Swaziland Building Society

"Creating Wealth For You"

ANNUAL REPORT

For the year ended 31 March 2020

"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

MISSION

To offer Financial Services in our defined markets in order to create value for our Customers, Members and other Stakeholders.

VISION

To remain the leading provider of Mortgage Financing and to become a fully fledged provider of Financial Services.

"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2020

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"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

NOTICE OF MEETING

Notice is hereby given that the Fifty-Eighth Annual General Meeting of Members will be held at the **Sibane Hotel, Ezulwini** on the **29th September 2020 at 9:00am.**

Business to be transacted:

1. To consider and adopt Audited Financial Statements which include the Report of the Directors and Report of the Auditors for the year ended 31st March 2020.

2. To elect Directors, E D Simelane, C S Dlamini, L V Matsebula and P F Mnisi who retire in terms of Rule 31.2 of the Society Rules being eligible, offer themselves for re-election.

3. To fix the remuneration for the past year's audit and to appoint auditors for the ensuing year. PricewaterhouseCoopers being eligible, offer themselves for re-appointment.

4. To transact any other business within the scope of the meeting.

SBS House
Mbabane, Eswatini

By Order of the Board
V W Dlamini
Board Secretary

There will be adherence to COVID19 Regulations

"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS
for the year ended 31 March 2020

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Swaziland Building Society and its subsidiary. The financial statements presented on pages 14 to 76 have been prepared in accordance with International Financial Reporting Standards and the requirements of the Building Societies Act, 1962 and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the annual financial statements and are responsible for both its accuracy and its consistency with the financial statements.

The directors are also responsible for the Group and Society'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 system 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 Group and Society 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 Group and Society.

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers, who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, 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. The audit report of PricewaterhouseCoopers is presented on pages 8-10.

The Directors confirm that the annual financial statements set out on pages 14 to 76 were approved by the Board of Directors and are signed on its behalf by:

Kenneth M Mbuli
(Chairman)

Mbali P Sibanyoni
(Managing Director)

Date 25/09/2020

Date 25/09/2020

"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

CHAIRMAN'S REPORT
for the year ended 31 March 2020

BUSINESS PERFORMANCE

Despite tough and uncertain times brought about by the coronavirus (COVID-19) pandemic, SBS operations and results for the year ended 31st March 2020 were satisfactory under the circumstances.

Globally, regionally and locally, companies' results commentaries for any period of 2020 are going to be dominated by the impact of the Covid-19 pandemic as the world faces unprecedented disruptions to businesses. Our experiences will forever change the way we operate, which in turn will present novel opportunities and challenges as we adjust to the new normal with altered trends, demand patterns, regulations and operating protocols. We will have to offer new products and services by means of accelerated digitalisation as well as agile and more automated service offering, operating and distribution systems.

On behalf of the Board of Directors of the Swaziland Building Society, I present the Annual Financial Statements for the period ended 31st March 2020 which recorded total assets growth for the group of 3.9% to E2.868bn from E2.759bn and a slight decline in net profit after tax by 1.4% to E100.803m from E102.211m.

The growth in assets was attributed to the growth in property, plant and equipment, intangible assets and financial investments. Net profit after tax declined mainly because of COVID-19 impact on the expected credit loss (ECL). Locally, macro-economic factors are deteriorating which has resulted in a significant increase in the ECL by E38.1m. The expectation is that the ECL will significantly increase during 2020 and improve in 2021 as economies adapt to COVID-19.

BUSINESS REVIEW

According to the Central Bank of Eswatini Monetary Policy Consultative Committee (MPCC) report, the year-on-year headline inflation increased to 2.8 per cent in February 2020 from 2.7 per cent in January 2020. The higher headline inflation was mainly due to an increase in price indices for 'Clothing and Footwear' and 'Furnishing and Household Equipment.

The forecasts for 2020 and 2021 have been revised down to 3.2 per cent (from 3.46 per cent) and 4.04 per cent (from 4.12 per cent), respectively, mainly due to a lower than previous assumption on the increases in electricity and water tariffs, rental prices as well as lower crude oil prices.

As at 13 March, the country's stock of reserves stood at E5.5 billion, enough to cover an estimated 2.4 months of goods and services. Revised figures indicate that the country's stock of debt (excluding arrears) stood at E21.4 billion, an equivalent of 31.9 per cent of GDP at the end of December 2019. At 31.9 per cent of GDP, the MPCC noted that whilst the country's debt stock was below the threshold of 35 per cent of GDP, the pace of growth has been alarmingly rapid. There is need to exercise caution in the acquisition of new debt in order to improve sustainability.

Gross official reserves contracted by 6.1 per cent month-on-month but increased by 33.7 per cent year-on-year to close at E6.1 billion at the end of March 2020. At this level, the reserves were sufficient to cover 2.6 months of imports of goods and services.

CHAIRMAN'S REPORT (continued)
for the year ended 31 March 2020

Valued in special drawing rights (SDR), the reserves went down from SDR301.6 million registered in February 2020 to SDR249.5 million recorded at the end of March 2020, representing a month-on-month decrease of 17.3 per cent and year-on-year growth of 10.1 per cent.

The Central Bank of Eswatini (Bank) has also decided to implement other measures to support the economy in the short to medium term while safeguarding the credibility of the peg. In addition to the cut in the discount rate by 100 basis points, the liquidity requirement will be reduced from the 25 per cent to 20 per cent for commercial banks and from 22 per cent to 18 per cent for development. This is aimed at improving liquidity in financial sector geared towards the real economy. Furthermore, the reserve requirement will be reduced from 6 per cent to 5 per cent. The changes are effective 21 March 2020.

On the 20th of March 2020, the Bank, together with the Monetary Policy Consultative Committee (MPCC) held a meeting to consider the appropriate monetary policy stance for the upcoming two months. The Bank decided to reduce the discount rate by 100 basis points to 5.5 per cent after considering global, regional and domestic economic developments and especially the impact of the Coronavirus. The prime lending rate stood at 9.00 per cent in March 2020.

Revised figures indicate that the economy is estimated to have grown by 1.3 per cent in 2019 from 2.4 per cent in 2018. On a year-on-year basis, GDP growth recorded a 0.4 per cent increase in the third quarter of 2019 following a revised growth of 4.5 per cent in second quarter. The tertiary sector declined by 4.0 per cent (year-on-year) in the third quarter compared to a growth of 2.5 per cent in the previous quarter. The secondary sector, on the other hand, grew at a slower rate of 9.7 per cent (year-on-year) in the third quarter of 2019, from 12.9 per cent in the previous quarter. The primary sector recorded a negative growth of 1.3 per cent (year-on-year) in the third quarter of 2019, the same as in the previous quarter. The MPCC noted that the forecasts may change due to the impact of the coronavirus on economic activity.

In March 2020 the Lilangeni/Rand continued to depreciate against the currencies of major trading partners. The already under pressure local currency weakened further in March 2020, recording a double-digit loss of 11 per cent to trade at an average of E16.66 against the US Dollar. The Rand suffered from a combination of the effects of the global COVID-19 outbreak, economic recession and Moody's downgrade. The Rand lost as emerging markets' currencies took pressure from the global spread of COVID-19 and South Africa recording its first case, prompting a 21-day lockdown as more cases emerged.

GOVERNANCE AND COMPLIANCE

The Board is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Building Societies Act, 1962, and for such internal controls as the directors may determine to be necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

CHAIRMAN'S REPORT (continued)
for the year ended 31 March 2020

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group and/or the Society or to cease operations, or have no realistic alternative but to do so.

The Board establishes broad corporate policies for the Society and its controlled entities, sets the strategic direction for the Group and oversees management with a focus on enhancing the interests of members. The Board is also responsible for the corporate governance of the Society and for overseeing management's identification and management of risks.

The composition of the Board is eight non-executive directors and one executive director. According to the Building Society Act No.1 of 1962, the Board shall be eligible to renew their term of office every three years at the annual general meeting of members.

The Board reviews the Society's long-term strategic plan at least annually and monitors implementation of the strategic plan throughout the year.

The Board conducts a periodic self-assessment exercise and an independent assessment of its effectiveness bi-annually. One such assessment was done during the period under review which was facilitated by the Institute of Directors (IoD).

There are other initiatives that have been approved to further entrench good governance and these initiatives include training.

SOCIAL RESPONSIBILITY

The SBS remain open and supportive to all initiatives around health, education, environment and sports. Any selected activities within these pillars are continuously evaluated to ensure that they meet the business objectives and complement its values. Additional activities are considered provided they meet the same purpose.

In the year under review, SBS has added more value to the partnership it has with the Eswatini National Tennis Association by acquiring the naming rights and annual sponsorship of the newly opened tennis centre at Lobamba. This is a commitment to ensure that the centre remains operational for the sport development and well maintained for the community. Also, the Society has maintained its partnership with Eswatini National Netball Association with an observed growth of categories within the sport. An expansion to other sports is being considered, realising the role it has in grooming the youth for better communities.

Above and beyond, ensuring the wellness and improvement of the societies will remain the SBS objective. We have maintained the beneficiaries who are still ascertained to help us achieve our health pillar obligation, these include; Baphalali Eswatini Red Cross, Eswatini Breast and Cervical Cancer Network, Ekwetsembeni Special School, Hope House, Eswatini Hospice at Home, Junior

Achievement Swaziland, Salvation Army, SOS Children's Village, Eswatini Action Against Abuse, The Aids Information and Support Centre, UNESWA Foundation, Cheshire Homes, SADAT, and Sicojeni Foundation.

Likewise, the SBS & Times of Eswatini golden touch campaign continues to be successful in gathering items which are then distributed to various communities. Both our customers and staff commit to making it a progressive initiative. Our staff have positively adopted the responsibility to support these communities through participating to charity events including; Mahamba Gorge, Vusumnotfo Walk at Gobolondlo, Cheshire Homes Charity Walk at Malolotja, Eswatini Breast & Cervical Cancer Network Charity Walk in Ezulwini, Sibebe Challenge, FSRA walk at Lobamba in addition to these events we have instigated the Magadzavane challenge at Mlawula. Through participation in these events, we encourage collaboration, wellness and stimulate support for one another and for our communities.

FUTURE OUTLOOK AND OTHER DEVELOPMENTS

Disruptive forces are changing the economic outlook with a significant impact on the banking and financial services industry. According to the latest IMF World Economic Outlook Report, released on 24 June 2020, the global economic outlook continues to tilt towards a recession in 2020. The Global growth is projected at – 4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast.

It is noted, in particular, that Eswatini continues to suffer from slow legislative reforms, bureaucracy, growing unemployment, limited entrepreneurial competency development, poor savings culture, low investment, liquidity constraints and poor internet connectivity and slow technological reforms.

The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4 percent. Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020. The adverse impact on low-income households is particularly acute, imperiling the significant progress made in reducing extreme poverty in the world since the 1990s.

The recent drastic increase of COVID-19 cases in Eswatini is a serious concern claiming lives of economic and entrepreneurial leaders of note in the country. This new wave of COVID-19 seems to be more forceful and more pervasive in the banking and financial services industry that anticipated. Coupled with the aggressiveness of COVID 19 comes an ever-growing demand for innovative and digital services that minimizes face to face human interaction as a new normal. Our provision of banking and financial services now need to be more *open, transparent, real-time, intelligent, tailored, secure, seamless,* and *deeply integrated* into consumers' lives and institutional clients' operations. Furthermore, the call is for true financial and social inclusion in the Banking and Financial Service Industry.

