



# SBC Limited and Subsidiaries

## Group Results

for the 6 months ended 30 June 2015

### HIGHLIGHTS

Annualised loan book growth of 20%	Annualised revenue growth of 30%	Annualised total comprehensive income growth of 36%	New E150 million Medium Term Note programme listed on the Swaziland Stock Exchange	Progress on the Malkerns property development initiative
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Figures in Emalangeni	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Other income	80,366,091	123,391,319
Operating expenses	(37,801,026)	(64,738,699)
<b>OPERATING PROFIT</b>	<b>42,565,065</b>	<b>58,652,620</b>
Investment revenue	7,163,203	10,281,373
Finance costs	(25,575,037)	(32,800,060)
<b>PROFIT BEFORE TAXATION</b>	<b>24,153,231</b>	<b>36,133,933</b>
Taxation	(6,386,608)	(9,984,314)
<b>PROFIT FOR THE PERIOD</b>	<b>17,776,623</b>	<b>26,149,619</b>
Other comprehensive income	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>17,776,623</b>	<b>26,149,619</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of the parent	16,733,812	25,919,904
Non-controlling interest	1,032,811	229,715
	<b>17,776,623</b>	<b>26,149,619</b>

Figures in Emalangeni	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Investment Property	20,000,000	
Property, plant and equipment	1,048,496	783,331
Goodwill	209,148,253	209,018,117
Intangible assets	63,891	80,556
Deferred tax asset	5,153,766	4,220,549
Loans and advances	359,453,859	330,882,264
	<b>594,868,265</b>	<b>544,984,817</b>
<b>CURRENT ASSETS</b>		
Amounts owing by related parties	94,236,452	81,745,581
Current tax receivable	286,734	2,777,862
Loans and advances	137,984,478	122,646,927
Trade and other receivables	7,528,907	8,911,004
Cash and cash equivalents	140,292,160	113,172,617
	<b>380,328,731</b>	<b>329,253,991</b>
<b>TOTAL ASSETS</b>	<b>975,196,996</b>	<b>874,238,808</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	348,329,629	348,329,629
Retained earnings	20,821,480	4,087,668
	<b>369,151,109</b>	<b>352,417,297</b>
Non-controlling interest	26,879,003	26,075,906
	<b>396,030,112</b>	<b>378,493,203</b>
<b>NON-CURRENT LIABILITIES</b>		
Amounts owing to related parties	32,629,102	66,653,423
Other financial liabilities	266,968,449	266,540,481
	<b>299,597,551</b>	<b>333,193,904</b>
<b>CURRENT LIABILITIES</b>		
Amounts owing to related parties	60,211,075	31,619,753
Other financial liabilities	215,261,873	123,579,058
Current tax payable	965,867	2,615,658
Trade and other payables	3,130,518	4,737,232
	<b>279,569,333</b>	<b>162,551,701</b>
<b>TOTAL LIABILITIES</b>	<b>579,166,884</b>	<b>495,745,605</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>975,196,996</b>	<b>874,238,808</b>

Figures in Emalangeni	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
<b>STATEMENT OF CHANGES IN EQUITY</b>		
<b>SHARE CAPITAL</b>		
Balance at the beginning of the period	9,649	9,649
Issue of shares	-	-
Share buyback	-	-
<b>SHARE PREMIUM</b>	<b>348,319,980</b>	<b>348,319,980</b>
Balance at the beginning of the period	348,319,980	348,319,980
Issue of shares	-	-
Share buyback	-	-
<b>RETAINED EARNINGS</b>	<b>20,821,480</b>	<b>4,087,668</b>
Balance at the beginning of the period	4,087,668	3,680,738
Dividends paid	-	(25,512,974)
Profit for the period	16,733,812	25,919,904
<b>NON-CONTROLLING INTEREST</b>	<b>26,879,003</b>	<b>26,075,906</b>
Balance at the beginning of the period	26,075,906	26,602,924
Movement for the period	803,097	(527,018)
<b>TOTAL EQUITY</b>	<b>396,030,112</b>	<b>378,493,203</b>

