SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED
Annual Financial Statements
for the year ended 31 March 2008

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

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SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

CORPORATE GOVERNANCE STATEMENT
for the year ended 31 March 2008

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 three committees:
- The Main Board
- Audit, Finance and risk committee and
- Remuneration committee.

Both the Main Board and the other Executive committees 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 10. 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 2008

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 70 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 2008

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 2008, 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 70.

Directors' Responsibility for the Financial Statements
The Corporation'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 controls 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 Corporation as of 31 March 2008 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 2008

The directors have pleasure in submitting their report, which forms part of the financial statements of the Corporation for year ended 31 March 2008.

1. NATURE OF BUSINESS

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

2. FINANCIAL POSITION AND PERFORMANCE

Swaziland Development Finance Corporation (FINCORP) continued to experience significant profitability and growth during this financial year ended 31 March 2008 as highlighted below:

Portfolio
Our loan portfolio has increased significantly by 20% from the previous financial year, from E274 million to E329 million. This increase has been funded by repayments by our clients as well as borrowings obtained during the year. A summary of the loans approved and disbursed during the year is given below:

	Undisbursed 31-Mar-07	New Loans Approved	Number of New Loans	Disbursed During the year	Undisbursed 31-Mar-08
Agricultural loans	23 899 384	48 920 959	144	58 446 153	14 374 190
Business loans	9 229 461	170 882 536	7 101	166 158 351	13 953 646
	33 128 845	**219 803 495**	**7 245**	**224 604 504**	**28 327 836**

Key Performance Indicators
Our performance has improved reasonably from the previous financial year. Compared to other industry players, this performance is also reasonable competitive. A summary of our key performance indicators is shown below:

Performance Indicator	2008	2007	Definition
Write-off Ratio	**1%**	**0%**	Write-offs / gross portfolio
Risk Coverage Ratio	**34%**	**26%**	Provision reserve / balance of accounts in arrears
Provision Expense Ratio	**4%**	**4%**	Provision expense / gross portfolio
Loan Loss Reserve	**14%**	**14%**	Loan loss reserve /gross portfolio
Operating Expense Ratio	**7%**	**6%**	Operating expenses / gross portfolio
Financial Expense Ratio	**5%**	**4%**	Interest expense / net portfolio
Operational Efficiency	**293%**	**282%**	Financial income / total expenses
Financial Self Sufficiency	**162%**	**164%**	Financial income / total expenses plus provisions
Operating Cost Ratio	**6%**	**7%**	Operating expenses / average performing assets
Portfolio Yield /Return on assets	**19%**	**18%**	Interest income / average net portfolio
Portfolio at Risk	**14%**	**15%**	Portfolio at risk / gross portfolio
Average loan size	**E 23 000**	**E 22 000**	Portfolio / Number of active clients

2. FINANCIAL POSITION AND PERFORMANCE (continued)

Financial review

Interest Income
The interest income for the year increased by 27% from E44 million to E56 million. This is mainly due to the increase in our loan portfolio, which has increased by 20% from E274 million to E329 million. The current interest rate hike has also positively contributed to the increase in interest income, although to a lesser extent.

Operating expenses
Our operating expenses are positively correlated to loan portfolio size, as such the increase of our loan portfolio book from E274 million to E329 million has caused an increase of 30% in our operating expenses.

Interest Expense
As a non-deposit taking institution, we rely on loan funding. There has therefore been a number of facilities that were concluded during the year resulting to the significant increase of 77% in our interest expense.

Provisions
In compliance with the requirements of International Accounting Standard 39, Financial Instruments, an impairment of loans and advances of E13.1 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
Despite the high impairment of E13.1 million the corporation has managed a significant after tax profit of E7.656 million.

3. RISK MANAGEMENT FRAMEWORK AND OBJECTIVES

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

Responsibility for audit committee

An audit committee, appointed by the Corporation's board, is in place to assist the board in discharging its risk management obligations.

3. RISK MANAGEMENT FRAMEWORK AND OBJECTIVES (continued)

Responsibility for audit committee (continued)

The principal objectives of the Corporation's Finance, Audit & Risk committee are to:

- Review the Corporation's risk philosophy, strategy, policies and processes recommended by executive management;
- Review compliance with risk policies and with the overall risk profile of the Corporation
- Review and assess the integrity of the process and procedures for identifying, assessing, recording and monitoring of risk;
- Review the adequacy and effectiveness of the Corporation's risk management function and its implementation by management;
- Ensure that material corporate risks have been identified, assessed and receive attention; and
- Provide the board with an assessment of the state of risk management within the Corporation.

A significant part of Corporation's business involves the acceptance and management of risk. Primary responsibility for risk management at an operational level rests with the executive committee. The Corporation's risk management processes, of which the systems of internal, financial and operating controls are an integral part, are designed to control and monitor risk throughout the Corporation. For effectiveness, these processes rely on regular communication, sound judgement and a thorough knowledge of the products and markets by the people closest to them. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Corporation.

In particular:

Corporation's audit committee

The Corporation audit committee's principal objectives (pertaining to risk) are as follows:

- Act as an effective communication channel between the board on one hand and the external auditors and the head of internal audit on the other;

- Satisfy the board that adequate internal, financial and operating controls are being identified, addressed and monitored by management and that material corporate risks have been identified and are being contained and monitored through the Corporation risk committee; and

- Enhance the quality, effectiveness, relevance and communication value of the published financial statements and other public documentation of a financial nature issued by the Corporation, with focus being placed on the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the statutory actuary as appropriate to the Corporation's life insurance activities.

3. RISK MANAGEMENT FRAMEWORK AND OBJECTIVES (continued)

Responsibility of Finance and Credit Committee

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

- Ensure that the Corporation maintains a high quality of loan portfolio.

Responsibility of Remuneration Committee

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

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

Responsibility of Executive Committee

The Corporation's Executive Committee principal objectives pertaining to risk are as follows:

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

4. SPECIAL PROJECTS

Kobwa Revolving Fund

Lending under the KOBWA Revolving Fund is beginning to show good progress. The promoters, KOBWA, injected E1 Million seed capital for the fund at inception split equally for the Maguga Dam and Driekopis Dam surrounding communities. It is hoped that the emergence of commercial operations around Maguga Dam such as the Lodge will bring about increased business opportunities for the community. On the other hand lending operations under the Driekopis catchment area continue to grow on a moderate scale. A training needs analysis has been conducted by FINCORP with the aim of organising relevant training workshops for potential loan beneficiaries. It is hoped that after the training, the beneficiaries would use the loan funds productively.

4. SPECIAL PROJECTS (continued)

Swaziland Dairy Board Credit Guarantee Fund

Farmers under the scheme continue to receive training and technical support from Swaziland Dairy Board in an effort to improve productivity and efficiency. Concerted efforts are being made to establish formal ties with local commercial milk marketing and processing establishments in order to enhance the technical viability of dairy projects. The possibility of erecting milk cooling and collection centres at strategic locations around the country is being considered in order to cut down production costs.

ADB KDDP Loan Fund

All farmers under the KDDP were granted seasonal loans for the 2008 farming season, that is, there were no capital loans granted during the year. It is hoped that with the increased and consistent supply of water from the Maguga Dam, the farmers will be in position to implement previously outstanding expansion initiatives. FINCORP has held discussions with the Royal Swaziland Sugar Corporation (RSSC) out grower division over the intensification of the support provided to smallholder farmers with a view of improving productivity and efficiency.

NORSAD Loan Fund

A mission from NORSAD Agency from Zambia visited FINCORP's offices during the last quarter to undertake a mid term review and they gave the organisation a clean report. Exploratory discussions over a second line of credit were undertaken and feedback is being awaited from NORSAD in due course. A number of local SMEs in various economic sectors benefited under the first line of credit.

Fund Raising

Fund raising activities continue to be work in progress for the organisation in an effort to improve funding resources in order to adequately meet the escalating demand for our services. An optimal mix of both equity and debt finance is being explored with a number of potential investors and lending institutions. In the meantime additional funding totalling E37 Million was secured from different financial institutions during the year ended 31 March 2008.

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. BOARD OF 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. AUDIT COMMITTEE MEMBERS

The audit committee members acted during the period are:

Musa Mdluli	Chairman, Representing Tibiyo TakaNgwane
Simanga Simelane	Representing Tibiyo TakaNgwane
Nomsa Tibane	Representing Swaziland Government
Mduduzi Zwane	Representing Swaziland Government

9. SECRETARY OF THE CORPORATION

The Secretary of the Corporation is: Mr Dumisani Msibi.