In response to this changing landscape, the Swaziland Building Society remains committed to fortify core foundation on multiple dimensions, including diversity of our products and services to meeting customer needs in all socioeconomic levels, improving our technology infrastructure and optimizing

CHAIRMAN'S REPORT (continued)
for the year ended 31 March 2020

data management, talent, compliance and risk management in order to remain profitable and in the competitive edge of the banking and financial services industry.

IMPLEMENTATION OF NEW CORE BANKING SYSTEM

In an effort to improve digitization, in 2018 the Society embarked in a project for the full replacement of its legacy system which was successfully deployed in October 2020. The new banking system provides a digitized customer journey and flexible working environment for employees. It also provides a platform that promotes regulatory compliance and improved financial reporting.

ACKNOWLEDGEMENTS

The Board of Directors remains cautiously optimistic about the rest of the year ahead despite the massive challenges facing all of us due to Covid-19 and the unavoidable worsening of the economic landscape around us. There is no doubt that the hard lockdown had an impact on our budgeted performance and it remains to be seen how we perform in the current financial year compared to the prior 2020 year now reported on.

Our strong balance sheet has assisted us in weathering the storm of COVID-19. We do believe that, going forward, there will be areas of good growth for our business more especially in the digital space.

On behalf of the Board of Directors, I wish to thank staff who have worked tirelessly in serving our customers and creating a customer centric environment. They remain passionate about the Society and have diligently contributed to the achievement of the commendable financial results.

We remain indebted to our customers who continue to afford the Society loyalty and confidence by using its products and services and also demanding higher standards and service delivery.

Without the various service providers and partners, the Society would not be able to effectively and efficiently deliver its products and services to meet the growing expectations of our customers. We thank them for their support.

Our regulators continue to ensure that the Society complies with regulations and prudential standards. They are always readily available to provide support and guidance whilst ensuring that SBS's operations remain sound and safe guard the interests of the public. Their support is highly appreciated.

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Kenneth M Mbuli
Chairman

Independent auditor's report

To the Members of Swaziland Building Society

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Swaziland Building Society (the Society) and its subsidiary (together the Group) as at 31 March 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Building Societies Act, 1962.

What we have audited

Swaziland Building Society's consolidated and separate financial statements set out on pages 14 to 76 comprise:

- the consolidated and separate statements of financial position as at 31 March 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Eswatini. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Eswatini.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Swaziland Building Society and its Subsidiary Annual Financial Statements for the year ended 31 March 2020", which includes the Directors' Report as required by the Building Societies Act, 1962. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Partner in charge T Mason
Resident partner M Mhlanga
PricewaterhouseCoopers, Rhus Office Park, Kal Grant Street, Mbabane, Eswatini
P O Box 569, Mbabane H100, Eswatini Telephone +268 2404 2861/3, Telephone or 2404 3143, Facsimile +268 2404 5015, www.pwc.com

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Building Societies Act, 1962, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Society's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with our responsibilities in terms of section 54 of The Building Societies Act, we report that we have inspected and have been given satisfactory evidence of the existence and the contents of the mortgage bonds and other securities belonging to the Society.

PricewaterhouseCoopers
Partner: Makhosazana Mhlanga
Registered Auditor
P O Box 569, Mbabane, Eswatini
Date:

Swaziland Building Society
"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

DIRECTORS' REPORT
for the year ended 31 March 2020

The Directors have pleasure in submitting their report which forms part of the financial statements of the Group and Society for the year ended 31 March 2020.

Nature of business

The nature of the business of the Society, which is mainly the provision of mortgage finance for urban and rural property acquisition and development, together with the acceptance of savings and investment deposits, remained unchanged during the year.

Results for the year

The Directors report an operating income before income tax for the year of E110.985 million (2019: E140.863 million). Loans and advances at year end declined to E1.599 billion (2019: E1.623 billion), whilst total assets increased to E2.868 billion (2019: E2.759 billion) at year end. Reserves at the year-end totalled E1.566 million (2019: E1.496 million).

Directors

K M Mbuli	-	Chairman	
W Z Lomahoza	-	Deputy Chairman	Resigned 25th June 2020
T R T Nhleko	-	Managing Director	Deceased 27th June 2020
M P Sibanyoni	-	Managing Director	Appointed 1st July 2020
C S Dlamini	-	Member	
S M I Dlamini	-	Member	
B S Nkosi	-	Member	
E D Simelane	-	Member	
L V Matsebula	-	Member	
C Sullivan	-	Member	

Secretary

V W Dlamini

Contracts

There were no contracts entered into during the year in which Directors or officers of the Society had interests.

Subsequent events

There are no events which have occurred between the statement of financial position date and the date of this report which have a material impact on these financial statements.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2020

Rules of the Society

The rules of the Society are available for inspection by members of the public during the normal business hours of the Society.

Registered office

SBS House
Corner Dzeliwe and Mdada Street
Mbabane, Eswatini

The Society is registered in terms of the Building Societies Act of 1962.

Auditors

PricewaterhouseCoopers
Rhus Office Park, Kal Grant Street, Mbabane, Eswatini

PricewaterhouseCoopers was appointed as the auditor of the Society in terms of Rule 29.3 of the Society Rules.

Lawyers

Robinson Bertram
Cloete Henwood Associates
S.V. Mdladla and Associates
Magagula and Hlophe
Waring Attorneys
CJ Littler

Financial Institutions

First National Bank of Eswatini
Standard Bank Eswatini Limited
Nedbank Swaziland

DIRECTORS' REPORT (continued)
for the year ended 31 March 2020

Head office administration

T R T Nhleko	-	Managing Director	Deceased 27th June 2020
M P Sibanyoni	-	General Manager	
T Nzuza	-	Chief Financial Officer	
M D Malinga	-	Chief Information Officer	
M K Gwebu	-	Head of Credit	
V W Dlamini	-	Manager Legal/ Board Secretary	
N Z Mavuso	-	Manager Human Resources	
W M Mndzebele	-	Manager Operations	
T J Thwala	-	Manager Internal Audit	
Z S Dlamini	-	Manager Projects	
V S Dlamini	-	Manager Marketing	
M A Dludlu	-	Manager Distribution Channels	
T L Dlamini	-	Compliance Officer	
S B Simelane	-	Risk Officer	
S S Motsa	-	Manager Executive Services	

Branches

Mbabane	-	Asakhe House, Mdada Street
Swazi Plaza	-	Shop S15 Sales House Building
Manzini	-	Sikhulile House, Nkoseluhlaza Street
Manzini	-	SBS House, Ngwane Street
Nhlangano	-	SBS House, 4th Street
Siteki	-	SBS House, Queensway Avenue
Matsapha	-	Mahhala Shopping Complex
Pigg's Peak	-	Evelyn Baring Street, Pigg's Peak
Matata	-	Matata Shopping Complex

Swaziland Building Society

"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2020

	Notes	Group		Society	
		2020	2019	**2020**	2019
		E'000	E'000	**E'000**	E'000
Interest and similar income	4	**265 733**	233 697	**265 733**	233 697
Interest expense and similar charges	5	**(50 483)**	(39 960)	**(50 945)**	(40 726)
Net interest income before impairment losses		**215 250**	193 737	**214 788**	192 971
Impairment (charge)/reversal on loans and advances	12.3	**(43 664)**	5 581	**(43 664)**	5 581
Net interest income after impairment losses		**171 586**	199 318	**171 124**	198 552
Fee and commission income	6	**94 163**	82 357	**94 163**	82 357
Other operating income	7	**2 172**	1 492	**2 172**	1 492
Total income		**267 921**	283 167	**267 459**	282 401
Salary and employee benefits	8	**(87 733)**	(77 343)	**(87 733)**	(77 343)
Depreciation	14	**(11 677)**	(7 720)	**(11 673)**	(7 717)
Amortisation	28	**(1 129)**	-	**(1 129)**	-
Other operating expenses		**(56 397)**	(57 241)	**(56 326)**	(57 132)
Total expenses		**(156 936)**	(142 304)	**(156 861)**	(142 192)
Operating profit before taxation	3	**110 985**	140 863	**110 598**	140 209
Income tax expense	9	**(10 182)**	(38 652)	**(10 092)**	(38 569)
Net profit for the year		**100 803**	102 211	**100 506**	101 640
Other Comprehensive income					
Items that may not be classified to profit or loss					
Gain on revaluation of land and buildings	17.1	**19 674**	-	**19 674**	-
Total other comprehensive income		**19 674**	-	**19 674**	-
Total comprehensive income for the year		**120 477**	102 211	**120 180**	101 640

"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

for the year ended 31 March 2020

	Notes	Group		Society	
		2020	2019	**2020**	2019
		E'000	E'000	**E'000**	E'000
Assets					
Property, plant and equipment and right-of-use asset	14	**212 753**	188 370	**212 724**	188 337
Intangible assets	28	**50 934**	-	**50 934**	-
Investment in subsidiary	13	**-**	-	**8 000**	8 000
Deferred income tax assets	15	**36 123**	1 273	**36 123**	1 273
Loans and advances to customers	12	**1 599 041**	1 622 552	**1 599 041**	1 622 552
Financial investments	20	**366 129**	328 422	**366 129**	328 422
Other assets and accrued income	11	**41 363**	22 648	**43 552**	25 040
Current income tax asset	23	**-**	4 994	**-**	5 050
Cash and cash equivalents	10	**561 497**	590 460	**561 488**	590 450
Total assets		**2 867 840**	2 758 719	**2 877 991**	2 769 124
Equity					
Capital and reserves					
Permanent shares	16	**999 602**	979 873	**999 602**	979 873
Asset revaluation reserve	17	**72 748**	53 074	**72 748**	53 074
Statutory reserve	17	**47 889**	43 197	**47 678**	43 015
Other reserve	17	**429 254**	387 023	**427 327**	385 364
General credit risk reserve	17	**16 255**	32 674	**16 147**	32 674
Total reserves		**1 565 748**	1 495 841	**1 563 502**	1 494 000
Liabilities					
Fixed and savings deposits	18	**1 179 144**	1 066 411	**1 191 395**	1 078 091
Subscription shares	19	**39 501**	39 897	**39 501**	39 897
Other liabilities and accruals	21	**61 843**	150 714	**61 941**	151 280
Lease liabilities	29	**5 114**	-	**5 114**	-
Provisions	22	**12 207**	5 856	**12 207**	5 856
Current income tax payable	23	**4 283**	-	**4 331**	-
Total liabilities		**1 302 092**	1 262 878	**1 314 489**	1 275 124
Total liabilities and reserves		**2 867 840**	2 758 719	**2 877 991**	2 769 124

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2020

Group	Permanent Shares	Retained Earnings	Other Reserve	General Credit risk Reserve	Asset revaluation reserve	Statutory reserve	Total
	E'000	E'000	E'000	E'000	E'000	E'000	E'000
Balance at 31 March 2019	979 873	-	387 023	32 674	53 074	43 197	1 495 841
Comprehensive income:							
Net profit for the year	-	100 803	-	-	-	-	100 803
Other comprehensive income:							
Gain on revaluation	-	-	-	-	19 674	-	19 674
IFRS 9 Adjustment	-	-	-	(16 849)	-	-	(16 849)
Transfer to statutory reserve *	-	(4 692)	-	-	-	4 692	-
Transfer to other reserve	-	(42 231)	42 231		-	-	-
Total other comprehensive income	-	(46 923)	42 231	(16 849)	19 674	4 692	2 825
Total comprehensive income	-	53 880	42 231	(16 849)	19 674	4 692	103 628
	-						
Transactions with owners:	-	-	-	-	-	-	-
Proceeds from shares issued	105 598	-	-	-	-	-	105 598
Redemption of shares	(159 593)	-	-	-	-	-	(159 593)
Transfer to general risk reserve provision	-	(430)	-	430	-	-	
Dividends declared	73 724	(73 724)	-	-	-	-	-
Tax benefit of dividends declared	-	20 274	-	-	-	-	20 274
Total transactions with owners	19 729	(53 880)	-	430	-	-	(33 721)
Balance at 31 March 2020	999 602	-	429 254	16 255	72 748	47 889	1 565 748

