

**THE ENTERPRISE TRUST FUND**  
**Annual Financial Statements**  
**for the year ended 31 March 2001**

THE ENTERPRISE TRUST FUND

**ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2001

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The annual financial statements which appear on pages 3 to 18 have been approved by the board of directors on \_\_\_\_\_ and are signed on its behalf by:

\_\_\_\_\_  
CHAIRMAN

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

## **REPORT OF THE INDEPENDENT AUDITORS**

### **To the Minister of Finance THE ENTERPRISE TRUST FUND**

We have audited the financial statements of the Fund set out on pages 3 to 18. These financial statements are the responsibility of the fund's trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

#### **Scope**

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

#### **Audit opinion**

In our opinion the financial statements fairly present, in all material respects, the financial position of the fund at 31 March 2001 and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards, and in the manner required by the Notarial Deed of Trust.

**DATE**

**PRICewaterhouseCOOPERS  
CHARTERED ACCOUNTANTS  
(SWAZILAND)**

THE ENTERPRISE TRUST FUND

**BOARD OF TRUSTEES**

for the year ended 31 March 2001

1. BOARD OF TRUSTEES AND OFFICIALS

The members who acted in office during the year under review are:

Mr Leonard Sithebe

Mr Vincent Mhlanga

Mr Mike Shongwe

Mr Louis Nxumalo

Mrs Christabel Motsa

Mrs Nokukhanya Gamedze

Ms Dumisile Magagula

Mr Musa Sibandze

Indvuna Mlobokazana Fakudze

2. SECRETARY OF THE FUND

The Secretary of the Fund is: Mr Vincent Mhlanga.

3. BANKERS

The Bankers of the Fund are First National Bank Swaziland Limited, P O Box 261, Eveni.

4. BUSINESS AND POSTAL ADDRESS OF THE FUND

Business address:

Allister Miller Street  
First Floor, Asakhe House  
Mbabane

Postal address:

P O Box 6099  
Mbabane  
Swaziland

5. AUDITORS

The auditors of the Fund are: PricewaterhouseCoopers Swaziland P O Box 569 Mbabane.

## THE ENTERPRISE TRUST FUND

### **THE CHAIRMAN'S REPORT**

for the year ended 31 March 2001

#### **INTRODUCTION**

The Enterprise Trust Fund (ETF) was created by His Majesty King Mswati III in November 1995 as a means of addressing the acute problem of rural unemployment. The primary goal of ETF is to create jobs through increasing the access of the rural poor and female-owned and operated enterprises to financial services.

The methodology of ETF is to provide wholesale loans and grants to intermediary organisations such as local business associations, farmers' groups and cooperatives. As a relatively young organisation, ETF has had considerable success in reaching large numbers of SMEs, whilst maintaining both high repayment rates and financial viability. ETF's objectives are:

To finance and promote the development of Swazi-owned SMEs through intermediary organisations;

To support the expansion of loan financing to SMEs through selected intermediary organisations;

To support the provision of business advisory services, training, monitoring, technical transfers and development of new products and services for SMEs;

To facilitate access to institutional development services and increase the long-term capacity of Swazi financial and non-financial SME support intermediaries.

#### **THE IMPORTANCE OF THE SME SECTOR**

The economy of Swaziland has in the last decade been characterised by a continuous decline in its GDP growth rate, down from 3.7% in 1997 to an estimated 2.5% in 2000/2001. This decline in the productive capacity of the economy is further exacerbated by a high population growth rate. The Government estimates that since 1993 there has been little new employment generated, and yet the population has increased by 5% during that period. It is estimated that currently about 40% of the adult population is unemployed. The large scale industrial and commercial sectors of the economy cannot absorb the growing labour force due to constraints on their own growth prospects. The greatest potential for employment generation therefore rests with the SME sector, where the bulk of new entrants into the labour market can be absorbed. Moreover, the SME sector is likely to generate more sustainable employment over the long term. For this reason, ETF was created, and supporting the consequent creation of sustainable SMEs by ETF's clients is a mission, which ETF has been eager to promote.