10. BANKERS

The Bankers of the Corporation are:

First National Bank Swaziland Limited
P O Box 261
Eveni
Swaziland

Nedbank Swaziland Limited
P O Box 68
Mbabane
Swaziland

Standard Bank Swaziland Limited
P O Box A294
Swazi Plaza
Swaziland

11. 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

12. AUDITORS

The auditors of the Corporation are:

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

13. EVENTS SINCE BALANCE SHEET DATE

Events since the balance sheet date:

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

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

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

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

INCOME STATEMENT
for the year ended 31 March 2008

	Notes	**2008** **E**	2007 E
Interest income	1	**56 393 266**	44 046 964
Interest expense	2	**(15 241 003)**	(8 608 015)
Net interest income		**41 152 263**	35 438 949
Fee income	3	**942 535**	978 423
Net trading income/(expense)	4	**1 999 688**	(49 796)
Dividend income	5	**139 005**	107 742
Other operating income	6	**790 512**	418 197
Net operating income before loan impairment charges and other credit risk provisions		**45 024 003**	36 893 515
Loan impairment charges and other credit risk provisions	13	**(13 144 570)**	(10 644 913)
Net operating income		**31 879 433**	26 248 602
Employee compensation and benefits	8	**(11 366 568)**	(9 968 857)
General and administrative expenses		**(9 689 043)**	(5 447 995)
Depreciation of property, plant and equipment	11	**(663 981)**	(741 572)
Total operating expenses		**(21 719 592)**	(16 158 424)
Income from operation before income tax expense	**7**	**10 159 841**	10 090 178
Income tax expense	9	**(2 503 470)**	(2 994 731)
Profit for the year		**7 656 371**	7 095 447

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

BALANCE SHEET
at 31 March 2008

	Notes	**2008**	2007
		E	E
ASSETS			
Property, plant and equipment	11	**3 375 140**	3 011 922
Loans and advances	12	**286 972 597**	242 250 978
Financial investments	14	**1 522 500**	1 522 500
Derivative financial instruments	23	**4 879 921**	792 509
Other assets	15	**13 646 036**	10 175 483
Cash and cash equivalents	16	**1 270 483**	267 499
Deferred tax asset	10	**123 325**	397 365
Total assets		**311 790 002**	258 418 256
EQUITY AND LIABILITIES			
Shareholders' funds			
Ordinary share capital	17	**1 000**	1 000
Share premium	17	**84 224 069**	84 224 069
General Risk Reserve	18	**5 787 547**	4 800 972
Hedging reserve- cash flow hedges		**(347 378)**	-
Retained Income		**15 701 224**	9 031 428
Total equity		**105 366 462**	98 057 469
Liabilities			
Borrowings	19	**187 905 384**	145 955 549
Derivative financial instruments	23	**347 378**	
Trade and other payable	20	**11 502 284**	7 829 215
Income tax liability	21	**6 363 004**	5 327 236
Provisions	22	**305 490**	1 248 787
Total liabilities		**206 423 540**	160 360 787
Total equity and liabilities		**311 790 002**	258 418 256

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2008

	Share Capital	Share Premium	General Risk Reserve	Hedging reserve- cash flow hedges	Retained Income	Total
	E	E	E		E	E
Opening balance: 1 April 2007	**1 000**	**84 224 069**	**4 800 972**	**-**	**9 031 428**	**98 057 469**
Profit for the year	**-**	**-**			**7 656 371**	**7 656 371**
Fair value gain on cash flow hedges	**-**	**-**	**-**	**(347 378)**	**-**	**(347 378)**
Transfer to General Risk Reserve	**-**	**-**	**986 575**	**-**	**(986 575)**	**-**
Balance at 31 March 2008	**1 000**	**84 224 069**	**5 787 547**	**(347 378)**	**15 701 224**	**105 366 462**
Opening balance: 31 April 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

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

CAS FLOW STATEMENT
for the year ended 31 March 2008

	Notes	**2008** **E**	2007 E
Cash flow from operating activities			
Cash utilised from operating activities	26	**(36 649 777)**	(38 301 105)
Taxation paid during the year	21	**(1 193 661)**	-
Net cash flow from operating activities		**(37 843 438)**	(38 301 105)
Cash flow from investing activities			
Purchase of property, plant and equipment	26.1	**(250 182)**	(634 171)
Proceeds from sale of property, plant and equipment		**302 593**	80 235
Net cash utilised from investing activities		**52 411**	(553 936)
Cash flow from financing activities			
Proceeds from long-term financing		**39 540 412**	34 661 326
Long term loans repayments		**(7 638 183)**	(2 110 368)
Finance lease principal repayments		**(525 196)**	(358 024)
Net cash inflows from financing activities		**31 377 033**	32 192 934
Movement in cash and cash equivalents			
At start of period		**(18 519 211)**	(11 857 104)
Net decrease in cash and cash equivalents		**(6 413 994)**	(6 662 107)
At end of year	16	**(24 933 205)**	(18 519 211)

SUMMARY OF ACCOUNTING POLICIES
for the year ended 31 March 2008

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 in accordance with Swaziland & International Financial Reporting Standards (IFRS) and the Swaziland Companies Act. The financial statements have been prepared under the historical cost convention as modified by available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are disclosed in the financial statements.

(a) Standards, amendment and interpretations effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Corporation's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Corporation's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Corporation's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

A Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Corporation's accounting periods beginning on or after 1 January 2008 or later periods, but the Corporation has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Corporation will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Corporation as there are no qualifying assets.

- IFRS 8, 'Operating segments ' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Corporation will apply IFRS 8 from 1 January 2009 but is currently not applicable to the Corporation.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Corporation will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Corporation's accounts.

- IFRIC 11, 'IFRS 2 – Corporation and treasury share transactions', was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Corporation entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand alone accounts of the parent and Corporation companies. This interpretation does not have an impact on the Corporation's financial statements

SUMMARY OF ACCOUNTING POLICIES
for the year ended 31 March 2008

A Basis of preparation (continued)

(d) Interpretations to existing standards that are not yet effective and not relevant for the Corporation

The following interpretations to existing standards have been published and are mandatory for the Corporation's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Corporation's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Corporation's operations because the Corporation does not provide for public sector services.

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Corporation's operations because the Corporation operate any loyalty programmes.

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:

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2008

C 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

Loans and advances are recognised when cash is advanced to borrowers. They are derecognised when either borrower(s) repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses. Where loans and advances are hedged by derivatives designated and qualifying as fair value hedges, the carrying value of the loans and advances so hedged includes a fair value adjustment for the hedged risk only.

F. Loans and advance impairment

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and on Corporations of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the balance sheet is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually assessed loans and advances

For all loans that are considered individually significant, the Corporation assesses on a case-by-case basis at each balance sheet date whether there is any objective evidence that a loan is impaired. For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- the Corporation's aggregate exposure to the customer;
- the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the likely dividend available on liquidation or bankruptcy;
- the extent of other creditors' commitments ranking ahead of, or *pari passu* with, the Corporation and the likelihood of other creditors continuing to support the Corporation;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding;

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Write-off of loans and advances

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write back is recognised in the income statement.

F. Loans and advance impairment (continued)

Renegotiated/rescheduled loans

Loans subject to impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as new loans for measurement purposes once the minimum number of payments required under the new arrangements has been received. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due. The carrying amounts of loans that have been classified as renegotiated retain this classification until maturity or derecognition.

Assets acquired in exchange for loans

Non-financial assets acquired in exchange for loans as part of an orderly realisation are recorded as assets held for sale and reported in ‘Other assets’. The asset acquired is recorded at the lower of its fair value (less costs to sell) and the carrying amount of the loan (net of impairment allowance) at the date of exchange. No depreciation is charged in respect of assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognised in the income statement, in ‘Other operating income’. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write down, is also recognised in ‘Other operating income’, together with any realised gains or losses on disposal.

G Finance and Operating leases

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

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

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

H Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

When such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in 'Total shareholders' equity', net of any directly attributable incremental transaction costs and related income tax effects.

I 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.

Initial measurement
Purchases and sales of financial assets are recognised on trade date, which is the date on which the Corporation assumes or transfers substantially all risks and rewards of ownership. Financial assets are initially recognised as follows:

- Fair value through profit or loss – at fair value on trade date.
- Held-to-maturity and loans and receivables – at fair value on trade date plus transaction costs that are directly attributable to their acquisition.

