

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES for the year ended 30 June 2007

The principal accounting policies applied in the preparation of these financial statements are set out below:

A. Basis of preparation

The financial statements have been prepared in accordance with the basis of preparation applicable to retirement funds in Swaziland. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, investment properties, the fair valuation of available-for-sale securities, financial assets and financial liabilities held for trading.

The preparation of financial statements in conformity with the basis of preparation applicable to retirement funds in Swaziland requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

B. Property, plant and equipment

Land and buildings (except for investment property – see note C) comprise mainly offices and are shown at fair value, based on tri-annual valuations by external independent valuers. All other property, plant and equipment is stated at historical cost less accumulated depreciation. Cost includes transfers from equity of any gains/losses on qualifying cash flow hedges of currency purchase costs.

Increases in the carrying amount arising on revaluation of buildings are credited to the property revaluation reserve in members' interest. Decreases that offset previous increases of the same asset are charged against the property revaluation reserve; all other decreases are charged to the revenue account. The revaluation surplus included in equity is transferred directly to retained earnings when the surplus is realised. The whole surplus is realised on the retirement or disposal of the asset. The transfer from revaluation surplus to retained earnings is not made through the revenue account but through the statement of Member's interest.

Depreciation is calculated on the straight line method to write off the cost or revalued amount of each asset to their residual values over their estimated useful lives as follows:

Motor vehicles	4 years
Office equipment	5 years
Furniture and fittings	10 years
Computer equipment	5 years
Land	is not depreciated

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 30 June 2007

B. Property, plant and equipment (continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus. When revalued assets are sold, the amounts included in fair value and other reserves are transferred to the accumulated surplus.

Interest costs on borrowings to finance the construction of property, plant and equipment are expensed immediately.

Repairs and maintenance are charged to the revenue account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amounts of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Fund. Major renovations are depreciated over the remaining useful life of the related asset.

C. Investment property

Property held for long-term rental yields which are not occupied by the fund are classified as investment property.

Investment property comprises freehold land and buildings. Investment property is carried at fair value. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the fund uses alternative valuation methods such as discounted cash flow projections or recent valuations on less active markets. These valuations are reviewed annually by independent external valuers. Investment property being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is re-classified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the revenue account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the revenue account.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 30 June 2007

D. Impairment of assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

E. Investments

At 1 January 2001 the Fund adopted the principles of IAS 39 and classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a surplus from short-term fluctuations in price are classified as trading investments and are included in current assets; for the purpose of these financial statements short term is defined as 3 months: during the period the Fund did not hold any investments in this category. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Interest earned whilst holding investment and trading securities is reported as interest income. Dividends are recognised when the Fund's right to receive payment is established. Dividends received are included separately in dividend income.

Purchases and sales of investments are recognised on the trade date, which is the date that the Fund commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the revenue account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are also recognised in the revenue account.

**SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 30 June 2007**

E. Investments (continued)

The fair value of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the revenue account as gains and losses from investment securities.

F. Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision for impairment is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market interest rate.

G. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in current liabilities on the balance sheet.

H. Employee benefits

(1) Pension obligations

The Fund operates a defined benefit plan which is in accordance with the local conditions and practices in Swaziland. The scheme is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated tri-annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service lives of the related employees.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)
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H. Employee benefits (continued)

(2) 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 Fund 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 balance sheet date are discounted to present value.

I. Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Fund expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

J. Revenue recognition

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Fund. Dividends are recognised when the right to receive payment is established.

Rental income is recorded on an accrual basis.

K. Interest credited to members fund

Interest at 5 % per annum (2006: 5% per annum) is credited to the members Funds, 3 % being the minimum required by section 34 (3) of the Swaziland National Provident Fund Order; 1974.

L. Comparatives

Where necessary, comparative figures are adjusted to conform with changes in presentation in the current year.