SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED
Annual Financial Statements
for the year ended 31 March 2007

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

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SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

CORPORATE GOVERNANCE STATEMENT
for the year ended 31 March 2007

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 Corporation is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the Corporation's compliance with the King Code on Corporate Governance forms part of the mandate of the Corporation'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 Corporation'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 Corporation can dominate decision-making. The directors of the Corporation are listed on page 6. 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 Corporation'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 Corporation's objective of consistently adding value to the business objectives. The Corporation'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 2007

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 Swaziland and International Financial Reporting Standards and in the manner required by the Swaziland Companies Act as amended.

The directors are also responsible for the Corporation'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 Corporation 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 Corporation.

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 - 4.

The annual financial statements which appear on pages 5 to 42 have been approved by the board of directors on ______________________ and are signed on its behalf by:

________________________	________________________
CHAIRMAN	MANAGING DIRECTOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2007

We have audited the annual financial statements of Swaziland Development Finance Corporation Limited, which comprise the directors' report, the balance sheet as at 31 March 2007, the income statement, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 42.

Directors' Responsibility for the Financial Statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Swaziland Companies Act 1912. 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. 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 judgement, 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 the directors, 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 financial position of the company as of 31 March 2007 and of their financial performance and their 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.

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
Partner: *Paul Lewis*
Chartered Accountant (Swaziland)
Mbabane
Date

DIRECTORS' REPORT
for the year ended 31 March 2007

The directors have pleasure in submitting their report, which forms part of the financial statements of the Corporation for year ended 31 March 2007.

1. Nature of Business

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

2. Financial Results

Swaziland Development Finance Corporation (FINCORP) continued to experience significant profitability and growth during this financial year ended 31 March 2007 as highlighted below:

Interest Income
The interest income for the year increased by 38% from the previous year from E32 million to E44 million. This is attributable to a relative increase of E65 million of our gross loan portfolio. The loan portfolio has increased from last years gross value of E221 million to E286 million as at year end, which is a 29% increase.

Operating expenses
Our operating expenses have increased by 39% from the previous financial year. This is mainly attributable to an increase of 64% (E3.9million) in our payroll expense due to a salary review exercise which was undertaken during the year and effective. Excluding this once-off payroll expense, our operating expenses have increased by a modest 14%.

Interest Expense
During the year the company drew E10.8 million from the E75million African Development Bank (ADB) loan facility. We also obtained extra funding of E15million from NORSAD and E5 million from Swaziland National Provident Fund (SNPF). Hence the significant increase of 45% in our interest expense for the year.

Provisions
In compliance with the requirements of International Accounting Standard 39, Financial Instruments, an impairment of loans and advances of E10.6 million had to be recognised in the income statement. The requirement of the standard is that the impairment be calculated as the difference between carrying amount and the recoverable amount of the loans.

Profit
This financial year, the corporation has managed a significant increase in net profits of almost double that of the previous year, recording the highest net profit since incorporation. The company's profits have increased from the previous year's E2.7 million to E7.1 million. This is largely due to the increase in our loan portfolio which resulted to the 38% increase in interest income as has been highlighted above.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2007

3. Loan Portfolio

As mentioned above, our loan portfolio has increased significantly by 29% from the previous financial year. This increase has been funded by a draw-down of E10.8 million from the E75million African Development Bank (ADB) loan facility, leaving a balance still to be drawn of E20 million. We also obtained extra funding of E15million from NORSAD and E5 million from Swaziland National Provident Fund (SNPF). A summary of the loans approved and disbursed during the year is given below:

Loan Type	Undisbursed loans 31 March 2006	Value of new loans approved	Number of new loans	Disbursed during the year	Undisbursed loans 31 March 2007
	E	E	E	E	E
Other agriculture	7 864 299	20 694 264	160	(24 460 109)	4 098 454
General business	10 367 221	64 445 379	506	(66 466 243)	8 346 359
Sugar cane seasonal	19 208 812	37 064 029	59	(36 471 911)	19 800 930
Micro Loans	681 928	47 722 954	4 359	(47 540 326)	864 556
Kobwa Scheme	50	123 210	28	(104 714)	18 546
	38 122 312	**170 049 836**	**5 112**	**(175 043 303)**	**33 128 845**

4. Special Projects

Swaziland Dairy Board
The initial seed capital of E1.5 Million for the Dairy Fund has been fully committed. Progress of the already financed projects is being monitored very closely in order to establish the sustainability of the fund. The contribution that has been made by the scheme in increasing local milk production is quite significant. More and more farmers are showing interest in the sector. However there is a need to make a concerted effort to improve the milk marketing and supply chain.