Financial assets are derecognised when the right to receive cash flows from the investments have expired or on trade date when they have been transferred and the Corporation has also transferred substantially all risks and rewards of ownership.

Subsequent measurement

1) Financial assets at fair value through profit or loss

Financial assets are designated as fair value through profit or loss if they are:

(i) used to match investment contract liabilities held at fair value and/or insurance contract liabilities, and this designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities or recognising gains or losses on a different basis; or

(ii) managed and performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Corporation Investment Committee. The Corporation investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair value. Assets that are part of these portfolios are designed upon initial recognition at fair value through profit or loss.

I Financial assets (continued)

1) Financial assets at fair value through profit or loss (continued)

These assets are subsequently measured at fair value and the fair value adjustments are recognised in the income statement within investment gains.

The fair value of financial assets with standard terms and conditions and traded on active liquid markets is based on regulated exchange quoted ruling bid prices at the close of business on the last trading day on or before the balance sheet date. If a quoted bid price is not available for dated instrument the fair value is estimated using pricing models or discounted cash flow techniques.

Fair values for unquoted instruments are included in investment gains and losses and are determined as follows;

Unlisted equities (including unlisted variable rate preference shares)

Valuations are determined by either utilising recognised independent qualified valuers or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm’s length market transactions in respect of the equity instrument.

Negotiable certificates of deposit

These instruments are valued using the appropriate rate from the quoted money market yield curve, based on the term to maturity of the instrument. A discounted cash flow model is then applied, using the determined yield, in order to calculate the market value.

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2008

I Financial assets (continued)

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.

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. An estimate is made for impairment of loans and receivables based on a review of all outstanding amounts at year end.

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.

These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less any required impairment. As at the reporting date no held-to maturity investments were held.

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.

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.

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.

I Financial assets (continued)

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

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 Corporation 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.

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.

J Revenue recognition

Revenue comprises of interest income accounted in the income statement on the accrual method. Revenue from rendering of services is recognised by reference to the completion of the specific transaction assessed as the basis of the actual service provided as a proportion of the total services provided when it is probable that the economic benefits associated with a transaction will flow to the Corporation and the amount of revenue, and associated costs incurred or to be incurred can be measured reliably.

(a) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Corporation reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost–recovery basis as conditions warrant.

From an operational perspective, it suspends the accrual of interest on a loan when its recovery is considered doubtful. However, in terms of IAS 39 interest income on impaired advances is thereafter recognised based on the original effective interest rate used to determine the recoverable amount.

(b) Non-interest income

Fee income
The Corporations earns fee income from a diverse range of services provided to its customers. Fee income comprise mainly of application fee, loan monitoring fee and management fee. Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, project monitoring)
- income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and
- Income which forms an integral part loan or project appraisal (application fee) is recognised when the application of loan is being approved.

Net trading income/ (expense)
Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with related interest income, expense and dividends.

Dividend income
Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for equity securities.

Commission income
The Corporation recognises commission income on an accrual basis when the service is rendered.

K General Risk Reserve

General provisions which are calculated at 2% of the net loans after specific provisions are dealt with within the statement of changes in equity as appropriation of retained earnings. This treatment is in accordance with the Corporation policies.

L 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.

(1) Financial risk factors

The Corporation's activities expose it to a variety of financial risks including currency risk, fair value interest risk and price risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Corporation operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and investing excess liquidity.

a) Market risk

b) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instrument will fluctuate as a result of changes in foreign exchange rates.

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

To manage the foreign currency exchange risk arises from future commercial transactions, recognised assets and liabilities, the Corporation use forward contracts. Foreign exchange risk arises from future commercial transactions or recognised assets and liabilities are denominated in the currency that is not the entity's functional currency.

As at 31 March 2008, if the Lilangeni weakened by 5% against the US dollar with all the other variables held constant, post tax profits for the year would have been E 1 013 727 (2007: E 1 091 250) lesser mainly as a result of foreign exchange losses on the translation of US dollar denominated borrowings.

L Financial Instruments (continued)

b) Market risk (continued)

ii) Price risk

Price risk includes equity price risk and cash flow and interest rate risk.

a) Equity Price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Corporation is currently not exposed to equity price risk because at the balance sheet date there were no investments held by the Corporation and classified either as available for sale or at fair value through profit and loss.

The permanent shares at Swaziland Building Society classified as “available-for-sale” are not exposed the equity price risk since they are redeemable at nominal value.

b) Commodity Price risk

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

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

i) Cash flow and fair value interest rate risk

Cash flow and interest rate risk is the risk that the value and cash flow of a financial instrument will fluctuate due to changes in market interest rates.

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

The Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings and long-term loans issued at fixed rates expose the Corporation to fair value interest rate risk. Currently there are no loans issued at fixed interest rate, however, linked to prime lending rate and as such the Corporation is not exposed to fair value interest rate risk.

During 2007 and 2008, the Corporation’s borrowings at variable rates were denominated in the Swaziland lilangeni and US Dollars.

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2008

L Financial Instruments (continued)

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

The Corporation analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008:

	Profit or loss		**Equity**	
	E	**E**	**E**	**E**
Increase of 50 basis points	**939 527**	729 778	**939 527**	729 778
Decrease of 50 basis points	**(939 527)**	(729 778)	**(939 527)**	(729 778)

The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

The table below gives an indication of the Corporation's monetary sensitivity to changes in interest rates.

	Financial investment	**Cash at bank**	**Loans and advance**	**Borrowings**
	E	**E**	**E**	**E**
Base amounts	1 522 500	1 270 483	329 437 954	187 905 384
Interest plus 1%	1 537 725	1 283 189	332 732 334	189 784 439
Interest less 1%	1 507 275	1 257 778	326 143 416	186 026 330

(iv) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Corporation to incur a financial loss.

The Corporation has exposure to credit risk, which is the risk that a counterpart will be unable to pay amounts in full when due. Key areas where the Corporation is exposed to credit risk are:

- loans and advances,
- other assets,
- Derivative financial instruments
- Cash and cash equivalents
- Deposits with banks and other financial institutions.

L Financial Instruments (continued)

(v) Credit risk (continued)

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

The major concentration of credit risk arises from the Corporation's receivables and investment securities in relation to the nature of customers and issuers. No collateral is required in respect of financial assets. Reputable financial institutions are used for investing and cash handling purposes.

Mechanisms are in place to monitor the risk of default by individual loan holders. Exposures to individual loan holders and Corporation of loan holders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual loan holders, or homogenous Corporation of loan holders, a financial analysis carried out by the Corporation.

Quality control and risk department makes regular reviews to assess the degree of compliance with the Corporation procedures on credit and the overall control environment.

At 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.

The table below shows the credit limit and balance of the ten major counterparties at the balance sheet date.

	31 March 2008		31 March 2007	
Counterparty	**Credit limit E**	**Balance E**	**Credit limit E**	**Balance E**
African Alliance Swaziland	**1 200 000**	**1 200 000**	-	-
Lilanga Lentontozi	**7 825 754**	**7 825 754**	**5 989 688**	**5 524 070**
Genesis Investments (Pty) Ltd	**8 944 926**	**8 944 926**	**6 469 272**	**6 469 272**
Vuka Sidwashini	**10 537 480**	**9 272 689**	**10 537 480**	**7 312 539**
Hhohho Cotton Growers	**19 405 766**	**14 003 063**	**14 670 766**	**10 903 130**
Phakama Mafucula (Pty) Ltd	**11 850 000**	**6 207 261**	**11 850 000**	**11 077 033**
Nkhwanyana Chistopher	**5 059 354**	**5 059 354**	**4 619 700**	**4 619 700**
Mlobi Investmenta (Pty) Ltd	**5 486 120**	**4 837 480**	**5 486 120**	**5 057 194**
Maplotini Farmers	**6 255 992**	**4 262 500**	**6 255 992**	**4 897 378**
Ruzawi Transport	**-**	**-**	**12 600 000**	**6 113 287**
	75 365 392	**60 413 027**	**78 479 018**	**61 973 603**

L Financial Instruments (continued)

(vi) Credit risk (continued)

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

(*vii) Liquidity risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Corporation maintains sufficient cash and near cash assets to meet its liquidity commitments. Due to the dynamic nature of the underlying businesses, the Corporation aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Corporation's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow.

