

**SWAZILAND DEVELOPMENT FINANCE
CORPORATION LIMITED
Annual financial Statements
for the year ended 31 March 2005**

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2005

CONTENTS	Page
Corporate governance statement	1
Statement of directors responsibility	2
Report of the independent auditors	3
Directors' report	4 - 5
Summary of accounting policies	6 - 11
Balance sheet	12
Income statement	13
Statement of changes in equity	14
Cash flow statement	15
Notes to the annual financial statements	16 - 26
Detailed income statement	Annexure 1
Taxation schedules	Annexure 2

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2005

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

Board of directors

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

The Board comprises 9 directors of whom only one serves in an executive capacity. The board is balanced so that no individual or small group can dominate decision-making. The directors of the Company are listed on page 4. Roles of chairperson and chief executive do not vest in the same person and the chairperson is a non-executive. The non-executive directors comprise individuals with diverse backgrounds and expertise. The chairperson and managing director provide leadership and guidance to the Company's Board and encourage deliberation of all matters requiring the Boards attention, and obtain sufficient input from the other board members. The chairperson and directors are elected on a three-year basis.

Risk Management

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

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

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

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 31 March 2005

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and the related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act.

The directors are also responsible for the Company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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

The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. PricewaterhouseCoopers' audit report is presented on page 3.

The annual financial statements which appear on pages 6 to 26 have been approved by the board of directors on _____ and are signed on its behalf by:

CHAIRMAN

MANAGING DIRECTOR

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SWAZILAND
DEVELOPMENT FINANCE CORPORATION LIMITED**

We have audited the financial statements of Swaziland Development Finance Corporation Limited for the year ended 31 March 2005 set out on pages 6 to 26. These financial statements are the responsibility of the company's directors. Our responsibility is to report on these financial statements.

Scope

We conducted our audit in accordance with International Standards on 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 used 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 company at 31 March 2005, and the results of its operations and cash flows for the year then ended in accordance with Swaziland and International Financial Reporting Standards and in the manner required by the Swaziland Companies Act 1912, as amended.

DATE

**PRICEWATERHOUSECOOPERS
CHARTERED ACCOUNTANTS
(SWAZILAND)**

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

DIRECTORS' REPORT

for the year ended 31 March 2005

The directors have pleasure in submitting their report, which forms part of the financial statements of the company for year ended 31 March 2005.

1. THE COMPANY

The company is incorporated in Swaziland and operates as a lending institution to qualifying individuals and businesses.

2. FINANCIAL RESULTS

Full details of the financial results are set out on pages 6 to 26.

3. SHARE CAPITAL

The authorised share capital is 10 000 ordinary shares at E1 each of which 1 000 ordinary shares have been issued at a premium of E84 224.07 per share.

4. DIVIDENDS

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

5. DIRECTORS

The directors who acted during the period are:

Leonard Sithebe - Chairman

Vincent Mhlanga – Managing Director

Louis Nxumalo: resigned 1 February 2005

Musa Mdluli: appointed 1 February 2005

Christabel Motsa

Musa Sibandze

Indvuna Mlobokazana Fakudze

Bertram Stewart

Mbuso Simelane

Mduduzi Zwane

6. SECRETARY

The Secretary of the Company is: Dr Vincent Mhlanga.

7. BANKERS

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

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

DIRECTORS' REPORT

for the year ended 31 March 2005

8. BUSINESS AND POSTAL ADDRESS OF THE COMPANY

Business address:

7th floor, Dlanubeka Building
Corner of Mdada and Lalufadlana Streets
Mbabane

Postal address:

P O Box 6099
Mbabane
Swaziland

9. AUDITORS

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

10. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial period, not otherwise dealt with in the financial statements, which significantly affect the financial position and operations of the company or the results of such operations.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

SUMMARY OF ACCOUNTING POLICIES

for the year ended 31 March 2005

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis in accordance with Swaziland and International Financial Reporting Standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

2. REVENUE RECOGNITION*Interest income*

The company recognises interest income on an accrual basis, applying the effective yield on the loans and advances. The effective yield takes into account all costs, discounts or premiums on the loan.

