



SBC Limited and Subsidiaries

Audited Group Results

for the year ended 31 December 2014

HIGHLIGHTS

February 2014 - SBC Limited is listed on the Swaziland Stock Exchange

Lower interest rates to increase competitiveness:

- Lowers profit by 18%
- Increases loanbook by 77%

Dividend of 25c per share declared

New E150m Medium Term Note programme listed on the Swaziland Stock Exchange

Acquisition of Lesana Lesotho Limited provides a new geography to the Group

Figures in Emalangeni	Audited 12 months ended 31 December 2014	Audited 12 months ended 31 December 2013
STATEMENT OF COMPREHENSIVE INCOME		
Other income	123,391,319	92,764,653
Operating expenses	(64,738,699)	(40,174,236)
OPERATING PROFIT	58,652,620	52,590,417
Investment revenue	10,281,373	12,985,432
Finance costs	(32,800,060)	(21,108,623)
PROFIT BEFORE TAXATION	36,133,933	44,467,226
Taxation	(9,984,314)	(12,541,116)
PROFIT FOR THE PERIOD	26,149,619	31,926,110
Other comprehensive income	0	0
TOTAL COMPREHENSIVE INCOME	26,149,619	31,926,110
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	25,919,904	30,135,146
Non-controlling interest	229,715	1,790,964
	26,149,619	31,926,110

Figures in Emalangeni	Audited 12 months ended 31 December 2014	Audited 12 months ended 31 December 2013
STATEMENT OF FINANCIAL POSITION		
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	783,331	279,456
Goodwill	209,018,117	209,018,117
Intangible assets	80,556	-
Deferred tax asset	4,220,549	1,840,775
Loans and advances	330,882,264	187,725,280
	544,984,817	398,863,628
CURRENT ASSETS		
Amounts owing by related parties	81,745,581	3,144,115
Current tax receivable	2,777,862	1,138,250
Loans and advances	122,646,927	68,359,617
Trade and other receivables	8,911,004	232,144
Cash and cash equivalents	113,172,617	128,368,452
	329,253,911	201,242,578
TOTAL ASSETS	874,238,808	600,106,206
EQUITY AND LIABILITIES		
EQUITY		
Share capital	348,329,629	348,329,629
Retained earnings	4,087,668	3,680,738
	352,417,297	352,010,367
Non-controlling interest	26,075,906	26,602,924
	378,493,203	378,613,291
NON-CURRENT LIABILITIES		
Amounts owing to related parties	66,653,423	13,254,023
Other financial liabilities	266,540,481	92,241,034
	333,193,904	105,495,057
CURRENT LIABILITIES		
Amounts owing to related parties	31,619,753	818,263
Other financial liabilities	123,579,058	113,264,582
Current tax payable	2,615,658	295,105
Trade and other payables	4,737,232	1,619,908
	162,551,701	115,997,858
TOTAL LIABILITIES	495,745,605	221,492,915
TOTAL EQUITY AND LIABILITIES	874,238,808	600,106,206

Figures in Emalangeni	2014	2013
STATEMENT OF CHANGES IN EQUITY		
SHARE CAPITAL		
Balance at the beginning of the period	9,649	9,649
Issue of shares	9,649	10,000
Share buyback	-	-351
	348,319,980	348,319,980
SHARE PREMIUM		
Balance at the beginning of the period	348,319,980	362,308,769
Issue of shares	-	-
Share buyback	-	(13,988,789)
	4,087,668	3,680,738
RETAINED EARNINGS		
Balance at the beginning of the period	3,680,738	32,880,003
Dividends paid	(25,512,974)	(59,334,411)
Profit for the period	25,919,904	30,135,146
	26,075,906	26,602,924
NON-CONTROLLING INTEREST		
Balance at the beginning of the period	26,602,924	24,811,959
Transactions between owners	(756,733)	-
Profit for the period	229,715	1,790,964
	378,493,203	378,613,291

Figures in Emalangeni	2014	2013
STATEMENT OF CASH FLOWS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in)/generated from operations	(143,467,546)	13,384,290
Interest income	10,281,373	12,985,432
Finance costs	(32,800,060)	(21,108,623)
Tax paid	(11,683,147)	(10,685,553)
	(177,669,380)	(5,424,454)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(703,420)	(258,454)
Purchase of other intangible assets	(100,000)	-
Proceeds from loans from group companies	84,200,891	37,195,886
Repayment of loans from group companies	(79,268,145)	(26,993,040)
	4,129,326	9,944,392
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction of share capital or buy back of shares	(756,733)	(13,989,140)
Proceeds from other financial liabilities	184,613,926	67,081,406
Dividends paid	(25,512,974)	(59,334,411)
	158,344,219	(6,242,145)
TOTAL CASH MOVEMENT FOR THE PERIOD	(15,195,835)	(1,722,207)
Cash at the beginning of the period	128,368,452	130,090,659
TOTAL CASH AT END OF THE PERIOD	113,172,617	128,368,452

NOTES

1. STATEMENT OF COMPLIANCE

The financial results have been prepared in accordance with International Financial Reporting Standards (IFRS), 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. 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)

	2014	2013
Basic	0.27	0.33
Headline	0.27	0.33
Diluted basic	0.27	0.33
Diluted headline	0.27	0.33

2.2 RECONCILIATION BETWEEN BASIC AND HEADLINE EARNINGS

	2014	2013
Basic earnings	26,149,619	31,926,110
Disposal of property, plant and equipment	-	-
Headline earnings	26,149,619	31,926,110

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

	2014	2013
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

	2014	2013
Advances	468,182,617	263,150,917
Impairment for credit losses of loans and advances	(14,653,426)	(7,066,020)
	453,529,191	256,084,897

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 KES 258.6 million and KES 34.8 million by placing E40.0 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

	2014	2013
Medium term notes	290,476,178	130,499,303
Term loan	11,152,478	10,184,911
Promissory notes	88,490,883	64,821,402
	390,119,539	205,505,616

	2014	2013
Non-current	266,540,481	92,241,034
Current	123,579,058	113,264,582
	390,119,539	205,505,616

5.2 MEDIUM TERM NOTES ISSUED IN 2014

The medium term note programmes are listed on the Swaziland Stock Exchange in the name of Select Limited, a subsidiary of SBC Limited, with a total facility of E 350 million.

