SBC Limited and Subsidiaries

Group Results

for the year ended 31 December 2016

(Incorporated in the Kingdom of Swaziland Reg. No. 473 of 2011)
ISIN Code: SZE000331031 Share Code: SBC
Listed on the Swaziland Stock Exchange

HIGHLIGHTS

Loan book growth of	Revenue growth of	Headline earnings growth of	Progress on the Malkerns property development initiative
25% ▲	29% ▲	35% ▲	

Figures in Emalangeni	Audited 12 months ended 31 December 2016	Audited 12 months ended 31 December 2015
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	224,003,740	173,773,162
Operating expenses	(103,302,880)	(83,431,541)
OPERATING PROFIT	**120,700,860**	**90,341,621**
Investment revenue	30,636,148	47,539,979
Finance costs	(78,591,468)	(58,445,607)
PROFIT BEFORE TAXATION	**72,745,540**	**79,435,993**
Taxation	(20,793,093)	(23,578,321)
PROFIT FOR THE PERIOD	**51,952,447**	**55,857,672**
Other comprehensive income	0	0
TOTAL COMPREHENSIVE INCOME	**51,952,447**	**55,857,672**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	51,039,149	53,702,720
Non-controlling interest	913,298	2,154,952
	51,952,447	**55,857,672**

STATEMENT OF FINANCIAL POSITION		
ASSETS		
NON-CURRENT ASSETS		
Investment Property	61,280,000	50,196,170
Property, plant and equipment	1,121,551	1,061,721
Goodwill	209,448,253	209,148,253
Deferred tax asset	6,804,131	6,408,621
Loans and advances	493,852,624	401,538,548
	772,506,559	**668,353,313**
CURRENT ASSETS		
Amounts owing by related parties	140,477,723	108,708,773
Current tax receivable	4,831,271	3,243,136
Loans and advances	205,926,051	159,358,824
Trade and other receivables	8,972,092	13,058,499
Cash and cash equivalents	115,768,817	54,195,971
	475,975,954	**338,565,203**
TOTAL ASSETS	**1,248,482,513**	**1,006,918,516**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	348,329,629	348,329,629
Retained earnings	39,180,214	13,421,965
	387,509,843	**361,751,594**
Non-controlling interest	3,883,562	3,213,380
	391,393,405	**364,964,974**
NON-CURRENT LIABILITIES		
Amounts owing to related parties	30,912,500	3,039,750
Other financial liabilities	328,445,675	301,735,399
Deferred tax liability	11,352,000	8,301,609
	370,710,175	**313,076,758**
CURRENT LIABILITIES		
Amounts owing to related parties	6,985,489	60,488,044
Other financial liabilities	461,603,337	261,797,727
Current tax payable	1,813,053	1,862,886
Trade and other payables	15,977,054	4,728,127
	486,378,933	**328,876,784**
TOTAL LIABILITIES	**857,089,108**	**641,953,542**
TOTAL EQUITY AND LIABILITIES	**1,248,482,513**	**1,006,918,516**

STATEMENT OF CHANGES IN EQUITY		
SHARE CAPITAL	**9,649**	**9,649**
Balance at the beginning of the period	9,649	9,649
SHARE PREMIUM	**348,319,980**	**348,319,980**
Balance at the beginning of the period	348,319,980	348,319,980
RETAINED EARNINGS	**39,180,214**	**13,421,965**
Balance at the beginning of the period	13,421,965	4,087,668
Dividends declared	(25,087,400)	(54,999,300)
Profit for the period	51,039,149	53,702,720
Movement on acquisition of NCI	(193,500)	10,630,877
NON-CONTROLLING INTEREST	**3,883,562**	**3,213,380**
Balance at the beginning of the period	3,213,380	26,075,906
Movement for the period	670,182	(22,862,526)
TOTAL EQUITY	**391,393,405**	**364,964,974**

STATEMENT OF CASH FLOWS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(59,760,340)	(107,261,772)
Interest income	19,552,318	17,343,809
Finance costs	(78,591,468)	(58,445,607)
Tax paid	(19,776,179)	(18,682,830)
NET CASH USED IN OPERATING ACTIVITIES	**(138,575,669)**	**(167,046,400)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(543,354)	(604,923)
Purchase of investment property	(300,000)	(20,130,133)
Acquisition of non-controlling interests	(193,501)	(12,906,674)
NET CASH USED IN INVESTING ACTIVITIES	**(1,036,855)**	**(33,641,730)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other financial liabilities	373,071,650	296,892,645
Repayment of other financial liabilities	(146,555,764)	(123,479,058)
Dividends paid	(25,330,516)	(31,702,103)
NET CASH GENERATED BY FINANCING ACTIVITIES	**201,185,370**	**141,711,484**
TOTAL CASH MOVEMENT FOR THE PERIOD	**61,572,846**	**(58,976,646)**
Cash at the beginning of the period	54,195,971	113,172,617
TOTAL CASH AT END OF THE PERIOD	**115,768,817**	**54,195,971**

NOTES

Figures in Emalangeni — Audited 12 months ended 31 December 2016 / Audited 12 months ended 31 December 2015

