)	-	(8)
	639	(541)	98

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

36 Property, plant and equipment

GROUP

	Computer equipment E'000	Furniture & fittings E'000	Office equipment E'000	Leased Motor vehicles E'000	Land & buildings E'000	Total E'000
Year ended 31 March 2014						
Opening Balance	564	1 268	877	3 015	4 367	10 092
Additions	414	427	183	688	325	2 037
Disposal at cost	-	(9)	-	-	-	(9)
Disposal accumulated depreciation	-	9	-	-	-	9
Depreciation	(262)	(149)	(94)	(762)		(1 267)
Closing net book amount	717	1 546	966	2 942	4 692	10 862
At 31 March 2014						
Cost	1 983	2 315	1 368	4 585	4 692	14 943
Accumulated depreciation	(1 266)	(768)	(402)	(1 643)	-	(4 079)
Carrying amount at year end	717	1 547	966	2 942	4 692	10 862

36 Property, plant and equipment (continued)

GROUP

	Computer equipment	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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

36 Property, plant and equipment (continued)

COMPANY

	Computer equipment	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 2014							
Opening Balance	327	832	443	2 955	-	4 367	8 924
Transfer of leased assets							
Additions	327	254	163	-	-	325	1 069
Disposal at cost	-	(9)	-	-	-	-	
Disposal accumulated depreciation	-	9	-	-	-	-	
Depreciation	(162)	(93)	(48)	(628)	-	-	(931)
Closing net book amount	492	993	558	2 327	-	4 692	9 062
At 31 March 2014							
Cost	1 525	1 622	863	3 822	-	4 692	12 524
Accumulated depreciation	(1 032)	(629)	(305)	(1 496)	-	-	(3 463)
Carrying amount at year end	493	993	558	2 326	-	4 692	9 062

36 Property, plant and equipment (continued)

GROUP

	Computer equipment	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
Depreciation	(135)	(89)	(41)	(310)	-	-	(575)
Closing net book amount	327	832	443	2 955	-	4 367	8 924
At 31 March 2013							
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

continued

37 Intangible Assets

COMPANY AND GROUP	Computer Software E'000	Total E'000
Year ended 31 March 2014		
Opening Balance	**414**	**414**
Additions	**111**	**111**
Amortisation	**(146)**	**(146)**
Closing net book amount	**378**	**378**
At 31 March 2014		
Cost	**1 107**	**1 107**
Accumulated depreciation	**(729)**	**(729)**
Carrying amount at year end	**378**	**378**
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

		Group		Company	
		2014	2013	2014	2013
		E'000	E'000	E'000	E'000
38	**Loans and advances**				
	Line of credit	1 431	3 097	1 431	3 097
	Sugar cane loans	89 580	76 526	89 580	76 526
	Agricultural loans	87 768	81 291	87 768	81 291
	Business and other loans	112 377	130 015	119 983	130 015
	Micro loans	833	653	833	653
	Kobwa loans	220	279	220	279
	Intercompany loan	-	-	90 000	90 000
	Consumer loans	445 710	318 812	-	-
	Invoice discounting	70	297	-	-
	Gross advances	745 594	610 970	389 815	381 861
	Less: Impairment	(51 568)	(29 726)	(29 286)	(20 841)
	- sugar cane loans	(20 007)	(12 606)	(20 007)	(12 606)
	- business, agriculture and other loans	(9 279)	(8 236)	(9 279)	(8 235)
	- General purpose loans	(22 282)	(8 884)	-	-
	Total loans and advances	694 026	581 244	360 529	361 020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

38 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.