Forecasted liquidity reserve per 31 March 2008 is as follows:

	31-Mar-09	**2010 - 2011**
Opening balance for the period	(24 933 205)	9 915 180
Net Operating Proceeds	58 742 468	131 580 243
Net Operating Outflows	(25 359 972)	(64 388 646)
Net cash utilised from investing activities	(2 682 788)	(45 790 736)
Net cash inflow from financing Activities	4 148 677	(22 421 604)
At End of the year	**9 915 180**	**8 894 437**

The table below analyses the Corporation's financial into relevant maturity groups based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2008

L Financial Instruments (continued)

(*vii*) *Liquidity risk (continued)*

	Less than 1 year E	Between 1 d 2 years E	Between 2 and 5 years E	Over 5 years E	Total E
31 March 2008					
Financial Liabilities:					
Trade and other payables	11 502 284	-	-	-	11 502 284
Bank overdraft	26 203 688	-	-	-	26 203 688
Finance lease liabilities	775 700	775 700	532 387	-	2 083 787
Other short term liabilities	14 540 412	-	-	-	14 540 412
Long term liabilities	25 061 182	26 061 182	50 596 120	43 359 013	145 077 497
	78 083 266	26 836 882	51 128 507	43 359 013	199 407 668
31 March 2007					
Financial Liabilities:					
Trade and other payables	7 829 215	-	-	-	7 829 215
Bank overdraft	18 786 710	-	-	-	18 786 710
Finance lease liabilities	370 275	370 275	800 334	-	1 540 884
Long term liabilities	14 699 782	22 052 205	44 484 419	44 391 549	125 627 955
	41 685 982	22 422 480	45 284 753	44 391 549	153 784 764

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns and benefits for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or enter into further financing as applicable.

The Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2008

L Financial Instruments (continued)

(2) Capital risk management (continued)

During 2008, the Corporation's strategy, which show a significant change from 2007, was to maintain the gearing ratio (before interest accrual is taken into account) of 50%. The gearing ratios before interest accrual at 31 March 2008 and 2007 were as follows:

	2008 **E**	2007 E
Total borrowings	**187 905 384**	145 955 549
Less: cash and cash equivalents	**(1 270 483)**	(267 499)
Net debt	**186 634 901**	145 688 050
Total equity	**105 366 462**	98 057 469
Total capital	**292 001 363**	243 745 519
Gearing ratio	**64%**	60%

The increase in the gearing ratio during 2008 resulted primarily from the short term loan obtained from African Alliance amounting to E 12 million. Furthermore, additional loans were obtained from Swaziland National Provident Fund and Norsad amounting to E 10 million and E 15 million respectively. Also, there has been a significant increase in bank overdraft from E 18.8 million to E 24.9 million as at 31 March 2008.

(3) Fair value estimation

The fair value of financial instruments traded in active market (such as trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Corporation is the current bid price.

The carrying value of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

For financial assets and liabilities with maturity of less than one year, the face value less any estimated credit adjustments are assumed to approximate their fair values.

M Derivative financial instruments and hedging accounting

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

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

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

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

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

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

Hedge accounting

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

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

M Derivative financial instruments and hedging accounting (continued)

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

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

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

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

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

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

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

M Derivative financial instruments and hedging accounting (continued)

Hedge effectiveness testing

To qualify for hedge accounting, the Corporation requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method the Corporation adopts for assessing hedge effectiveness will depend on its risk management strategy. For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other in the range of 80 per cent to 125 per cent.

Hedge ineffectiveness is recognised in the income statement in 'Net trading income'.

Derivatives that do not qualify for hedge accounting

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

N 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.

N Taxation (continued)

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.

O 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.

P 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.

Q 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.

R 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.

SUMMARY OF ACCOUNTING POLICIES (continued)
for the year ended 31 March 2008

S 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.

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.

S Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical information, experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The corporation makes estimates and assumptions concerning the future. The resulting accounting estimate will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of loans and receivables within the next financial year as discussed below.

Estimated impairment of loans and receivables
The Corporation tests annually whether loans and receivables suffered any impairment in accordance with the accounting policy stated in F. The recoverable amounts of loans and receivables have been determined based on discount cash inflows. These calculations require the use of estimates (Note 12 and 13).

T Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual right to receive cash flows from the assets has expired; or when the Corporation has transferred its contractual right to receive the cash flows of the financial assets, and either:
– Substantially all the risks and rewards of ownership have been transferred; or
– The Corporation has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

U Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

V Comparative Figures

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

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2008

1 Interest income

	2008	2007
	E	E

Revenue consists of the aggregate of interest income received and accrued.

The analysis of interest income by category/section is as follows:

	2008	2007
Business loans	**17 514 358**	12 598 312
Micro loans	**18 899 664**	14 041 254
Agriculture loans	**6 243 961**	3 889 706
Sugar cane loans	**13 735 283**	13 517 692
Total interest income	**56 393 266**	44 046 964

The analysis of interest income by measurement is as follows:

	Loans and advance - Gross	Interest in Suspense	Total
	E	E	E
Business loans	**18 195 958**	**(681 600)**	**17 514 358**
Micro loans	**18 899 664**	**-**	**18 899 664**
Agriculture loans	**6 539 621**	**(295 660)**	**6 243 961**
Sugar cane loans	**14 225 466**	**(490 183)**	**13 735 283**
Total interest income	**57 860 709**	**(1 467 443)**	**56 393 266**

2 Interest expenditure

	2008	2007
	E	E
The analysis of interest expense by category is as follows:		
Bank borrowings	**2 850 271**	1 417 319
Finance leases	**251 046**	186 645
Interest payable on long term loans	**12 139 686**	7 004 051
	15 241 003	8 608 015

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

2 Interest expenditure (continued)

The analysis of interest income by measurement is as follows:

	Measured at fair value E	Measured at amortised cost E	Total E
Bank borrowings	**2 850 271**	**-**	**2 850 271**
Finance leases	**251 046**	**-**	**251 046**
Interest payable on long term loans	**-**	**11 935 604**	**11 935 604**
Total interest expense	**3 101 317**	**11 935 604**	**15 036 921**

3 Fee income

	2008 E	2007 E
Application fee	**742 550**	520 700
Loan Monitoring fee	**133 420**	384 524
Management fee	**66 565**	73 199
	942 535	978 423

4 Net trading income/(expense)

Fair value adjustments on currency swap		
- Forward foreign exchange contracts- fair value hedge	**5 059 931**	3 442 509
- Forward foreign exchange contract terminated	**(792 509)**	-
Foreign exchange losses on long term loan	**(2 267 734)**	(3 492 305)
	1 999 688	(49 796)

5 Dividend income

Dividend income	**139 005**	107 742

Dividend income received from Swaziland Building Society in respect of permanent shares.

6 Other operating income

Profit on disposal of property, plant and equipment	**11 511**	25 728
Interest on staff loans	**325 812**	205 426
Other non-interest income	**453 189**	187 043
	790 512	418 197

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

7	**Income from operation before income tax**	**2008 E**	2007 E
	Income from operations before income tax is arrived at after taking into account the following items:		
	Auditors remuneration - current year audit fees provision	**219 600**	200 000
	Depreciation on property, plant and equipment		
	- Property, plant and equipment	**265 947**	366 178
	- Leased assets under finance lease	**398 034**	375 394
		663 981	741 572
	Net impairment charges and other credit risk		
	- Loan impairment charges and other credit risk	**13 817 111**	10 843 820
	- Bad debts written off	**3 442 353**	568 735
	- Bad debts recovered	**(672 541)**	(198 906)
		16 586 923	11 213 649
	Director expenses	**113 691**	116 596
	Donations		
	- Donation expense	**187 747**	-
	- Donation on leased vehicle	**153 993**	-
		341 740	-
	Legal fees	**190 817**	213 575
	Profit on disposal on property, plant and equipment	**(11 511)**	(25 718)
	Repairs and maintenance	**41 704**	65 217
	Operating lease rentals	**698 474**	601 539
	Professional fees	**116 101**	130 986
	Employee compensation and benefits (note 8)	**11 366 568**	9 968 857
	Travelling and entertainment & international conferences	**512 022**	276 622

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2008

8 Employee compensation and benefits

	2008	2007
	E	E
Salaries and wages	**7 965 445**	7 046 978
Provident Fund Contributions	**43 390**	33 300
Pension costs (defined contribution plan)	**880 757**	816 206
Other benefits and costs	**235 814**	203 842
Staff training	**1 415 044**	1 168 635
Medical aid contribution	**826 118**	699 896
	11 366 568	9 968 857

The average number of persons employed by the Corporation during the year was 41 (2007:31).