## THE ENTERPRISE TRUST FUND

**THE CHAIRMAN'S REPORT** (continued)  
for the year ended 31 March 2001**FINANCIAL HIGHLIGHTS****1. INCOME STATEMENT**

The gross total income of E5.5 million was 12% above the budgeted figure of E4.9 million. This figure of E5.5 million was however 10% below the previous years' income of E6.1 million, and this was caused by lower investment income. The investment income is a function of the level of interest rates, which were lower than the previous year.

Although costs containment has been the major strength of ETF, the unexpected sharp increase in fuel prices contributed immensely to our overheads, which came to 24% above the budget. Another contributing factor was the unavoidable foreign travel cost of the Management team that went to the European Investment Bank, the OPEC Fund and London (DFID) to negotiate lines of credit, at the time when the Lilangeni/Dollar rate was at its lowest.

The net profit of E1.4 million was 12% below the budgeted profit of E1.6 million, mainly because of the reasons stated above. Since its inception, five years ago, ETF has made a cumulative profit of E13.1 million from its seed capital of E44.0 million.

**2. BALANCE SHEET****FIXED ASSETS**

ETF has been cautious not to tie up its liquid resources in too many fixed assets, in order to maintain its healthy liquidity position.

**LOANS**

The gross loan book was E31.9 million, and after taking into account the cumulative doubtful debt provisions, the net came to E27.4 million. The repayment rate on loans has been maintained at a high level of 91% despite the fact that ETF does not require collateral for all its advances.

**CASH AT BANK**

The healthy cash balance of E25.0 million was mainly attributable to the high repayment ratio. It is of cardinal importance to note however that the true cash position was E9.4 million as E15.6 million of the E25.0 million represented loans approved but not yet disbursed. ETF has a high demand for its products and the constraint has always been cash. It is for this reason that Management has been all over the world looking for lines of credit and even equity for that matter.

THE ENTERPRISE TRUST FUND

**THE CHAIRMAN'S REPORT** (continued)  
for the year ended 31 March 2001

**POST-BALANCE SHEET EVENTS**

No material events having had effect on the financial statements have occurred between 31 March 2001 and the date of this report.

**ACKNOWLEDGEMENTS**

**DONORS**

The generous support from numerous donors is highly appreciated by the Board and Management. I therefore wish to extend my thanks to the Republic of China, Tibiyo Takangwane, the British Government, the United Nations Development Programme, Japanese Government, and the Israeli Government. They have provided invaluable aid through capital injection, training and technical assistance to ETF.

We would like to acknowledge the continued support and cooperation that we have received from Swaziland Government in particular our line Ministry, Ministry of Finance.

**INTERMEDIARIES**

I would like to thank most of our client organisations for having worked honestly with ETF to service the needs of their members. It is truly their will and commitment which has been instrumental in the pleasing performance of ETF. I greatly appreciated their efforts.

**BOARD, MANAGEMENT AND STAFF**

I want to take this opportunity to convey my humble thanks to the Board of Directors, Management, staff and Advisors for their invaluable support, advice, and commitment. They have, no doubt, done a wonderful job under very trying and uncertain conditions. The challenges which lie ahead in the coming year will continue to stretch their capabilities, but I am confident they will respond, as they have in the past, with vigour, dedication and determination to succeed in supporting the growth of ETF and the SMEs throughout our nation.