Swaziland Ex-miners voluntary deferred pay credit guarantee fund
The loan fund of E2.5 Million under Ex-miners Voluntary Deferred Pay Credit Guarantee Fund has also been fully utilised. A number of Ex-miners were able to start their business and monitoring of such business is in progress. Some of the beneficiaries have since graduated from the special fund to the mainstream financing options offered by FINCORP and therefore gaining access to funding outside the limits of the fund.

ADB Loan Fund

The ADB loan Fund is sector and area specific in that it is only made available to Komati Downstream Development Project (KDDP). As at the end of the year under review, a total sum of E55 million had been received from government under the E75 Million ADB Loan Fund with a capital repayment of E1.2 million made during the year. The amount received from the loan fund has been fully utilised to finance a combination of new developments; expansions and seasonal loan requirements. The organisation is closely monitoring the challenges and price fluctuations faced by the sugar industry bearing in mind the sustainability of the projects financed. In general terms, the yields and proceeds received by farmers during the year under review showed improvement.

5. 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, and remained unchanged during one year.

6. Dividends

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

7. Directors

The directors who acted during the period are:

Dr. Vincent Mhlanga	Managing Director

Board members appointed on 8 September 2005:

Musa Mdluli	Representing Tibiyo TakaNgwane
Simanga Simelane	Representing Tibiyo TakaNgwane
Leonard Sithebe	Representing Tibiyo TakaNgwane

Board members appointed on 24 May 2006:

Almon Mbingo	Chairman, Representing Swaziland Government
Mandla Mavuso	Representing Swaziland Government
Nomsa Tibane	Representing Swaziland Government
Musa Sibandze	Representing Swaziland Government
Mduduzi Zwane	Representing Swaziland Government

8. Secretary

The Secretary of the Corporation is: Mr Dumisani Msibi.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2007

9. Bankers

The Bankers of the Corporation are:

First National Bank Swaziland Limited
P O Box 261
Eveni.
Swaziland

Standard Bank Swaziland Limited
P O Box A294
Swazi Plaza
Swaziland

Nedbank Swaziland Limited
P O Box 68
Mbabane
Swaziland

10. Business and postal address of the Corporation

Business address:	Postal address:
7th floor, Dlanubeka Building	P O Box 6099
Corner of Mdada and Lalufadlana Streets	Mbabane
Mbabane	Swaziland

11. Auditors

The auditors of the Corporation are:

PricewaterhouseCoopers Swaziland
P O Box 569
Mbabane
Swaziland

12. Event since balance sheet date

Events since the balance sheet date:

(a) have been fully taken into account insofar as they have a bearing on the amounts attributable to assets and/or liabilities at that date;
(b) apart from changes in the ordinary course of business, have not made the present financial position substantially different from that shown by the balance sheet;
(c) have not required adjustments to the fair value measurements and disclosures included in the financial statements.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

INCOME STATEMENT
for the year ended 31 March 2007

	Notes	2007 E	2006 E
Interest income	1	44 046 964	32 027 038
Interest expenditure	2	(8 608 015)	(5 935 735)
Net interest income before impairment of loans and advances		**35 438 949**	**26 091 303**
Impairment of loans and advances	10	(10 644 913)	(11 888 737)
Net interest income after impairment of loans and advances		24 794 036	14 202 566
Non-interest income	3	1 504 362	1 535 435
Total income from operations		26 298 398	15 738 001
Operating expenditure	4	(16 208 220)	(12 033 979)
Income from operation before taxation		**10 090 178**	**3 704 022**
Taxation	6	(2 994 731)	(955 506)
Profit for the period		**7 095 447**	**2 748 516**

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

BALANCE SHEET
at 31 March 2007

	Notes	2007	2006
		E	E
ASSETS			
Non-current assets			
Property, plant and equipment	8	3 011 922	3 173 839
Loans and advances	9	125 400 912	108 762 782
Financial assets	11	1 522 500	1 522 500
Deferred tax asset	7	397 365	295 621
		130 332 699	113 754 742
Current assets			
Loans and advances	9	114 647 671	87 170 972
Receivables and prepayments	12	12 377 878	9 800 572
Derivative financial instruments	20	792 509	-
Cash and cash equivalents	13	267 499	3 332 266
		128 085 557	100 303 810
Total assets		**258 418 256**	**214 058 552**
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	14	1 000	1 000
Share premium	14	84 224 069	84 224 069
General Risk Reserve	15	4 800 972	3 918 675
Retained Income		9 031 428	2 818 278
		98 057 469	90 962 022
Non-current liabilities			
Borrowings	16	112 098 782	90 291 779
Current liabilities			
Borrowings	16	33 856 767	19 973 098
Trade and Accounts payable	17	7 629 215	6 843 882
Derivative financial instruments	20	-	2 650 000
Taxation	18	5 327 236	2 230 761
Provisions	19	1 448 787	1 107 010
Total current liabilities		48 262 005	32 804 751
Equity and liabilities		**258 418 256**	**214 058 552**

