

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

	2007	2006
	E	E
1. Operating surplus		
The following items have been charged/(credited) in arriving at operating surplus:		
Auditors remuneration		
Audit fees - External	-	261 990
- Under provision in prior year	-	139 785
	-----	-----
	-	401 775
	=====	=====
	=	=
Board members fees	258 386	197 007
Depreciation (refer to note 4)	3 197 880	2 575 492
Loss on disposal of property, plant and equipment	65 894	-
Repairs and maintenance of property, plant and equipment	486 697	482 126
Staff costs (refer to note 3)	22 173 383	44 119 386
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<i>Investment property</i>		
Rental income	(18 681 694)	(17 108 122)
Bhunu Mall income	(2 885 313)	(2 550 841)
Fair value adjustment on investment property	(11 996 019)	(3 439 532)
Repairs and maintenance costs	1 304 570	1 589 246
Other direct operating expenses	6 181 829	6 383 886
Staff costs	3 581 287	3 189 910
Impairment of rental debtors	442 055	97 914
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Net investment property income	(22 053 285)	(11 837 539)
	=====	=====

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007**

	2007 E	2006 E
2. Investment income		
Interest income	15 753 754	14 660 812
Dividend and insurance policies income	31 808 968	20 799 113
Fair value gains on available for sale securities	147 866 166	101 556 062
	<u>195 428 888</u>	<u>137 015 987</u>
	=====	=====
3. Staff costs		
Salaries and wages	17 398 453	22 957 654
Voluntary exit package	3 304 990	18 947 447
Pension costs – defined benefits plan contributions (note 14)	1 400 655	2 123 290
SNPF contributions	69 285	90 995
	<u>22 173 383</u>	<u>44 119 386</u>
	=====	=====

The average number of employees in 2007 was 121 (2006: 167)

The Fund introduced a voluntary exit scheme for its employees. Management drew up a proposal and communicated it to employees. 31 (2006: 68) employees successfully applied for the scheme and were paid a total of E3 304 990 (2006: E18 947 447). This amount is included in staff costs for the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007

	Cost or valuation E	Accumulated Depreciation E	Net book value E
4. Property, plant and equipment			
<i>At 30 June 2007</i>			
Freehold land	2 480 000	-	2 480 000
Buildings	50 628 289	(1 598 195)	49 030 094
Motor vehicles	1 909 547	(669 772)	1 239 775
Office furniture and equipment	7 362 183	(1 832 274)	5 529 909
Work in progress	797 050	-	797 050
	<u>63 177 069</u>	<u>(4 100 241)</u>	<u>59 076 828</u>
	=====	=====	=====
<i>At 30 June 2006</i>			
Freehold land	2 480 000	-	2 480 000
Buildings	50 660 930	(597 930)	50 063 000
Motor vehicles	3 868 476	(3 240 534)	627 942
Office furniture and equipment	19 710 005	(16 645 930)	3 064 075
	<u>76 719 411</u>	<u>(20 484 394)</u>	<u>56 235 017</u>
	=====	=====	=====

Details of freehold land and buildings are recorded in a register which may be inspected by members or their duly authorised agents at the Fund's registered office.

The land and buildings were revalued to open market value on 30 June 2006 by G S Chiyanda Property Consultants (administrative buildings) and K F & J Property Consultants (staff houses). The surplus on the revaluation was credited to the property revaluation reserve.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007**

4. Property, plant and equipment (continued)

The movement in property, plant and equipment is summarised as follows:

	Land and buildings	Motor vehicles	Office furniture and equipment	Work in progress	Total
	E	E	E	E	E
Carrying value at beginning of year	52 543 000	627 942	3 064 075	-	56 235 017
Reassessment of carrying values	(51 280)	1 150 058	3 823 038	-	4 921 816
Additions	18 639	131 547	475 070	797 050	1 422 306
Depreciation charge	(1 000 265)	(365 341)	(1 832 274)	-	(3 197 880)
Disposals	-	(360 000)	-	-	(360 000)
Disposal depreciation	-	55 569	-	-	55 569
Carrying value at end of year	<u>51 510 094</u>	<u>1 239 775</u>	<u>5 529 909</u>	<u>797 050</u>	<u>59 076 828</u>

During the previous year depreciation charges were re-assessed with reference to a valuation performed by K F & J Property Consultants and an amount of E1 893 135 was credited against the accumulated surplus in the statement of changes in members' interest.