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.

Service fees

The company recognises service fee income on an accrual basis when the service is rendered.

3. RECOGNITION OF ASSETS, LIABILITIES AND PROVISIONS*Assets*

The company recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the enterprise.

Contingent assets

The company discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow in, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which is not wholly within the company's control.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2005***Liabilities and provisions***

The company recognises liabilities, including provisions when:

- it has a present legal or constructive obligation as a result of past events,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate of the amount of the obligation can be made.

Contingent liabilities

The company recognises a contingent liability where:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, or
- it is not probable that an outflow of resources will be required to settle an obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

4. DERECOGNITION OF ASSETS AND LIABILITIES

The company derecognises a financial asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is legally extinguished.

5. PROPERTY, PLANT AND EQUIPMENT

The company carries all of its property, plant and equipment at cost less accumulated depreciation. It depreciates property and equipment on the reducing balance basis by reference to the expected useful lives of the assets concerned. Management reviews useful lives periodically to evaluate their appropriateness and current and future depreciation charges are adjusted accordingly.

The principal annual rates used for this purpose are:-

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

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

SUMMARY OF ACCOUNTING POLICIES (continued)

for the year ended 31 March 2005

The company impairs an asset to its estimated recoverable amount where there is a permanent diminution in the carrying value of an asset.

Repairs and maintenance are charged to expenses during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in operating profit.

All properties owned by the company are held for use and are not considered investment properties.

6. FINANCIAL INSTRUMENTS***General***

Financial instruments carried on the balance sheet include all assets and liabilities, including derivative instruments, but exclude fixed assets, deferred taxation and taxation payable.

Financial assets

The company classifies financial assets as either loans receivable, fair value through profit or loss, held-to-maturity or available-for-sale assets. It classifies investment securities with a fixed maturity where management has both the intent and the ability to hold to maturity as held-to-maturity. It classifies investment securities where the intention is to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, as "Available-for-sale". Management determines the appropriate classification at the time of the purchase.

The company carries held-to-maturity investments at amortised cost using the effective yield method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The company calculates the impairment loss for assets carried at amortised cost as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2005***Credit Risk***

The Company advances loans in accordance with its memorandum and articles of association. The Company performs credit evaluations of its customers 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 customers, which have been recently established, and due to lack of formal financial information.

The Company does not always require security in order to make advances to customers. The Company is therefore exposed to credit risk in the event of non-performance customers on the amounts advanced.

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

Fair Values

At 31 March 2005 the carrying amounts of cash, accounts receivable and accounts payable approximated their fair values.

7. LOANS AND ADVANCES

The company classifies amounts provided directly to a borrower as "loans and receivables". Loans and receivables are first recognised at fair value (including transaction costs) and then subsequently measured at amortised cost. Third party expenses, such as legal fees or mortgage origination fees, incurred in securing a loan are treated as part of the transaction.

All loans and advances are recognised when cash is advanced to borrowers.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2005**8. IMPAIRMENT OF LOANS AND ADVANCES**

The company creates a specific provision for impairment in respect of non-performing advances when there is objective evidence that it will not be able to collect all amounts due. The impairment is calculated as the difference between the carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate at inception of the advance.

The company creates a further dynamic provision for impairment in respect of non-performing advances where there is objective evidence that components of the loan portfolio contain probable losses at the balance sheet date. When an advance is un-collectable, it is written off against the related impairments. Subsequent recoveries are credited to income.

The company writes off advances once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

The company further creates a general provision calculated at 2% of the net loan book. This amount is accounted for through the statement of changes in equity under "General Risk Reserve" and does not affect the income statement.

The company reverses impairments through the income statement, if the amount of the impairment subsequently decreases due to an event occurring after the write-down.