9 Income tax expense

Swaziland normal Corporation taxation		
- Current tax (refer note 21)	**2 229 430**	3 096 475
- Deferred tax (refer note 10)	**274 040**	(101 744)
	2 503 470	2 994 731
Taxation rate reconciliation:		
Standard taxation rate	**30.00%**	30.00%
Income not subject to tax	**(5.36)%**	(0.32%)
Effective taxation rate	**24.64%**	29.68%

10 Deferred tax

Deferred income taxes are calculated in full on temporal differences under the liability method using a principal tax rate of 30% (2007:30%). Deferred tax arises from the following item:

	2008	2007
The movement on the deferred income tax account is as follows:	**E**	E
At the beginning of the year	**397 365**	295 621
Income statement charge (refer note 9)	**(274 040)**	101 744
At end of the year	**123 325**	397 365

10 Deferred tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:-

	Opening balance E	**Charged to net profit E**	**Closing balance E**
31 March 2008			
Deferred tax assets:			
Provisions	**374 635**	**(282 989)**	**91 646**
Capitalised finance lease assets	**22 730**	**8 949**	**31 679**
At end of the year	**397 365**	**(274 040)**	**123 325**
31 March 2007			
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

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

11 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 2008						
Opening balance	**291 084**	**720 364**	**251 086**	**284 268**	**1 465 120**	**3 011 922**
Additions	**69 668**	**16 453**	**113 712**	**50 349**	**1 068 099**	**1 318 281**
Disposals	**(246)**	**-**	**(1 329)**	**(132 514)**	**(156 993)**	**(291 082)**
Depreciation	**(104 326)**	**(72 601)**	**(32 935)**	**(56 085)**	**(398 034)**	**(663 981)**
Closing net book amount	**256 180**	**664 216**	**330 534**	**146 018**	**1 978 192**	**3 375 140**
At 31 March 2008						
Cost	**802 658**	**902 140**	**437 805**	**843 480**	**3 107 337**	**6 093 420**
Accumulated depreciation	**(546 478)**	**(237 924)**	**(107 271)**	**(697 462)**	**(1 129 145)**	**(2 718 280)**
Net book amount	**256 180**	**664 216**	**330 534**	**146 018**	**1 978 192**	**3 375 140**
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

Leased motor vehicles comprised of 15 motor vehicles, which were acquired during the year under finance leases (where the Corporation is the lessee).

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

12	**Loans and advances**	**2008**	2007
		E	E
	Sugar cane loans	**96 861 292**	97 396 239
	Business and other loans	**147 149 114**	136 763 424
	Micro loans	**85 427 548**	39 743 126
	Gross advances	**329 437 954**	273 902 789
	Less: Impairment	**(42 465 357)**	(31 651 811)
	- sugar cane loans	**(24 820 557)**	(16 767 271)
	- business and other loans	**(17 644 800)**	(14 884 540)
	Total loans and advances	**286 972 597**	242 250 978 -

The maturity of loans and advance is as follows:

	2008	2007
Not later than 1 year	**136 554 245**	114 647 671
Later than 1 year and not later than 2 years	**60 548 038**	45 580 565
Later than 3 years	**132 335 671**	113 674 553
	329 437 954	273 902 789

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

	2008	2007
	%	**%**
Business and other loans	**15.5**	15.5
Micro loans	**36**	36

The analysis of sugar cane loans is as follows:-

	2008	2007
Sugar cane loans	**96 861 292**	97 396 239
Loans financed internally sourced funds	**(75 006 978)**	(71 466 332)
Loans financed by African Development Bank Funds	**21 854 314**	25 929 907

12	Loans and advances (continued)	2008 E	2007 E
	Sector analysis of loans and advance is as follows:		
	Consumer loans	**85 427 548**	39 733 026
	Dressmaking/tailoring & knitting	**949 720**	1 080 135
	Fruits and vegetables	**9 301 286**	8 855 724
	Grocery and retailing	**4 581 244**	4 401 244
	Handicraft	**47 032**	96 748
	Hawking	**472 895**	554 357
	Heavy Haulage	**35 065 462**	33 508 904
	Livestock	**16 256 799**	12 497 987
	Maize and other cereal	**6 457 172**	5 545 539
	Other Agricultural activities	**4 491 797**	4 164 062
	General business	**58 668 901**	55 588 427
	Poultry	**3 201 931**	3 177 888
	Sugar cane farming	**96 861 292**	97 396 239
	Transport services	**7 654 875**	7 302 509
		329 437 954	273 902 789
	Impairment of loans and advances	**(42 465 357)**	(31 651 811)
		286 972 597	242 250 978

The fair values of loans and advances are as follows:

		2008 E	2007 E
Sugar cane loans		**72 040 735**	80 628 968
Business and other loans		**129 504 314**	121 878 884
Micro loans		**85 427 548**	39 743 126
		286 972 597	242 250 978

The above values of loans and advances approximate fair value. There is no concentration of credit risk with respect to loans and advances, as the Corporation has a large number of clients that are industry dispersed. The Corporation's historical experience in collection of loans and advances falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Corporations’ loans and advances. The maximum exposure to credit risk at the reporting date is the fair value of each class of loans and advances mentioned above. The Corporation does hold collateral as security on some loans and advance.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

12 Loans and advances (continued)

	2008	2007
	E	E

Loans and advances that are less than three months past due are not considered impaired. As of 31 March 2008, loans and advances of E 19 865 197 (2007: E 13 696 716) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default.

The ageing analysis of these loans and advances that are past due but not impaired is as follows:

	2008 E	2007 E
Up to 3 months	**15 320 875**	7 580 106
Over 3 months	**4 544 322**	6 116 610
	19 865 197	13 696 716

As of 31 March 2008, loans and advances of E 42 753 174 (2007: E 33 854 206) were impaired and provided for. The amount of the provision was E 42 753 174 (2007: E 33 854 206). The individually impaired loans and advances were mainly relating to sugar cane farmers and business and other agricultural loans, which are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

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

	2008 E	2007 E
3 – 6 months	**23 511 357**	16 151 141
Over 6 months	**18 954 000**	15 500 670
	42 465 357	31 651 811

The carrying amounts of the Corporation's loans and advances are denominated in the following currencies:

	2008 E	2007 E
Emalangeni (SZL)	**289 377 358**	242 250 978

12 Loans and advances (continued)

	2008 **E**	2007 E
Movements on the Corporations' provision for impairment of loans and advances are as follows:		
At 1 April 2007	**31 651 811**	23 273 463
Provision for loans and advances impairment (Note 13)	**13 817 111**	10 843 820
Loans and advances written off during the year as uncollectible	**(3 003 565)**	(2 465 472)
Unused amounts reversed	**-**	-
Unwind of discount	**-**	-
At 31 March 2008	**42 465 357**	31 651 811

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

The analysis of carrying amount and impairment of sugar cane loans rescheduled as at 31 March 2008 is as follows:

	Gross Carrying amount	**Impairment**	**Net carrying Amount**	**Average period of rescheduling**
Sugar cane loans rescheduled	**18 877 586**	**(10 055 804)**	**8 821 782**	**2 – 9 years**

13 Impairment of loans and advances

	2008 **E**	2007 E
Present value adjustment relating to IAS 39	**(13 817 111)**	(10 843 820)
Bad debts recovered	**672 541**	198 907
	(13 144 570)	(10 644 913)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

14 Financial investment

	2008 E	2007 E
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 27).
The carrying amount of the investments approximates fair value. The shares will be redeemed at nominal value.

15 Other assets

	2008 E	2007 E
Accrued interest	**12 639 382**	8 648 003
Less: Interest in suspense	**(3 669 838)**	(2 202 395)
	8 969 544	6 445 608
Staff loans	**4 465 594**	3 635 086
Prepayments	**37 263**	86 481
Other receivables	**173 635**	8 308
	13 646 036	10 175 483

16 Cash and cash equivalents

	2008 E	2007 E
Cash at bank	**1 265 257**	261 455
Cash in hand	**5 226**	6 044
	1 270 483	267 499

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

	2008 E	2007 E
Cash and bank balance	**1 270 483**	267 499
Bank overdraft (Note 19)	**(26 203 688)**	(18 786 710)
Cash and cash equivalents	**(24 933 205)**	(18 519 211)

16 Cash and cash equivalents (continued)

First National Bank of Swaziland Limited

The Corporation has an overdraft facility with First National Bank of Swaziland Limited of E 9 000 000 to be utilised for working capital requirements. Furthermore, First National Bank of Swaziland Limited provided the Corporation with a short term pre-settlement facility of the cross currency swap amounting to E 1 000 000.