Swaziland Building Society

"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (continued)

for the year ended 31 March 2020

Group	Permanent Shares E'000	Retained Earnings E'000	Other Reserve E'000	General Credit risk Reserve E'000	Asset revaluation reserve E'000	Statutory reserve E'000	Total E'000
Balance at 31 March 2018	883 472	-	345 412	14 745	53 074	38 573	1 335 276
Adjustment on initial application of IFRS 9*	-	-	-	852	-	-	852
Restated balance at 31 March 2018	883 472	-	345 412	15 597	53 074	38 573	1 336 128
Comprehensive income:							
Net profit for the year	-	102 211	-	-	-	-	102 211
Other comprehensive income:	-	-	-	-	-	-	-
Gain on revaluation	-	-	-	-	-	-	-
IFRS 9 Adjustment	-	-	-	17 824	-	-	17 824
Transfer to statutory reserve *	-	(4 624)	-	-	-	4 624	-
Transfer to other reserve	-	(41 611)	41 611	-	-	-	-
Total other comprehensive income	-	(46 235)	41 611	17 824	-	4 624	17 824
Total comprehensive income	-	55 976	41 611	17 824	-	4 624	120 035
Transactions with owners:							
Proceeds from shares issued	169 975	-	-	-	-	-	169 975
Redemption of shares	(151 812)	-	-	-	-	-	(151 812)
Transfer to general risk reserve provision	-	747	-	(747)	-	-	-
Dividends declared	78 238	(78 238)	-	-	-	-	-
Tax benefit of dividends declared	-	21 515	-	-	-	-	21 515
Total transactions with owners	96 401	(55 976)	-	(747)	-	-	39 678
Balance at 31 March 2019	979 873	-	387 023	32 674	53 074	43 197	1 495 841

**The Group has, as permitted by IFRS 9, elected to restate the comparative financial statements. Therefore, refer to basis of preparation for transitional disclosure*

* - provided under section 39 of the Building Societies Act of 1962.

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (continued)

for the year ended 31 March 2020

Society	Permanent Shares E'000	Retained Earnings E'000	Other Reserve E'000	General Credit risk Reserve E'000	Asset revaluation reserve E'000	Statutory Reserve E'000	Total E'000
Balance at 31 March 2019	979 873	-	385 364	32 674	53 074	43 015	1 494 000
Comprehensive income:							
Net profit for the year	-	100 506	-	-	-	-	100 506
Other comprehensive income:							
Gain on revaluation	-	-	-	-	19 674	-	19 674
IFRS 9 Adjustment	-	-	-	(16 957)	-	-	(16 957)
Transfer to statutory reserve *	-	(4 663)	-	-	-	4 663	-
Transfer to other reserve	-	(41 963)	41 963	-	-	-	-
Total other comprehensive income	-	(46 626)	41 963	(16 957)	19 674	4 663	2 717
Total comprehensive income	-	53 880	41 963	(16 957)	19 674	4 663	103 223
Transactions with owners:							
Proceeds from shares issued	105 598	-	-	-	-	-	105 598
Redemption of shares	(159 593)	-	-	-	-	-	(159 593)
Transfer of general risk reserve provision	-	(430)	-	430	-	-	-
Dividends declared	73 724	(73 724)	-	-	-	-	-
Tax benefit of dividends declared	-	20 274	-	-	-	-	20 274
Total transactions with owners	19 729	(53 880)	-	430	-	-	(33 721)
Balance at 31 March 2020	999 602	-	427 327	16 147	72 748	47 678	1 563 502

**The Society has, as permitted by IFRS 9, elected to restate the comparative financial statements. Therefore, refer to basis of preparation for transitional disclosure*

Swaziland Building Society

"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (continued)

for the year ended 31 March 2020

Society	Permanent Shares	Retained Earnings	Other Reserve	General Credit risk Reserve	Asset revaluation reserve	Statutory Reserve	Total
	E'000	E'000	E'000	E'000	E'000	E'000	E'000
Balance at 31 March 2018	883 472	-	344 266	14 745	53 074	38 449	1 334 006
Adjustment on initial application of IFRS 9*	-	-	-	852	-	-	852
Restated balance at 31 March 2018	883 472	-	344 266	15 597	53 074	38 449	1 334 858
Comprehensive income:							
Net profit for the year	-	101 640	-	-	-	-	101 640
Other comprehensive income:							
Gain on revaluation	-	-	-	-	-	-	-
IFRS 9 Adjustment	-	-	-	17 824	-	-	17 824
Transfer to statutory reserve *	-	(4 566)	-	-	-	4 566	-
Transfer to other reserve	-	(41 098)	41 098	-	-	-	-
Total other comprehensive income	-	(45 664)	41 098	17 824	-	4 566	17 824
Total comprehensive income	-	55 976	41 098	17 824	-	4 566	119 464
					-		
Transactions with owners:							
Proceeds from shares issued	169 975	-	-	-	-	-	169 975
Redemption of shares	(151 812)	-	-	-	-	-	(151 812)
Transfer of general risk reserve provision	-	747	-	(747)	-	-	-
Dividends declared	78 238	(78 238)	-	-	-	-	-
Tax benefit of dividends declared	-	21 515	-	-	-	-	21 515
Total transactions with owners	96 401	(55 976)	-	(747)	-	-	39 678
Balance at 31 March 2019	979 873	-	385 364	32 674	53 074	43 015	1 494 000

**The Society has, as permitted by IFRS 9, elected to restate the comparative financial statements. Therefore, refer to basis of preparation for transitional disclosure*

* - provided under section 39 of the Building Societies Act of 1962.

"Creating Wealth For You"

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 31 March 2020

	Notes	Group 2020 E'000	Group 2019 E'000	Society 2020 E'000	Society 2019 E'000
Cash flows from operating activities					
Interest and commission receipts		**341 208**	308 810	**341 208**	309 576
Interest payments		**(30 589)**	(39 234)	**(31 051)**	(40 179)
Other income receipts		**3 385**	1 492	**3 587**	1 492
Cash payments to employees and suppliers		**(288 179)**	(44 703)	**(288 683)**	(44 599)
		25 825	226 365	**25 061**	226 290
Increase in operating assets:					
Loans and advances to customers		**(26 388)**	(24 019)	**(26 388)**	(24 019)
Increase in operating liabilities:					
Fixed and savings deposits		**112 733**	143 340	**113 304**	143 340
Subscription shares		**(396)**	4 262	**(396)**	4 262
Net cash generated from operating activities before income tax		**111 774**	349 948	**111 581**	349 873
Income tax paid	23	**(15 481)**	(15 202)	**(15 287)**	(15 119)
Net cash inflow from operating activities		**96 293**	334 746	**96 294**	334 754
Cash flows from investing activities					
Net acquisition of financial investments		**(37 707)**	(80 317)	**(37 707)**	(80 317)
Proceeds from disposal of property, plant and equipment		**1 822**	-	**1 822**	-
Purchase of property, plant and equipment		**(35 376)**	(56 969)	**(35 376)**	(56 969)
Net cash outflow from investing activities		**(71 261)**	(137 286)	**(71 261)**	(137 286)
Cash flows from financing activities					
Proceeds from shares issued		**105 598**	169 975	**105 598**	169 975
Payment on redemption of shares		**(159 593)**	(151 812)	**(159 593)**	(151 812)
Net cash (outflow) inflow from financing activities		**(53 995)**	18 163	**(53 995)**	18 163
Net (decrease)/ increase in cash and cash equivalents		**(28 963)**	215 623	**(28 962)**	215 631
Cash and cash equivalents at beginning of year		**590 460**	374 837	**590 450**	374 819
Cash and cash equivalents at end of the year	10	**561 497**	590 460	**561 488**	590 450

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. General information

Swaziland Building Society ("the Society") provides mortgage finance for urban property acquisition and development, together with the acceptance of savings and investment deposits.

The Society was formed and registered in terms of the Building Societies Act of 1962 and is incorporated and domiciled in Eswatini. It is not listed on any exchange.

The consolidated financial statements consist of the Society and its subsidiary (together, the "group").

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Swaziland Building Society have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRS Interpretations Committee ("IFRS IC") Interpretations and the Building Societies Act of 1962. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and financial liabilities (including derivative instruments) measured at fair value.

The preparation of consolidated 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 society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.2.

These consolidated financial statements are presented in Eswatini Lilangeni ("E") which is the Group and Society's functional currency. All amounts have been rounded to the nearest one thousand Lilangeni, unless otherwise indicated.

2.1.1 Changes in accounting policy and disclosures

(a) ***Adoption of new and amended standards effective for the current financial period***

Certain new accounting standards and interpretations have been published and are mandatory for 31 March 2020 reporting periods. The Group and Society's assessment of the impact of these new standards and interpretations is set out below:

2.1.1 Changes in accounting policy and disclosures (continued)

(a) Adoption of new and amended standards effective for the current financial period (continued)

The Society has initially applied IFRS 16 Leases from 1 April 2019. A number of the other new standards are also effective from 1 April 2019 but they do not have a material effect on the Society's financial statements.

Definition of a lease

Previously, the Society determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Society now assesses whether a contract is or contains a lease based on the definition of a lease.

The Society applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

As a lessee, the Society leases ATM spaces and IT equipment. The Society previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Society. Under IFRS 16, the Society recognises right-of-use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on-balance sheet.

The Society used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Society:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- relied on its assessment of whether leases are onerous under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application and;
- used hindsight when determining the lease term.

Refer to note 14 and note 29 for the related disclosures on the right-of-use assets and lease liabilities.

b) New standards and interpretations not yet adopted

At the date of approval of the financial statements of the Group for the period ended 31 March 2020, the following Standards and Interpretations were in issue but not yet effective:

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

Effective for the financial year commencing 1 April 2020

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Effective for the financial year commencing 1 April 2022

- Classification of liabilities as current or non-current (Amendments to IAS 1)-proposed delay to 1 April 2023

Effective for the financial year commencing 1 April 2023

- IFRS 17 Insurance Contracts

Effective at the option of the Society (effective date has been deferred indefinitely)

- Sale or Contribution of Assets between an investor and its associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the Society).

IAS 1, IAS 8, IAS 39, IFRS 7, IFRS 9, IFRS 3, IAS 28, IFRS 10 and IFRS 17 amendments and new standards mentioned above are not applicable to the business of the Society and will therefore have no impact on future financial statements.

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2019, includes:

- a new chapter on measurement;
- guidance on reporting financial performance;

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

- improved definitions of an asset and a liability, and guidance supporting these definitions and;
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

The amendments are not expected to have a significant impact on the financial statements.

Definition of a Business (Amendments to IFRS 3)

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

The Board does not expect significant change – the amendments will not change the treatment of the subsidary in the annual financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 April 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The Board does not expect significant change – the Society does not have any hedging instruments that are subject to hedge accounting.

2.2 Critical accounting estimates and judgements

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. Post the implementation of IFRS 9 on 1 April 2018, unless otherwise stated, no material changes to assumptions have occurred during the year. The following represents the most material key management assumptions applied in preparing these financial statements.

(a) *Expected credit loss ("ECL") on financial assets - IFRS 9 drivers*

For the purpose of determining the ECL:

The portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The IFRS 9 impairment provision calculation excludes post write off recoveries (PWOR) from the loss given default (LGD) in calculating the expected credit loss. This LGD parameter has been aligned to emerging market practice.