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**Leonard Sithebe**  
**CHAIRMAN**

## THE ENTERPRISE TRUST FUND

**BALANCE SHEET**

at 31 March 2001

	Notes	2001 E	2000 E
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	1 120 562	1 033 279
<b>Current assets</b>			
Loans and advances	2	27 385 859	21 777 317
Staff loans		815 592	297 479
Sundry deposits		39 791	12 260
Interest accrued		1 157 789	715 342
Cash and cash equivalents	3	25 040 446	30 313 043
		54 439 477	53 115 441
<b>Total assets</b>		<b>55 560 039</b>	<b>54 148 720</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Donor Funds	4	44 000 000	44 000 000
Training Grants	5	(1 696 862)	(1 696 862)
Capital Reserve	6	65 288	81 611
Accumulated surplus		13 115 186	11 688 037
		55 483 612	54 072 786
<b>Current liabilities</b>			
Provision for audit fees		40 000	30 000
Accounts payable		36 427	45 934
		76 427	75 934
		55 560 039	54 148 720

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 CHAIRMAN

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 CHIEF EXECUTIVE OFFICER



## THE ENTERPRISE TRUST FUND

**INCOME STATEMENT**

for the year ended 31 March 2001

	Notes	2001 E	2000 E
Interest receivable	8	5 347 227	5 821 227
Bad debts recovered		137 647	354 737
Other income		3 826	-
		<u>5 488 700</u>	<u>6 175 964</u>
Operating expenses		<u>(3 092 013)</u>	<u>(2 256 659)</u>
Operating profit before provisions		2 396 687	3 919 305
Provisions for doubtful debts	9	<u>(985 861)</u>	<u>(1 378 946)</u>
Surplus for the year		1 410 826	2 540 359
Release from capital reserve	6	<u>16 323</u>	<u>20 403</u>
		1 427 149	2 560 762
Accumulated surplus at beginning of year		<u>11 688 037</u>	<u>9 127 275</u>
Accumulated surplus at 31 March 2001		<u><u>13 115 186</u></u>	<u><u>11 688 037</u></u>

## THE ENTERPRISE TRUST FUND

**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 March 2001

	Donor Fund £	Training Grants £	Capital Reserve £	Retained Income £	Total £
Balance at 1 April 1999	44 00	(1 046 289)	102 0	9 127 275	52 183 000
Net profit for the year	-	-	-	2 540 359	2 540 359
Release from capital reserve	-	-	(20 4)	20 403	-
Grants issued	-	(650 573)	-	-	(650 573)
Balance at 31 March 2000	44 00	(1 696 862)	81 6	11 688 037	54 072 786
<b>Balance at 1 April 2000</b>	44 00	(1 696 862)	81 6	11 688 037	54 072 786
<b>Net profit for the year</b>	-	-	-	1 410 826	1 410 826
<b>Release from capital reserve</b>	-	-	(16 3)	16 323	-
<b>Balance at 31 March 2001</b>	44 00	(1 696 862)	65 2	13 115 186	55 483 612

## THE ENTERPRISE TRUST FUND

**CASH FLOW STATEMENT**

for the year ended 31 March 2001

	Note	2001 E	2000 E
<b>CASH FLOWS ACTIVITIES</b>			
Cash generated from operations	10	(4 953 020)	2 942 184
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of fixed assets		17 850	-
Additions to fixed assets	1	(337 427)	(751 655)
Net cash used in investing activities		(319 577)	(751 655)
Net (decrease)/increase in cash and cash equivalents		(5 272 597)	2 190 529
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
At start of year		30 313 043	28 122 514
(Decrease)/increase		(5 272 597)	2 190 529
At end of year	3	25 040 446	30 313 043

## THE ENTERPRISE TRUST FUND

**SUMMARY OF ACCOUNTING POLICIES**

for the year ended 31 March 2001

The financial statements are prepared on the historical cost basis.