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

The facilities are expiring within one year after date of commencement and are subject to annual review at various dates.

Standard Bank Swaziland Limited

In 2007, the Corporation increased its level of bank overdraft to 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 micro loan book totalling E49 000 000 and repayable on demand. Interest is charged at prime rate prevailing from time to time per annum.

17 Share capital

	2008	2007
	E	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

18 General risk reserve

The general risk reserve arises from the disclosure requirement as per the Corporation's policy regarding the treatment of general provisions. General provisions are accounted for through the statement of changes in equity in general risk reserve.

	2008	2007
	E	E
Opening balance	**4 800 972**	3 918 675
General provisions raised during the period	**986 575**	882 297
Closing balance	**5 787 547**	4 800 972

19 Borrowings

Bank overdraft (Note 16)	**26 203 688**	18 786 710
Long term loans (Note 19.1)	**145 077 497**	125 627 955
Finance lease liabilities (Note 19.2)	**2 083 787**	1 540 884
Other short term borrowings (Note 19.3)	**14 540 412**	-
Total borrowings	**187 905 384**	145 955 549

19.1 Long term loans

The analysis of long term loans is as follows:

Swaziland Government	19.1.1	**26 000 000**	30 000 000
African Development Bank	19.1.2	**53 802 955**	53 802 955
OPEC Fund	19.1.3	**20 274 542**	21 825 000
Swaziland National Provident Fund	19.1.4	**15 000 000**	5 000 000
Norsad	19.1.5	**30 000 000**	15 000 000
Total long term loans		**145 077 497**	125 627 955

19 Borrowings (continued)

19.1.1 Swaziland Government

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

19.1.2 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 Limited. The amount will be advanced to the Corporation 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.

19.1.3 OPEC Fund

The OPEC is a line of credit amounting to US $ 3 Million to Swaziland Development Finance Corporation Limited. Interest accrues from day to day and is pro rated on the basis of 360 days at a floating rate of LIBOR plus 2% margin. Repayment of the capital shall be made on the second anniversary of the first disbursement (07/11/2007) to 7 November 2012. As at 31 March 2008 US $ 2 454 545 was payable to OPEC Fund.

19.1.4 Swaziland National Provident Fund

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

19.1.5 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. The first drawn down was for E 15 million obtained on 07 December 2006 and the last drawn down amount was for E 15 million obtained on 01 April 2007.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

19 Borrowings (continued)

The maturity of the long term borrowing is as follows:

	2008	2007
	E	E
Within 1 year	**25 061 182**	14 699 782
Between 1 and 2 years	**26 061 182**	22 052 205
Between 2 and 5 years	**50 596 120**	44 484 419
Over 5 year	**43 359 013**	44 391 549
Total long term borrowings	**145 078 497**	125 627 955

Long term loans- minimum payments

Not later than 1 year	**39 991 377**	19 952 698
Later than 1 year and not later than 2 years	**31 737 937**	23 152 804
Later than 2 year and not later than 5 years	**83 629 292**	69 458 412
Later than 5 years	**55 017 160**	69 606 587
	210 375 766	182 170 501
Future finance charges on finance leases	**(65 297 269)**	(56 542 546)
	145 077 497	125 627 955

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

	Carrying Amount	Fair Values
	E	E
Swaziland Government	**26 000 000**	**25 653 026**
African Development Bank	**53 802 955**	**54 943 091**
OPEC Fund	**20 274 542**	**20 543 297**
Swaziland National Provident Fund	**15 000 000**	**15 594 142**
Norsad Agency	**30 000 000**	**30 000 000**
	145 077 497	**146 733 556**

19 Borrowings (continued)

19.2 Finance lease liabilities

During the year, the Corporation increased its level of borrowing to finance the acquisition of 5 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. As at 31 March 2008, a total of 15 motor vehicles were being financed through lease financing.

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

	2008	2007
	E	E
Not later than 1 year	**775 700**	370 275
Later than 1 year and not later than 5 years	**1 308 087**	1 170 609
Total non-current portion	**2 083 787**	1 540 884

Finance lease liabilities- minimum lease payments

	2008	2007
Not later than 1 year	**1 016 270**	565 607
Later than 1 year and not later than 5 years	**1 455 528**	1 330 748
	2 471 798	1 896 355
Future finance charges on finance leases	**(388 011)**	(355 471)
	2 083 787	1 540 884

19.3 Other short term loans

	2008	2007
African Alliance Swaziland (Note 19.3.1)	**12 000 000**	-
Other borrowings	**2 540 412**	-
	14 540 412	-

19 Borrowings (continued)

19.3.1 African Alliance Swaziland

During the year, the Corporation issued a E 12 million promissory note from African Alliance Swaziland. The 6 months promissory note is negotiable for another 6 months on maturity. Interest rate is at prime plus 1% and will remain so for the duration of the paper. Interest is payable on 3 month anniversary and the principal will be due on maturity. The commencement date of the note is 08/02/08 and an arranger fee of 1% was due as an initial fee. In accordance with the terms of the promissory note, the Corporation opened a Lilangeni account with African Alliance and deposited E 1.2 million, as no collateral on the amounts loaned.

20 Trade and other payables

	2008	2007
	E	E
Trade payables	**698 608**	1 416 871
Accruals	**497 882**	539 562
Accrued interest	**10 305 794**	5 872 782
	11 502 284	7 829 215

21 Income tax liability

	2008	2007
Opening balance	**5 327 236**	2 230 761
Taxation paid during the year	**(1 193 662)**	-
Current year tax (refer note 9)	**2 229 430**	3 096 475
Closing balance	**6 363 004**	5 327 236

22 Provisions

	Performance bonus and gratuity E	Leave pay E	Total E
31 March 2008			
At 1 April 2007	**498 507**	**750 280**	**1 248 787**
Additional provision	**110 111**	**597 845**	**707 956**
Utilised during the year	**(498 507)**	**(1 152 746)**	**(1 651 253)**
At year-end	**110 111**	**195 379**	**305 490**
31 March 2007			
At 1 April 2006	272 885	654 125	927 010
Additional provision	498 507	750 280	1 248 787
Utilised during the year	(272 885)	(654 125)	(927 010)
At year-end	498 507	750 280	1 248 787

Analysis of total provisions:	**2008 E**	2007 E
Current	**305 490**	1 248 787

Leave pay provision

The leave pay provision related to vested leave pay to which employees are entitled. The provision arises as employees render services that increase their entitlement to future compensated leave. The provision is utilised when employees, who are entitled to leave pay, leave the employment of the Corporation or when accrued entitlement is utilised.

This provision in respect of staff and employees calculated on the number of days that the employees have not taken in respect of their leave entitlement. The anticipated utilisation of the amount provided is in the near future.

Performance bonus

Provision is made for payments in accordance with a bonus plan for the year ended 31 March 2008. 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 2007/2008 financial year when the results have been approved.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

23 Derivative financial instruments

Fair values of derivatives by product contract type held by the Corporation is as follows:-

	Financial assets		Financial liabilities	
	2008	2007	**2008**	2007
	E	E	**E**	E
Cross currency swaps:-				
Forward foreign exchange swap- fair value hedge	**4 879 921**	792 509	-	-
Interest rate swaps – fair value hedges	**-**	-	**347 378**	-
	4 879 921	792 509	**347 378**	-

At 31 March 2008, Borrowings included an amount of E 20 274 542 (2007: 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.

(a) Forward foreign exchange swaps- fair value hedge

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Fair value gains and losses are recognised in the income statement.

(b) Interest rate swaps

At 31 December 2007, the fixed interest rate is 10.6% (2007: 10.6%), and the main floating rates are LIBOR plus 2%. Gains and losses recognised in the hedging reserve in statement of changes in equity on interest rate swap contracts as of 31 March 2008 will be continuously released to the income statement until the repayment of the borrowings.

Derivatives are financial instruments that derive their value from the price of foreign exchange and credit spreads. Derivatives enable users to increase, reduce or alter exposure to credit or market risks. The Corporation makes markets in derivatives for its financiers and uses derivatives to manage its exposure to credit and market risks.

Derivatives are carried at fair value and shown in the balance sheet as a separate total of assets and liabilities. Asset values represent the cost to the Corporation of replacing all transactions with a fair value in the Corporation's favour assuming that the entire Corporation's relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Likewise, liability values represent the cost to the Corporation's counterparties of replacing all their transactions with the Corporation with a fair value in their favour if the Corporation were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis.