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Not later than 1 year	93 572	57 792	69 707	42 682
Later than 1 year and not later than 2 years	55 818	44 393	23 563	15 670
Later than 3 years	544 636	479 059	267 259	302 668
	694 026	581 244	360 529	361 020

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

	Company and Group	Company
	2014 %	2013 %
Business and other loans	13	1 3 . 5
Sugar cane loans	11	15.5
General purpose loans	12	12.0
The analysis of sugar cane loans is as follows:-		
Sugar cane loans	89 580	76 525
Loans financed internally sourced funds	(57 476)	(46 291)
Loans financed by African Development Bank Funds	32 104	30 234

38 Loans and advances (continued)

Sector analysis of loans and advance is as follows:

	Group 2014 E'000	Group 2013 E'000	Company 2014 E'000	Company 2013 E'000
General purpose loans	445 710	319 072	-	-
Fruits and vegetables	9 915	9 276	9 915	9 276
Grocery and retailing	7 939	9 425	7 939	9 425
Hawking	732	-	732	-
Heavy Haulage	58 144	61 524	58 144	61 524
Livestock	10 016	5 974	10 016	5 974
Maize and other cereal	7 861	8 073	7 861	8 073
Other Agricultural activities	5 902	10 122	5 902	10 122
General business	90 164	95 501	90 095	95 501
Construction	6 832	13 052	6 832	13 052
Sugar cane farming	89 856	69 427	89 856	69 427
Transport services	12 523	9 524	12 523	9 524
Intercompany loan	-	-	90 000	90 000
	745 594	610 970	389 815	381 898
Impairment of loans and advances	(51 568)	(29 726)	(29 286)	(20 878)
	694 026	581 244	360 529	361 020

The fair values of loans and advances are as follows:

GROUP AND COMPANY

	Group 2014 E'000	Group 2013 E'000	Company 2014 E'000	Company 2013 E'000
Sugar cane loans	89 856	76 526	89 856	76 526
Business and other loans	179 673	194 494	179 673	194 494
General purpose loans	334 497	310 224	-	-
Loan to related company	90 000	-	90 000	90 000
	694 026	581 244	360 529	361 020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

38 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.

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Not later than 1 year	93 572	57 792	69 707	42 682
Later than 1 year and not later than 2 years	55 818	44 393	23 563	15 670
Later than 3 years	544 636	479 059	267 259	302 668
	694 026	581 244	360 529	361 020

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

	Company and Group	Company
	2014 %	2013 %
Business and other loans	13	1 3 . 5
Sugar cane loans	11	15.5
General purpose loans	12	12.0
The analysis of sugar cane loans is as follows:-		
Sugar cane loans	89 580	76 525
Loans financed internally sourced funds	(57 476)	(46 291)
Loans financed by African Development Bank Funds	32 104	30 234

38 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 two months past due are not considered impaired. As of 31 March 2014, loans and advances of E41 362 709) (2013: E58 967 557) 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	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Up to 3 months	35 207	11 979	35 207	11 979
Over 3 months	6 156	46 989	6 156	46 989
	41 363	58 968	41 363	58 968

As of 31 March 2014, loans and advances of E 51 568 220 (2013: E29 726 400) were impaired and provided for. The amount of the provision was E 51 568 220 (2013: E 29 726 400). 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

The ageing analysis of these loans and advances is as follows:

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Up to 3 months	10 238	6 031	5 782	4 298
Over 3 months	41 330	23 694	23 504	16 543
	51 568	29 725	29 286	20 841
The carrying amounts of the Corporation's loans and advances are denominated in the following currencies:				
Emalangeni (SZL)	694 026	581 244	360 529	361 020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

38 Loans and advances (continued)

38.1 Impairment of advances

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Analysis of movement in impairment of advances				
At 31 March 2013				
Opening balance	29 726	22 794	20 841	18 265
Net new impairments created/reversed (Note 39)	21 842	12 041	8 445	7 686
Provision utilised during the year	-	(5 109)	-	(5 110)
At 31 March 2014	51 568	29 726	29 286	20 841

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

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
39 Impairment of loans and advances				
Bad debts write-off	2 788	11 163	2 715	10 580
Provision raised/(reversed) in the current year	15 841	12 564	8 445	7 686
Bad debts recovered	(1 963)	(897)	(1 732)	(757)
	22 669	22 830	9 428	17 509
40 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 50).				