At 31 December, notes to the value of E290m were issued under these programmes.

6. RELATED PARTY TRANSACTIONS

	2014	2013
Administration and advisory fees	(17,856,930)	(12,752,187)
Group life and funeral cover	(7,663,486)	(6,512,784)
IT infrastructure	(3,031,468)	(1,724,484)
Interest	(911,804)	(405,951)

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

	2014	2013
Profit before tax	36,133,933	44,467,226
Adjustments for:		
Depreciation and amortisation	218,989	91,119
Bad debts written off	4,211,505	7,731,349
Profit/(loss) on exchange differences - unrealised	666,675	(2,563)
Interest received	(10,281,373)	(12,985,432)
Finance costs	32,800,060	21,108,623
Impairment for credit losses of loans and advances	7,587,406	(5,347,777)
Changes in working capital:		
Increase/(decrease) in trade and other receivables	(8,678,860)	267,567
Increase/(decrease) in trade and other payables	3,117,324	161,234
Net movement in loans and advances	(209,243,205)	(42,107,056)
	(143,467,546)	13,384,290

8. SEGMENTAL ANALYSIS

Segmental reporting	Swaziland		Lesotho		Group	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Operating income	49,884,151	52,590,417	8,768,469	8,768,469	58,652,620	52,590,417
Profit before tax	32,025,555	44,467,226	4,108,378	4,108,378	36,133,933	44,467,226
Taxation consolidated	9,007,868	12,541,116	976,446	976,446	9,984,314	12,541,116
Profit for the year	23,017,687	31,926,110	3,131,932	3,131,932	26,149,619	31,926,110
Gross advances to customers	381,296,207	263,150,917	86,886,410	86,886,410	468,182,617	263,150,917
Impairment provisions	10,309,105	7,066,020	4,344,321	4,344,321	14,653,426	7,066,020
Net advances	370,987,102	256,084,897	82,542,089	82,542,089	453,529,191	256,084,897
Total segment assets	863,640,052	600,106,206	84,292,161	84,292,161	874,238,808	600,106,206
Borrowings	488,392,715	219,577,902	73,693,405	73,693,405	488,392,715	219,577,902
Total segment liabilities	489,056,351	221,492,915	80,382,659	80,382,659	495,745,605	221,492,915

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

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AUDITORS



KPMG Chartered Accountants
P.O. Box 331, Mbabane, H100

SPONSORING BROKER



African Alliance Swaziland Securities Limited
P.O. Box 5727, Mbabane, H100

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 housing micro 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.

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

The Group acquired 100% of the equity in Lesana Lesotho Limited, a fledgling Lesotho based micro finance business at its net book value ["the acquisition"] with effect from 31 January 2014 with a loan book at the date of acquisition of Maloti 3.5 million.

In order to enhance the competitiveness of the Group and ensure its sustainability, a strategic decision was made to reduce interest rates on its loans to customers. The intention was to reduce the Group's susceptibility to competition and entrench itself as a lender of first choice in its chosen market. This along with the introduction of new products resulted in loans and advances for the Group increasing by 77% to E453.5 million as at 31 December 2014. This includes the growth of the loan book in Lesotho to R82.5m. It is expected that Lesana will make a significant contribution to group profits in the future.

The impact of the decision to introduce reduced loan yields on the current year was significant in that other income increased by only 33% in spite of the loan book growth and investment revenue on free cash available in the business declined by 21%. The investment in operations to drive the increased level of disbursements in both regions coupled with the cost of managing the significant larger loan book has necessitated a 61% escalation in operating expenses.

The Group has seen the escalating funding requirements place pressure on cost of debt funding. Finance costs arising mainly from the funding sourced under the medium term note program as well as a number of promissory notes and term loans placed with various institutions and individuals have increased by 55%.

The result was an 18% decline in profit after tax to E26.1m.

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 one "Lesana" branded branch and an administrative office in the capital city Maseru.

The increase in the size of the Group's loan book was underpinned by its strategic stakeholder management including customer referral incentive program to drive our new customer acquisition. As a retention strategy we also reviewed our pricing on our lower value term products.

The Group continues to primarily collect through payroll deductions at source, thereby ensuring consistently high collection rates, well within acceptable parameters. The continued focus on collection has seen the Group's impairment ratios continue to perform well inside expected norms at 3.1% for 31st December 2014 (2.7% 31st December 2013).

SBC Limited's subsidiary, Select Limited, listed an additional E150 million Medium Term Note Programme on the Swaziland Stock Exchange in September 2014. This was the 5th Medium Term Note Programme listed on the SSX by Select Limited. The proceeds of notes issued under this note programme have been used to fund loans and advances to existing and new customers. New notes to the value of E203.4 million were issued for the year ended 2014.

DIVIDEND DECLARATION

A dividend of 0.25 Lilangeni per share was declared in August 2014.

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 improve over the coming year, albeit at a slow rate, with growth rates in the Swaziland economy and other economies in the region continuing to be subdued. The increased competition from within the financial services industry across the region has forced the Group to continuously evaluate and tailor its offering and products suite to suit the needs of its customers.