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2007

	Share Capital E	Share Premium E	General Risk Reserve E	Retained Income E	Total E
Opening balance: 31 March 2006	1 000	84 224 069	3 918 675	2 818 278	90 962 022
Profit for the year	-	-	-	7 095 447	7 095 447
Transfer to General Risk Reserve	-	-	882 297	(882 297)	-
Balance at 31 March 2007	1 000	84 224 069	4 800 972	9 031 428	98 057 469
Opening balance 1 April 2005	1 000	84 224 069	2 268 086	1 720 351	88 213 506
Profit for the period	-	-	-	2 748 516	2 748 516
Transfer to General Risk Reserve	-	-	1 650 589	(1 650 589)	-
Balance at 31 March 2006	1 000	84 224 069	3 918 675	2 818 278	90 962 022

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

CASH FLOW STATEMENT
for the year ended 31 March 2007

	Notes	2007 E	2006 E
Cash flow from operating activities			
Cash utilised from operating activities	23	(38 301 105)	(77 706 785)
Cash flow from investing activities			
Purchase of property, plant and equipment		(634 171)	(674 353)
Proceeds from sale of equipment		80 235	61 321
Net cash utilised from investing activities		(553 936)	(613 032)
Cash flow from financing activities			
Increase in long term loan		32 550 958	59 577 244
Finance lease principal payments		(358 024)	(140 331)
Net cash inflows from financing activities		32 192 934	59 436 913
Movement in cash and cash equivalents			
At start of period		(11 857 104)	7 025 800
Net (decrease)/increase in cash and cash equivalents		(6 662 107)	(18 882 904)
At end of year	13	(18 519 211)	(11 857 104)

SUMMARY OF ACCOUNTING POLICIES
for the year ended 31 March 2007

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

A Basis of preparation

The financial statements have been prepared on the historical cost basis in accordance with International Financial Reporting Standards, using the historical cost convention as modified by the revaluation of available for sale financial assets and financial assets and liabilities at fair value through profit or loss.

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.

B Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Emalangeni, which is the Corporation's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses which are recognised in the income statement.

C 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:

Property, plant and equipment and Depreciation (Continued)

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.

D Impairment of long lived 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).

E Loans and advances

All loans and advances are recognised when cash is advanced to borrowers. These are carried at original amounts advanced less provisions made for impairment. A provision for impairment 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 the loan. The amount of the provision is determined by following the Corporation's provisioning policy.

F Loans and advance impairment

The Corporation 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.

Loans and advance impairment (Continued)

The Corporation creates a further portfolio impairments 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 Corporation writes off advances once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

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

G Leased assets

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

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

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. In all significant leasing arrangements in place during the year, the Corporation acted as a lessee.

H Financial assets

The Corporation classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2) 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 arise when the Corporation provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. During the year, the Corporation did not hold any investments in this category.

4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or cannot be classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade date, the date on which the Corporation commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction cost for all financial assets not carried at fair value through profit or loss.

H Financial assets (continued)

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

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation 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 and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Corporation establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Corporation commits to purchase or sell the asset. Cost of purchase includes transaction costs.

H Financial assets (continued)

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

Financial assets at fair value through profit and loss, and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments and available-for-sale investments are included in the income statement in the period in which they arise.

The fair values of investments are based on stock exchange quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

5) Offset of financial assets and liabilities

Financial assets and financial liabilities are offset in the amount represented in the balance sheet 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.

I 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.

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.

Service fees and commission income
The Corporation recognises service fee and commission income on an accrual basis when the service is rendered.

J General Risk Reserve

General provisions which are calculated at 2% of the net loans, equities and finance leases after specific provisions are dealt with within the statement of changes in equity as appropriation of retained earnings. This treatment is in accordance with IAS 39.

K Financial Instruments

Financial instruments carried in the balance sheet 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.

Financial risk factors

The Corporation's activities expose it to a variety of financial risks. 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. 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.

(i) Interest rate risk

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

(ii) Credit risk

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,
- receivables and prepayements,

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

Financial Instruments (Continued)

(ii) Credit risk (continued)
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 loanholders. Exposures to individual loanholders and group of loanholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual loanholders, or homogenous group of loanholders, 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 balance sheet 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 balance sheet.

(iii) Liquidity risk
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.

Derivative financial instruments and hedging
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

Derivative financial instruments and hedging (continued)
On the date a derivative is entered into, the Corporation designates certain derivates as either:

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

L 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 balance sheet date.

M 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.

N 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 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 balance sheet.

O 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.

P 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.

Q 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 balance sheet 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.

Q Employee benefits (continued)

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 balance sheet date are discounted to present value.