ECL measurement period

The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset if the remaining lifetime is less than 12 months).

2.2 Critical accounting estimates and judgements (continued)

A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
Lifetimes include consideration for multiple default events, i.e. Where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime and the potential ECL. The measurement periods for unutilized loan commitments utilize the same approach as on-balance sheet exposures.

Significant increase in credit risk (SICR)

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised.

The group also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. Historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

Incorporation of forward-looking information ("FLI") in ECL measurement
The Group includes a forward-looking forecast impact of macro-economic factors on the expected credit loss. The Group's FLI model uses the GDP growth as the macroeconomic factor in the model and these forward looking economic expectations are included in the ECL using models that correlate other parameters with these macroeconomic variables.

An average GDP growth rate was determined from a range of forward-looking economic expectations as at 31 March 2020, for inclusion in the Group's forward looking process and ECL calculation. Economic growth in Eswatini is expected to be -4.0% during 2020, and slowly recover to slightly below the average levels of 2% to 4% by 2023.

Default
The definition of default, which triggers the credit impaired classification (stage 3), is generally compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group has not rebutted IFRS 9's 90 days past due rebuttable presumption.

2.2 Critical accounting estimates and judgements (continued)

Write off policy
An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectations of recovery of the asset, or a portion thereof.

As an exception to the above requirements, where the exposure is secured, the impaired loan can only be written off once the collateral has been realised. Post realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

(b) Current and deferred tax
The Group and Society is subject to income taxes in terms of the tax laws of Eswatini. Significant judgement is required in determining the provision for income taxes in terms of these laws. There are many transactions and calculations for which the ultimate tax determination may not be certain. The Society recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

(c) Useful lives of property, plant and equipment

Estimation is used in approximating the useful lives and residual values of property, plant and equipment. These assessments are made on an annual basis and use historical evidence and current economic factors to estimate the values. Depreciation is not provided for on buildings as the directors consider their residual value will not be materially different from book value.

2.3 Significant accounting policies

2.3.1 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases..

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net

2.3 Significant accounting policies (continued)

2.3.1 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3.2 Properties in possession

Properties in possession are those properties bought in by the Society following default by the mortgagors. Properties in possession are carried at the lower of cost and net realisable value. Cost is the reserve price set by the Society. Properties in possession are disclosed under Other Assets in the Statement of financial position.

2.3.3 Property, plant and equipment

Land and buildings are initially recognised at cost. Subsequently land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation as determined from market-based evidence. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. No provision is made for depreciation of land and buildings as, in the opinion of the Directors, their residual value will not be materially different from book value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

2.3.3 Property, plant and equipment (continued)

Any revaluation surplus is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss, in which case the increase is recognised in profit and loss. A revaluation deficit is recognised in profit and loss, except that a deficit directly offsetting a previous surplus on the same asset is directly off-set against the surplus in the asset revaluation reserve. The revaluation surpluses are transferred directly to retained earnings in the statement of changes in equity when the related assets are derecognised.

Other items of property, plant and equipment are initially recognised at cost. Subsequently they are carried at cost, and exclude the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met.

Depreciation is based on a straight-line basis estimated to write each asset down to estimated residual value over the term of its useful life at the following rates:

Items	***Useful Life***
Furniture and fixtures	15 years
Motor vehicles	7 years
Office equipment	10 years
Computer equipment	5 to 20 years
Machinery	10 years
Freehold land and buildings	indefinite
Leasehold	10 years

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Impairment losses are recognised as an expense immediately.

Residual values, useful lives and impairment are assessed annually and adjusted as appropriate.

Expenditure on repairs or maintenance of property, plant and equipment incurred to restore or maintain future economic benefits expected from the assets is recognised as an expense when incurred. Costs for modifying and maintaining computer software are also recognised as an expense when incurred.

2.3.4 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.3.5 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.3.6 Permanent shares

Permanent shares are classified as equity. Increment costs directly attributable to the issue of new permanent shares are shown in equity as a deduction, net of tax, from proceeds.

2.3.7 Statutory reserve

In terms of Section 39 of the Building Societies Act of 1962, every Building Society is required to establish a statutory reserve fund. At the end of each financial year, the Building Society is required to transfer into the statutory reserve fund an amount which shall not be less than ten per cent of its ascertained net profits. Net profits used are after dividends and transfer to the general credit risk reserve.

2.3.8 General credit risk reserve

A general reserve is maintained to provide against risks to which the Society is exposed. This is a provision calculated for regulatory purposes in accordance with circular 8, which states that the Society has to transfer to non-distributable reserves 1% of the balance of loans and advances.

2.3.9 Other general reserve

Whatever remains from net profit after dividends, transfer to statutory reserve (note 17) and the transfer to general credit risk reserve (note 17) is transferred to other general reserve.

2.3.10 Subscription shares, fixed and savings deposits

All subscription shares and customer deposits are initially recognised at fair value of the consideration received. Subsequent to initial recognition, these deposits are measured at amortised cost, which includes any service / handling charges associated with the servicing of the deposits, together with interest earned and paid to the customer, using the effective interest rate method.

2.3.11 Other liabilities and accruals

Other liabilities and accruals are recognised when the Society has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Interest and dividends are accrued on daily basis from the date of the last payment until such time as interest and dividends are next paid to customers and members in respect of Swaziland Building Society shares, fixed and savings deposits.

2.3.12 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Society and the revenue can be reliably measured. Revenue comprises interest, fees, commission and rental income.

Interest income

Interest income on financial assets held at amortised cost is measured using the effective interest rate method. The effective interest rate method is a method of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Specifically, for mortgage loans, the effect of this is to spread the impact of arrangement fees and costs directly attributable and incremental to setting up the loan over the expected life of the mortgage.

When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees and commission income

Fees and commissions are generally recognised on an accrual basis as the service is provided.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases.

2.3.13 Interest expense

Interest expense on financial liabilities held at amortised cost is measured using the effective interest rate method. The effective interest rate method is a method of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

2.3.14 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognized 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 group has a present obligation to pay, as a result of employees' services provided up to the statement of financial position date. The provision has been calculated at undiscounted amounts based on current salary rates.

Pension obligations

The group operates a defined contribution plan. Contributions into the plan are accounted for in the accounting period when service is rendered by employees as part of salaries and employee benefit expenses. All eligible employees are members of the Swaziland Building Society Employees Defined Contribution Pension Fund. The total contributions paid and accrued to the fund for the year amounted to E7 405 145 (2019: E6 579 708).

The pension fund is managed by the appointed Trustees of the fund. It is the responsibility of the Directors of the Society to ensure that the contributions are paid to the fund. No provision has been made for statutory termination obligations in terms of the Employment Act, 1980, which may arise on retirement of employees. It is considered that the Society's contributions to the pension fund, which can be recovered against such statutory obligation, will adequately cover any such liability.

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 Society 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 statement of financial position date are discounted to present value.

Bonus

A liability for employee benefits in the form of 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.

2.3.15 Provisions

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease

2.3.15 Provisions (continued)

termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to one item included in the class may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

2.3.16 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.3.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.3.18 Leases

At inception of contract, the Society assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Society uses the definition of a lease in IFRS 16.

The policy is applied to contracts entered into (or changed) after 1 April 2019.

2.3.18 Leases (continued)

Society acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Society allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Society has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Society recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Society's incremental borrowing rate. Generally, the Society uses its incremental borrowing rate as the discount rate.

The Society determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee and;
- the exercise price under a purchase option that the Society is reasonably certain to exercise, lease payments in an optional renewal period if the Society is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Society is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Society's estimate of the amount expected to be payable under a residual value guarantee, if the Society changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

2.3.18 Leases (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
The Society presents right-of-use assets in 'property and equipment' and lease liabilities in other liabilities' in the statement of financial position.

Short-term leases and leases of low value assets
The Society has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Society recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 April 2019

Operating lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

The Society as a lessee
Assets held by the Society under leases that transfer to the Society substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the
present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets held under other leases are classified as operating leases and are not recognised in the Society's statement of financial position.

2.3.19 Dividend distribution

Dividend distribution to the group's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the group's Board.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

2.3.20 Financial Instruments

Financial Assets

(i) Initial measurement

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

Amortised cost
A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

(ii) Subsequent measurement
Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows (the Group does not have any financial instruments categorised as measured at fair value):

Amortised cost
Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees
received are capitalised and amortised through interest income as part of the effective interest rate.

(iii) Impairment
ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at
fair value through profit or loss nor are used to provide a loan at a below market interest rate. As at year end, the Group did not have financial assets classified as at fair value through OCI.

2.3.20 Financial Instruments (continued)

Financial assets (continued)

(iii) Impairment (continued)

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past
events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL is measured as the unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1
A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.

Stage 2
A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.

Stage 3 (credit impaired assets)
A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired:

- default;
- significant financial difficulty of borrower and/or modification; and
- probability of bankruptcy or financial reorganisation disappearance of an active market due to financial difficulties.

The key components of the impairment methodology are described as follows:

Significant increase in credit risk
At each reporting date the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.

Low credit risk
Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

2.3.20 Financial Instruments (continued)

Financial assets (continued)

(iii) Impairment (continued)

Default
A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- disappearance of active market due to financial difficulties;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider; and
- exposures which are overdue for more than 90 days are also considered to be in default.

Forward-looking information
Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of SICR. The Group includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.

Write-off
Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

(iv) Reclassification
Reclassifications of debt financial assets are permitted when, and only when, the Group changes its business model or managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for
prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised

cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

Financial liabilities

(i) Initial classification

Amortised cost
All financial liabilities of the Society are held in this category.

(ii) Subsequent measurement

Amortised cost
Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets - Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred
substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained,
then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

2.3.20 Financial Instruments (continued)

Derecognition and modification of financial assets and liabilities

Financial assets - Modification

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within other income. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within other income (for all other modifications).

Financial liabilities – Derecognition

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

Financial guarantee contracts
A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee or
- unamortised premium.

2.3.21 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Society are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software -product are available and;
- the expenditure attributable to the software product during its development can be reliably measured.
- Directly attributable costs that are capitalised as part of the software product include the software development costs.
- Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.
- Computer software development costs recognised as assets are amortised over their estimated useful lives which does not exceed 20 years and have no residual values.

2.3.22 Adoption of IFRS 16

Group as a lessee
The Group has applied IFRS 16 retrospectively from 1 April 2019, using the modified retrospective approach. Comparatives are not restated under this approach and therefore the comparative information continues to be reported under IAS 17 and IFRIC 4. There was no impact to the Group's opening retained earnings on adoption of IFRS 16.

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, refer to the accounting policy note. On transition to IFRS 16, the Group elected to apply the practical expedient i.e. to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019

2.3.22 Adoption of IFRS 16 (continued)

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates as at 1 April 2019. The rates applied to discount the operating lease commitments was the prime rate of 9%. The total discounted operating lease commitments and anticipated lease extensions for properties as at 1 April 2019 amounted to E7 899 639.

A right-of-use property asset was recognised on the same date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (E7 899 639).

Deferred tax assets and deferred tax liabilities of E2 172 401 and E2 172 401 respectively were raised on 1 April 2019.

Depreciation on the right-of-use asset and finance costs on the finance lease liability is recognised in the income statement, rather than the previously recognised operating lease charges (under IAS 17). The net impact to earnings for the year ended 31 March 2019 resulting from the difference between operating lease charges under IAS 17 and the IFRS 16 income statement expenses (deprecation and finance costs) is not significant. As the impact is immaterial, disclosure of the impact on earnings has not been provided.