Figures in Emalangeni	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
<b>STATEMENT OF CASH FLOWS</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash used in operations	(1,682,226)	(143,467,546)
Interest income	7,163,203	10,281,373
Finance costs	(25,575,037)	(32,800,060)
Tax paid	(6,478,488)	(11,683,147)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(26,572,548)</b>	<b>(177,669,380)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(431,458)	(703,420)
Purchase of investment property	(20,000,000)	
Purchase of other intangible assets	-	(100,000)
Proceeds from loans from Group companies	166,355	84,200,891
Repayment of loans from Group companies	(17,923,875)	(79,268,145)
Purchase of investment in subsidiary	-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(38,188,978)</b>	<b>4,129,326</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Reduction of share capital or buy back of shares	(229,714)	(756,733)
Repayment of other financial liabilities	92,110,783	184,613,926
Dividends paid	-	(25,512,974)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>91,881,069</b>	<b>158,344,219</b>
<b>TOTAL CASH MOVEMENT FOR THE PERIOD</b>	<b>27,119,543</b>	<b>(15,195,835)</b>
Cash at the beginning of the period	113,172,617	128,368,452
<b>TOTAL CASH AT END OF THE PERIOD</b>	<b>140,292,160</b>	<b>113,172,617</b>

### NOTES

**1. STATEMENT OF COMPLIANCE**

The financial results have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34, in the manner required by the Companies Act of Swaziland. The basis for the preparation of the financial results is consistent with that applied in the preparation of the annual financial statements for the year ended 31 December 2014 other than the accounting policy for the investment property which is accounted for at fair value. The financial results have been prepared under the supervision of the Group Chief Financial Officer, Mr R Zoio.

**2. HEADLINE EARNINGS**

**2.1 EARNINGS PER SHARE (CENTS)**

	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
Basic	0.18	0.27
Headline	0.18	0.27
Diluted basic	0.18	0.27
Diluted headline	0.18	0.27

**2.2. RECONCILIATION BETWEEN BASIC AND HEADLINE EARNINGS**

	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
Basic earnings	17,776,623	26,149,619
Disposal of property, plant and equipment	-	-
<b>Headline earnings</b>	<b>17,776,623</b>	<b>26,149,619</b>

**2.3. NUMBER OF ORDINARY SHARES OF E0.0001 EACH IN ISSUE**

	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
Actual	96,490,000	96,490,000
Weighted average	96,490,000	96,490,000
Diluted	96,490,000	96,490,000

**3. LOANS AND ADVANCES**

	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
Advances	515,533,268	468,226,093
Impairment for credit losses of loans and advances	(18,094,931)	(14,696,902)
	<b>497,438,337</b>	<b>453,529,191</b>

**4. CASH AND CASH EQUIVALENTS**

Select Limited, a subsidiary of SBC Limited, provided surety for an overdraft and short term loan facility from Cfc Stanbic Bank Kenya to Select Management Services Limited (Kenya) ("SMSK") of KES180.9 million (2014 - KES 258.6 million and KES 34.8 million) by placing E29 million (E40 million) on call with Standard Bank South Africa. In exchange for this security Select Limited received 12.5% a equity share in SMSK.

A guarantee was issued by Select Africa Finance Limited, the holding company of SBC Limited, to Select Limited for the amount provided as surety.

**5. OTHER FINANCIAL LIABILITIES**

**5.1 HELD AT AMORTISED COST**

	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
Medium term notes	271,364,612	290,476,178
Term loan	11,675,823	11,152,478
Promissory notes	199,189,887	88,490,883
	<b>482,230,322</b>	<b>390,119,539</b>
Non-current	266,968,449	266,540,481
Current	215,261,873	123,579,058
	<b>482,230,322</b>	<b>390,119,539</b>

**5.2 MEDIUM TERM NOTE PROGRAMME**

The Group raises funds through Promissory Notes and Medium Term Note Programmes (MTNs). The MTNs are listed on the Swaziland Stock Exchange in the name of Select Limited, a subsidiary of SBC Limited, with a total facility of E 500 million. This is after approval for a further R150 million note programme was received on 20 August 2015.

