

# **SBC Limited and Subsidiaries Group Results**

for the six months ended 30 June 2016

HIGHLIGHTS						
Loan book growth of 12% 🛦	Revenue growth of <b>21%</b>	Headline earnings growth of <b>38%</b> ▲	Progress on the Malkerns property development initiative			

12 /0 📥	21/0	
Figures in Emalangeni	Reviewed 6 months ended 30 June 2016	Audited 12 months ended 31 December 2015
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	105,302,298	173,773,162
Operating expenses	(44,906,640)	(83,431,541)
OPERATING PROFIT	60,395,658	90,341,621
Investment revenue	8,789,856	47,539,979
Finance costs	(37,359,832)	(58,445,607)
PROFIT BEFORE TAXATION	31,825,682	79,435,993
Taxation	(9,295,228)	(23,578,321)
PROFIT FOR THE PERIOD	22,530,454	55,857,672
Other comprehensive income	0	0,007,072
TOTAL COMPREHENSIVE INCOME	22,530,454	55,857,672
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	22,020,564	53,702,720
Non-controlling interest	509,890	2,154,952
,	22,530,454	55,857,672
STATEMENT OF FINANCIAL POSITION		
ASSETS		
NON-CURRENT ASSETS		
nvestment Property	50,196,170	50,196,170
Property, plant and equipment	941,290	1,014,496
Goodwill	209,448,351	209,148,253
ntangible assets	30,559	47,225
Deferred tax asset	5,878,885	6,408,621
Loans and advances	444,276,235	401,538,548
	710,771,490	668,353,313
CURRENT ASSETS		
Amounts owing by related parties	109,558,059	108,708,773
Current tax receivable	1,658,349	3,243,136
Loans and advances	183,345,855	159,358,824
Frade and other receivables	22,521,233	13,058,499
Cash and cash equivalents	117,818,631	54,195,971
	434,902,127	338,565,203
TOTAL ASSETS	1,145,673,617	1,006,918,516
EQUITY AND LIABILITIES EQUITY		
Share capital	348,329,629	348,329,629
Retained earnings	35,249,029	13,421,965
· · · · · · · · · · · · · · · · · · ·	383,578,658	361,751,594
Non-controlling interest	3,723,270	3,213,380
	387,301,928	364,964,974
NON-CURRENT LIABILITIES		
Amounts owing to related parties	-	3,039,750
Other financial liabilities	317,148,432	301,735,399
Deferred tax liability	8,301,609	8,301,609
	325,450,041	313,076,758
CURRENT LIABILITIES		
Amounts owing to related parties	44,087,247	60,488,044
Other financial liabilities	384,809,107	261,797,727

SHARE CAPITAL	9,649	9,649
Balance at the beginning of the period	9,649	9,649
Issue of shares	-	
Share buyback	-	
SHARE PREMIUM	348,319,980	348,319,980
Balance at the beginning of the period	348,319,980	348,319,980
Issue of shares	-	-
Share buyback	-	
RETAINED EARNINGS	35,249,029	13,421,965
Balance at the beginning of the period	13,421,965	4,087,668
Dividends paid	-	(54,999,300)
Profit for the period	22,020,564	53,702,720
Movement on acquisition of NCI	(193,500)	10,630,877
NON-CONTROLLING INTEREST	3,723,270	3,213,380
Balance at the beginning of the period	3,213,380	26,075,906
Movement for the period	509,890	[22,862,526]
TOTAL EQUITY	387,301,928	364,964,974