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

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

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

Statutory obligations
Provision is not made for statutory termination obligations in terms of the Employment Act, 1980. It is considered that the Corporation's contribution to the Pension Fund which can be recovered against such statutory obligations, at present, exceed any such liability.

R 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.

R Critical accounting estimates and judgements (continued)

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 F. The recoverable amounts of loans and receivables have been determined based on discount cash inflows. These calculations require the use of estimates (Note 9 and 10).

S Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2007

1 Interest income

	2007 E	2006 E
Revenue consists of the aggregate of interest income received and accrued as follows:		
Business loans	12 598 312	4 317 701
Consumer loans	14 041 254	12 988 704
Agriculture loans	3 889 706	1 618 613
Sugar cane loans	13 517 692	13 102 020
Total interest income	44 046 964	32 027 038

2 Interest expenditure

Interest expense:		
Bank borrowings	1 417 319	500 815
Finance leases	186 645	82 875
Interest payable on long term loans	7 004 051	5 352 045
	8 608 015	5 935 735

3 Non-interest income

Application fee	520 700	775 550
Loan Monitoring fee	384 524	375 208
Management fee	73 199	29 544
Investment income – dividends	107 742	232 622
Interest on staff loans	205 426	91 766
Other non-interest income	212 771	30 745
	1 504 362	1 535 435

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2007

	2007 E	2006 E
4 Operating expenditure		
Auditors remuneration - audit fees	200 000	165 000
Depreciation on property, plant and equipment		
- Property, plant and equipment	366 178	90 393
- Leased assets under finance lease	375 394	198 723
Professional fees	130 986	77 578
Staff costs (note 5)	9 968 857	6 395 554
Loss on disposal	-	215 095
Repairs and maintenance	65 218	22 086
Operating lease rentals	601 539	588 410
Bad debts	568 735	60 609
Foreign exchange loss - net	49 796	1 249 358
Other operating costs	3 881 517	2 971 173
Total operating expenditure	16 208 220	12 033 979

5 Staff costs

	2007 E	2006 E
Salaries	7 046 978	4 662 619
Provident Fund Contributions	33 300	11 731
Pension costs (defined contribution plan)	816 206	211 150
Other benefits and costs	203 842	215 652
Staff training	1 168 635	860 813
Medical aid contribution	699 896	433 589
	9 968 857	6 395 554

The average number of persons employed by the Corporation during the year was 31 (2006:27).

6 Taxation

	2007 E	2006 E
Swaziland normal Corporation taxation		
- Current tax (refer note 18)	3 096 475	1 037 097
- Deferred tax (refer note 7)	(101 744)	(81 591)
	2 994 731	955 506

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

		2007 E	2006 E
6	**Taxation (continued)**		
	Taxation rate reconciliation:		
	Standard taxation rate	30.00%	30.00%
	Income not subject to tax	(0.40%)	(4.30%)
	Effective taxation rate	29.60%	25.70%

7 Deferred tax

Deferred income taxes are calculated in full on temporal differences under the liability method using a principal tax rate of 30% (2006:30%). Deferred tax arises from the following item:

The movement on the deferred income tax account is as follows:

	2007 E	2006 E
At the beginning of the year	295 621	214 030
Income statement charge (refer note 6)	101 744	81 591
At end of the year	397 365	295 621

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:-

31 March 2007	**Opening balance E**	**Charged to net profit E**	**Closing balance E**
Deferred tax assets			
Provisions	278 103	96 532	374 635
Capitalised finance lease assets	17 518	5 212	22 730
	295 621	101 744	397 365
31 March 2006			
Deferred tax assets			
Provisions	214 030	64 073	278 103
Capitalised finance lease assets	-	17 518	17 518
At end of the year	214 030	81 591	295 621

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

8 Property, plant and equipment

	Computer Equipment E	Furniture & fittings E	Office Equipment E	Motor Vehicles E	Leased Motor Vehicles E	Total E
Period ended 31 March 2007						
Opening Balance	251 568	469 856	118 318	493 582	1 840 515	3 173 839
Additions	161 817	316 413	155 941	-	-	634 171
Disposal	-	-	-	(54 516)	-	(54 516)
Depreciation	(122 301)	(65 905)	(23 173)	(154 798)	(375 395)	(741 572)
Closing net book amount	291 084	720 364	251 086	284 268	1 465 120	3 011 922
At 31 March 2007						
Cost	732 988	885 687	324 093	793 131	2 039 238	4 775 138
Accumulated depreciation	(441 904)	(165 323)	(73 007)	(508 863)	(574 118)	(1 763 216)
Net book amount	291 084	720 364	251 086	284 268	1 465 120	3 011 922
Period ended 31 March 2006						
Opening balance	86 697	145 353	110 645	683 085	-	1 025 780
Additions	266 149	360 680	47 524	-	2 039 238	2 713 591
Disposals	(10 200)	-	(29 568)	(236 648)	-	(276 416)
Review of residual value	-	-	-	159 494	36 335	195 829
Depreciation	(91 078)	(36 177)	(10 283)	(112 349)	(235 058)	(484 945)
Closing net book amount	251 568	469 856	118 318	493 582	1 840 515	3 173 839
At 31 March 2006						
Cost	571 171	569 644	168 153	981 339	2 039 239	4 329 545
Accumulated depreciation	(319 603)	(99 788)	(49 835)	(487 757)	(198 723)	(1 155 706)
Net book amount	251 568	469 856	118 318	493 582	1 840 515	3 173 839