Property in possession is included in advances and is shown at the lower of cost and net realisable value.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

10. TRADE RECEIVABLES

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2005**11. DEFERRED TAX**

The company calculates deferred taxation on the comprehensive basis using the liability method on a balance sheet based approach. It calculates deferred tax liabilities or assets by applying corporate tax rates to the temporary differences existing at each balance sheet date between the tax values of assets and liabilities and their carrying amount, where such temporary differences are expected to result in taxable or deductible amounts in determining taxable income for future periods when the carrying amount of the assets or liabilities are recovered or settled.

The company recognises deferred tax assets if the directors consider it probable that future taxable income will be available against which the unused tax losses can be used.

12. TRADE PAYABLES

Trade payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

13. EMPLOYEE BENEFITS*Post employment benefits*

The Company's contribution to the defined contribution plan is charged to the income statement under staff costs in the year in which they relate.

Leave pay provision

The company recognises in full employees' rights to annual leave entitlement in respect of past service.

14. RELATED PARTY TRANSACTIONS

All related party transactions are at arm's length and in the ordinary course of business.

15. COMPARATIVE FIGURES

Where necessary, comparative figures have been changed to conform to presentation in the current year.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

BALANCE SHEET

at 31 March 2005

	Notes	2005 E	2004 E
ASSETS			
Non-current assets			
Property, plant and equipment	4	1 025 780	1 273 039
Loans and advances	5	76 211 412	66 805 277
Deferred tax	3	214 030	90 290
		<hr/>	<hr/>
		77 451 222	68 168 606
		<hr/>	<hr/>
Current assets			
Loans and advances	5	37 192 904	23 140 172
Receivables and prepayments	6	6 260 795	7 528 466
Cash and cash equivalents	7	8 548 300	1 555 263
		<hr/>	<hr/>
		52 001 999	32 223 901
		<hr/>	<hr/>
Total assets		<u>129 453 221</u>	<u>100 392 507</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	8	1 000	1 000
Share premium	8	84 224 069	84 224 069
General Risk Reserve	9	2 268 086	1 798 909
Retained Income		1 720 351	1 497 130
		<hr/>	<hr/>
		88 213 506	87 521 108
		<hr/>	<hr/>
Non-current liabilities			
Loan from Swaziland Government	10.1	10 000 000	10 000 000
ADB loan from Swaziland Government	10.2	25 000 000	-
Current liabilities			
Trade and Accounts payable	11	4 332 618	1 226 307
Bank overdraft	7	-	570 941
Taxation		1 193 664	773 183
Provisions	12	713 433	300 968
		<hr/>	<hr/>
Total liabilities		41 239 715	12 871 399
		<hr/>	<hr/>
Equity and liabilities		<u>129 453 221</u>	<u>100 392 507</u>

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

INCOME STATEMENT

for the year ended 31 March 2005

	Notes	2005 E	Six months ended 31 March 2004 E
Interest income	14	21 302 491	8 979 276
Interest expenditure	14	(1 521 705)	(464 271)
		<hr/>	<hr/>
		19 780 786	8 515 005
Provision for doubtful debts			
Impairment of loans and advances	15	(9 978 963)	(3 155 602)
		<hr/>	<hr/>
		9 801 823	5 359 403
Non-interest income:			
Bad debts recovered		570 197	310 924
Other income		519 062	335 411
		<hr/>	<hr/>
		10 891 082	6 005 738
Operating expenses		(9 901 943)	(3 744 699)
		<hr/>	<hr/>
Profit before tax	1	989 139	2 261 039
Taxation	2	(296 741)	(682 893)
		<hr/>	<hr/>
Profit for the period		692 398	1 578 146
		<hr/> <hr/>	<hr/> <hr/>

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2005

	Share Capital E	Share Premium E	General Risk Reserve E	Retained Income E	Total E
Opening balance: 1 April 2004	1 000	84 224	1 798	1 497 130	87 521 108
Profit for the year	-	-	-	692 398	692 398
Transfer to General Risk Reserve	-	-	469 177	(469 177)	-
Balance at 31 March 2005	1 000	84 224	2 268	1 720 351	88 213 506
Share capital issued	1 000	-	-	-	1 000
Share premium	-	84 224	-	-	84 224 069
GRR acquired from ETF	-	-	1 717	-	1 717 893
Profit for the period	-	-	-	1 578 146	1 578 146
Transfer to General Risk Reserve	-	-	81 016	(81 016)	-
Balance at 31 March 2004	1 000	84 224	1 798	1 497 130	87 521 108