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

		Group		Company	
		2014	2013	2014	2013
		E'000	E'000	E'000	E'000
41	**Other assets and accrued interest**				
	Accrued interest	10 089	8 362	5 261	5 221
	Property in possession	5 000	5 000	5 000	5 000
	Interest receivable from related company	-	-	41 549	25 648
	Other receivables from related company	-	-	126 641	63 135
	Staff loans	10 475	7 399	10 475	7 399
	Prepayments	183	59	7	27
	Other receivables	11 678	30	672	30
		37 425	20 850	189 605	106 460
42	**Cash and cash equivalents**				
	Cash in hand	90	65	72	43
	Cash at bank	22 743	17 931	10 005	13 655
		22 743	17 996	10 077	13 698
	For the purpose of cash flow statement, cash and cash equivalent comprise the following:				
	Cash and bank balance	22 743	17 996	10 077	13 698
	Bank overdraft	-	(1 491)	-	(1 491)
	Cash and cash equivalents	22 743	16 505	10 077	12 207

42.1 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.

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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

43 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	-

43.1 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.

43.2 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.

	2014 E'000	2013 E'000
44 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

44 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.

45 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 E 360 529 (2013: E361 019 766) for the company and E 423 496 789 (2013: E310 224 442) for the subsidiary.

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Opening balance	14 976	8 223	13 425	7 158
General provisions movement for the period	(5 467)	6 753	(6 212)	6 266
Closing balance	9 329	14 976	7 212	13 424
46 Borrowings				
Long term loans (Note 46.1)	480 056	269 943	340 056	169 943
Other short term borrowings (Note 46.3)	45 900	115 260	45 900	115 260
Total borrowings	525 956	385 203	385 956	285 203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

46 Borrowings (continued)

46.1 Long term loans

		Group		Company	
		2014 E'000	2013 E'000	2014 E'000	2013 E'000
The analysis of long term loans is as follows:					
Swaziland Government	46.1.1	10 000	10 000	10 000	10 000
Swaziland Government – ADB	46.1.2	64 909	64 909	64 909	64 909
ICDF - Taiwan Loan	46.1.3	42 275	-	42 275	-
Swaziland National Provident Fund	46.1.4	6 047	7 500	6 047	7 500
Norsad	46.1.5	15 000	26 782	15 000	26 782
Kobwa loan fund	46.1.6	1 194	1 193	1 194	1 193
IDC Loan	46.1.7	-	11 725	-	11 725
Public Service Pension Fund	46.1.8	140 000	100 000	-	-
PEU Loan	46.1.9	8 000	12 000	8 000	12 000
Standard Bank Loan	46.1.10	5 194	11 334	5 194	11 334
Stanlib	46.1.11	44 500	24 500	44 500	24 500
Medium Term Notes	46.1.12	142 937	-	142 937	-
Total long term loans		480 056	269 943	340 056	169 943

46.1.1 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.

46.1.2 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. An amount of E32.5million was paid in respect of interest on the ADB loan during the year.

46.1.3 International Corporation for Development Finance (ICDF) Taiwan Loan

The International Corporation for Development Finance (ICDF) Taiwan granted Swaziland Development Finance Corporation a loan facility of 10 million United Stated Dollars and the first disbursement of USD$4 million was received in April 2013. This facility will be drawn in three tranches of USD $4 million (as received), and two tranches of USD$3 million. The term of the loan is 7 years with a grace period of 2 years and the interest rate is fixed at 4.5%. The loan will be repayable in full in January 2019.

46. Borrowings (continued)

46.1.4 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.

46.1.5 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.

46.1.6 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.

46.1.7 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. This loan was fully paid during the financial year.

46.1.8 Public Service Pension Fund

The loan with Public Service Pension Fund amounting to E 140 million was granted on 12 November 2013; with interest at prime plus 2.5%, as published by Swaziland Development and Savings bank, payable semi annually. The capital shall be repayable in full on 12 November 2018.