Leased motor vehicles comprised of 10 motor vehicles, which were acquired during the year under finance leases (where the Corporation is the lessee).

9 Loans and advances

	2007 E	2006 E
Business and other loans	234 159 663	171 488 270
Consumer loans	39 743 126	49 921 342
Gross advances	273 902 789	221 409 612
Current Portion	(114 647 671)	(87 170 972)
Less: Impairment	(33 854 206)	(25 475 858)
- sugar cane loans	(18 969 666)	(15 229 550)
- other loans	(14 884 540)	(10 246 308)
Non- current loans and advances	125 400 912	108 762 782

The maturity of loans and advance is as follows:

	2007	2006
Not later than 1 year	114 647 671	87 170 972
Later than 1 year and not later than 2 years	45 580 565	31 971 531
Later than 3 years	113 674 553	102 267 109
	273 902 789	221 409 612

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

	2007 E %	2006 E %
Business and other loans	15.5	15.5
Consumer loans	36	36

9	**Loans and advances (continued)**	**2007 E**	**2006 E**
	Sector analysis		
	Micro loans	39 733 026	49 921 342
	Dressmaking/tailoring & knitting	1 080 135	3 124 306
	Fruits and vegetables	8 855 724	3 600 907
	Grocery and retailing	4 401 244	2 011 057
	Handicraft	96 748	49 143
	Hawking	554 357	484 086
	Heavy Haulage	33 508 904	13 453 865
	Maize and other cereal	5 545 539	4 057 363
	Other Agricultural activities	16 662 049	6 984 582
	General business	49 687 229	32 757 784
	Poultry	3 177 888	1 733 213
	Sugar cane farming	103 297 437	98 896 794
	Transport services	7 302 509	4 335 170
		273 902 789	221 409 612
	Impairment of loans and advances	(33 854 206)	(25 475 858)
		240 048 583	195 933 754

10 Impairment of loans and advances

	Present value adjustment relating to IAS39	(10 843 820)	(12 360 577)
	Bad debts recovered	198 907	471 840
		(10 644 913)	(11 888 737)

11 Financial Assets

	These are Swaziland Building Society permanent shares.	1 522 500	1 522 500

The investment has been pledged as security in respect of staff housing loans with Swaziland Building Society (refer note 21).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

		2007 E	2006 E
12	**Receivables and prepayments**		
	Interest accrued	8 648 003	7 207 197
	Staff loans	3 635 086	2 547 828
	Prepayments	86 481	30 037
	Other receivables	8 308	15 510
		12 377 878	9 800 572
13	**Cash and cash equivalents**		
	Cash at bank	261 455	3 323 797
	Cash in hand	6 044	8 469
		267 499	3 332 266

For the purpose of cash flow statement, cash and cash equivalent comprise the following:

	2007 E	2006 E
Cash and bank balance	267 499	3 332 266
Bank overdraft (Note 16)	(18 786 710)	(15 189 370)
Cash and cash equivalents	(18 519 211)	(11 857 104)

First National Bank of Swaziland Limited

The Corporation has overdraft facilities with First National Bank of Swaziland Limited of E3 000 000 and E15 000 000 to be utilised for working capital requirements and for taking over the NAB Micro Loan Books Scheme from the bank and allowing for growth of the scheme respectively.
The bank overdraft is on a fluctuating basis and is secured by a negative pledge of assets, line of credit agreement (US$ 3.0 million) between OPEC Fund International Development and Swaziland Development Finance Corporation, and also a guarantee by Swaziland Government. 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.

13 Cash and cash equivalents (continued)

Standard Bank Swaziland Limited

During the year, the Corporation increased its level of bank overdraft with an overdraft facility amounting to E20 000 000 with the Standard Bank of Swaziland Limited to finance working capital requirements. The overdraft facility is secured by cession of the Corporation's insurance booking totalling E49 000 000 and repayable on demand. Interest is charged at prime rate prevailing from time to time per annum.

14 Share capital

	2007 E	2006 E
The share capital of the Corporation consists of the following:		
Authorised		
10 000 ordinary shares at E1 each	10 000	10 000
Issued		
1 000 ordinary shares	1 000	1 000
Premium on issue of shares	84 224 069	84 224 069

15 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.