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

CASH FLOW STATEMENT
for the year ended 31 March 2005

	Notes	2005 E	Six months ended 31 March 2004 E
CASH FLOWS ACTIVITIES			
Cash utilised by operations	17	(17 411 327)	(872 605)
INVESTING ACTIVITIES			
Additions to fixed assets	4	(24 695)	(29 145)
FINANCING ACTIVITIES			
Cash received from Enterprise Trust Fund		-	1 886 072
Proceeds from government loan		25 000 000	-
		<hr/>	<hr/>
Net increase in cash and cash equivalents		7 563 978	984 322
		<hr/>	<hr/>
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of period		984 322	-
Increase		7 563 978	984 322
		<hr/>	<hr/>
At end of year	7	8 548 300	984 322
		<hr/>	<hr/>

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

	Notes	2005	2004 E
1			
OPERATING PROFIT			
The following items have been included in arriving at operating profit:			
Depreciation on fixed assets		271 95	182 3
Staff costs	16	4 10	2 207 975
Auditors remuneration		85 00	70 0
		<hr/>	<hr/>
OTHER INCOME			
Application fee		190 45	39 8
Loan Monitoring fee		321 31	230 7
Management fee		-	63 8
Sundry income		7 30	1 0
		<hr/>	<hr/>
		519 06	335 4
		<hr/>	<hr/>
2			
TAXATION			
Current tax		420 48	773 1
Deferred tax		(123 74)	(90 2)
		<hr/>	<hr/>
		296 74	682 8
		<hr/>	<hr/>
Reconciliation			
Profit before tax		989 13	2 2
		<hr/>	<hr/>
Taxation at 30%		296 74	678 3
Non deductible expenses			
- company registration costs		-	4 5
		<hr/>	<hr/>
		296 74	682 8
		<hr/>	<hr/>

Taxation has been computed in accordance with the Swaziland income tax order of 1975 as amended.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2005

3	DEFERRED TAX	2005 E	2004 E
---	--------------	-----------	-----------

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

Provision for leave pay	214 030	90 290
-------------------------	---------	--------

4 PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment E	Furniture & fittings E	Office Equipment E	Motor Vehicles E	Total E
Year ended 31 March 2005					
Opening Balance	102 263	161 504	122 941	886 331	1 273 039
Additions	24 695	-	-	-	24 695
Disposals	-	-	-	-	-
Depreciation	(40 261)	(16 151)	(12 296)	(203 246)	(271 954)
Closing net book amount	86 697	145 353	110 645	683 085	1 025 780
At 31 March 2005					
Cost	147 815	172 108	129 646	1 030 480	1 480 049
Accumulated depreciation	(61 118)	(26 755)	(19 001)	(347 395)	(454 269)
Net book amount	86 697	145 353	110 645	683 085	1 025 780
Period ended 31 March 2004					
Distribution from ETF	98 550	172 108	125 071	1 030 480	1 426 209
Additions	24 570	-	4 575	-	29 145
Disposals	-	-	-	-	-
Depreciation	(20 857)	(10 604)	(6 705)	(144 149)	(182 315)
Closing net book amount	102 263	161 504	122 941	886 331	1 273 039
At 31 March 2004					
Cost	123 120	172 108	129 646	1 030 480	1 455 354
Accumulated depreciation	(20 857)	(10 604)	(6 705)	(144 149)	(182 315)
Net book amount	102 263	161 504	122 941	886 331	1 273 039

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2005

	2005 E	2004 E
5 LOANS AND ADVANCES	76 211 412	66 805 277
Due over a year and below two years	16 043 746	23 249 877
Due over two years and below three years	13 625 621	22 497 281
Due over three years	46 542 045	21 058 119
Amounts due within one year	50 30	28 947 748
Less - impairment of loans and advances:		
sugar cane loans	(7 58)	-
other loans	(5 53)	(5 807 576)
	37 19	23 140 172
	113 404 316	89 945 449

For the first time during the year, the company applied a dynamic provision to determine the impairment for sugar cane loans. As required by IAS 39 the impairment have been calculated as the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of expected future cash flows discounted using the effective interest rate at the inception of the advance. Comparative figures have not been restated.