46.1.9 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.

46.1.10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

46. Borrowings (continued)

46.1.11 Stanlib

The Stanlib loan is for E20M with interest rates at 9% and E24.5M at an interest rate of 9%.

46.1.12 E300 Million Medium Term Note

Swaziland Development Finance Corporation issued a E300 Million Medium Term Note Programme through the Swaziland Stock Exchange in March 2013. The arranger of this programme is African Alliance who also serves as Sponsoring Brokers and Dealers. PricewaterhouseCoopers are the Transfer Secretaries and Paying Agents. Under this programme, E142, 937,004 has been raised over the year under review to fifty (50) Note Holders.

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
46.2 The maturity of the long term borrowing is as follows:				
Within 1 year	111 136	60 871	111 136	35 871
Between 1 and 2 years	178 006	53 389	178 006	28 389
Between 2 and 5 years	190 914	150 016	50 914	100 016
Over 5 year	-	5 667	-	5 667
Total long term borrowings	480 056	269 943	340 056	169 943
Long term loans- minimum payments				
Not later than 1 year	245 215	93 015	168 649	59 310
Later than 1 year and not later than 2 years	30 462	73 004	20 951	41 114
Later than 2 year and not later than 5 years	259 424	167 968	178 421	112 432
Later than 5 years	11 225	6 804	7 719	6 805
	546 326	340 791	375 740	219 661
Future finance charges on loans	(62 270)	(70 848)	(35 684)	(49 718)
	480 056	269 943	340 056	169 943

46.2 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	17 746
Swaziland Government – ADB	64 909	64 909	80 559
Swaziland National Provident Fund	6 047	6 047	6 179
Norsad Agency	15 000	15 000	15 074
ICDF Taiwan loan	42 275	42 275	41 816
PEU-Public Enterprise Unit	8 000	8 000	8 009
Kobwa	1 194	1 194	1 194
Public Service Pension Fund	140 000	-	140 124
Standard Bank Loam	5 194	5 194	5 197
Stanlib	44 500	44 500	45 171
Medium Term Note	142 937	142 937	151 631
	480 056	340 056	512 700

46.3 Other short term loans

	2014 E'000	2013 E'000
African Alliance Swaziland (Note 46.3.1)	**45 900**	115 260
	45 900	115 260

46.3.1 African Alliance

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

E45.9Million 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 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 Million 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 E22.3 million loan facility on the 21st May 2013 at 8% per annum, and another E50 million loan facility at 10.5% on the 5th December 2012, renewable half yearly and annually respectively. This E50 million loan was converted to Medium Term Notes on the 30th November 2013. The fair value of this loan at 31 March 2014 was E47 434 415.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

47. Trade and other payables

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Trade payables	11 790	3 295	9 588	1 285
Accruals	10 437	6 330	8 554	2 152
Accrued interest	13 728	40 624	13 694	39 693
Guarantee funds	(880)	2 249	(861)	2 232
	35 075	52 498	30 975	45 362

48. Income tax liability

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Opening balance	3 914	(4 493)	(1 719)	630
Taxation paid during the year	(4 369)	(6 818)	-	(4 112)
Current year tax (refer note 34)	6 320	6 239	-	1 763
Closing balance	5 865	3 914	(1 719)	(1 719)

49. Provisions

GROUP

	Performance bonus and gratuity E'000	Leave pay E'000	Total E'000
31 March 2014			
At 1 April 2013	-	509	509
Additional provision	70	362	432
Utilised during the year	-	-	-
At year-end	70	871	941

49. Provisions (continued)

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

Analysis of total provisions:	2014 E'000	2013 E'000
Current	941	509

COMPANY

	Performance bonus and gratuity E'000	Leave pay E'000	Total E'000
31 March 2014			
At 1 April 2013	-	352	352
Additional provision	1 476	252	1 728
Utilised during the year	(1 476)	-	(1 476)
At year-end	-	604	604
31 March 2013			
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

Analysis of total provisions:	2014 E	2013 E
Current	604	352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

49. 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.