264,278

649,579

3,111,439

432,921,648

758,371,689

1,145,673,617

1,862,886

4,728,127

328,876,784

641,953,542

1,006,918,516

STATEMENT OF CASH FLOWS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(37,779,027)	(107,261,772)
Interest income	8,789,856	17,343,809
Finance costs	(37,359,832)	(58,445,607)
Tax paid	(8,752,423)	(18,682,830)
NET CASH USED IN OPERATING ACTIVITIES	(75,101,426)	(167,046,400)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(156,304)	(604,923)
Purchase of investment property	-	(20,130,133)
Purchase of other intangible assets	-	-
NET CASH USED IN INVESTING ACTIVITIES	(156,304)	(20,735,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of non-controlling interests	(193,601)	(12,906,674)
Proceeds from other financial liabilities	240,778,909	296,892,645
Repayment of other financial liabilities	(102,354,495)	(123,479,058)
Dividends paid	-	(31,702,103)
NET CASH GENERATED BY FINANCING ACTIVITIES	138,230,813	128,804,810
TOTAL CASH MOVEMENT FOR THE PERIOD	62,973,083	(58,976,646)
Cash at the beginning of the period	54,195,971	113,172,617
TOTAL CASH AT END OF THE PERIOD	117,169,054	54,195,971
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	Reviewed	Audited
	6 months ended	12 months ended
Figures in Emalangeni	30 June 2016	31 December 2015
NOTES		

#### TATEMENT OF COMPLIANCE

financial results have been prepared in accordance with International Financial orting Standards (IFRS), IAS 34, in the manner required by the Companies Act of aziland. The basis for the preparation of the financial results is consistent with that died in the preparation of the annual financial statements for the year ended 31 member 2015. The financial results have been prepared under the supervision of the up Chief Financial Officer, Mr R Zoio.

## FADI INF FARNINGS

2.1	EARNINGS	PER	SHARE	(CENTS)	

2.2. RECONCILIATION BETWEEN BASIC AND HEADI	LINE EARNINGS	
Diluted headline	0.23	0.33
Diluted basic	0.23	0.56
Headline	0.23	0.33
Basic	0.23	0.56

Basic earnings	22,020,564	53,702,720
Fair value gain on investment property	-	(21,892,223)
Headline earnings	22,020,564	31,810,497
2.3. NUMBER OF ORDINARY SHARES OF E0.00	01 EACH IN ISSUE	
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		

## airment for credit losses of loans and

ASH AND CASH EQUIVALENTS lect Limited, a subsidiary of SBC Limited, provided surety for an overdraft and short m loan facility from CfC Stanbic Bank Kenya to Select Management Services Limited enyal ("SMSK") of KES175,0 million (2015 - KES 219,8 million) by placing E32.0 million 80.9 million) on call with Standard Bank South Africa. In exchange for this security lect Limited received a 12.5% equity share in SMSK.

648,055,184

(20,433,094)

627,622,090

581,918,255

(21,020,883)

560,897,372

uarantee was issued by Select Africa Finance Limited, the holding company of SBC nited, to Select Limited for R20.0 million.

### THER FINANCIAL LIABILITIES HELD AT AMORTISED COST

Medium term notes	394,510,514	271,223,939
Term loan	12,785,027	12,211,963
Promissory notes	294,661,998	280,097,224
	701,957,539	563,533,126
Non-current	317,148,432	301,735,399
Current	384,809,107	261,797,727
	701,957,539	563,533,126

# MEDIUM TERM NOTE PROGRAMME

Group raises funds through Promissory Notes and Medium Term Note Programmes Ns). 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 E500 million.

At 30 June 2016, notes to the value of E395 million were issued under these programmes

# 6. RELATED PARTY TRANSACTIONS

Administration and advisory fees	(16,061,882)	(30,299,250)
Group life and funeral cover	(5,862,085)	(9,530,853)
IT infrastructure	(1,801,489)	(2,976,121)
Interest	2,788,041	351,755

All Group transactions are made on 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

<u> </u>	(37,779,027)	(107,261,772)
Amounts paid to related parties	(20,199,146)	(118,320,267)
Amounts received from related parties	-	28,868,291
Net movement in loans and advances	(70,290,807)	(115,858,972)
Decrease in trade and other payables	(1,616,688)	(9,105)
Increase in trade and other receivables	(9,462,734)	(4,147,495)
Changes in working capital:		
Impairment for credit losses of loans and advances	(587,789)	6,367,457
Finance costs	37,359,832	58,445,607
Interest received	(8,789,856)	(17,343,809)
Fair value gain on investment property	-	(30,196,170)
(Profit)/Loss on exchange differences - unrealised	(417,577)	2,966,275
Bad debts written off	4,153,878	2,123,334
Depreciation and amortisation	246,178	407,089
Adjustments for:		
Profit before tax	31,825,682	79,435,993