	2007 E	2006 E
Opening balance	3 918 675	2 268 086
General provisions raised during the period	882 297	1 650 589
Closing balance	4 800 972	3 918 675

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

			2007	**2006**
			E	**E**
16	**Borrowings**			
	Current			
	Bank overdraft (Note 13)		18 786 710	15 189 370
	Long term loans (Note 16.1)		14 699 782	4 422 960
	Finance lease liabilities (Note 16.2)		370 275	360 768
			33 856 767	19 973 098
	Non Current			
	Long term loans (Note 16.1)		110 928 173	88 753 640
	Finance lease liabilities (Note 16.2)		1 170 609	1 538 139
			112 098 782	90 291 779
	Total borrowings		145 955 549	110 264 877
16.1	**Long term loans**			
	The analysis of long term loans is as follows:			
	Swaziland Government	16.1.1	30 000 000	30 000 000
	African Development Bank	16.1.2	53 802 955	44 229 600
	OPEC Fund	16.1.3	21 825 000	18 447 000
	Swaziland National Provident Fund	16.1.4	5 000 000	-
	Norsad	16.1.5	15 000 000	-
	Tibiyo TakaNgwane	16.1.6	-	500 000
	Total long term loans		125 627 955	93 176 600
	Current			
	Long term loans		(14 699 782)	(4 422 960)
	Total non current long term loans		110 928 173	88 753 640

16 Borrowings (continued)

16.1.1 Swaziland Government

The loan with the Swaziland Government (E 10 million), received 11 February 2003, is for a 10 year period at 8% interest per annum payable semi annually on 30 June and 31 December. The capital amount is payable in two instalments of E5m on 30 June 2008 and 30 June 2013.
Furthermore, an additional loan amounting to E 20 Million was obtained from the Central Bank of Swaziland on 06 March 2006. The Corporation is to lend the money to deserving and potential and existing entrepreneurs. Interest is payable at a fixed rate of 6.5% per annum and paid half yearly whilst the capital shall be repaid in five annual instalments of E 4 Million from 6 March 2008.

16.1.2 African Development Bank

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. The amount will be advanced to the company in five trenches of E12,500,000, E12,500,000, E19,230,000, E10 823 355 and E19 946 645 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.

16.1.3 OPEC Fund

The OPEC is a line of credit amounting to US $ 3 Million to Swaziland Development Finance Corporation. Interest accrues from day to day and is pro rated on the basis of 360 days at a floating rate of LIBOR plus 2% margin. Repayment of the capital shall be made on the second anniversary of the first disbursement (07/11/2007) to 7 November 2012.

16.1.4 Swaziland National Provident Fund

The Swaziland National Provident Fund (SNPF) agreement which in terms will lend Swaziland Development Finance Corporation 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 after the expiry of the first anniversary date of the median date of draw downs.

16.1.5 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 total disbursed shall be 4.17% and interest payable quarterly in March, June, September and December.

16.1.6 Tibiyo TakaNgwane

Tibiyo TakaNgwane loan facility amount was for E 10 Million. The loan was repayable over 9 years, and interest to be calculated annually at a variable prime lending rate charged by Standard Bank, and shall the prime increase to 15%, anything above 15% the parties shall negotiate in good faith. Security shall be of a notarial bond over all the borrowers' present and future debtors.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

16 Borrowings (continued)

16.1.6 Tibiyo TakaNgwane (continued)

Total repayment shall not exceed E 15 Million. The loan amount was repaid in full during the year. The fair values are based on discounted cash flows using a discounted rate based upon the borrowing rate that the directors expect would be available to the Corporation at balance sheet date.

The maturity of the long term borrowing is as follows:

	2007	**2006**
	E	**E**
Within 1 year	14 699 782	4 422 960
Between 1 and 2 years	22 052 205	17 478 939
Between 2 and 5 years	44 484 419	33 343 588
Over 5 year	44 391 549	37 931 113
Non current portion	125 627 955	93 176 600

Long term loans- minimum payments

Not later than 1 year	19 952 698	7 358 921
Later than 1 year and not later than 2 years	23 152 804	17 926 274
Later than 2 year and not later than 5 years	69 458 412	53 778 821
Later than 5 years	69 606 587	58 766 650
	182 170 501	137 830 666
Future finance charges on finance leases	(56 542 546)	(44 654 066)
	125 627 955	93 176 600

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

	Carrying Amount	**Fair Values**
	E	E
Swaziland Government	30 000 000	30 511 543
African Development Bank	53 802 955	59 154 042
OPEC Fund	21 825 000	21 706 028
Swaziland National Provident Fund	5 000 000	5 527 740
Norsad	15 000 000	15 000 000
	125 627 955	131 899 353

16 Borrowings (continued)

16.2 Finance lease liabilities

In 2006, the Corporation increased its level of borrowing to finance the acquisition of 10 motor vehicles through a finance lease facility. The lease liabilities are effectively secured as the rights to leased assets revert to the lessor in the event of default.