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 accounting policies and methods of compilation applied in these financial results are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2015. 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)

	31 December 2016	31 December 2015
Basic	0.53	0.56
Headline	0.45	0.33
Diluted basic	0.53	0.56
Diluted headline	0.45	0.33

2.2. RECONCILIATION BETWEEN BASIC AND HEADLINE EARNINGS

	31 December 2016	31 December 2015
Basic earnings	51,039,149	53,702,720
Fair value gain on investment property	(8,035,777)	(21,892,223)
Headline earnings	**43,003,372**	**31,810,497**

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

	31 December 2016	31 December 2015
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

	31 December 2016	31 December 2015
Advances	725,297,376	581,918,255
Impairment for credit losses of loans and advances	(25,518,701)	(21,020,883)
	699,778,675	**560,897,372**

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 KES175.0 million (2015 - KES 219.8 million) by placing E33.2 million (2015 – E30.9 million) on call with Standard Bank South Africa. In exchange for this security Select Limited received a 12.5% equity share in SMSK.

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

5. OTHER FINANCIAL LIABILITIES

5.1 HELD AT AMORTISED COST

	31 December 2016	31 December 2015
Medium term notes	380,660,958	271,223,939
Term loan	33,741,544	12,211,963
Promissory notes	375,646,510	280,097,224
	790,049,012	**563,533,126**

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, and has an available facility of E239,870,000 as at 31 December 2016.

6. RELATED PARTY TRANSACTIONS

	31 December 2016	31 December 2015
Administration and advisory fees	(36,787,247)	(30,299,250)
Group life and funeral cover	(11,894,922)	(9,530,853)
IT infrastructure	(3,512,469)	(2,976,121)
Net income	8,325,872	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

	31 December 2016	31 December 2015
Profit before tax	72,745,540	79,435,993
Adjustments for:		
Depreciation and amortisation	483,524	407,089
Bad debts written off	6,024,230	2,123,334
(Profit)/Loss on exchange differences – unrealised	(1,630,915)	2,966,275
Fair value gain on investment property	(11,083,830)	(30,196,170)
Interest received	(19,552,318)	(17,343,809)
Finance costs	78,591,468	58,445,607
Impairment for credit losses of loans and advances	4,497,818	6,367,457
Changes in working capital:		
Decrease /(Increase) in trade and other receivables	4,086,407	(4,147,495)
Increase/(Decrease) in trade and other payables	11,248,927	(9,105)
Increase in loans and advances	(149,403,351)	(115,858,972)
Amounts received from related parties	27,872,750	28,868,291
Amounts paid to related parties	(83,640,590)	(118,320,267)
	(59,760,340)	**(107,261,772)**

8. SEGMENTAL ANALYSIS

	Swaziland		Lesotho		Elimination		Group	
Segmental reporting	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Operating profit	100,396,276	67,679,347	20,304,584	22,662,274			120,700,860	90,341,621
Profit before tax	64,301,178	68,668,419	8,444,362	10,767,574			72,745,540	79,435,993
Taxation consolidated	(18,681,985)	(20,886,298)	(2,111,108)	(2,692,023)			(20,793,093)	(23,578,321)
Profit for the year	45,619,193	47,782,121	6,333,254	8,075,551			51,952,447	55,857,672
Gross advances to customers	610,410,242	486,842,167	114,886,134	95,076,088			725,297,376	581,918,255
Impairment provisions	(20,463,454)	(16,122,952)	(5,055,247)	(4,897,931)			(25,518,701)	(21,020,883)
Net advances	589,947,788	470,719,215	109,830,887	90,178,157			699,778,675	560,897,372
Total segment assets	1,221,377,123	991,230,738	113,201,973	96,907,218	(86,096,583)	(81,219,440)	1,248,482,513	1,006,918,516
Borrowings	825,881,569	627,060,920	89,272,706	81,219.440	(86,096,583)	(81,219,440)	829,057,692	627,060,920
Total segment liabilities	848,302,025	638,250,817	94,883,666	84,922,165	(86,096,583)	(81,219,440)	857,089,108	641,953,542

Segments are derived by geographic region. 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 micro-finance products there are no major customers or customer groups.

COMMENTARY

INTRODUCTION

The SBC Limited Financial services retail group ("the Group", "SBC") continues to offer a wide range of financial solutions and products into its identified markets. These are primarily within the confines of the retail sector in the Swaziland and Lesotho Kingdoms trading under the "Select" and "Lesana" brands respectively. These financial solutions are focused on housing loans, which are on an incremental basis and are supported by education and consumer loans. The target market of the Group focuses on jurisdictions with low barriers to entry and a high demand for financial services, with a core focus on influencing the livelihood of our client base where housing is a core need and a social status enhancer.

The process of organic growth and continuous improvement in the Group remains a key focus area whilst looking to identify the investment opportunities within the region. The need to provide an avenue for ownership of affordable quality housing to a wide sector in the markets remains our prime mandate, as housing and ownership are key identifiable needs. With the advent of the Malkerns Square development, the Group remains resolute in its desire to contribute to this social need whilst creating a firm platform to re-align its business profile and maintain a sustainable business into the future. The development, whose realisation is imminent, is structured such that it incorporates first world living through its offerings to meet all the modern demands of a homeowner.