50. Contingencies

Contingent liabilities

At 31 March 2014 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 E1 521 900 (2013: E 1 521 900) to Swaziland Building Society in respect of staff housing loans.

51. 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	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
Loan amounts approved but not disbursed	44 810	50 278	4 796	6 244
Current and future cash resources will fund the above loan amounts.				
The future aggregate minimum lease payments under non-cancellable operating lease are as follows:				
Not later than 1 year	894	1 043	602	474
Later than 1 year and not later than 5 years	101	2 363	101	553
Later than 5 years	-	215	-	-
	995	3 621	703	1 027

51. **Commitments (continued)**
Operating lease commitments –where the Corporation is the lessee.

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

	Group		Company	
	2014 E'000	2013 E'000	2014 E'000	2013 E'000
52. Cash utilised by operations				
Cash flows from operating activities:				
Profit/(loss) for the period before taxation	16 932	14 862	(5 995)	(241)
Adjustment for non-cash items:				
Bad debts	2 789	11 686	2 715	10 580
Impairment of loans and advances	21 844	12 041	8 445	7 686
Depreciation	1 267	731	931	575
Amortisation of intangible assets	146	201	146	201
Net trading (income)/expense (Note 32)	-	(74)	-	(74)
Loss/(profit) on sale of fixed assets	(3)	(134)	(3)	(218)
Operating profit before working capital changes	42 977	39 312	6 239	18 509
(Decrease) in working capital	(170 979)	(107 731)	(107 947)	(92 896)
Increase in loans and advances	(129 810)	(124 195)	(3 064)	(21 366)
(Increase) in other current assets	(103 586)	(76 093)	(90 749)	(75 695)
Increase in current liabilities	61 985	94 571	(14 386)	5 970
Increase in provisions	432	(2 014)	252	(1 805)
Net cash outflows from operating activities	(128 002)	68 418	(101 708)	(74 387)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

53. 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 and liabilities at armotised cost E'000	Derivatives designated as fair value hedging instrument E'000	Total E'000
As at 31 March 2014					
Financial assets					
Loans and advances	694 026	-	-	-	694 026
Financial investment	-	1 522	-	-	1 522
Other asset	37 425	-	-	-	37 425
Cash and cash equivalent	22 743	-	-	-	22 743
	754 194	1 522	-	-	755 716
Financial liabilities					
Bank overdraft	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-
Long term liabilities	525 956	-	-	-	525 956
Other short term liabilities	941	-	-	-	941
Trade and other payables	35 079	-	-	-	35 079
	561 976	-	-	-	561 976

53. 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 and liabilities at armotised cost E'000	Derivatives designated as fair value hedging instrument E'000	Total E'000
As at 31 March 2013					
Financial assets					
Loans and advances	581 244	-	-	-	581 244
Financial investment	-	1 522	-	-	1 522
Other asset	20 850	-	-	-	20 850
Cash and cash equivalent	17 996	-	-	-	17 996
Derivative financial instruments	-	-	-	-	-
	620 090	1 522	-	-	621 612
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

53. Analysis of financial assets and liabilities by measurement basis (continued)

COMPANY

	Loans and receivables	Available for-sale securities	Financial assets and liabilities at armotised cost	Derivatives designated as fair value hedging instrument	Total
As at 31 March 2014					
Financial assets					
Loans and advances	360 529	-	-	-	360 529
Financial investment	-	1 522	-	-	1 522
Other asset	189 605	-	-	-	189 605
Cash and cash equivalent	10 077	-	-	-	10 077
	560 211	1 522	-	-	561 733
Financial liabilities					
Long term liabilities	-	385 956	-	-	385 956
Other short term liabilities	-	604	-	-	604
Derivative financial instruments	-	-	-	-	-
Trade and other payables	-	30 979	-	-	30 979
	-	417 539	-	-	417 539
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

