

CEO's STATEMENT

General

Amidst widespread expectation by most financial managers and traders that returns from the JSE during the reporting period were going to be minimal, the inverse was true. The markets reached historic heights, performing extremely well. This was against the backdrop of international markets which recorded minimal gains. The JSE itself was being propelled mainly by the continued Foreign interest in the Southern African market and favourable economic conditions.

The local market where the Fund is exposed performed weakly, reflecting minimal progress in economic growth even after efforts to stimulate the local economy.

The SNPF benefited immensely from the performance of the equity market. New historic gains were achieved by the Fund. Gross income was E230 million or 40% higher than the previous year. The net surplus position was also higher at E107 million or 86% compared to the preceding financial year. This healthy financial state of affairs was made up of investment income of E195 million, Investment property income of E22 million while fair value gain including miscellaneous recorded E13 million.

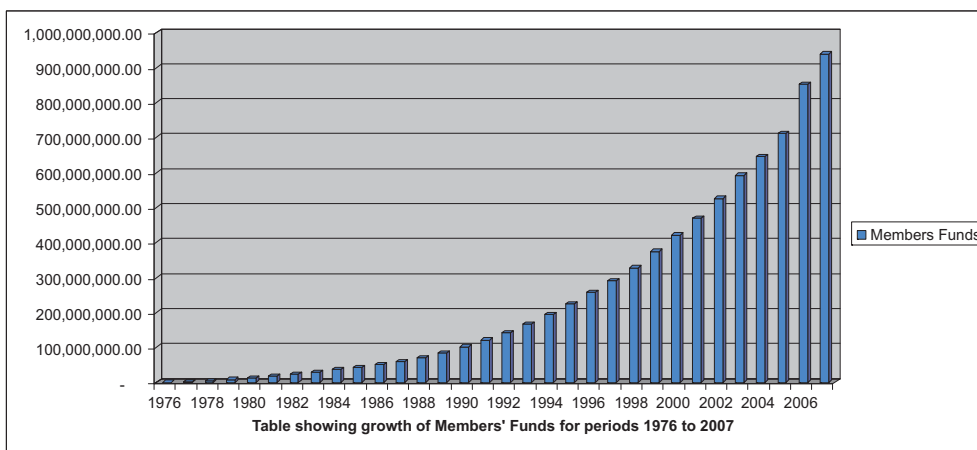
Total expenditure was E47 million resulting in an operating surplus of E183 Million for the year under review.

Interest on Members' Funds

After careful consideration of the final audited accounts for the year, the Board decided to award members an 8% interest rate for the period of 2006/07. This amounted to E76 million against E41 million the previous year. In other words, interest applied on members' fees was E35 million higher compared to the previous year. Worthy of note, is the fact that this was the highest amount ever awarded to members. The end result was a surplus position for the year of E107 million, also the highest to date.



HRH Prince Lonkhokhela
BA Econ, MBA



The Board felt it was still important and necessary to build reserves to allow for smooth running of the Fund. This is especially so when it comes to awarding annual interest to members' funds and avoiding erratic swings.

Double Celebrations

The Fund celebrated its 30 years of service in April 2007. The celebrations also marked the official opening of the Siteki Branch Building. The ceremony was graciously officiated by His Majesty the King, Her Majesty the Indlovukazi, Emakhosikati to His Majesty, dignitaries and the Swazi Nation. The ceremony was hugely successful. His Majesty, named the new building, Emnotfweni.

Ageing staff houses

During the year under review, the Fund resolved to dispose off the ageing staff houses. This was necessitated by the ever increasing maintenance costs against nominal returns. Also contributing to the need, is the fact that the Board has made arrangements with staff for a total cost package rather than offer housing where total cost for the employer gets distorted. Besides, the number of staff requiring housing has been dwindling owing to the fact that some staff members prefer to develop and occupy their own homes. Notably, staff complement has fallen sharply to 92 from 176 at the end of the last financial year.

Property Unit Trust

The year under review, saw the Board approve the establishment of a "Property Unit Trust" (PUT) for the Fund. This will involve the investment properties being put in a special purpose vehicle to allow Swazis to buy units from it. This will be outsourced to a company that has experience in the field. The Fund is currently involved in negotiations with three reputable companies with experience in the Property Unit Trust business. This exercise should unlock funds for the SNPF and allow fresh investments while at the same time unlocking growth of the Fund's real estate portfolio.

Outsourcing of non core functions

It is now the business of the SNPF to concentrate on its core business and as such the Fund decided to outsource some of its non-core functions. These include amongst others cleaning, security, maintenance of grounds etc. A company "Sikanyekanye" came into being and is contracted to the Fund. These functions are now outsourced mostly to this company owned by staff previously in the employ of the Fund. The Fund is poised to support this initiative without having to compromise on delivery and quality.

Illegal occupation of Fund Land

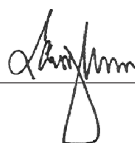
It is worth reporting that the Fund has found itself at loggerheads with people illegally occupying a portion of Farm 319 legally owned by the Fund. This portion of the Farm was unlawfully allocated to different families and the matter has been taken to Court for redress. The Court ruled in favour of the Fund in 2005. However the squatters successfully applied for a rescission of the judgement. The matter took very long to be heard and seemingly it is also taking long to be concluded. The Fund's attorneys are doing everything in their power to have this matter finalized.

Meanwhile, the Fund has plans to develop the entire farm. Professional drawings are already in place but the Fund cannot implement same under the circumstances stated above.

In a meeting with the representatives of the occupants, they did acknowledged that this was Title Deed land, wrongfully allocated to them in the pretext that it was Crown land.

Appreciation

On behalf of Management and staff, I wish to extend thanks and appreciation to the members of the Board, and the Investment Committee for their continued noble advice extended to us throughout this reporting period. Furthermore our heartfelt gratitude goes to the Government of the Kingdom of Swaziland, employers and the members of the SNPF for cooperating with us in various ways.



CHIEF EXECUTIVE OFFICER