

Finance Department

Financial overview

The year, 2006/2007 has been a very good year for the Fund, with net profit being E107 million against E58 million realised the previous year.

Gross income achieved was E230 million compared to E164 million the preceding financial year; this was a 40% increase. Gross income is made up of: an Investment income of E195 million, an investment property income of E22 million, fair value gains of E12 million and miscellaneous income of E799, 647.

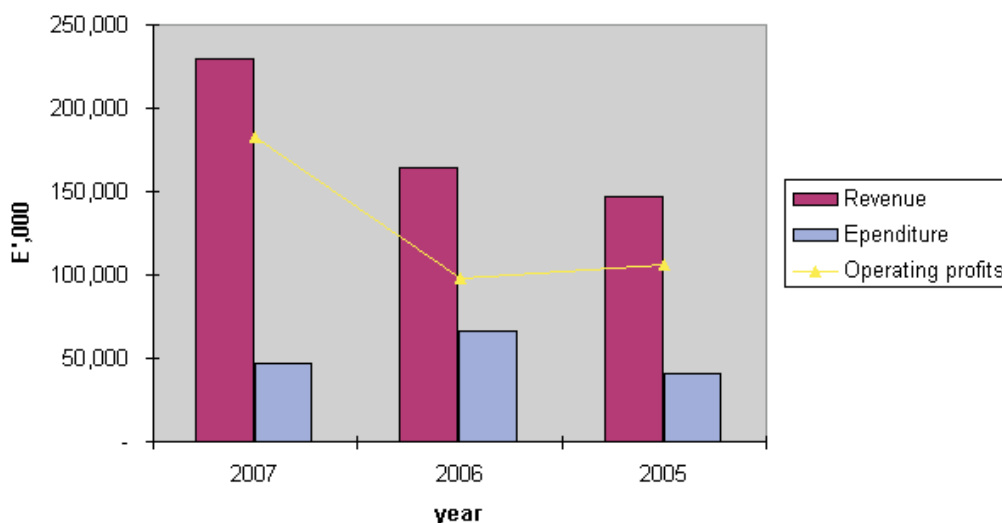
The Fund achieved an implausible operating profit of E183 million or 86% higher than previous year's profits of E98 million. A net profit, which comes after interest on members' funds was E107 million, compared to prior years profits of E58 million.

The huge increase in operating profits is as a result of the following factors:

- ✓ good performance of the equity markets as a result, investment income increased by 43% compared to the previous year.
- ✓ increase in fair value gains from E3 million the previous year to E12 million this financial year. Of note is that the increase in fair value gains are not monetary profits but accounting profits since this is based on the valuation exercise carried out every year.
- ✓ decrease in expenses by 29% compared to prior year, reason for the decrease is because in the previous year E19 million was paid as voluntary exit package to the 68 employees who applied for it after the Fund had introduced the scheme.



income statement analysis



Investment focus of the Fund

The Fund continues to pursue its minimum risk investment goal, it further continues in doing the following:

- ensuring that all assets are liquid and tradable, including all property investments.
- striving to yield investment returns in excess of inflation over the medium to long-term horizons.
- reducing property investment exposure to an absolute maximum of 20% of total assets
- balancing the Fund in both regional and global asset allocation to reduce risk and enhance returns.

Investments

It is in the Funds' interest to safeguards and maximise members' funds. The investing strategy of the Fund remains focused on achieving good returns whilst minimizing the volatility of returns, as such, balanced investment portfolios are generally utilised.

Investment increased by 29% to E1 billion from E865 million in 2006. This is a major milestone which the Fund prides itself with.

The Funds' investments are categorized into the following asset classes:

Nature of investment	2007 E'Million	2006 E'Million
Listed shares and unit trust	712	544
Local listed	13	12
Local unlisted	44	47
Insurance policies	83	61
Bonds	23	21
Direct loans	21	8
Investment property	184	171

Listed and unit trusts

This relates to the balance portfolio invested into Allan Gray Asset Managers, Investec Asset Managers and African Alliance. The funds are generally invested in the JSE and offshore. There was an increase of 31% over the previous period.