As part of the housing value proposition, the Group will also develop a retail centre with commercial components to address the daily demands of the community that will evolve from the Malkerns Square and wider Malkerns constituency.

FINANCIAL REVIEW

SBC has maintained a level of disbursements which amounted to E300m (2015 – E265m full year) for the year under review. This has enabled it to grow its loan book by 25% to E725m. Disbursements (net of rollovers) in Swaziland amounted to E244m which was reasonably consistently spread over the year other than in the period following the implementation of salary increases for Government employees (which allowed Select's clientele to increase their borrowing capacity) and a slow down to ease volumes at the time of the implementation of a loan management system. Lesotho's disbursements have been relatively muted at E56m pending the launch of a planned medium term note. On completion of this exercise, it is anticipated that the business will be well positioned to aggressively approach its market. On the back of sequential loan book growth achieved by the Group over several reporting periods, revenue for the year increased by 29% over the prior year to E224m.

SBC's operating costs grew by 24% over the prior year. Significant areas of growth arose in commissions paid for fund raising and disbursement incentives as well as employee costs where an investment in staff structure to align with this revenue and anticipated future revenues was made. Operating profit grew 34% to E121m in the current year.

Investment revenue is comprised of interest earned on excess funds in the business and a fair value gain of investment property. Excess funds, while representing an inefficient utilization of capital are essential to enable the business to anticipate debt servicing obligations and disbursement opportunities. Interest earned amounted to E20m compared to E17m in the prior year, an increase of 13% and is attributed to a need to hold additional cash in anticipation of upcoming maturities at certain points during the financial year and in the new year as well as take advantage of certain periods of high demand. The fair value gain on investment property of E11m, (2015 – E30m) is supported by an independent valuation and significant progress in the initiative to develop a several hundred unit life style estate on the Malkerns property.

Finance costs at E79m predominately arose from interest on notes issued under the listed medium term note program by subsidiary Swaziland Select Limited, as well as certain funding sourced via other companies in the African Alliance Group. This represents an increase of 34% over the prior year and is attributed to the negative carry on higher average cash balances relative to the prior year as well as an increase in the cost of funding due to higher prevailing interest rates.

Excluding the impact of the fair value gain, profit before tax grew 25% to E62m in the current year.

OPERATIONAL REVIEW

The benefits of the Groups expansion is now taking effect in both the Select and Lesana jurisdictions. In the case of Swaziland, the Siteki satellite branch, which we opened to access new markets, has started to yield positive results. It now captures the opportunity from various civil services including the police, soldiers and teachers. The decision was strategic with significant corporates located within a 20km radius of this office.

Continued attention has been placed on the growth of the call centre as well as mobile sales teams as the introduction of the new loan management system (ILS system) comes on stream and with it comes the ability to remotely service clients in their own environments. This will enhance the effective and efficient delivery of Select's product offering directly to its customers by reducing the cost of delivery.

The group has also expanded in Lesotho by adding a further satellite branch to its network. Lesana now operates from the main Maseru branch and the three "Lesana" branded satellite offices in Mafeteng, Hlotse and Qacha's Nek. This widening of the distribution network brings with it increased market penetration and visibility for Lesana.

Within these geographies, the ILS system, already implemented in Swaziland and soon to be implemented in Lesotho, provides the required platform for the introduction of new and innovative product offerings. Speed to market is a key to customer onboarding and retention and this will be facilitated through the mobile platforms that come with the ILS system allowing the business to deliver its wider suite of offerings to remote areas as efficiently and as timely as possible without having to invest in the expenses of 'bricks and mortar'.The ILS system also provides the ability to segment our book to facilitate the improved risk management and collection capability.

PROSPECTS

The future growth strategy of the Group remains intact and is underpinned by both organic and through acquisitions with both options being continually revisited. Robust funding activities continue to support this growth strategy along with the Group's internally generated cash flows. This included an additional E200m Medium Term Note Programme floated on the Swaziland Stock Exchange and an Un-listed Medium Term Note Programme in the process of development in Lesotho. Funding initiatives are facilitated by the formalizing of the capital markets in these countries and is the premise upon which the opportunities are to be executed.

The trading environment continues to see competition emerging from within the regulated financial services industry across the region, as well as non-traditional financial institutions accessing clients in the consumer lending market. This has necessitated that the Group continuously re-evaluate its offerings and suitably tailor the product suite to meet the ever-changing needs of its customers.

The launch of the Malkerns Square development is imminent, the Group continues to be encouraged and excited by the prospects it offers, despite the lag effect of conforming to the regulatory requirements currently in place. 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 mid - 2017. The Select franchise is positioned to provide mortgage funding to qualifying clients for the purchase and ultimate participation in ownership of an aspirational lifestyle housing estate.

FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2016 have been audited by KPMG Chartered Accountants (Swaziland). A copy of the auditor's report is available for inspection at the company's registered office.

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 registered office.

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.

By order of the Board
T Dladla, Chairperson

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AUDITORS
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