SECTOR ANALYSIS

Consumer loans	24 235 359	7 106 204
Dressmaking/tailoring & knitting	902 978	1 012 473
Fruits and vegetables	618 340	377 454
Grocery and retailing	1 288 438	658 995
Handicraft	530 404	338 861
Hawking	55 514	80 409
Heavy Haulage	1 070 970	1 417 935
Maize and other cereal	173 947	2 245 103
Other Agricultural activities	4 745 687	4 091 915
Other forms of trade	4 641 750	1 900 570
Poultry	245 822	169 710
Savings & Credit Cooperatives	-	639 731
Sugar cane farming	87 049 097	75 249 346
Transport services	960 891	464 319
	126 519 197	95 753 025
Impairment of loans and advances	(13 114 881)	(5 807 576)
	113 404 316	89 945 449

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2005

	2005	2004
	E	E
6	RECEIVABLES AND PREPAYMENTS	
	5 198 632	6 366 472
Interest accrued	920 445	876 341
Staff loans	127 688	142 849
Prepayments	14 030	19 030
Sundry deposits	-	123 774
NMC Management fee accrued	<u>6 260 795</u>	<u>7 528 466</u>
	<u><u>6 260 795</u></u>	<u><u>7 528 466</u></u>
7	CASH AND CASH EQUIVALENTS	
	For the purpose of cash flow statement, cash and cash equivalent comprise the following:	
	8 548 300	1 555 263
Bank balances and short-term bank deposits	-	(570 941)
Bank overdraft	<u>8 548 300</u>	<u>984 322</u>
Cash and cash equivalent	<u><u>8 548 300</u></u>	<u><u>984 322</u></u>
	<u><u>8 548 300</u></u>	<u><u>984 322</u></u>
8	SHARE CAPITAL	
	The share capital of the company consists of the following:	
	<u>Authorised</u>	
	10 000 ordinary shares at E1 each	
	<u>Issued</u>	
	1 000	1 000
	<u>1 000</u>	<u>1 000</u>
	<u><u>1 000</u></u>	<u><u>1 000</u></u>
	84 224 069	84 224 069
Premium on issue of shares	<u>84 224 069</u>	<u>84 224 069</u>
	<u><u>84 224 069</u></u>	<u><u>84 224 069</u></u>

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2005

	2005	2004
	E	E

9 GENERAL RISK RESERVE

The general risk reserve arises from the disclosure requirement of IAS 39 regarding the treatment of general provisions. General provisions are accounted for through the statement of changes in equity in general risk reserve.

Opening balance	1 798 909	-
Transfer from ETF	-	1 717 893
General provisions raised during the period	469 177	81 016
	<hr/>	<hr/>
Balance at 31 March	2 268 086	1 798 909
	<hr/>	<hr/>

10 BORROWINGS

Non-current			
10.1	Loan – Swaziland Government	10 000 000	10 000 000
		<hr/>	<hr/>

This is a loan with Swaziland Government. It 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.

10.2 ADB Loan from Swaziland Government

The Government of Swaziland entered into an agreement on 20 October 2003 with the African Development Bank (ADB) in terms of which the bank will lend and advance E150 million to the Government for the purposes of financing agricultural activities on the Komati Downstream Development Project.