In applying IFRS 16 for the first time, the Group used certain other practical expedients permitted by the standard, namely the use of a single discount rate for a portfolio of leases with reasonably similar characteristics, the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases (as long as there was no option to extend), the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application, and the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The Group is applying the exemption for short-term and low value leases, the costs of which are expensed on a monthly basis

Reconciliation of lease liability to operating lease

	Group 2020 E'000	Society 2020 E'000
Operating lease commitments as at 31 March 2019	**9 026**	**9 026**
Discounted using the incremental borrowing rate on 1 April 2019	**(1 127)**	**(1 127)**
Lease liabilities recognised at 1 April 2019	**7 899**	**7 899**

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
3. Operating profit				
Operating profit has been arrived at after charging the following:				
Directors' remuneration for services as directors	**860**	684	**843**	643
Auditor remuneration	**1 439**	903	**1 396**	857
Legal fees	**1 429**	1 419	**1 429**	1 419
Donations	**570**	564	**570**	564
Repairs and maintenance	**2 233**	2 138	**2 233**	2 138
Consulting fees	**1 929**	3 231	**1 929**	3 231
Insurance premiums	**4 293**	3 501	**4 293**	3 501
Operating lease charges	**3 687**	2 668	**3 687**	2 668
4. Interest and similar income				
Advances secured by mortgages	**139 372**	99 423	**139 372**	99 423
Advances secured by pledge of investments, pension funds and employer guarantee and insurance policies	**58 933**	81 777	**58 933**	81 777
Investments and liquid funds	**67 428**	52 497	**67 428**	52 497
	265 733	233 697	**265 733**	233 697
5. Interest expense and similar charges				
Call deposits	**10 192**	7 290	**10 192**	7 290
Fixed deposits	**601**	1 016	**601**	1 016
Savings deposits	**38 107**	29 754	**38 569**	30 520
Fixed period shares deposits	**571**	794	**571**	794
Subscription share deposits	**1 012**	1 106	**1 012**	1 106
	50 483	39 960	**50 945**	40 726

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
6. Fee and commission income				
ATM commissions	**3 410**	(37)	**3 410**	(37)
Foreign exchange gains	**-**	348	**-**	348
Foreign exchange commission	**753**	464	**753**	464
Mortgage related fees	**19 854**	60 298	**19 854**	60 298
Service charges	**70 146**	21 284	**70 146**	21 284
	94 163	82 357	**94 163**	82 357

Disaggregation of fee and commission income
Fees and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by the major type of service and is measured based on the consideration specified in a contract with a customer. The Society recognises revenue when it transfers control over a service to a customer. The table below provides information about the nature and timing of the satisfaction of performance obligation in contracts with customers including significant payment terms and the related revenue recognition policies.

Performance obligations and revenue recognition policies		
Type of service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognitions under IFRS 15**
Retail and corporate services	The Society provides services to retail and corporate customers including account management, foreign currency transactions and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Society sets the rates separately for retail and corporate customers in each jurisdiction on an annual basis. Transactions based fees for interchange. Foreign currency transactions are charged to the customers' account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Society.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transactions take place.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
7. Other operating income				
Other income	**1 052**	- 7	**1 052**	-
Rental income	**1 120**	1 492	**1 120**	1 492
	2 172	1 492	**2 172**	1 492
8. Salary and employee benefits				
Salaries	**77 480**	67 840	**77 480**	67 840
Provident fund and medical aid	**5 400**	5 186	**5 400**	5 186
Pension costs	**4 853**	4 317	**4 853**	4 317
	87 733	77 343	**87 733**	77 343
Staff complement				
The average number of persons employed during the year was as follows:	**229**	200	**229**	200
9. Income tax expense				
9.1 Income tax charge per the statement of comprehensive income				
Current income tax	**45 032**	39 067	**44 942**	38 984
Deferred income tax (note 15)	**(34 850)**	(415)	**(34 850)**	(415)
	10 182	38 652	**10 092**	38 569

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

9.1. Income tax expense (continued)

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
9.2 Tax rate reconciliation				
Net profit before tax	**110 985**	140 863	**110 598**	140 209
Tax calculated at local company tax rate of 27.5%	**30 521**	38 737	**30 414**	38 558
Prior year under-provision	**(20 663)**	-	**(20 663)**	-
Non-deductible expenses	**324**	(85)	**341**	11
Tax charge	**10 182**	38 652	**10 092**	38 569
9.3 Income tax charged/ (credited) directly to equity during the year				
Current tax:				
Tax benefit of dividends on permanent shares	**20 274**	21 515	**20 274**	21 515
	20 274	21 515	**20 274**	21 515
9.4 Net income tax charged/ (credited) to the statement of comprehensive income during the year				
Current tax – net	**24 758**	17 552	**24 668**	17 469
Deferred tax – net	**(34 850)**	(415)	**(34 850)**	(415)
	(10 092)	17 137	**(10 182)**	17 054

10. Cash and cash equivalents

	Group 2020	Group 2019	Society 2020	Society 2019
Cash on hand	**61 625**	41 482	**61 625**	41 482
Central Bank of Eswatini	**30 009**	54 490	**30 009**	54 490
Call and fixed deposits with financial institutions	**469 863**	494 488	**469 854**	494 478
	561 497	590 460	**561 488**	590 450

The fair values of cash at Society and on hand approximate their carrying amount

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
11. Other assets and accrued income				
Accrued interest	**18 688**	1 548	**18 688**	1 548
Other assets	**22 675**	21 100	**22 213**	21 066
Receivables from related parties (note 25)	**-**	-	**2 651**	2 426
	41 363	22 648	**43 552**	25 040
12. Loans and advances to customers				
Gross loans and advances held at amortised cost				
Secured by mortgages	**1 159 318**	1 117 376	**1 159 318**	1 117 376
Due by related parties – secured by mortgages (note 25b)	**19 017**	9 634	**19 017**	9 634
Secured by pledge of investments, pension funds, employer guarantees and insurance policies	**542 046**	566 983	**542 046**	566 983
	1 720 381	1 693 993	**1 720 381**	1 693 993
Total credit impairment on loans and advances (IFRS 9) (note 12.3)	**(121 340)**	(71 441)	**(121 340)**	(71 441)
Net Loans and advances	**1 599 041**	1 622 552	**1 599 041**	1 622 552

12.1 Maturity and interest rates

The advances are based on terms ranging between 1 and 25 years and are repaid by equal monthly repayments of capital and interest during the repayment term of the advances. Interest rates are not fixed; they were ranging from 9% to 10.25% for residential properties, 9.0% to 9.25% for residential property schemes and 10.75% to 11% for commercial properties and loans secured by pledge of investments and 9.25% to 21.75% for loans guaranteed by employers, during the year.

12.2 Maturity analysis

	Group 2020	Group 2019	Society 2020	Society 2019
Demand to 6 months	**39 605**	69 673	**39 605**	69 673
Between 6 months and 1 year	**22 724**	29 925	**22 724**	29 925
Between 1 year to 5 years	**564 222**	514 594	**564 222**	514 594
More than 5 years	**972 490**	1 008 360	**972 490**	1 008 360
	1 599 041	1 622 552	**1 599 041**	1 622 552

12. Loans and advances to customers (continued)

		Group		Society	
		2020	2019	**2020**	2019
		E'000	E'000	**E'000**	E'000
12.3	**Allowance for impairment of advances – IFRS 9**				
	Stage 1 and 2	**67 365**	26 019	**67 365**	26 019
	Stage 3	**53 975**	45 422	**53 975**	45 422
		121 340	71 441	**121 340**	71 441
	Impairment losses charge per statement of comprehensive income:				
	(Charge)/ reversal of impairment for the year	**(43 664)**	5 581	**(43 664)**	5 581
	(Charge)/ reversal to statement of comprehensive income	**(43 664)**	5 581	**(43 664)**	5 581

13. Business combinations

On the 2 December 2011 the Society acquired shares at 100% in Relief Financial Services, a newly incorporated company for the administration of a micro lending business based in Eswatini. There was no goodwill, which arose due to the acquisition of the wholly owned subsidiary, as the consideration made for the investment was equal to the share capital required to see off the business. A cash consideration of E8 million was paid for the investment.

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

14. Property, plant and equipment and right-of-use asset

Group	2020			2019		
	Cost/ Revaluation E'000	Accumulated Depreciation E'000	Net Book Value E'000	Cost/ Revaluation E'000	Accumulated Depreciation E'000	Net Book Value E'000
Freehold land and buildings	127 564	-	127 564	103 619	-	103 619
Computer equipment	77 528	(39 467)	38 061	64 778	(33 247)	31 531
Motor vehicles	4 866	(1 998)	2 868	4 279	(1 895)	2 384
Office equipment, furniture and fittings	24 468	(11 825)	12 643	22 488	(11 185)	11 303
Leasehold	8 731	(4 627)	4 104	8 330	(4 021)	4 309
Right-of-use asset	7 801	(3 079)	4 722	-	-	-
Assets under construction	22 791	-	22 791	35 224	-	35 224
Total	273 749	(60 996)	212 753	238 718	(50 348)	188 370

Society	2020			2019		
	Cost/ Revaluation E'000	Accumulated Depreciation E'000	Net Book Value E'000	Cost/ Revaluation E'000	Accumulated Depreciation E'000	Net Book Value E'000
Freehold land and buildings	127 564	-	127 564	103 619	-	103 619
Computer equipment	77 408	(39 348)	38 060	64 778	(33 247)	31 531
Motor vehicles	4 866	(1 998)	2 868	4 279	(1 895)	2 384
Office equipment, furniture and fittings	24 334	(11 719)	12 615	22 234	(10 964)	11 270
Leasehold	8 731	(4 627)	4 104	8 330	(4 021)	4 309
Right-of-use asset	7 801	(3 079)	4 722	-	-	-
Assets under construction	22 791	-	22 791	35 224	-	35 224
Total	273 495	(60 771)	212 724	238 464	(50 127)	188 337

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

14. Property, plant and equipment and right-of-use asset (continued)

14.1 Movement in property, plant and equipment for 31 March 2020 excluding right-of-use asset

Group	Net Book Value 2019 E'000	Transfer/ Disposal E'000	Revaluation/ Additions E'000	Depreciation Depreciation E'000	Net Book Value 2020 E'000
Freehold land and buildings	103 619	-	23 945	-	127 564
Computer equipment	31 531	(35)	12 665	(6 100)	38 061
Motor vehicles	2 384	(735)	1 750	(531)	2 868
Office equipment, furniture and fittings	11 303	-	2 603	(1 263)	12 643
Leasehold	4 309	-	401	(606)	4 104
Assets under construction	35 224	(29 991)	17 558	-	22 791
Total	188 370	(30 761)	58 922	(8 500)	208 031

Society	Net Book Value 2019 E'000	Transfer/ Disposal E'000	Revaluation/ Additions E'000	Depreciation Depreciation E'000	Net Book Value 2020 E'000
Freehold land and buildings	103 619	-	23 945	-	127 564
Computer equipment	31 531	(35)	12 665	(6 100)	38 061
Motor vehicles	2 384	(735)	1 750	(531)	2 868
Office equipment, furniture and fittings	11 270	-	2 603	(1 259)	12 614
Leasehold	4 309	-	401	(606)	4 104
Assets under construction	35 224	(29 991)	17 558	-	22 791
Total	188 337	(30 761)	58 922	(8 496)	208 002