The present values of the finance lease liabilities is as follows:

	2007 E	2006 E
Not later than 1 year	370 275	360 768
Later than 1 year and not later than 5 years	1 170 609	1 538 139
Total non-current portion	1 540 884	1 898 907

Finance lease liabilities- minimum lease payments

Not later than 1 year	565 607	545 660
Later than 1 year and not later than 5 years	1 330 748	1 827 912
	1 896 355	2 373 572
Future finance charges on finance leases	(355 471)	(474 665)
	1 540 884	1 898 907

17 Trade and other payables

Trade payables	1 416 871	1 891 011
Accruals	339 562	321 417
Interest payable	5 872 782	4 631 454
	7 629 215	6 843 882

18 Taxation

	2007 E	2006 E
Opening balance	2 230 761	1 193 664
Current year tax (refer note 6)	3 096 475	1 037 097
Closing balance	5 327 236	2 230 761

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

19 Provisions

	Performance Bonus	Audit fees	Leave pay	Total
31 March 2007	**E**	**E**	**E**	**E**
At 1 April 2006	272 885	180 000	654 125	1 107 010
Additional provision	498 507	200 000	750 280	1 448 787
Utilised during the year	(272 885)	(180 000)	(654 125)	(1 107 010)
At year-end	498 507	200 000	750 280	1 448 787
31 March 2006				
At 1 April 2005	-	85 000	713 433	798 433
Additional provision	272 885	180 000	654 125	1 107 010
Utilised during the year	-	(85 000)	(713 433)	(798 433)
At year-end	272 885	180 000	654 125	1 107 010

Analysis of total provisions:	**2007**	**2006**
	E	**E**
Current	1 448 787	1 107 010

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 increases 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.

Performance bonus

Provision is made for payments in accordance with a bonus plan for the year ended 31 March 2007. The bonus provision consists of a performance based bonus, which is determined by reference to the overall Corporation performance with regard to a set of pre-determined key performance area. The cash flow is expected to occur in 2006/2007 financial year when the results have been approved.

20 Derivative financial instruments

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

The net fair value of derivative financial instruments at the balance sheet date and designated as fair value hedge were:

	2007 **E**	**2006** **E**
Cross currency swap	792 509	(2 650 000)

Cross Currency Swap
Cross currency swap agreement was entered into to manage exposure to fluctuations in foreign currency exchange rate on the based commitment with the OPEC Fund for International Development. The Corporation's credit risk represents the potential cost to replace the swap contracts if counter parties fail to perform their obligation.

At 31 March 2007, Borrowings included an amount of E 21 825 000 in respect of a long term loan due in foreign currency, which has been hedged using the forward exchange contract stipulated above.

21 Contingencies

Contingent liabilities
At 31 March 2007 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 522 500 (2006: E 1 522 500) to Swaziland Building Society in respect of staff housing loans.

22 Commitments

Capital Commitments
Loan amounts contracted and approved for at the balance sheet date but not recognised in the financial statements are as follows:

	2007 **E**	**2006** **E**
Loan amounts approved but not disbursed	33 128 845	38 122 312

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 2007

22 Commitments (continued)

Operating lease commitments –where the Corporation is the lessee.

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

	2007 E	2006 E
Not later than 1 year	378 000	378 000
Later than 1 year and not later than 5 years	1 994 543	1 994 543
Later than 5 years	1 994 542	2 372 542
	4 367 085	4 745 085

During the year, May 2005, the Corporation entered into an operating lease agreement with Swaziland National Provident Fund Properties. Operating rentals amounts to E 30 000 per month with an annual fixed escalation rate of 6%.

23 Cash utilised by operations

	2007 E	2006 E
Cash flows from operating activities:		
Profit for the period before taxation	10 090 178	3 704 022
Adjustment for non-cash items:		
Impairment of loans and advances	10 843 820	10 954 192
Depreciation	741 572	289 116
Fair value loss	49 796	1 249 358
(Profit)/loss on sale of fixed assets	(25 718)	215 095
	21 699 648	16 411 783
Decrease in working capital	(60 000 753)	(94 118 568)
Increase in loans and advances	(58 550 555)	(93 483 630)
(Increase) in other current assets	(2 577 306)	(3 539 777)
Increase in current liabilities	785 331	2 511 264
Increase in provisions	341 777	393 575
Net cash outflows from operating activities	(38 301 105)	(77 706 785)

24 Related party transactions

	2007 E	2006 E

The Corporation is controlled by the Swaziland Government, which own 70% of the Corporation shares. The remaining 30% of the shares are held by Tibiyo TakaNgwane, in trust for the Swazi Nation.