23 Derivative financial instruments (continued)

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

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

Hedging instruments
The Corporation uses derivatives (principally cross currency swaps) for hedging purposes in the management of its own asset and liability portfolios and structural positions. This enables the Corporation to optimise the overall cost of accessing debt capital markets, and to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities. The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and the type of hedge transactions. Derivatives may qualify as hedges for accounting purposes if they are fair value hedges, cash flow hedges, or investment hedges. These are described under the relevant headings below:

Notional contract amounts of derivatives held for hedging purposes by product type:-

	Financial assets		**Financial liabilities**	
	2008	2007	**2008**	2007
	E	E	**E**	E
Cross currency swaps:-				
Forward foreign exchange swap- fair value hedge	**4 879 921**	792 509	-	-
Interest rate swaps – fair value hedges	**-**	-	**347 378**	-
	4 879 921	792 509	**347 378**	-

With respect to exchange rate, the notional contract amounts of these instruments indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

23 Derivative financial instruments (continued)

Fair value hedge
The Corporation's fair value hedges principally consist of cross currency swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market foreign exchange. For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the item in relation to the risk being hedged are recognised in the income statement. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortised to the income statement as a yield adjustment over the remainder of the hedging period.

Fair value of derivatives designated as fair value hedges are as follows:-

	Financial assets		Financial liabilities	
	2008	2007	**2008**	2007
	E	E	**E**	E
Cross currency swaps:-				
Forward foreign exchange swap- fair value hedge	**4 879 921**	792 509	-	-
Interest rate swaps – fair value hedges	-	-	**347 378**	-
	4 879 921	792 509	**347 378**	-

Movements and Analysis of gains or losses arising from fair value hedges is as follows:

	Financial assets		Financial liabilities	
	2008	2007	**2008**	2007
	E	E	**E**	E
Fair value at the beginning of the year	792 509	(2 650 000)	-	-
Additional fair value hedging instruments	-	-	-	-
Utilised or terminated fair value hedging instruments (Note 4)	(792 509)	-	-	-
Fair value gains or losses on fair value hedges	4 879 921	3 442 509	347 378	-
	4 879 921	792 509	**347 378**	-

24 Contingencies

Contingent liabilities

At 31 March 2008 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 (2007: E 1 522 500) to Swaziland Building Society in respect of staff housing loans.

25 Commitments

Capital Commitments

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

	2008	2007
	E	E
Loan amounts approved but not disbursed	**28 327 836**	33 128 845

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

Operating lease commitments –where the Corporation is the lessee.

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

Not later than 1 year	**400 680**	378 000
Later than 1 year and not later than 5 years	**1 994 543**	1 994 543
Later than 5 years	**1 593 862**	1 994 542
	3 989 085	4 367 085

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%.

	2008	2007
	E	E
26 Cash utilised by operations		
Cash flows from operating activities:		
Profit for the period before taxation	**10 159 841**	10 090 178
Adjustment for non-cash items:		
Bad debts	**3 442 353**	568 735
Impairment of loans and advances	**13 817 111**	10 843 820
Depreciation	**663 981**	741 572
Net trading income/(expense) (Note 4)	**(1 999 688)**	49 796
Profit on sale of fixed assets	**(11 511)**	(25 718)
Operating profit before working capital changes	**26 072 087**	22 268 383
Decrease in working capital	**(62 721 864)**	(60 569 488)
Increase in loans and advances	**(60 985 365)**	(59 119 290)
(Increase) in other current assets	**(4 466 271)**	(2 577 306)
Increase in current liabilities	**3 673 069**	785 331
Increase in provisions	**(943 297)**	341 777
Net cash outflows from operating activities	**(36 649 777)**	(38 301 105)

26.1 Purchase of property, plant and equipment

	2008	2007
Addition of property, plant and equipment (Note 11)	**1 318 281**	634 171
Property, plant and equipment purchased by finance lease	**(1 068 099)**	-
Property, plant and equipment purchased by internal funds	**250 182**	634 171

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

27 Analysis of financial assets and liabilities by measurement basis

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

	Loans and receivables E	Available for sale securities E	Financial assets and liabilities at amortised cost E	Derivatives designated as fair value hedging instruments E	Total E
As at 31 March 2008					
Financial assets					
Loans and advances	**286 972 597**	**-**	**-**	**-**	**286 972 597**
Financial investments	**-**	**1 522 500**	**-**	**-**	**1 522 500**
Other assets	**13 646 030**	**-**	**-**	**-**	**13 646 030**
Cash and cash equivalent	**-**	**1 270 483**	**-**	**-**	**1 270 483**
Derivative financial instruments	**-**	**-**	**-**	**4 879 921**	**4 879 921**
	300 618 627	**2 792 983**	**-**	**4 879 921**	**308 291 531**
Financial liabilities					
Bank overdraft	**-**	**-**	**26 203 688**	**-**	**26 203 688**
Finance lease liabilities	**-**	**-**	**2 083 787**	**-**	**2 083 787**
Long term liabilities	**-**	**-**	**145 077 497**	**-**	**145 077 497**
Derivative financial instruments	**-**	**-**	**-**	**347 378**	**347 378**
Other short term liabilities	**-**	**-**	**14 540 412**	**-**	**14 540 412**
Trade and other payables	**-**	**-**	**11 502 384**	**-**	**11 502 384**
	-	**-**	**199 407 768**	**347 378**	**199 755 146**

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

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

	Loans and receivables E	Available for-sale securities E	Financial assets and liabilities at amortised cost E	Derivatives designated as fair value hedging instruments E	Total E
As at 31 March 2007					
Financial assets					
Loans and advances	242 250 978	-	-	-	242 250 978
Financial investment	-	1 522 500	-	-	1 522 500
Other asset	10 175 483	-	-	-	10 175 483
Cash and cash equivalent	-	267 499	-	-	267 499
Derivative financial instruments	-	-	-	792 509	792 509
	252 426 461	1 789 999	-	792 509	255 008 969
Financial liabilities					
Bank overdraft	-	-	18 786 710	-	18 786 710
Finance lease liabilities	-	-	1 540 884	-	1 540 884
Long term liabilities	-	-	125 627 955	-	125 627 955
Trade and other payables	-	-	7 829 215	-	7 829 215
	-	-	153 784 764	-	153 784 764

28 Credit quality of financial assets

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

	Loans and advance E	Other assets E	Cash and cash equivalents E	Financial instruments E	Derivatives designated as fair value hedging instruments E	Total E
As at 31 March 2008						
Counterparties without external credit ratings						
- Low Risk	**177 163 463**	**13 850 119**	**1 270 483**	**1 522 500**	**4 879 921**	**198 686 486**
- General Credit risk	**32 900 212**	**-**	**-**	**-**	**-**	**32 900 212**
- High risk	**119 374 279**	**-**	**-**	**-**	**-**	**119 374 279**
	329 437 954	**13 850 119**	**1 270 483**	**1 522 500**	**4 879 921**	**350 960 977**
As at 31 March 2007						
Counterparties without external credit ratings						
- Low Risk	127 623 731	10 175 483	267 499	1 522 500	792 509	140 381 722
- General Credit risk	29 497 353	-	-	-	-	29 497 353
- High risk	116 781 705	-	-	-	-	116 781 705
	273 902 789	10 175 483	267 499	1 522 500	792 509	286 660 780

The grouping of loans and advances is based on the following:

Low risk- This category is utilised for the performing loans that are classified as current and 2 months due, and mainly comprise of consumer loans and business loans.
General credit risk- This category is for all clients' accounts that are 60-91 days due, where a moderate credit risk is taken. Included in the category are Agricultural loans.
High Risk- this category is for all high risk clients and comprises all clients immediately they are over 91 days due, inclusive of the whole sugar cane loan portfolio.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