## 1. ACCOUNTING POLICIES

The more important accounting policies adopted by the Fund which are consistent with those of the previous year, are as follows:

## 2. DEPRECIATION

Depreciation is calculated on the reducing balance basis by reference to the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:-

Computer Equipment	33 <del>33</del> %
Furniture and fittings	10%
Office furniture	10%
Motor vehicle	20%

## 3. SPECIFIC AND GENERAL RISK PROVISION

The balance of advances is reduced by the balance of the specific and general risk provisions. All known bad debts are written off. Specific provisions are made for all debts identified as doubtful. The accrual of interest on an advance is suspended immediately if reasonable doubt exists with regard to the recoverability thereof. A general provision is maintained against potential losses which have not been specifically identified, as 2% per annum of advances to intermediaries.

## 3.1 CREDIT RISK

The Fund advances loans to various intermediaries in terms of section 3 of the Notarial Deed of Trust No. 5 of 1998. The Fund's policy is to select and approve an intermediary because of its proven successful record of credit administration or which can prove their capacity to administer credit funds after taking into account its capability to repay the loan.

Credit risk with respect to intermediaries is dispersed due to the geographical spread and diversity of sectors serviced. The Fund performs credit evaluations of its intermediaries as far as information is available. However, due to the inherent nature of the business it may not be possible to assess past credit history of some of the intermediaries which have been recently established and due to lack of formal financial information.

THE ENTERPRISE TRUST FUND

**SUMMARY OF ACCOUNTING POLICIES**

for the year ended 31 March 2001

It is the Fund's policy not to obtain security against advances made to intermediaries. The Fund is therefore exposed to credit risk in the event of non-performance by intermediaries on the amounts advanced.

## THE ENTERPRISE TRUST FUND

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 March 2001

**1 PROPERTY, PLANT AND EQUIPMENT**

	Computer Equipment E	Furniture & fittings E	Office Equipment E	Motor Vehicles E	Total E
<b>Year ended 31 March 2000</b>					
Opening net book amount	36 581	44 581	75 847	261 037	418 046
Additions	102 919	27 636	7 168	613 932	751 655
Depreciation charge	(31 688)	(4 259)	(7 328)	(93 147)	(136 422)
Closing net book amount	<u>107 812</u>	<u>67 958</u>	<u>75 687</u>	<u>781 822</u>	<u>1 033 279</u>
<b>At 31 March 2000</b>					
Cost or valuation	173 339	76 977	95 948	924 022	1 270 286
Accumulated depreciation	(65 527)	(9 019)	(20 261)	(142 200)	(237 007)
Net book amount	<u>107 812</u>	<u>67 958</u>	<u>75 687</u>	<u>781 822</u>	<u>1 033 279</u>
<b>Year ended 31 March 2001</b>					
Opening net book amount	107 812	67 958	75 687	781 822	1 033 279
Additions	7 915	4 580	23 020	301 912	337 427
Disposals	(3 824)	(14 981)	-	-	(18 805)
Depreciation charge	(35 547)	(6 523)	(9 295)	(179 974)	(231 339)
Closing net book amount	<u>76 356</u>	<u>51 034</u>	<u>89 412</u>	<u>903 760</u>	<u>1 120 562</u>
<b>At 31 March 2001</b>					
Cost or valuation	165 164	63 090	118 969	1 225 934	1 573 157
Accumulated depreciation	(88 808)	(12 056)	(29 557)	(322 174)	(452 595)
Net book amount	<u>76 356</u>	<u>51 034</u>	<u>89 412</u>	<u>903 760</u>	<u>1 120 562</u>

2001	2000
E	E

**2 LOANS AND ADVANCES**

Amounts due within one year	17 073 151	14 655 776
Over a year and below two years	9 161 056	8 110 854
Over two years and below three years	5 606 917	2 174 277
Over three years	51 386	607 200
	<u>31 892 510</u>	<u>25 548 107</u>
Less: - general provision	(563 737)	(954 411)
- specific provisions	(3 942 914)	(2 816 379)
	<u>27 385 859</u>	<u>21 777 317</u>