At 30 June 2015, notes to the value of E271m were issued under these programmes.

**6. RELATED PARTY TRANSACTIONS**

	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
Administration and advisory fees	(11,556,672)	(17,856,930)
Group life and funeral cover	(4,462,182)	(7,663,486)
IT infrastructure	(1,347,636)	(1,268,820)
Interest	888,491	1,881,020

All Group transactions are made at terms equivalent to those prevailing in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. The Group has not recorded any impairment of receivables relating to amounts owed by related parties during the period.

**7. CASH GENERATED FROM OPERATIONS**

	Unaudited 6 months ended 30 June 2015	Audited 12 months ended 31 December 2014
Profit before tax	24,153,231	36,133,933
<b>Adjustments for:</b>		
Depreciation and amortisation	182,959	218,989
Bad debts written off	1,651,596	4,211,505
(Profit)/loss on exchange differences - unrealised	(166,355)	666,675
Interest received	(7,163,203)	(10,281,373)
Finance costs	25,575,037	32,800,060
Movement in goodwill	(130,136)	
Impairment for credit losses of loans and advances	3,465,376	7,587,406
<b>Changes in working capital:</b>		
Decrease/(increase) in trade and other receivables	1,382,097	(7,933,597)
Increase in trade and other payables	(1,606,710)	2,372,061
Net movement in loans and advances	(49,026,118)	(209,243,205)
	<b>(1,682,226)</b>	<b>(143,467,546)</b>

**8. SEGMENTAL ANALYSIS**

	Swaziland		Lesotho		Elimination		Group	
	30 Jun 2014	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014	31 Dec 2014
<b>Segmental reporting</b>								
Operating profit	30,727,120	49,884,151	11,837,945	8,768,469			42,565,065	58,652,620
Profit before tax	18,223,907	32,025,555	5,929,324	4,108,378			24,153,231	36,133,933
Taxation consolidated	(4,904,148)	(9,007,868)	(1,482,460)	(976,446)			(6,386,608)	(9,984,314)
Profit for the year	13,329,759	23,017,687	4,446,864	3,131,932			17,776,623	26,149,619
Gross advances to customers	419,459,105	381,296,207	96,074,163	86,886,410			515,533,268	468,182,617
Impairment provisions	(13,291,204)	(10,309,105)	(4,803,727)	(4,344,321)			(18,094,931)	(14,653,426)
Net advances	406,167,901	370,987,102	91,270,436	82,542,089			497,438,337	453,529,191
Total segment assets	960,643,869	863,640,052	96,232,783	84,292,161	(81,679,656)	(73,693,405)	975,196,996	874,238,808
Borrowings	572,459,683	488,392,715	84,290,472	73,693,405	(81,679,656)	(73,693,405)	575,070,499	488,392,715
Total segment liabilities	572,970,123	489,056,351	87,876,417	80,382,659	(81,679,656)	(73,693,405)	579,166,884	495,745,605

SBC Limited, (Incorporated in Swaziland Reg. No. 473 of 2011)

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Directors: T Dladla (Chairperson), AMB de Castro, MM Dlamini, SM Ginindza, SK O'Sullivan\* [\*South African]

### COMMENTARY

#### INTRODUCTION

Retail financial services Group, SBC Limited and its subsidiaries offer financial services comprising the provision of financial loans and services to individuals in Swaziland and Lesotho under the "Select" and "Lesana" brands respectively. The Group targets jurisdictions with low barriers to entry and a high demand for financial services, specifically consumer finance.

The Group also continues to evaluate investment opportunities within the region to fulfil its ultimate objective of creating a platform to deliver affordable quality housing ownership into the markets where we operate. Coupled with this, the Group also seeks to create a means for vehicle ownership through funding mechanisms that suit the geographies in which we operate.

On 7 April 2015 SBC Limited announced the acquisition of property holding company Pine Acres Limited ("Pine Acres"). Pine Acres' primary asset is a property within the Malkerns municipality boundary measuring approximately 41 hectares. The acquisition of Pine Acres will allow SBC Limited to diversify from a purely retail financial services role to include property development and financing.