54. 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 2014						
Counterparties without external credit ratings						
- Low Risk	478 716	37 425	22 743	1 522	-	540 406
- General Credit risk	127 543	-	-	-		127 543
- High risk	87 767	-	-	-	-	87 767
	694 026	37 425	22 743	1 522	-	755 726
As at 31 March 2013						
Counterparties without external credit ratings						
- Low Risk	373 294	20 850	17 996	1 522	-	413 663
- General Credit risk	174 505	-	-	-	-	174 505
- High risk	33 445	-	-	-	-	33 445
	581 244	20 850	17 996	1 522	-	621 613

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 2014						
Counterparties without external						
credit ratings	145 219	189 605	10 077	1 522	-	346 423
- Low Risk						
- General Credit risk	127 543					127 543
- High risk	87 767					87 767
	360 529	189 605	10 077	1 522	-	561 733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

54. 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
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

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 general purpose 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.

55. Financial instruments – maturity

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

GROUP	Less than 1 year E'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	37 425	-	-	-	37 425
Financial investment	1 522	-	-	-	1 522
Loans and advances	93 572	55 818	444 733	99 903	694 026
Cash and bank	22 743	-	-	-	22 743
	155 262	55 818	444 733	99 903	755 716
Financial Liabilities:					
Trade and other payables	35 079	-	-	-	35 079
Other short-term liabilities	941	-	-	-	941
Long term liabilities	57 036	178 006	190 914	-	525 956
	193 056	178 006	190 914	-	561 976

55. 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
31 March 2013					
Financial Assets:					
Other assets	20 850	-	-	-	20 850
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	-	-	-	-	-
	98 160	43 515	372 811	107 126	622 612
Financial Liabilities:					
Trade and other payables	52 498	-	-	-	52 679
Bank overdraft	1 491	-	-	-	1 491
Finance lease liabilities	-	-	-	-	-
Other short-term liabilities	509	-	-	-	509
Long term liabilities	234 431	73 004	167 968	6 805	385 203
Derivative financial instruments	-	-	-	-	-
	289 110	73 004	167 968	6 805	439 882

COMPANY					
31 March 2014					
Financial Assets:					
Other assets	189 605	-	-	-	189 584
Financial investment	1 522	-	-	-	1 522
Loans and advances	69 707	23 563	225 575	41 684	360 529
Cash and bank	10 077	-	-	-	10 077
	270 911	23 563	225 575	41 684	561 733
Financial Liabilities:					
Trade and other payables	30 979	-	-	-	30 979
Other short-term liabilities	604	-	-	-	604
Long term liabilities	157 036	178 006	50 911	-	385 957
	188 619	178 006	50 911	-	417 540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

55. 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
	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
	261 636	-	70 772	-	336 408

56. Assets charged as security for liabilities

Financial assets pledged to secure liabilities were as follows:

	Group 2014 E'000	Group 2013 E'000	Company 2014 E'000	Company 2013 E'000
Loans and advance	53 962	123 059	53 962	23 059
Cash and cash equivalents	12 000	12 000	3 000	3 000
Financial instrument	1 500	1 500	1 500	1 500
	67 462	136 559	58 462	27 559

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

57. Litigation

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

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

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

58. Related party transactions

The Corporation is controlled by the Swaziland Government, which own 80% of the Corporation shares. The remaining 20% of the shares are held by Tibiyo Taka Ngwane, 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

		2014 E'000	2013 E'000
(i)	**Loan from related parties:**		
	Movement:		
	Amounts due to related party:		
	Swaziland Government – ADB	64 908	64 909
	Swaziland Government	10 000	10 000
		74 909	74 909

As at 31 March 2014, the company had three loan facilities obtained from or through the Government of Swaziland. These facilities had outstanding balances totalling E74.9million with interest rate ranging from 6.5% and 10.5%. There were no loan facilities obtained from Tibiyo Taka Ngwane during the year under review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

58. Related party transactions (continued)

	2014 E'000	2013 E'000
(ii) Loan to Group Managing Director:		
Balance at beginning of the year	90	128
Disbursed during the year	224	52
Interest accrued during the year	4	15
Loan repayments during the year	(120)	(105)
Balance at the end of the Period	198	90

The Group Managing Director has three 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 ones are for E56 000 and E188 665. They were granted at staff rate in January 2014 and December 2013.