## THE ENTERPRISE TRUST FUND

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 March 2001

	2001 E	2000 E
<b>3 CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	13 406	1 366 832
Short-term bank deposits	25 027 040	28 946 211
	<u>25 040 446</u>	<u>30 313 043</u>
Amounts approved but not disbursed to intermediaries	<u>15 631 294</u>	<u>16 363 247</u>
<b>4 DONOR FUNDS</b>		
Donated by:		
Republic of China	36 000 000	36 000 000
Tibiyo TakaNgwane	8 000 000	8 000 000
	<u>44 000 000</u>	<u>44 000 000</u>

The funds are in terms of the Notarial Deed of Trust No. 5 of 1998, which states that E8M will be received from Tibiyo Taka Ngwane and E36M bilateral assistance from friendly and supportive donor.

<b>5 TRAINING GRANTS</b>		
Accumulated grants at beginning of year	1 696 862	1 046 289
Grants issued	-	650 573
	<u>1 696 862</u>	<u>1 696 862</u>
Accumulated grants at 31 March 2001	<u>1 696 862</u>	<u>1 696 862</u>

Grants issued to intermediaries for training are in terms of section 2.1.6 of the Notarial Deed of Trust No. 5 of 1998 as may be determined by the Board of Trustees.

## THE ENTERPRISE TRUST FUND

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 March 2001

	2001 E	2000 E
6 CAPITAL RESERVE		
Capital grant designated for capital expenditure	81 611	102 014
Less: Depreciation released to income statement	16 323	20 403
	<hr/>	<hr/>
Balance – 31 March 2001	65 288	81 611
	<hr/> <hr/>	<hr/> <hr/>
<p>The capital reserve represents a grant received from the British Department for International Development (DFID) specifically for the purchase of a motor vehicle to be owned by the Fund.</p> <p>The related depreciation amount is released to the profit and loss statement on an annual basis.</p>		
7 COMMITMENTS		
Amounts approved but not disbursed to intermediaries	15 631 294	16 363 247
	<hr/> <hr/>	<hr/> <hr/>
8 SUPPLEMENTING INCOME STATEMENT INFORMATION		
<b>Interest receivable</b>		
Loans and advances	2 434 733	1 864 955
Investments	2 912 494	3 956 272
	<hr/>	<hr/>
	5 347 227	5 821 227
	<hr/> <hr/>	<hr/> <hr/>
9 PROVISION FOR DOUBTFUL DEBTS		
<b>Specific provision</b>		
At beginning of year	2 816 379	1 949 875
Charge to the income statement	1 376 535	866 504
Write off	(250 000)	-
	<hr/>	<hr/>
At end of year	3 942 914	2 816 379
	<hr/> <hr/>	<hr/> <hr/>



## THE ENTERPRISE TRUST FUND

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 March 2001

9	PROVISION FOR DOUBTFUL DEBTS (continued)	2001 E	2000 E
	<b>General provision</b>		
	At beginning of year	954 411	441 969
	(Decrease)/increase in provision	(390 674)	512 442
		<u>563 737</u>	<u>954 411</u>
	Total provisions	<u>4 506 651</u>	<u>3 770 790</u>
	<b>Interest in suspense</b>		
	Net interest suspended during the year	<u>103 328</u>	<u>51 990</u>
10	CASH GENERATED BY OPERATIONS		
	Surplus for the year	1 410 826	2 540 359
	Adjustment for non-cash items:		
	Provision for doubtful debts	985 861	1 378 946
	Depreciation	231 339	136 422
	Loss on sale of asset	955	-
		<u>2 628 981</u>	<u>4 055 727</u>
	Decrease in working capital	(7 582 001)	(1 113 543)
	Loans to intermediaries	(6 594 403)	(1 499 807)
	Other current assets	(988 091)	1 008 209
	Current liabilities	493	28 628
	Training grants	-	(650 573)
		<u>(4 953 020)</u>	<u>2 942 184</u>