# 8. SEGMENTAL ANALYSIS

Swazil	and	Lesotho		Elimination		Group	
30 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015
58,499,949	67,679,347	10,685,565	22,662,274			69,185,514	90,341,621
26,792,996	68,668,419	5,032,686	10,767,574			31,825,682	79,435,993
(8,037,047)	(20,886,298)	(1,258,181)	(2,692,023)			(9,295,228)	(23,578,321)
18,755,949	47,782,121	3,774,505	8,075,551			22,530,454	55,857,672
543,889,600	486,842,167	104,165,585	95,076,088			648,055,185	581,918,255
(15,414,147)	(16,122,952)	(5,018,947)	(4,897,931)			(20,433,094)	(21,020,883)
528,475,453	470,719,215	99,146,638	90,178,157			627,622,091	560,897,372
1,119,207,542	991,230,738	103,678,852	96,907,218	(77,212,777)	(81,219,440)	1,145,673,617	1,006,918,516
746,044,786	627,060,920	85,820,025	81,219.440	(77,212,777)	(81,219,440)	754,652,034	627,060,920
747,665,172	638,250,817	87,919,294	84,922,165	(77,212,777)	(81,219,440)	758,371,689	641,953,542
	30 June 2016 58,499,949 26,792,996 (8,037,047) 18,755,949 543,889,600 (15,414,147) 528,475,453 1,119,207,542 746,044,786	58,499,949 67,679,347 26,792,996 68,668,419 [8,037,047] [20,886,298] 18,755,949 47,782,121 543,889,600 486,842,167 [15,414,147] [16,122,952] 528,475,453 470,719,215 1,119,207,542 991,230,738 746,044,786 627,060,920	30 June 2016 31 Dec 2015 30 June 2016 58,499,949 67,679,347 10,685,565 26,792,996 68,668,419 5,032,686 [8,037,047] [20,886,298] [1,258,181] 18,755,949 47,782,121 3,774,505 543,889,600 486,842,167 104,165,585 [15,414,147] [16,122,952] [5,018,947] 528,475,453 470,719,215 99,146,638 1,119,207,542 991,230,738 103,678,852 746,044,786 627,060,920 85,820,025	30 June 2016 31 Dec 2015 30 June 2016 31 Dec 2015 58,499,949 67,679,347 10,685,565 22,662,274 26,792,996 68,668,419 5,032,686 10,767,574 [8,037,047] [20,886,298] [1,258,181] [2,692,023] 18,755,949 47,782,121 3,774,505 8,075,551 543,889,600 486,842,167 104,165,585 95,076,088 [15,414,147] [16,122,952] [5,018,947] [4,897,931 528,475,453 470,719,215 99,146,638 90,178,157 1,119,207,542 991,230,738 103,678,852 96,907,218 746,044,786 627,060,920 85,820,025 81,219,440	30 June 2016 31 Dec 2015 30 June 2016 31 Dec 2015 30 June 2016  58,499,949 67,679,347 10,685,565 22,662,274 26,792,996 68,668,419 5,032,686 10,767,574 [8,037,047] [20,886,298] [1,258,181] [2,692,023]  18,755,949 47,782,121 3,774,505 8,075,551  543,889,600 486,842,167 104,165,585 95,076,088 [15,414,147] [16,122,952] [5,018,947] [4,897,931]  528,475,453 470,719,215 99,146,638 90,178,157  1,119,207,542 991,230,738 103,678,852 96,907,218 [77,212,777]  746,044,786 627,060,920 85,820,025 81,219,440 [77,212,777]	30 June 2016 31 Dec 2015 30 June 2016 31 Dec 2015 30 June 2016 31 Dec 2015 58,499,949 67,679,347 10,685,565 22,662,274 26,792,996 68,668,419 5,032,686 10,767,574 [8,037,047] [20,886,298] [1,258,181] [2,692,023] 18,755,949 47,782,121 3,774,505 8,075,551 543,889,600 486,842,167 104,165,585 95,076,088 [15,414,147] [16,122,952] [5,018,947] [4,897,931] 528,475,453 470,719,215 99,146,638 90,178,157 [1119,207,542 991,230,738 103,678,852 96,907,218 [77,212,777] [81,219,440] 746,044,786 627,060,920 85,820,025 81,219,440 [77,212,777] [81,219,440]	30 June 2016 31 Dec 2015 30 June 2016 31 Dec 2015 30 June 2016 58,499,949 67,679,347 10,685,565 22,662,274 69,185,514 26,792,996 68,668,419 5,032,686 10,767,574 31,825,682 [8,037,047] [20,886,298] [1,258,181] [2,692,023] [9,295,228] 18,755,949 47,782,121 3,774,505 8,075,551 22,530,454 543,889,600 486,842,167 104,165,585 95,076,088 648,055,185 [15,414,147] [16,122,952] [5,018,947] [4,897,931] [20,433,094] 528,475,453 470,719,215 99,146,638 90,178,157 627,622,091 1,119,207,542 991,230,738 103,678,852 96,907,218 [77,212,777] [81,219,440] 1,145,673,617 746,044,786 627,060,920 85,820,025 81,219,440 [77,212,777] [81,219,440] 754,652,034