58.1 Balances and transaction with related company

	2014 E'000	2013 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	126 981	63 134
Management fees		
Management fee due from related company	27 848	23 900
Interest Income		
Interest receivable from related company	32 592	19 747

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. Interest is also charged to other funds loaned to the subsidiary at an interest charge of 13%.

(iii) Doubtful debts

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

59. Financial guarantees

		2014 E'000	2013 E'000
National Maize Corporation	59.1	357	273
Swaziland Dairy Board	59.2	1 007	531
Voluntary Deferred Pay Guarantee Fund	59.3	1 860	1 250
Komati Basin Water Authority	59.4	-	682
Shewula Account	59.5	31	31
FAO Grant Fund	59.6	2 957	-
SNTC	23	3	
Happy Valley	59.7	146	124
University of Swaziland(UNISWA)	59.8	1 514	1 442
Swaziland post and telecommunication(SPTC)	59.9	592	554
Raleigh Fitkin Memorial Hospital (RFM)	59.10	674	539
The Times of Swaziland	59.11	195	273
Customer Deposit Account	59.12	5 206	5 039

59.1 National Maize Corporation (NMC) Guarantee

Swaziland Development Finance Corporation Limited has agreed to administer loans to local maize farmers. NMC will pay 8% of the total amount loaned by the Corporation as management fee at the end of each season. NMC has agreed to provide up to E2 million as guarantee against these loans. The funds are kept in a separate bank account called NMC Credit Guarantee Fund with interest accruing to the NMC Fund. There were no loan balances outstanding on this scheme as at 31 March 2014.

59.2 Swaziland Dairy Board (SDB)

Swaziland Development Finance Corporation Limited has agreed to administer loans to smallholder dairy farmers. SDB will pay 10% of the total amount loaned by the Corporation as management fee at the end of each season. SDB has agreed to provide up to E1.5 million as guarantee against these loans. The funds are kept in a separate bank account called SDB Credit Guarantee Fund with interest accruing to the SDB fund. Swaziland Development Finance Corporation Limited acts as signatories to this account. On these loans E 32 716.91 was outstanding as at 31 March 2014.

59.3 Voluntary Deferred Pay Special Fund (VDPSF)

In terms of a 5 year contract with VDPSF, Swaziland Development Finance Corporation Limited has agreed to administer loans to qualifying ex-miners in order to enable them to engage in meaningful income generating activities. VDPSF will pay 8% of the total amount loaned by the Corporation as management fee at the end of each season. VDPSF agreed to provide E2.5 million as guarantee against these loans. The funds are kept in a separate bank account called Voluntary Deferred Pay Guarantee Fund with interest accruing to the VDPS fund. There were no loan balances outstanding on this scheme as at 31 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

59. Financial guarantees (continued)

59.4 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 2014 was E 178 685.61.

59.5 Shewula Account

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

59.6 FAO Grant Fund

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

59.7 Happy Valley

First Finance company has agreed to administer loans to employees of Happy Valley. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called Happy Valley Trust account with interest accruing to the Happy Valley trust. The trust accounts for the Happy Valley scheme are held at Swaziland Building Society. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme. There was no outstanding loan balances in respect of this scheme at 31 March 2014.

59.8 University of Swaziland (UNISWA)

First Finance company has agreed to administer loans to employees of UNISWA. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called UNISWA Trust account with interest accruing to the UNISWA trust. The trust accounts for the UNISWA scheme are held at Standard bank, Stanlib and African alliance. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme. There was no outstanding loan balances in respect of this scheme at 31 March 2014.