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

14. Property, plant and equipment and right-of-use asset (continued)

14.1 Movement in property, plant and equipment for 31 March 2019

Group	Net Book Value 2018	Transfer/ Disposal	Revaluation/ Additions	Depreciation Depreciation	Net Book Value 2019
	E'000	E'000	E'000	E'000	E'000
Freehold land and buildings	103 482	-	137	-	103 619
Computer equipment	17 057	-	19 841	(5 367)	31 531
Motor vehicles	2 835	(380)	374	(445)	2 384
Office equipment, furniture and fittings	9 607	-	3 023	(1 327)	11 303
Leasehold	2 522	-	2 368	(581)	4 309
Assets under construction	9 749	(5 751)	31 226	-	35 224
Total	145 252	(6 131)	56 969	(7 720)	188 370

Society	Net Book Value 2018	Transfer/ Disposal	Revaluation/ Additions	Depreciation Depreciation	Net Book Value 2019
	E'000	E'000	E'000	E'000	E'000
Freehold land and buildings	103 482	-	137	-	103 619
Computer equipment	17 057	-	19 841	(5 367)	31 531
Motor vehicles	2 835	(380)	374	(445)	2 384
Office equipment, furniture and fittings	9 571	-	3 023	(1 324)	11 270
Leasehold	2 522	-	2 368	(581)	4 309
Assets under construction	9 749	(5 751)	31 226	-	35 224
Total	145 216	(6 131)	56 969	(7 717)	188 337

14. Property, plant and equipment and right of use asset (continued)

14.2 Movement in property, plant and equipment for 31 March 2020 excluding right-of-use asset

Included in the entity's property, plant and equipment are assets with zero net book values which are still being used by the entity. Summarised details of these assets are as follows:

	Group		**Society**	
	2020	2019	**2020**	2019
	E'000	E'000	E'000	E'000
Cost	**25 556**	31 204	**25 354**	31 039
Accumulated depreciation	**(25 556)**	(31 204)	**(25 354)**	(31 039)
	-	-	**-**	-

Land and buildings were revalued as at 31 March 2020 by an independent valuer based on estimated fair saleable values as determined from market based evidence.

If the land and buildings were stated at cost, the carrying amount would be E46.6 million (2019: E42.6 million).

14.3 Right-of-use asset

The Society leases land and buildings and information about leases is listed below:

	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
Balance at 1 April 2019	**7 899**	-	**7 899**	-
Depreciation charge for the year	**(3 177)**	-	**(3 177)**	-
Balance at 31 March 2020	**4 722**	-	**4 722**	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	E'000	E'000

15. Deferred income tax

Deferred income taxes are calculated in full on all Temporary differences under the liability method using a Principal tax rate of 27.5% (2019: 27.5%).

	Group 2020 E'000	Group 2019 E'000	Society 2020 E'000	Society 2019 E'000
The movement on the net deferred income tax account is as follows:				
At the beginning of the year	**1 273**	858	**1 273**	858
Income tax (charge)/ credit (Note 9)	**34 850**	415	**34 850**	415
At the end of year	**36 123**	1 273	**36 123**	1 273
The analysis of the above amounts is as follows:				
Provisions	**36 399**	1 273	**36 399**	1 273
Right-of-use asset	**(1 299)**	-	**(1 299)**	-
Lease liability	**1 405**	-	**1 405**	-
Prepayments	**(382)**	-	**(382)**	-
At the end of year	**36 123**	1 273	**36 123**	1 273

16. Permanent shares

	Group 2020 E'000	Group 2019 E'000	Society 2020 E'000	Society 2019 E'000
Issued and fully paid	**999 602**	979 873	**999 602**	979 873

These shares are issued from time to time at the discretion of the Society's Board of Directors.

Redemption of the shares, at their cumulative value including dividends earned, is at the discretion of the Society's Board of Directors. The holder of permanent shares may only request that shares be redeemed after the expiry of 30 months from the date of issue and this redemption is subject to a further six months' notice.

Dividends on the permanent shares are payable only out of and subject to available profits.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	E'000	E'000
17. Reserves				
Asset revaluation reserve (17.1)	**72 748**	53 074	**72 748**	53 074
Statutory reserve (17.2)	**47 889**	43 197	**47 678**	43 015
Other reserve (17.3)	**429 254**	387 023	**427 327**	385 364
General credit risk reserve (17.4)	**16 255**	32 674	**16 147**	32 674
Total reserves	**566 146**	515 968	**563 900**	514 127

17.1 Asset revaluation reserve

The asset revaluation reserve resulted from the revaluation of land and buildings by an independent valuator, Goldstone Property Consult at 31 March 2020.

	Group 2020	Group 2019	Society 2020	Society 2019
Reconciliation of opening and closing value				
At the beginning of the year	**53 074**	53 074	**53 074**	53 074
Movement in revaluation reserve	**19 674**	-	**19 674**	-
At end of year	**72 748**	53 074	**72 748**	53 074

This reserve will be transferred directly to retained earnings in equity when the related assets are disposed.

17.2 Statutory reserve

At the end of each financial year, the Society is required in terms of Section 39 of the Building Societies Act of 1962 to transfer an amount of not less than 10% of the net profit into the statutory reserve fund.

	Group 2020	Group 2019	Society 2020	Society 2019
Reconciliation of opening and closing value				
At the beginning of the year	**43 197**	38 573	**43 015**	38 449
Movement in statutory reserve	**4 692**	4 624	**4 663**	4 566
At end of year	**47 889**	43 197	**47 678**	43 015
Movement in statutory reserve can be analysed as follows:				
Net profit for the year	**100 803**	102 211	**100 506**	101 640
Dividends declared (net of tax)	**(53 450)**	(56 723)	**(53 450)**	(56 723)
Transfer to general credit risk reserve	**(430)**	747	**(430)**	747
	46 923	46 235	**46 626**	45 664
Transfer to statutory reserve (at 10%)	**4 692**	4 624	**4 663**	4 566

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

17. Reserves (continued)

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000

17.3 Other reserve

At the end of each financial year, the amount of retained income remaining after effecting the transfer to statutory reserve and transfer to general credit risk reserve is transferred to other reserve to provide against risks the Society may be exposed to.

Reconciliation of open and closing value				
At beginning of the year	**387 023**	345 412	**385 364**	344 266
Movement in other reserve	**42 231**	41 611	**41 963**	41 098
At end of year	**429 254**	387 023	**427 327**	385 364

17.4 General credit risk reserve

This is a provision calculated for regulatory purposes in accordance with circular 8, which states that the Society has to transfer to non-distributable reserves 1% of the balance of loans and advances.

Reconciliation of open and closing value				
At beginning of the year	**32 674**	15 597	**32 674**	15 597
Movement in general credit risk reserve	**(16 419)**	17 077	**(16 527)**	17 077
	16 255	32 674	**16 147**	32 674

The general credit risk reserve has been created and maintained to eliminate the possible short fall in impairment provision/losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	E'000	E'000
18. Fixed and savings deposits				
Call deposits	**145 143**	297 744	**145 143**	297 744
Fixed deposits	**3 010**	27 247	**15 261**	38 927
Savings deposits	**1 030 991**	741 420	**1 030 991**	741 420
	1 179 144	1 066 411	**1 191 395**	1 078 091

18.1 Maturity and interest rates

Fixed deposits

The deposit period ranges from three months to two years, with fixed interest rates ranging from 2.70% - 3.70% (2019: 2.95% -3.95%) during the year.

Savings deposits

Savings deposits are repayable on demand, with interest rates varying per product ranging between 1.50% - 3.66% (2019: 1.75% - 3.91%) during the year.

Call deposits

Call deposits are repayable on demand. Interest rates are linked to prime rate.

18.2 Maturity analysis

Demand to 6 months	**1 173 956**	1 056 449	**1 186 207**	1 068 129
Between 6 months and 1 year	**4 415**	8 964	**4 415**	8 964
Between 1 and 5 years	**773**	998	**773**	998
	1 179 144	1 066 411	**1 191 395**	1 078 091

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	E'000	E'000
19. Subscription shares				
Subscription shares	39 501	39 897	39 501	39 897

19.1 Maturity and interest rates

The investment period ranges from 1 to 3 years.

The interest rates on the subscription shares are variable. The interest rates ranged from 2.00% - 2.50% (2019: 2.50% - 3.25%) during the year.

19.2 Maturity analysis

	Group 2020	Group 2019	Society 2020	Society 2019
Demand to 6 months	26 721	26 392	26 721	26 392
Between 6 months and 1 year	6 318	8 471	6 318	8 471
Between 1 year to 5 years	6 462	5 034	6 462	5 034
	39 501	39 897	39 501	39 897

20. Financial Investments

	Group 2020	Group 2019	Society 2020	Society 2019
Sovereign	296 129	215 936	296 129	215 936
Banking	20 000	60 270	20 000	60 270
Mutual funds and unit linked investments	50 000	52 216	50 000	52 216
Gross debt financial investments measured at amortised cost	366 129	328 422	366 129	328 422

20.1 Maturity and interest rate

The investment period is 3 years and 5 years. The interest rate on the bonds ranges from 8.75 % - 9.5%.

20.2 Maturity analysis

	Group 2020	Group 2019	Society 2020	Society 2019
Demand to 6 months	123 605	108 468	123 605	108 468
Between 6 months to 1 year	111 376	-	111 376	-
Between 1 year to 5 years	131 148	219 954	131 148	219 954
	366 129	328 422	366 129	328 422

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	E'000	E'000
21. Other liabilities and accruals				
Accrued interest	**11 857**	8 303	**11 857**	8 874
Accrued dividends	**28 814**	15 020	**28 814**	15 020
Other creditors	**21 172**	127 391	**21 270**	127 386
	61 843	150 714	61 941	151 280
22. Provisions				
Provision for leave pay (note 22.1)	6 083	4 630	6 083	4 630
Provision for gratuity	3 544	-	3 544	-
Provision for audit fees	1 193	-	1 193	-
Provision for annual bonuses (note 22.2)	1 387	1 226	1 387	1 226
	12 207	5 856	12 207	5 856

22.1 Provision for leave pay

The leave pay provision relates 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 Society or when earned entitlement is utilised

22.2 Provision for annual bonuses

Annual bonus is paid at the discretion of the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
23. Current income tax				
Opening balance (asset)/liability	(4 994)	(7 344)	(5 050)	(7 400)
Income tax charge for the year (note 9.4)	24 758	17 552	24 668	17 469
Tax refunds		-	-	-
Closing balance	4 283	4 994	4 331	5 050
Tax paid	15 481	15 202	15 287	15 119

24. Contingent liabilities and other commitments

Commitment on mortgage advances approved but not paid out	**56 433**	57 187	**56 433**	57 187

Any expenditure is normally financed from cash generated from normal business operations.

25. Related party disclosures

The following transactions were carried out with related parties

a) Key management compensation

Key management includes directors (executive and non-executive), members of the executive committee and other senior management. The compensation paid or payable for key management employee is shown below:

Executive directors and key management:				
Short-term employee benefits	**20 598**	17 192	**20 598**	17 192
	20 598	17 192	**20 598**	17 192
Non-executive directors:				
Fees for services as directors	**860**	684	**843**	643
Total compensation paid to key management personnel	**21 458**	17 876	**21 441**	17 835

25. Related party disclosures (continued)

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
b) Loans to related parties				
Directors' and key management's loans - secured by mortgages:				
Balances at beginning of the year	**9 634**	11 560	**9 634**	11 560
Loans advanced during the year	**14 067**	1 361	**14 067**	1 361
Loan repayment received	**(6 245)**	(3 677)	**(6 245)**	(3 677)
Interest and other charges	**2 216**	390	**2 216**	390
Balances at end of year	**19 672**	9 634	**19 672**	9 634

The loans secured by mortgages are based on terms ranging between five and twenty-five years and are repaid by equal monthly repayments of capital and interest. Interest rates are based on normal staff rates.