The following transactions were carried out with related parties.

(i) Loan from related parties:

	2007 E	2006 E
Swaziland Government	30 000 000	30 000 000
Tibiyo TakaNgwane	-	500 000
	30 000 000	30 500 000

The provision of funds to the Corporation by the Government of Swaziland is based on long term agreement that enable Swaziland Development Finance Corporation Limited to obtain financing below the normal market interest rate (prime lending rate). The Swaziland Government offer financing with interest rate ranging between 6.5% and 8%, which is below the prime lending rate of 12.5%. Funding obtained from Tibiyo TakaNgwane by the Corporation was at prime lending rate.

(ii) Loan to the Managing Director:	**2007 E**	**2006 E**
Balance at beginning of the year	347 110	66 994
Capital adjustments	157 000	319 291
Interest accrued during the year	24 673	10 985
Loan repayments during the year	(91 973)	(50 160)
Balance at the end of the Period	436 810	347 110

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 11.25%. The loan has been secured by a first mortgage bond over the property in favour of the Corporation. During the year a personal loan of E 55 000 and a study loan amounting to E 102 000 were granted at an interest rate of 0% and 4% over a 60 months and 24 months period respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2007

24 Related party transactions (continued)

(iii) Doubtful debts

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

25 Financial guarantees

		2007 E	2006 E
National Maize Corporation	25.1	248 162	248 162
Swaziland Dairy Board	25.2	1 572 596	1 572 596
Voluntary Deferred Pay Guarantee Fund	25.3	2 703 512	2 703 512
Komati Basin Water Authority	25.4	443 508	500 000
Shewula Account	25.5	30 547	30 547
Customer Deposit Account	25.6	377 519	101 764
Balance at the end of the Period		5 375 844	5 156 581

25.1 National Maize Corporation 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.

25.2 Swaziland Dairy Board

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 acts as signatories to this account.

25 Financial guarantees (continued)

25.3 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 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.

25.4 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 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.

25.5 Shewula Account

The values reflected as Shewula funds in the Trial Balance 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.

25.6 Customer deposit Account

FINCORP sometimes requires that some projects be secured by a deposit. These deposit monies are then banked with Swaziland Building Society in the clients name but with FINCORP holding the deposit book and the withdrawal rights of the funds from Swaziland Building Society. After the client has settled the funds are withdrawn and given to the client with interest. As at year end there were 43 sub-accounts (clients) to the Customer Deposit Account.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

DETAILED INCOME STATEMENT
for the year ended 31 March 2007

	2007 E	2006 E
INCOME		
Interest receivable	44 046 964	32 027 038
Bad debts recovered	198 906	471 840
Sundry income	1 504 362	1 535 435
Fair value adjustment on currency swap	3 442 509	-
Foreign exchange gain	-	1 400 642
	49 192 741	35 434 955
EXPENSES		
Advertising	507 862	660 343
Audit remuneration	200 000	165 000
Bank charges	245 894	206 547
Bad debts written off	568 735	60 609
Board expenses	116 596	68 936
Computer expenses	13 445	26 642
Consulting fees	202 293	4 105
Depreciation	741 572	293 781
Donations	-	9 000
Facility fee charge	324 670	-
Fair value adjustment on currency swap	-	2 650 000
Impairment of loans and advances	10 843 820	12 360 577
Insurance	327 954	264 007
Interest expense	8 608 015	5 935 735
Legal fees	213 575	54 722
Loss on foreign exchange	3 492 305	-
Loss on disposal of fixed assets	-	59 765
Magazines and subscriptions	336 693	135 310
Motor vehicle expenses	512 696	399 467
Printing and stationery	186 205	226 526
Professional fees	130 986	77 578
Repairs and maintenance	65 217	22 086
Rent, water and light	601 539	558 410
Salaries and wages	9 968 857	6 395 554
Security	83 384	66 652
Sundry expenses	145 899	353 974
Telephone and postage	387 728	487 669
Travelling and entertainment & International conferences	276 622	187 938
Total expenses	39 102 563	31 730 933
Profit before taxation	10 090 178	3 704 022
Taxation	(2 994 731)	(955 506)
Profit for the year	7 095 447	2 748 516

Annexure 2

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

TAXATION SCHEDULE
for the year ended 31 March 2007

		2006 E
Profit before tax		10 090 178
Exempt income		
Dividend from Swaziland Building Society shares		(107 742)
Temporary differences		
Add back:	Provision for leave pay 2007	750 280
	Provision for performance bonus 2007	498 507
	Interest on leases	186 645
	Depreciation on leases	375 394
Deduct:	Provision for lease pay 2006	(654 125)
	Provision for performance bonus 2006	(272 885)
	Lease payments	(544 665)
Taxable income		10 321 587
Taxation at 30%		3 096 475