Local listed

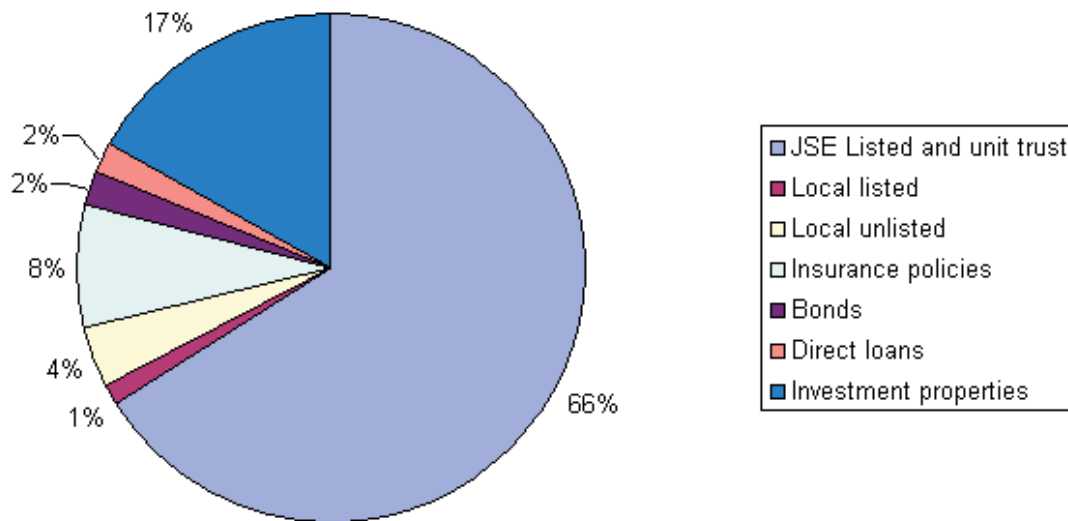
This relates to shares held by Nedbank Swaziland, Newera Partners Limited and RSSC. An increase of 8% was achieved this year.

Bonds and structured

This relates to fixed period investments held with SPTC and African Alliance. There was an increase of 10% from E21 million in 2006 to E23 million this financial period..

Insurance policies

These are investment policies held with various insurance houses in South Africa. There was an increase of 34% to E83 million from E62 million.



Member's Funds

Statutory and supplementary contributions increased to E93 million in 2007 from E74 million in the previous year and benefits paid to members increased to E40 million in 2007 from E34 million in 2006.

Interest on Members' Funds

In line with the investment performance, the SNPF Board approved a 3% increase in the interest rate applied to members' funds at the beginning of the year. The interest rate applied during the year is 8%, which is equivalent to E76 million against E41 million in previous year.

The SNPF Board continues to monitor investment performance and will accordingly adjust the rate applied each year to be in line with the financial performance.

Information and Communication Technology

The Fund implemented a number of projects in a bid to deliver effective and efficient systems and service that supports the Fund's objectives during this financial year. These are outlined below:

- ✓ Data centre upgrade: being the heart of the systems, the data centre received a long overdue upgrade to ensure that it not only was in line with current trends but was well suited to keep the systems running.
- ✓ Improved communications through the implementation of a digital telephone system and a comprehensive electronic mail system. This is aimed at allowing our internal as well as external communications to improve and enhance our ability to communicate with our stakeholders as well.

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- ✓ Improved network infrastructure to ensure that our systems are able to deliver in terms of performance for speed and reach to enable the Fund to better meet the needs of the membership.
- ✓ Business continuity: the department also improved its business continuity measures.
- ✓ Improved IT skills through comprehensive user training.

The following projects were started but were not completed within this financial year and it is anticipated that they will be completed in the following year.

- ✓ Human Resource Management System which will allow the fund to effectively manage and improve the human resource.
- ✓ Document Management System which will allow the Fund to effectively manage the large amounts of documents that the Fund deals with on a daily basis.
- ✓ Web based system which is aimed at providing members and employers a door to the Fund's Information System that handles the members' funds.
- ✓ Identification system which is being implemented in conjunction with the government's computer department will allow the fund to ensure that the right people are able to claim and to reduce issues of fraud.