Deposits made with the Society by key management personnel:				
Swaziland Building Society shares	**916**	3 796	**916**	3 796
Fixed and savings deposits	**395**	6 667	**395**	6 667
	1 311	10 463	**1 311**	10 463
c) Loans to subsidiary				
Relief Financial Services	**-**	-	**2 651**	2 426
	-	-	**2 651**	2 426

The receivables from related parties arise mainly from purchases made by the Society on behalf of the subsidiary. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties. The loans to subsidiary are included in the other assets and accrued income balance.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

26. Classification of Assets and Liabilities

Accounting classifications and fair values of assets and liabilities

All financial assets and liabilities have been classified according to their measurement category as per IFRS 9 with disclosure of the fair value being provided for those items.

		Fair value through other comprehensive income		
Group	**Amortised cost E'000**	**Equity instruments E'000**	**Debt instrument E'000**	**Total Carrying amount E'000**
2020				
Assets				
Cash and cash equivalent	**561 497**	-	-	**561 497**
Loans and advances	**1 599 041**	-	-	**1 599 041**
Other assets and accrued income	**41 363**	-	-	**41 363**
Financial investments	**366 129**	-	-	**366 129**
Total assets	**2 568 030**	-	-	**2 568 030**
Liabilities				
Fixed and savings deposits	**1 179 144**	-	-	**1 179 144**
Subscription shares	**39 501**	-	-	**39 501**
Other liabilities and accruals	**61 843**	-	-	**61 843**
Total Liabilities	**1 280 488**	-	-	**1 280 488**

		Fair value through other comprehensive income		
Group	Amortised cost E'000	Equity instruments E'000	Debt instrument E'000	Total Carrying amount E'000
2019				
Assets				
Cash and cash equivalent	590 460	-	-	590 460
Loans and advances	1 **622 552**	-	-	1 **622 552**
Other assets and accrued income	4 224	-	-	4 224
Financial investments	328 422	-	-	328 422
Total assets	2 **545 658**	-	-	2 **545 658**
Liabilities				
Fixed and savings deposits	1 066 411	-	-	1 066 411
Subscription shares	39 897	-	-	39 897
Other liabilities and accruals	150 714	-	-	150 714
Total Liabilities	1 **257 022**	-	-	1 257 022

26. Classification of assets and liabilities (continued)

Society		**Fair value through other comprehensive income**			
	Amortised cost	**Equity instruments**	**Debt instrument**	**Other non Financial assets / liabilities**	**Total Carrying amount**
	E'000	**E'000**	**E'000**	**E'000**	**E'000**
2020					
Assets					
Cash and cash equivalent	**561 488**	**-**	**-**	**-**	**561 488**
Loans and advances	**1 599 041**	**-**	**-**	**-**	**1 599 041**
Other assets and accrued income	**43 552**	**-**	**-**	**-**	**43 552**
Financial investments	**366 129**	**-**	**-**	**-**	**366 129**
Total assets	**2 570 210**	**-**	**-**	**-**	**2 570 210**
Liabilities					
Fixed and savings deposits	**1 191 395**	**-**	**-**	**-**	**1 191 395**
Subscription shares	**39 501**	**-**	**-**	**-**	**39 501**
Other liabilities and accruals	**61 941**	**-**	**-**	**-**	**61 941**
Total Liabilities	**1 292 837**	**-**	**-**	**-**	**1 292 837**

Society		Fair value through other comprehensive income			
	Amortised cost	**Equity instruments**	**Debt instrument**	**Other non Financial assets / liabilities**	**Total Carrying amount**
	E'000	E'000	E'000	E'000	E'000
2019					
Assets					
Cash and cash equivalent	590 450	-	-	-	590 450
Loans and advances	1 **622 552**	-	-	-	1 **622 552**
Other assets and accrued income	6 616	-	-	-	6 616
Financial investments	328 422	-	-	-	328 422
Total assets	2 **548 040**	-	-	-	2 **548 040**
Liabilities					
Fixed and savings deposits	1 078 091	-	-	-	1 078 091
Subscription shares	39 897	-	-	-	39 897
Other liabilities and accruals	151 280	-	-	-	151 280
Total Liabilities	1 269 268	-	-	-	1 269 268

27. Financial risk management

27.1 Credit risk

Financial assets that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalents and loans and advances. Cash is placed with reputable financial institutions.

Credit risk is the risk of loss arising from counterparty default. Credit risk may arise directly from normal lending activities while indirect credit risk may arise from issuing guarantees and similar undertakings.

Some lending of the Swaziland Building Society is conducted by the Board of Directors, through an internal credit committee, which evaluates all applications and supporting motivations, including credit references for applicants. Such a committee has standard requirements to look for in loan applications and approves loans using established limits. Large loans require the approval of the board who also use set criteria to evaluate qualification, viability and conformity with Society lending policies. Debt rescheduling as well as re-advances are subjected to a similar evaluation process before approval.

27.1.1 Credit quality of financial instruments

Exposure to non-performing loans is mitigated by limiting mortgage loans to 95% of the valuation on developed property and 80% of the valuation on undeveloped land. The Society also has schemes where repayments are deducted at source. In addition, customers whose loans are past-due are not granted further loans unless their financial position indicates that there is no further risk of default. Additionally, all applicants for loans are vetted through the ITC.

The Society uses internal ratings for the performance of financial assets. Financial assets that have a rating of 'pass' are performing well. Financial assets that have a 'special-mention' rating require attention of management but are not considered to be impaired. This is in line with the Central Bank ratings.

The table below shows the credit quality of the financial assets held by the Society.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

27. Financial risk management (continued)

27.1.1 Credit quality of financial instruments (continued)

Group

2020	**Pass**	**Special-Mention**	**Total performing**	**Impaired**	**Total**	**Security on impaired Loans**	**Net Impaired Loans**
	E'000	**E'000**	**E'000**	**E'000**	**E'000**	**E'000**	**E'000**
Cash and balances with Central Bank	**30 009**	**-**	**30 009**	**-**	**30 009**	**-**	**-**
Balances with financial institutions	**469 863**	**-**	**469 863**	**-**	**469 863**	**-**	**-**
Loans and advances	**1 206 647**	**180 656**	**1 387 303**	**342 560**	**1 720 381**	**444 720**	**-**
Residential mortgage loans	**490 275**	**85 417**	**575 692**	**86 643**	**660 439**	**227 697**	**-**
Commercial mortgage loans	**337 937**	**37 515**	**375 452**	**151 899**	**521 662**	**217 023**	**-**
Non-mortgage loans	**378 435**	**57 724**	**436 159**	**104 018**	**538 280**	**-**	**-**
Total recognised financial assets	**1 706 519**	**180 656**	**1 887 175**	**342 560**	**2 220 253**	**444 720**	**-**

Group

2019	Pass	Special-Mention	Total performing	Impaired	Total	Security on impaired Loans	Net Impaired Loans
	E'000	E'000	E'000	E'000	E'000	E'000	E'000
Cash and balances with Central Bank	54 490	-	54 490	-	54 490	-	-
Balances with financial institutions	494 488	-	494 488	-	494 488	-	-
Loans and advances	1 204 732	217 076	1 421 808	271 332	1 693 140	290 568	-
Residential mortgage loans	672 490	98 913	771 403	208 503	979 906	215 485	-
Commercial mortgage loans	98 359	4 427	102 786	43 465	146 251	75 083	-
Non-mortgage loans	433 883	113 736	547 619	19 364	566 983	-	-
Total recognised financial assets	1 753 710	217 076	1 970 786	271 332	2 242 118	290 568	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

27. Financial risk management (continued)

27.1.1 Credit quality of financial instruments (continued)

Society **2020**	**Pass**	**Special-Mention**	**Total performing**	**Impaired**	**Total**	**Security on impaired Loans**	**Net Impaired Loans**
	E'000	**E'000**	**E'000**	**E'000**	**E'000**	**E'000**	**E'000**
Cash and balances with Central Bank	**30 009**	**-**	**30 009**	**-**	**30 009**	**-**	**-**
Balances with financial institutions	**469 854**	**-**	**469 854**	**-**	**469 854**	**-**	**-**
Loans and advances	**1 206 647**	**180 656**	**1 387 303**	**342 560**	**1 729 863**	**444 720**	**-**
Residential mortgage loans	**490 275**	**85 417**	**575 692**	**86 643**	**662 335**	**227 697**	**-**
Commercial mortgage loans	**337 937**	**37 515**	**375 452**	**151 899**	**527 351**	**217 023**	**-**
Non-mortgage loans	**378 435**	**57 724**	**436 159**	**104 018**	**540 177**	**-**	**-**
Total recognised financial assets	**1 706 510**	**180 656**	**1 887 166**	**342 560**	**2 229 726**	**444 720**	**-**

Society 2019	Pass	Special-Mention	Total performing	Impaired	Total	Security on impaired Loans	Net Impaired Loans
	E'000	E'000	E'000	E'000	E'000	E'000	E'000
Cash and balances with Central Bank	54 490	-	54 490	-	54 490	-	-
Balances with financial institutions	494 478	-	494 478	-	494 478	-	-
Loans and advances	1 204 732	217 076	1 421 808	271 332	1 693 140	290 568	-
Residential mortgage loans	672 490	98 913	771 403	208 503	979 906	215 485	-
Commercial mortgage loans	98 359	4 427	102 786	43 465	146 251	75 083	-
Non-mortgage loans	433 883	113 736	547 619	19 364	566 983	-	-
Total recognised financial assets	1 753 700	217 076	1 970 776	271 332	2 242 108	290 568	-

27. Financial risk management (continued)

27.1.2 Age analysis of past due but not impaired financial assets

The table below shows the aging of the past due financial assets which are not considered to be impaired.

Group	**1 – 2 Months**	**2 – 3 Months**	**Total**
2020	**E'000**	**E'000**	**E'000**
Loans and advances			
Residential mortgage loans	**490 275**	**85 417**	**575 692**
Commercial mortgage loans	**337 937**	**37 515**	**375 452**
Non-mortgage loans	**378 435**	**57 724**	**436 159**
	1 206 647	**180 656**	**1** 387 303

Group	1 – 2 Months	2 – 3 Months	Total
2019	E'000	E'000	E'000
Loans and advances			
Residential mortgage loans	672 490	98 913	771 403
Commercial mortgage loans	98 359	4 427	102 786
Non-mortgage loans	433 883	113 736	547 619
	1 204 732	217 076	1 421 808

Society	**1 – 2 Months**	**2 – 3 Months**	**Total**
2020	**E'000**	**E'000**	**E'000**
Loans and advances			
Residential mortgage loans	**490 275**	**85 417**	**575 692**
Commercial mortgage loans	**337 937**	**37 515**	**375 452**
Non-mortgage loans	**378 435**	**57 724**	**436 159**
	1 206 647	**180 656**	**1 387 303**

Society	1 – 2 Months	2 – 3 Months	Total
2019	E'000	E'000	E'000
Loans and advances			
Residential mortgage loans	672 490	98 913	771 403
Commercial mortgage loans	98 359	4 427	102 786
Non-mortgage loans	433 883	113 736	547 619
	1 204 732	217 076	1 421 808

27. Financial risk management (continued)

27.1.3 Concentration of credit risk

The Society, over the years, has introduced more products to its portfolio to ensure that their credit risk is not concentrated on one product type (i.e. mortgage loans).