## COMMENTARY INTRODUCTION

inancial services retail group SBC Limited ("the Group", "SBC") offers a wide range of financial solutions in its identified markets. These are within the retail sector of the Kingdoms of Swaziland and Lesotho under the "Select" and "Lesana" brands respectively. These financial solutions primarily include incremental housing loans together with education and consumer loans. The Group targets jurisdictions with low barriers to entry and a high demand for financial services, with a core focus on housing finance solutions to address the ever increasing market demand from this sector.

The Group is continually evaluating investment opportunities within the region to deliver ownership of affordable quality housing to a wide sector in the markets where the housing needs have been identified. A bespoke proposition through the Pine Acres Limited investment in the form of Malkerns Square is in the process of being formalised. This development is structured to incorporate a first world living experience which seeks to address a portion of the gap that has been identified within Swaziland market particularly focused on housing.

Infused with this housing development will be a retail and commercial component to further augment its offering and address the wider needs of retail and the Malkerns Square community.

SBC has maintained a level of disbursements which amounted to E138m (2015 - E265m full year) for the six months under review. This has enabled it to grow its loan book by 12% to E628m. Disbursements in Swaziland amounted to E113m which represented a consistent level despite the delay in the implementation of salary increases for Government employees, which is anticipated will allow Select's clientele to increase their borrowing capacity. Lesotho's disbursements have been relatively muted at M25m pending the launch of a planned medium term note program on the Maseru Securities Market. On completion of this exercise, it is anticipated that the business will be well positioned to aggressively approach the market. On the back of sequential loan book the Group achieved over several reporting periods, revenue for the 6 months to date has increased by an annualised 21% over the prior year period.

SBC has held its operating costs at an annualised 8% growth over the prior year. This has enabled it to grow its operating profit by an annualised 34% over the 2015 year. The prior investment revenue included E30m relating to a fair value gain on the value of the Malkerns property. This is an annual exercise and accordingly there is no fair value adjustment for the purposes of these interim results. Excluding this amount from the comparative, investment revenue was only 1% up on the prior year with this indicating a consistent level of excess funds in the business. Such excess funds, while representing an inefficient utilization of capital are essential to enable the business to anticipate debt servicing obligations and disbursement opportunities.

Finance costs at E37m predominately arose from interest on notes issued under the listed medium term note program by subsidiary Select Limited, as well as certain funding sourced via other companies in the African Alliance Group. This represents an annualised increase of 28% over the prior year and has in part tracked with the 21% increase in loan book revenue. Nevertheless SBC has experienced an increase in the cost of funding which is attributable to the rising of interest rates in the market. In addition, the opportunity to access certain funding did necessitate holding an increased level of excess funds which could not generate an equivalent revenue stream in the short term.