Swaziland Development Finance Corporation has been identified by ADB and Swaziland Government as one of the appropriate Development Finance Institutions for the purposes of disbursing the loan amounts to the beneficiaries. For this purpose, the Swaziland Government shall advance E75 million to Swaziland Development Finance Corporation.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2005

10.2 ADB Loan from Swaziland Government (continued)

The loan shall be repaid over a period of 10 years. Interest payment at 10.5% shall commence on 31 December 2005 whereas the payment of the principal shall commence on 31 December 2006. Swaziland Development Finance Corporation shall not be obliged to pay interest on funds that it has drawn down but not yet disbursed. Further, the company shall not be obliged to pay any amounts (including interest accrued) which have been certified by its auditors as being bad and unrecoverable.

At year end, the following amount had been received by the company from Swaziland Government:

	2005	2004
	E	E
ADB Loan from Swaziland Government	25 000 000	-
11 ACCOUNTS PAYABLE		
Trade payables	2 668 674	718 573
Accruals	101 244	198 282
Interest payable	1 477 700	199 452
Provision audit fee	85 000	110 000
	<u>4 332 618</u>	<u>1 226 307</u>
12 PROVISIONS		
Provision for leave pay	<u>713 433</u>	<u>300 968</u>
13 COMMITMENTS		
Loan amounts approved but not disbursed	<u>19 416 268</u>	<u>17 737 623</u>

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

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2005

	2005 E	2004 E
14 FINANCE INCOME		
Interest receivable		
Loans and advances	21 067 466	8 786 294
Staff loans	95 737	45 892
Investments	139 288	147 090
	<u>21 302 491</u>	<u>8 979 276</u>
Interest payable		
Borrowings	<u>1 521 705</u>	<u>464 271</u>
15 PROVISION FOR DOUBTFUL DEBTS		
Specific provision		
Opening balance	5 807 576	-
Acquired from ETF	-	2 651 974
Raised and charged to the income statement during the period	9 978 963	3 155 602
Sugar cane loans	7 582 149	-
Other loans	2 396 814	3 155 602
Written off against provisions	(2 671 658)	-
	<u>13 114 881</u>	<u>5 807 576</u>
Interest in suspense		
Net interest suspended during the period	<u>125 818</u>	<u>238 697</u>
16 STAFF COSTS		
Salaries	3 202 013	1 893 016
Provident Company Contributions	6 495	3 000
Pension costs (defined contribution plan)	224 783	101 078
Other benefits and costs	669 013	210 881
	<u>4 102 304</u>	<u>2 207 975</u>

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2005

16	STAFF COSTS (continued)	2005	2004
		E	E
	The average number of persons employed by the Company during the year was 20 (31 March 2004:18).		

17 CASH UTILISED BY OPERATIONS

Profit for the period	692 398	1 578 146
Adjustment for non-cash items:		
Impairment of loans and advances	9 978 963	3 155 602
Depreciation	271 954	182 315
Provision for leave pay	412 465	300 968
	<u>11 3</u>	<u>5 217 031</u>
Decrease in working capital	(28 7)	(6 089 636)
Loans to customers	(33 437 830)	(7 270 792)
Other current assets	1 267 671	909 103
Current liabilities	3 403 052	272 053
	<u>(17 411 327)</u>	<u>(872 605)</u>

18 RELATED PARTY TRANSACTIONS

18.1 Loan to the Managing Director

Balance at beginning of the year	229 363	-
Transfer from ETF	-	240 825
Interest accrued during the year	14 866	13 618
Loan repayments during the year	(177 235)	(25 080)
	<u>66 994</u>	<u>229 363</u>

The loan was advanced to the Managing Director as a property loan, repayable over 17 years, interest rate is based on the Swaziland Building Society mortgage rate, which is currently 9.5%. The loan has been secured by a first mortgage bond over the property in favour of the Company.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2005

18.2 Loan to Shangase Investment

Shangase Investment is a company owned by the Managing Director. A loan amount of E1.2 million was approved during the year by the Board of Directors for the company to acquire a property. The following amount was advanced during the year:

	2005	2004
	E	E
Amount advanced	97 902	-

The loan is payable within six months from date of disbursement and bears interest at 19% pa. A first mortgage bond over the property to be acquired will be registered in favour of Swaziland Development Finance Corporation once the loan has been fully advanced.