The table below summarises the concentration of credit risk by product type:

	Group		Society	
	2020	2019	**2020**	2019
	%	%	**%**	%
Residential mortgage loans	**39**	58	**39**	58
Commercial mortgage loans	**30**	9	**30**	9
Non-mortgage loans	**31**	33	**31**	33
Guaranteed loans	**-**	-	**-**	-
Staff car loans	**-**	-	**-**	-
Staff personal loans	**-**	-	**-**	-
Rural home loans	**10**	9	**10**	9
Short loans	**5**	9	**5**	9
Other	**16**	15	**16**	15
Total net loans and advances	**100**	100	**100**	100

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

27. Financial risk management (continued)

27.2 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Society aims at maintaining flexibility in funding by encouraging customers to place more deposits with the Society through offering competitive interest rates on fixed, savings and share deposits, and the reduction of service charges.

The table below shows the maturities of the Society's financial assets and liabilities and the ability of the Society to cover its financial liabilities as and when they become due and payable.

Group 2020	On demand and 6 months E'000	6 – 12 Months E'000	1 – 5 Years E'000	Over 5 years E'000	Non-rate Sensitive E'000	Total E'000
Assets						
Cash and cash equivalents	561 497	-	-	-	-	561 497
Loans and advances	39 605	22 724	564 222	972 490	-	1 599 041
Intangible assets	-	-	-	-	50 934	50 934
Property, Plant and Equipment	-	-	-	-	212 753	212 753
Deferred income tax asset	-	-	-	-	36 123	36 123
Financial investments	123 605	111 376	131 148	-	-	366 129
Other assets	41 363	-	-	-	-	41 363
Current income tax asset	-	-	-	-	-	-
Total assets	766 070	134 100	695 370	972 490	299 810	2 867 840
Liabilities						
Subscription shares	26 721	6 318	6 462	-	-	39 501
Permanent shares	-	-	-	-	999 602	999 602
Asset revaluation reserve	-	-	-	-	72 748	72 748
Statutory reserve	-	-	-	-	47 889	47 889
Other Reserve	-	-	-	-	429 254	429 254
General credit risk reserve	-	-	-	-	16 255	16 255
Fixed and Saving deposits	1 173 956	4 415	773	-	-	1 179 144
Other Liabilities and accruals	61 843	-	-	-	-	61 843
Lease liabilities	1 692	981	2 441	-	-	5 114
Provisions	12 207	-	-	-	-	12 207
Current income tax liability	-	-	-	-	4 283	4 283
Total liabilities	1 276 419	11 714	9 676	-	1 570 031	2 867 840
Liquidity gap	(510 349)	122 386	685 694	972 490	(1 270 221)	-
Cumulative liquidity gap analysis	(510 349)	(387 963)	297 731	1 270 221	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

27. Financial risk management (continued)

27.2 Liquidity risk

Group 2019	On demand and 6 months E'000	6 – 12 Months E'000	1 – 5 Years E'000	Over 5 years E'000	Non-rate Sensitive E'000	Total E'000
Assets						
Cash and cash equivalents	590 460	-	-	-	-	590 460
Loans and advances	69 673	29 925	514 594	1 008 360	-	1 **622 552**
Property, Plant and Equipment	-	-	-	-	188 370	188 370
Deferred income tax asset	-	-	-	-	1 273	1 273
Financial investments	108 468	-	219 954	-	-	328 422
Other assets	22 648	-	-	-	-	22 648
Current income tax asset	4 994	-	-	-	-	4 994
Total assets	796 243	29 925	734 548	1 **008 360**	189 643	2 758 719
Liabilities						
Subscription shares	26 392	8 471	5 034	-	-	39 897
Permanent shares	-	-	-	-	979 873	979 873
Asset revaluation reserve	-	-	-	-	53 074	53 074
Statutory reserve	-	-	-	-	43 197	43 197
Other Reserve	-	-	-	-	387 023	387 023
General credit risk reserve	-	-	-	-	32 674	32 674
Fixed and Saving deposits	1 056 449	8 964	998	-	-	1 066 411
Other Liabilities and accruals	150 714	-	-	-	-	150 714
Provisions	5 856	-	-	-	-	5 856
Total liabilities	1 239 411	17 435	6 032	-	1 **495 841**	2 758 719
Liquidity gap	(443 168)	12 490	728 516	1 **008 360**	(1 **306 198**)	-
Cumulative liquidity gap analysis	(443 168)	(430 678)	297 838	1 **306 198**	-	-

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SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

27. Financial risk management (continued)

27.2 Liquidity risk (continued)

Society	On demand and 6 months	6 – 12 Months	1 – 5 Year	Over 5 years	Non-rate Sensitive	Total
2020	E'000	E'000	E'000	E'000	E'000	E'000
Assets						
Cash and cash equivalents	561 488	-	-	-	-	561 488
Intangible assets	-	-	-	-	50 934	50 934
Loans and advances	39 605	22 724	564 222	972 490	-	1 599 041
Property, Plant and Equipment	-	-	-	-	212 724	212 724
Deferred income tax asset	-	-	-	-	36 123	36 123
Financial investments	123 605	111 376	131 148	-	-	366 129
Other assets	43 552	-	-	-	-	43 552
Current income tax asset	-	-	-	-	-	-
Investment in subsidiary	-	-	-	-	8 000	8 000
Total assets	768 250	134 100	695 370	972 490	307 781	2 877 991
Liabilities						
Subscription shares	26 721	6 318	6 462	-	-	39 501
Permanent shares	-	-	-	-	999 602	999 602
Asset revaluation reserve	-	-	-	-	72 748	72 748
Statutory reserve	-	-	-	-	47 678	47 678
Other Reserve	-	-	-	-	427 327	427 327
General credit risk reserve	-	-	-	-	16 147	16 147
Fixed and Saving deposits	1 186 207	4 415	773	-	-	1 191 395
Other Liabilities and accruals	61 941	-	-	-	-	61 941
Lease liabilities	1 692	981	2 441	-	-	5 114
Provisions	12 207	-	-	-	-	12 207
Current income tax liability	-	-	-	-	4 331	4 331
Total liabilities	1 288 768	11 714	9 676	-	1 567 833	2 877 991
Liquidity gap	(520 518)	122 386	685 694	972 490	(1 260 052)	-
Cumulative liquidity gap analysis	(520 518)	(398 132)	287 562	1 260 052		

SWAZILAND BUILDING SOCIETY AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

27. Financial risk management (continued)

27.2 Liquidity risk (continued)

Society 2019	On demand and 6 months E'000	6 – 12 Months E'000	1 – 5 Year E'000	Over 5 years E'000	Non-rate Sensitive E'000	Total E'000
Assets						
Cash and cash equivalents	590 450	-	-	-	-	590 450
Loans and advances	69 673	29 925	514 594	1 008 360	-	1 622 552
Property, Plant and Equipment	-	-	-	-	188 337	188 337
Deferred income tax asset	-	-	-	-	1 273	1 273
Financial investments	108 468	-	219 954	-	-	328 422
Other assets	25 040	-	-	-	-	25 040
Current income tax asset	5 050	-	-	-	-	5 050
Investment in subsidiary	-	-	-	-	8 000	8 000
Total assets	798 681	29 925	734 548	1 **008 360**	197 610	2 **769** 124
Liabilities						
Subscription shares	26 392	8 471	5 034	-	-	39 897
Permanent shares	-	-	-	-	979 873	979 873
Asset revaluation reserve	-	-	-	-	53 074	53 074
Statutory reserve	-	-	-	-	43 015	43 015
Other Reserve	-	-	-	-	385 364	385 364
General credit risk reserve	-	-	-	-	32 674	32 674
Fixed and Saving deposits	1 068 129	8 964	998	-	-	1 078 091
Other Liabilities and accruals	151 280	-	-	-	-	151 280
Provisions	5 856	-	-	-	-	5 856
Total liabilities	1 **251 657**	17 435	6 032	-	1 **494 000**	2 **769 124**
Liquidity gap	(452 976)	12 490	728 516	1 **008 360**	(1 **296 390**)	-
Cumulative liquidity gap analysis	(452 976)	(440 486)	288 030	1 **296 390**	-	-

27. Financial risk management (continued)

27.3 Foreign exchange risk

The Society operates in Eswatini and therefore has no significant exposure to foreign exchange risk.

27.4 Cash flow interest rate risk

As the Society has significant interest-bearing assets and liabilities, the Society's income and operating cash flows are substantially dependent to changes in market interest rates.

The Society's interest rates risk arises from fixed and savings deposits, Swaziland Building Society share deposits, and long-term borrowings. The fixed and savings deposits, and share deposits issued at variable interest rates expose the Society to the interest rate risk. Borrowings issued at fixed rates expose the Society to fair value interest rate risk.

The table below shows the effect of a 50 basis points increase or decrease in the interest rates on the Statement of comprehensive income and equity related accounts.

	Group				**Society**			
	2020		2019		**2020**		2019	
	50 basis points increase	**50 basis points decrease**	50 basis points increase	50 basis points decrease	**50 basis points increase**	**50 basis points decrease**	50 basis points increase	50 basis points decrease
	E'000	**E'000**	E'000	E'000	**E'000**	**E'000**	E'000	E'000
Interest income:								
Mortgage lending	**5 829**	**(5 829)**	5 631	(5 631)	**5 892**	**(5 892)**	5 631	(5 631)
Non-mortgage lending	**2 700**	**(2 700)**	2 765	(2 765)	**2 710**	**(2 710)**	2 765	(2 765)
	8 529	**(8 529)**	8 396	(8 396)	**8 602**	**(8 602)**	8 396	(8 396)
Interest expense:								
Fixed and savings deposits	**5 895**	**(5 895)**	5 075	(5 075)	**5 956**	**(5 956)**	5 075	(5 075)
Swaziland Building Society Share deposits	**198**	**(198)**	199	(199)	**198**	**(198)**	199	(199)
	6 093	**(6 093)**	5 274	(5 274)	**6 154**	**(6 154)**	5 274	(5 274)
Impact on net interest income	**2 436**	**(2 436)**	3 122	(3 122)	**2 448**	**(2 448)**	3 122	(3 122)

27. Financial risk management (continued)

27.5 Capital risk management

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

27.6 Fair value estimation

Effective 1 January 2009, the Society adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 March 2020, the Society did not have any financial instruments measured at fair value determined at any of the three level.

28. Intangible assets

	Group		**Society**	
	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
Intangible assets comprise computer software and development costs.				
Cost	**52 063**	-	**52 063**	-
Opening balance	-	-	-	-
Additions	26 889	-	26 889	-
Transfer from assets under construction	25 174	-	25 174	-
Accumulated from amortisation and impairment losses	**(1 129)**	**-**	**(1 129)**	**-**
Opening balance	-	-	-	-
Charge for the year	(1 129)	-	(1 129)	-
Transfer from equipment	-	-	-	-
Net book value	**50 934**	**-**	**50 934**	**-**

There are no restrictions or encumbrances over intangible assets as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

29. Lease liabilities

Maturity analysis - contractual undiscounted cash-flows

	Group		Society	
	2020	2019	**2020**	2019
	E'000	E'000	**E'000**	E'000
Less than one year	**2 786**	2 788	**2 786**	2 788
One to five years	**2 852**	3 673	**2 852**	3 673
More than five years	**-**	-	**-**	-
Total undiscounted lease liabilities at 31 March 2020	**5 638**	6 461	**5 638**	6 461

Lease liabilities included in the statement of financial position at 31 March 2020

Current liabilities	**2 673**	-	**2 673**	-
Non-current liabilities	**2 441**	-	**2 441**	-
Total lease liabilities	**5 114**	-	**5 114**	-

Amounts recognised in the profit or loss

Interest on lease liabilities	**528**	-	**528**	-
Depreciation charge for the year	**3 079**	-	**3 079**	-
Total	**3 607**	-	**3 607**	-

Amounts recognised in the statement of cash flows

Total cash outflow for leases	**3 314**	-	**3 314**	-

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