29 Financial instruments – maturity

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

	Less than 1 year E	Between 1 and 2 years E	Between 2 and 5 years E	Over 5 years E	Total E
31 March 2008					
Financial Assets:					
Other assets	13 850 119	-	-	-	13 850 119
Financial investment	1 522 500				1 522 500
Loans and advances	136 554 245	60 548 038	97 064 811	35 270 860	329 437 954
Cash and bank	1 270 483	-	-	-	1 270 483
Derivative financial instruments	-	-	-	4 879 921	4 879 921
	153 197 347	60 548 038	97 064 811	40 150 781	350 960 977
Financial Liabilities:					
Trade and other payables	11 502 284	-	-	-	11 502 284
Bank overdraft	26 203 688	-	-	-	26 203 688
Finance lease liabilities	775 700	775 700	532 387	-	2 083 787
Other short term liabilities	14 540 412	-	-	-	14 540 412
Derivative financial instruments	-	-	-	347 378	347 378
Long term liabilities	25 061 182	26 061 182	50 596 120	43 359 013	145 077 497
	78 083 266	26 836 882	51 128 507	43 706 391	199 755 046
31 March 2007					
Financial Assets:					
Other assets	10 175 483	-	-	-	10 175 483
Financial investment	1 522 500				1 522 500
Loans and advances	114 647 671	45 580 565	83 533 573	30 140 980	273 902 789
Cash and bank	267 499	-	-	-	267 499
Derivative financial instruments	-	-	-	792 509	792 509
	126 613 153	45 580 565	83 533 573	30 933 489	286 660 780
Financial Liabilities:					
Trade and other payables	7 829 215	-	-	-	7 829 215
Bank overdraft	18 786 710	-	-	-	18 786 710
Finance lease liabilities	370 275	370 275	800 334	-	1 540 884
Long term liabilities	14 699 782	22 052 205	44 484 419	44 391 549	125 627 955
	41 685 982	22 422 480	45 284 753	44 391 549	153 784 764

30 Assets charged as security for liabilities

	2008	2007
Financial assets pledged to secure liabilities were as follows as at 31 March 2008:	**E**	E
Loans and advance	**329 437 954**	273 902 789
Cash and cash equivalents	**1 200 000**	-
Financial instrument	**1 522 500**	1 522 500
Property, plant and equipment		
- Owned assets	**1 396 948**	1 546 802
- Assets under finance lease	**1 978 192**	1 465 120
	335 535 594	278 437 211

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

31 Litigation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

32 Related party transactions

	2008	2007
	E	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:

	2008 E	2007 E
Swaziland Government	**26 000 000**	30 000 000

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 15% (2007: 12.5%). Funding obtained from Tibiyo TakaNgwane by the Corporation was at prime lending rate.

(ii) Loan to the Managing Director:

	2008 E	2007 E
Balance at beginning of the year	**436 810**	347 110
Capital adjustments	**205 000**	157 000
Interest accrued during the year	**64 156**	24 673
Loan repayments during the year	**(135 636)**	(91 973)
Balance at the end of the Period	**570 330**	436 810

The initial 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 14.25%. The loan has been secured by a first mortgage bond over the property in favour of the Corporation. During the year three loans were granted to the Managing Director being school fees loans of E 80 000 and 50 000 at an interest rate of 18% and 4% respectively. Furthermore a study loan amounting to E 75 000 granted at an interest rate of 19%. All the loans are repayable over a 48 month period.

32 Related party transactions (continued)

(iii) Loan to the member(s) of the board of directors:

	2008 E	2007 E
Loan to Sima Holdings		
Balance at beginning of the year	**141 317**	149 722
Capital adjustments	**-**	58 770
Interest accrued during the year	**22 634**	30 052
Loan repayments during the year	**(57 600)**	(97 227)
Balance at the end of the Period	**106 351**	141 317

The above loan was granted to Sima Holdings, a Corporation in which Mandla Mavuso, a board member, is a co-owner and director. Sima Holdings is an IT consultancy business and was on 16 March 2006 granted a E 200 000 loan with a prime plus 4.5% interest and repayable over a 36 month period. Both the directors of the Corporation are sureties to the loan.

Loan to Musa Sibandze
During the year, the board approved a loan amounting E 1 310 000 to Musa Sibandze, a board member. The loan was approved with an interest rate of prime + 4.5% with a 60 months repayment period.
As at year end, no amount has been disbursed in with regard to the approved amount.

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

33 Financial guarantees

		2008 E	2007 E
National Maize Corporation	33.1	**248 162**	248 162
Swaziland Dairy Board	33.2	**1 572 596**	1 572 596
Voluntary Deferred Pay Guarantee Fund	33.3	**2 703 512**	2 703 512
Komati Basin Water Authority	33.4	**420 481**	443 508
Shewula Account	33.5	**30 547**	30 547
Customer Deposit Account	33.6	**826 394**	377 519
Balance at the end of the Period		**5 801 692**	5 375 844

33.1 National Maize Corporation (NMC) Guarantee

Swaziland Development Finance Corporation Limited has agreed to administer loans to local maize farmers. NMC will pay 8% of the total amount loaned by the Corporation as management fee at the end of each season. NMC has agreed to provide up to E2 million as guarantee against these loans. The funds are kept in a separate bank account called NMC Credit Guarantee Fund with interest accruing to the NMC Fund. On these loans E 30 236 was outstanding as at 31 March 2008.

33 Financial guarantees (continued)

33.2 Swaziland Dairy Board (SDB)

Swaziland Development Finance Corporation Limited has agreed to administer loans to smallholder dairy farmers. SDB will pay 10% of the total amount loaned by the Corporation as management fee at the end of each season. SDB has agreed to provide up to E1.5 million as guarantee against these loans. The funds are kept in a separate bank account called SDB Credit Guarantee Fund with interest accruing to the SDB fund. Swaziland Development Finance Corporation Limited acts as signatories to this account. On these loans E 1 809 212 was outstanding as at 31 March 2008.

33.3 Voluntary Deferred Pay Special Fund (VDPSF)

In terms of a 5 year contract with VDPSF, Swaziland Development Finance Corporation Limited has agreed to administer loans to qualifying ex-miners in order to enable them to engage in meaningful income generating activities. VDPSF will pay 8% of the total amount loaned by the Corporation as management fee at the end of each season. VDPSF agreed to provide E2.5 million as guarantee against these loans. The funds are kept in a separate bank account called Voluntary Deferred Pay Guarantee Fund with interest accruing to the VDPS fund. On these loans E 21 379 was outstanding as at 31 March 2008.

33.4 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 Limited acts as signatories to this account. The carrying amount of these loans as at 31 March 2008 was E 50 868.

33.5 Shewula Account

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

33.6 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 (2007: 43) sub-accounts (clients) to the Customer Deposit Account.

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

DETAILED INCOME STATEMENT
for the year ended 31 March 2008

	2008 E	2007 E
INCOME		
Interest receivable	**56 393 266**	44 046 964
Bad debts recovered	**672 541**	198 906
Sundry income	**1 872 052**	1 504 362
Fair value adjustment on currency swap	**4 267 422**	3 442 509
	63 205 281	49 192 741
EXPENSES		
Advertising	**359 884**	507 862
Audit remuneration	**320 000**	200 000
Bank charges	**436 174**	245 894
Bad debts written off	**3 442 353**	568 735
Board expenses	**113 691**	116 596
Computer expenses	**31 225**	13 445
Consulting fees	**277 838**	202 293
Depreciation	**663 981**	741 572
Donations	**341 740**	-
Facility fee charge	**158 625**	324 670
Impairment of loans and advances	**13 817 111**	10 843 820
Insurance	**253 535**	327 954
Interest expense	**15 241 003**	8 608 015
Legal fees	**190 817**	213 575
Loss on foreign exchange	**2 267 734**	3 492 305
Magazines and subscriptions	**760 051**	336 693
Motor vehicle expenses	**541 178**	512 696
Printing and stationery	**213 163**	186 205
Professional fees	**116 101**	130 986
Repairs and maintenance	**41 704**	65 217
Rent, water and light	**698 474**	601 539
Salaries and wages	**11 366 568**	9 968 857
Security	**90 471**	83 385
Sundry expenses	**263 004**	145 899
Telephone and postage	**526 993**	387 728
Travelling and entertainment & International conferences	**512 022**	276 622
Total expenses	**53 045 440**	39 102 563
Profit before income tax expense	**10 159 841**	10 090 178
Income tax expense	**(2 503 470)**	(2 994 731)
Profit for the year	**7 656 371**	7 095 447

Annexure 2

SWAZILAND DEVELOPMENT FINANCE CORPORATION LIMITED

TAXATION SCHEDULE
for the year ended 31 March 2008

		2008 E
Profit before tax		10 159 841
Temporary differences		
Add back:	Provision for leave pay 2008	195 379
	Provision for gratuity and performance bonus 2008	110 111
	Interest on leases	251 046
	Depreciation on leases	398 034
	Donations	341 740
	Foreign exchanges losses	2 267 734
Deduct:	Provision for leave pay 2007	(750 280)
	Provision for gratuity and performance bonus 2007	(498 507)
	Lease payments	(776 242)
	Fair value gains on currency swaps	(4 267 422)
Taxable income		7 431 434
Taxation at 30%		2 229 430