## THE ENTERPRISE TRUST FUND

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 March 2001

	2001 E	2000 E
11 LOAN TO DIRECTOR		
Loan to a Director:		
Balance at beginning of the year	289 709	296 234
Interest accrued during the year	38 409	26 915
Loan repayments during the year	(50 160)	(33 440)
	<hr/>	<hr/>
Balance at the end of the year	277 958	289 709
	<hr/> <hr/>	<hr/> <hr/>

The loan was advanced to the Chief Executive Officer as a property loan, repayable over 17 years, interest rate is based on the Swaziland Building Society mortgage rate, which is currently 13.5%. The underlying property has been secured by a first mortgage bond in favour of the Fund.

12 LOAN GUARANTEE FUND - National Maize Corporation  
Guarantee (NMC)

In terms of a 3 year contract with NMC, the Enterprise Trust Fund has agreed to administer loans to local maize farmers. NMC will pay 8% of the total amount loaned by the Fund as management fee at the end of each season. NMC has agreed to provide up to E2 million as guarantee against these loans. The money is kept in a separate bank account called NMC Credit Guarantee Fund with interest accruing to the NMC Fund. Enterprise Trust Fund acts as signatories to this amount. As at 31 March 2001 the balance on the NMC Fund Account was as follows:

	2001 E	2000 E
Guarantee	1 500 000	-
Interest accrued	6 573	-
	<hr/>	<hr/>
	1 506 573	-
	<hr/> <hr/>	<hr/> <hr/>

THE ENTERPRISE TRUST FUND

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
for the year ended 31 March 2001

13 CONTINGENT LIABILITIES

a) There is a contingent liability in respect of taxation on interest earned on funds invested in the Republic of South Africa. The amount is estimated at E1 200 000, should the Fund be deemed liable by the Receiver of Revenue.

b) There is a further contingent liability in respect of Group Life Insurance which the Fund is required to provide for the Chief Executive Officer (CEO) in terms of his employment contract. The liability of the life insurance is five times the CEO's annual salary. The Fund has not formalised the group life insurance and is currently in the process of addressing the issue.

14 FINANCIAL INSTRUMENTS

CREDIT RISK

Financial assets which potentially subject the fund to concentrations of credit risk consist principally of loans to intermediaries and trade receivables. The fund's cash equivalents are placed with high credit quality financial institutions.

FAIR VALUES

At 31 March 2001 the carrying amounts of cash, accounts receivable and accounts payable approximated their fair values.

THE ENTERPRISE TRUST FUND

**DETAILED INCOME STATEMENT**

for the year ended 31 March 2001

	2001 E	2000 E
<b>INCOME</b>		
Interest receivable	5 347 227	5 821 227
Bad debts recovered	137 647	354 737
Sundry income	3 826	-
	<hr/>	<hr/>
	5 488 700	6 175 964
	<hr/>	<hr/>
<b>EXPENSES</b>		
Advertising	37 337	57 694
Audit fees	48 100	31 060
Bank charges	34 094	16 789
Bad debts written off	27 043	
Board expenses	53 435	47 228
Computer expenses	28 514	123 337
Consulting fees	16 117	13 460
Depreciation	231 339	136 422
Insurance	117 218	59 322
Legal fees	57 100	10 996
Loss on sale of fixed assets	955	
Magazines and subscriptions	60 020	52 153
Motor vehicle expenses	269 482	125 547
Printing and stationery	38 011	32 639
Repairs and maintenance	19 913	25 348
Rent, water and light	128 515	160 912
Salaries and wages	1 396 257	1 018 664
Security	38 056	36 160
Sundry expenses	27 448	22 173
Telephone and postage	139 517	67 829
Training	8 790	57 406
Travelling and entertainment & International conferences	314 752	161 520
	<hr/>	<hr/>
	3 092 013	2 256 659
	<hr/>	<hr/>
Operating profit before provisions	2 396 687	3 919 305
	<hr/> <hr/>	<hr/> <hr/>