#### LISTING ON THE SWAZILAND STOCK EXCHANGE (SSX)

As part of its objective to develop the Swazi capital markets, SBC Limited listed on the Swaziland Stock Exchange on 10 February 2014.

#### FINANCIAL REVIEW

SBC has been able to capitalise on the 77% growth in the loan book in the prior year to achieve an annualised growth in revenue of 30%. This is on the back of a more muted gross loan book which grew to E515m at an annualised growth rate of 20% over the six month period under review. The slowed growth rate can be attributed to the relative maturing of the Swaziland market coupled with a cautious approach to growth in Lesotho, which was deemed to be appropriate given recent political upheaval in that market and the consequential delay in the receipt of the Credit Institutions licence in that geographic segment.

Operating expenses have increased by 17% on an annualised basis which reflects the impact relief of cost pressure on the business once the book building process eases; this has allowed operating profit to increase by a healthy 45%. Finance costs have, however, escalated by an annualised 56% which is a combination of an increase in the cost of funding, coupled with a decision to hold additional cash reserves to improve the liquidity of the Group as well as fund future expansion and debt repayments. This funding cost is partially offset by a 39% increase in investment income arising from the incremental cash holdings. While management are concerned about the negative carry in interest rates that results from large cash balances, this is seen as an appropriate risk management approach. This has been mitigated by placing surplus funds with the Group Treasury company.

#### OPERATIONAL REVIEW

The Group currently has four "Select" branded branches in Swaziland, with the two largest branches situated in the two main economic centres of Swaziland, being Mbabane and Manzini. In addition, SBC Limited has a call centre and a mobile sales team, enabling it to take its product offering directly to its customers, thereby not relying solely on walk-in customers at its branches. In Lesotho the group has two "Lesana" branded branches and an administrative office in the capital city Maseru.

Following the introduction of a suite of new products in the latter part of 2013, which then drove the significant loan book growth in 2014, the current period was seen as an opportunity to consolidate the SBC product offering pending the introduction of new products in the second half of the 2015 financial year. This has given the business an opportunity to consolidate its market position and enhance its operations and processes particularly around collections methodologies.

The Group continues to collect primarily through payroll deductions at source, thereby ensuring consistently high collection rates, well within acceptable parameters. There has however been an increase in the component of the business which is collected through off payroll mechanisms. Inevitably collection rates using these mechanisms while still being satisfactory are not as effective as payroll. Management continues to pay acute attention to business and associated risks and recognised this in the increase in Group's impairment ratios which remain inside expected norms at 3.5% for 31st June 2014 (3.1% 31st December 2014).

SBC Limited's subsidiary, Select Limited, listed an additional E150 million Medium Term Note Programme on the Swaziland Stock Exchange in 2015. This was the 6th Medium Term Note Programme listed on the SSX by Select Limited, since its inception in 2007. The proceeds of notes issued under this note programme have been used to fund loans and advances to existing and new customers.

#### PROSPECTS

The future growth strategy of the Group will be driven both organically, and through acquisition and diversification. Funding for these will be facilitated through the Group's internally generated cash flows, Medium Term Note Programme, as well as other funding instruments where appropriate.

The Group anticipates the trading environment in the region will be maintained at its current level, with growth rates in the Swaziland economy and other economies in the region continuing to be subdued. We expect to continue to see competition emerging from within the financial services industry across the region, which has forced the Group to continuously evaluate and tailor its offering and products suite to suit the needs of its customers.

In line with the acquisition of Pine Acres the SBC Group through associate Group company Osmaza are intent on developing a housing estate complemented by a shopping centre, which will incorporate various retail offerings, a fuel/service station and potentially a school.

The first phase of this development will be initiated early in 2016 where an initial tranche dwellings will be constructed for onward sale to the market supported through funding structures developed through the Select franchise.

#### FINANCIAL STATEMENTS

The financial statements for the 6 months ended 30 June 2015 have not been audited.

#### CORPORATE GOVERNANCE