59. Financial guarantees (continued)

59.9 Swaziland post and telecommunication (SPTC)

First Finance company has agreed to administer loans to employees of SPTC. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called SPTC Trust account with interest accruing to the SPTC trust. The trust account for the SPTC scheme is held at Swaziland Building Society. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme. There was no outstanding loan balances in respect of this scheme at 31 March 2014.

59.10 Raleigh Fitkin Memorial Hospital(RFM)

First Finance company has agreed to administer loans to employees of RFM. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called RFM Trust account with interest accruing to the RFM trust. The trust account for the RFM scheme is held at Swaziland Building Society. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme. There was no outstanding loan balances in respect of this scheme at 31 March 2014.

59.11 The Times of Swaziland

First Finance company has agreed to administer loans to employees of the Times of Swaziland. As means to minimise credit risk inherent in loans to individuals the company requires the employers of the customers to guarantee payment of the outstanding loan amount. The guaranteed funds are kept in a separate bank account called Times of Swaziland Trust account with interest accruing to the Times of Swaziland trust. The trust account for the Times of Swaziland scheme is held at Swaziland Building Society. Interest earned on the account is utilised by the company to make good of loan amounts which are not performing well under the Scheme. There was no outstanding loan balances in respect of this scheme at 31 March 2014.

59.12 Customer deposit Account

FINCORP sometimes requires that some projects be secured by a deposit. These deposit monies are then banked with Swaziland Building Society in the clients name but with FINCORP holding the deposit book and the withdrawal rights of the funds from Swaziland Building Society. After the client has settled the funds are withdrawn and given to the client with interest. As at year end there were 125 (2013: 117) sub-accounts to the Customer Deposit Account.

DETAILED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

COMPANY

	2014 E'000	2013 E'000
INCOME		
Interest receivable	60 648	54 035
Bad debts recovered	1 732	757
Sundry Income	14 889	12 015
Fee income	1 802	186
	79 071	66 993
EXPENSES		
Advertising	1 961	1 526
Audit remuneration	279	565
Bad debts written off	2 715	10 580
Bank charges	452	460
Board expenses	566	338
Cleaning	98	73
Computer expenses	36	61
Computer maintenance	15	-
Consulting fees	22	-
Depreciation	1 077	776
Donations	198	160
Entertainment	451	-
Facility fee charge	6 089	2 193
Forex gains and losses	3 743	-
Impairment of loans and advances	8 445	7 686
Insurance	417	342
Interest expense	34 341	23 341
International conferences	548	-
Legal fees	174	31
Subscriptions	1 635	881
Management fees	-	-
Motor vehicle expenses	918	845
Postage	7	-
Printing and stationery	521	508
Professional fees	971	328
Profit on disposal	(2)	-
Rent, water and light	1 185	956
Repairs and maintenance	646	61
Salaries and wages	15 924	12 855
Security	403	366
Staff uniforms	81	-
Sundry expenses	23	270
Tea, coffee, other expenses	25	-
Communication cost	989	882
Travelling expenses	113	1 142
Total operating expenses	(85 066)	(67 234)
(Loss) before tax	(5 995)	(241)
Income tax expense	870	(2 304)
(Loss)/for the year	(5 125)	(2 545)

TAXATION SCHEDULE

for the year ended 31 March 2014

COMPANY

		2014 E'000	2013 E'000
(Loss) before tax		(5 995)	(241)
Add back:	Provision for leave pay prior year	603	352
	Donations	197	160
	Prepayment prior year	26	-
	Loss on disposal of assets	-	178
	Accounting provision for impairment	8 445	7 686
Deduct:	Provision for leave pay current period	(351)	(2 156)
	Prepayment current	(7)	74
	Scrapping allowance on assets disposed	-	(178)
	Provision for impairment @ 25%	(7 321)	-
Taxable (loss)/income		(4 403)	5 875
Taxation at 27.5% (2013: 30%)		-	1 763
Assessed loss carried forward		(4 403)	-

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