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

In terms of a 3-year contract with NMC, 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 Company 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. Swaziland Development Finance Corporation Limited acts as signatories to this account. On 16 February 2005, an amount of E1,767,596.10 was claimed from the guarantee in respect of loan balances outstanding from Swaziland National Grain Producers Association. As at 31 March 2005, the balance on the NMC Fund account was as follows:

	2005	2004
	E	E
Balance at beginning of the year	1 976 113	1 923 909
Interest accrued	39 691	52 204
Less: Claims on guarantee	(1 767 596)	-
Bank charges	(45)	-
	<u>248 163</u>	<u>1 976 113</u>

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 200520 SWAZILAND DAIRY BOARD CREDIT
GUARANTEE FUND

In terms of a 6 year contract with 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 company 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 acts as signatories to this account. As at 31 March 2005, the balance on the SDB Fund account was as follows:

	2005	2004
	E	E
Opening amount	1 500 000	1 500 000
Interest earned during the year	72 596	-
	<hr/>	<hr/>
Closing amount	1 572 596	1 500 000
	<hr/> <hr/>	<hr/> <hr/>

21 VOLUNTARY DEFERRED PAY SPECIAL FUND

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 company 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. Swaziland Development Finance Corporation acts as signatories to this account. As at 31 March 2005, the balance on the VDPS Fund account was as follows:

	2005	2004
	E	E
Amount received for the guarantee	2 500 000	-
Interest earned during the year	109 491	-
	<hr/>	<hr/>
Closing amount	2 609 491	-
	<hr/> <hr/>	<hr/> <hr/>

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2005

22 KOMATI BASIN WATER AUTHORITY (KOBWA)

In terms of an indefinite period contract with 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 company as management fee on a quarterly basis from the date of disbursement of the first loan. KOBWA agreed to provide up to E0.5 million 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 acts as signatories to this account. As at 31 March 2005, no loans have been disbursed and the balance on the KOBWA Fund account is as follows:

	2005	2004
	E	E
Amount received for the guarantee	500 000	-
	<hr/>	<hr/>

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

DETAILED INCOME STATEMENT

for the year ended 31 March 2005

	2005 E	2004 E
INCOME		
Interest receivable	21 302 490	8 979 276
Bad debts recovered	570 197	310 924
Sundry income	519 062	335 411
	<hr/>	<hr/>
	22 391 749	9 625 611
	<hr/>	<hr/>
EXPENSES		
Advertising	101 281	96 414
Audit remuneration	103 200	70 000
Bank charges	145 207	60 863
Bad debts written off	2 918 400	43 379
Board expenses	80 833	39 846
Computer expenses	57 585	27 742
Consulting fees	-	4 150
Depreciation	271 954	182 315
Impairment of loans and advances	9 978 963	3 155 602
Insurance	153 802	24 987
Interest expense	1 521 705	464 271
Legal fees	188 961	92 394
Magazines and subscriptions	141 935	81 131
Motor vehicle expenses	304 870	188 028
Printing and stationery	73 869	58 902
Repairs and maintenance	19 034	53 519
Rent, water and light	235 529	111 567
Salaries and wages	4 102 303	2 207 975
Security	55 388	24 708
Sundry expenses	60 653	20 157
Telephone and postage	200 492	94 630
Training	58 913	2 110
Travelling and entertainment & International conferences	627 733	259 882
	<hr/>	<hr/>
Total expenses	21 402 610	7 364 572
	<hr/>	<hr/>
Profit before taxation	989 139	2 261 039
Taxation	<u>(296741)</u>	<u>(682 893)</u>
Profit for the year	692 398	1 578 146
	<hr/> <hr/>	<hr/> <hr/>

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

TAXATION SCHEDULE

for the year ended 31 March 2005

	2005 E
TAXATION COMPUTATION	
Profit before tax	989 139
Add back: provision for leave pay	412 465
	<hr/>
Taxable profit	1 401 604
	<hr/> <hr/>
Taxation at 30%	420 481
	<hr/> <hr/>