#### **OPERATIONAL REVIEW**

The Group through Select has increased its Swaziland footprint to five branches which includes the recent advent of the Siteki satellite branch which strategically improves accessibility through the widening in the Select distribution network for walk-in clients. Within this footprint, the two largest branches are located in the main economic centres of Swaziland being the capital Mbabane and Manzini. Specific attention has been placed on the growth of the call centre and mobile sales teams as a further distribution channel to enable the effective and efficient delivery of Select's product offering directly to its customers. This has brought with it wider reach and an improved value proposition to the client base that are well spread through the country's geography. The group has also seen expansion in Lesotho where the group has added a further satellite branch to its network. The branches now total 3 inclusive of the main Maseru branch and the two "Lesana" branded satellite offices in Mafeteng and Hlotse. This widening in the distribution network will bring with it increased market penetration and visibility for Lesana as we build the Lesana brand.

The Group continues to see notable growth in its loan book across its represented territories. With this is the need to improve on product offering and market creation. To support this evolution the Group has adopted a new loan management system which is presently being implemented through the various geographies. This implementation will bring with it additional flexibility in modelling appropriate products for the varied client base that we serve. In tandem with this comes the ability to segment our book to facilitate the improved risk management and collection capability.

Speed to market will be facilitated by operating off mobile platforms allowing the business to deliver its suite of offerings into remote areas without the costs and delays involved with 'bricks and mortar

# **PROSPECTS**

The future growth strategy of the Group remains underpinned by both organic and acquisition components. Robust funding activities will continue to support this growth along with the Group's internally generated cash flows. This will be achieved with Medium Term Note Programs floated on the Swaziland Stock Exchange and soon to be Maseru Securities Market, together with other funding instruments where appropriate. The formalising of the capital markets in these geographies are a welcome development as these provide the regulated environments to support the potential investors sentiment.

The trading environment continues to see competition emerging from within the regulated financial services industry across the region, and is compounded by new regulation which has resulted in non-traditional financial institutions accessing clients in the consumer lending market. This has necessitated that the Group continuously reevaluate its offerings and suitably tailor the products suite to meet the ever changing needs of its customers. It is through definitive strategic focus areas like Pine Acres and the Malkerns Square development that SBC will be able to respond to the widening competitive landscape that the Group operates in.

The launch of the Malkerns Square development is imminent and the Group is very encouraged and excited by the prospects it offers. The development remains a core focus for the Group with the delivery of a portion of the first phase of the development projected to be available from late 2016 flowing into 2017. The Select franchise is well positioned to provide mortgage funding to qualifying clients for the purchase and ultimate ownership in an aspirational lifestyle housing estate.

# FINANCIAL STATEMENTS

The condensed financial statements for the period ended 30 June 2016 have been reviewed by KPMG, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the condensed financial statements identified in the auditor's report.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's

# CORPORATE GOVERNANCE

The directors and management of SBC Limited confirm their continued commitment to the principles of openness, integrity and accountability as advocated by sound principles of Corporate Governance contained in the King Reports.

T Dladla, Chairperson

	Elimination		Group	
015	30 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015
274			69,185,514	90,341,621
574			31,825,682	79,435,993
123)			(9,295,228)	(23,578,321)
551			22,530,454	55,857,672
088			648,055,185	581,918,255
31)			(20,433,094)	(21,020,883)
157			627,622,091	560,897,372
218	(77,212,777)	(81,219,440)	1,145,673,617	1,006,918,516
440	(77,212,777)	(81,219,440)	754,652,034	627,060,920
145	(77 212 777)	[01 210 / /0]	750 271 /00	//1 0E2 E/2

This is aligned with management's approach to the business.

There is no segmental reporting available on the basis of product groups.

As the Group provides retail and housing microfinance products there are no major customers or customer groups.

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

Current tax payable

TOTAL LIABILITIES

Trade and other payables

**TOTAL EQUITY AND LIABILITIES** 

Plot No. 74 & 80, 6th Floor, Parkade Building (SNPF), Nkoseluhlaza Street, Manzini, Office No. 603. P O Box 2687 Manzini Telephone: (+268) 2404-8394 Facsimile: (+268) 2404-8391 Directors: Hon. T Dladla (Chairperson), AMB de Castro, MM Dlamini, SM Ginindza, SK O'Sullivan\* [\*South African]





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