5. Investment properties

The movement in investment properties is summarised as follows:

	2007 E	2006 E
Carrying value at beginning of the year	171 382 891	165 527 891
Additions at cost	1 089 668	2 415 468
Fair value gain	11 996 019	3 439 532
Carrying value at end of year	<u>184 468 578</u>	<u>171 382 891</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007

5. Investment properties (continued)

The Fund's Investment properties were revalued at 30 June 2007 by two independent property valuers: G S Chiyanda Property Consultants (commercial properties) and K F & J Property Consultants (residential properties). Valuations were based on current prices in an active market for all properties.

Details of investment properties are recorded in a register which may be inspected by members at the Fund's registered office.

	2007	2006
	E	E
6. Investments		
6.1 Available for sale – with gains and losses to the revenue account:		
6.1.1 <i>Portfolio funds, unit trusts and listed investments – at market value:</i>		
1		
Old Mutual plc shares	5 388 980	4 914 550
Internewron	10 537 257	-
Investec Asset Management Portfolio	256 931 488	198 307 236
African Alliance Swaziland Offshore fund	24 032 552	20 960 921
African Alliance Swaziland Lilangeni fund	9 314 355	15 827 755
African Alliance Swaziland Portfolio fund	59 549 564	48 200 900
Allan Gray Long Term Portfolio	307 185 346	222 502 622
Old Mutual Absolute portfolio	22 159 762	17 013 495
STANLIB Collective	16 924 044	16 669 191
	<hr/>	<hr/>
	712 023 348	544 396 670
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6.1.2 <i>Listed local investments – at market value:</i>		
Shares – Nedbank (Swaziland) Limited	1 395 000	1 350 000
Shares – Newera Partners Limited	10 757 997	9 645 301
Shares – The Royal Swaziland Sugar Corporation Limited	597 821	591 783
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	12 750 818	11 587 084
	<hr/>	<hr/>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007

	2007	2006
	E	E
6. Investments (continued)		
6.1. <i>Unlisted investments – at board members’ valuation:</i>		
3		
Swazi Bank	10 887 084	25 207 123
Swaziland Building Society	5 541 443	5 337 661
Shares and savings account– Swaziland Building Society	11 764 608	11 117 973
12% cumulative preference shares – Usutu Pulp Company Limited	5 010 000	5 010 000
Standard Bank	10 791 804	-
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	43 994 939	46 672 757
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6.2 Held to maturity		
6.2. <i>Bonds and structured investments at amortised cost:</i>		
1		
African Alliance Swaziland Structured	18 038 489	16 403 486
SPTC Bonds	5 000 000	5 000 000
	<hr/>	<hr/>
	23 038 489	21 403 486
	<hr/>	<hr/>
6.2. <i>Insurance policies:</i>		
2		
Old Mutual and Fairbain Capital Insurance policies	71 848 573	53 551 483
Ovation voluntary investment plan	4 778 156	4 471 392
Investec opportunity and income funds	6 498 993	3 713 745
	<hr/>	<hr/>
	83 125 722	61 736 620
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The above insurance policies have been measured either at surrender value, expected maturity value or at guaranteed maturity value.		
Total	874 933 316	685 796 617
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007

	2007	2006
	E	E
7. Loans and advances – at amortised cost:		
Tisuka Properties (Proprietary) Limited	549 352	513 713
C & M Sales (Proprietary) Limited	1 815 441	1 815 441
Fincorp	5 699 898	5 000 000
Manzini City Council	14 309 632	2 277 972
	<hr/>	<hr/>
	22 374 323	9 607 126
Less: Impairment of doubtful loans	(1 815 441)	(1 815 441)
	<hr/>	<hr/>
Net recoverable loans	20 558 882	7 791 685
	=====	=====
8. Accounts receivable and prepayments		
Rental accounts receivable	3 378 672	2 833 245
Less: Allowance for impairment of rental receivables	(1 253 043)	(815 646)
	<hr/>	<hr/>
Net rental accounts receivable	2 125 629	2 017 599
Employer penalties receivable	7 057 010	5 106 502
Staff receivables	239 622	560 715
Prepaid expenses	114 726	56 694
Sundry receivables	512 052	660 222
	<hr/>	<hr/>
	10 049 039	8 401 732
	=====	=====
9. Cash and cash equivalents		
Cash and bank balances	460 729	460 164
Call balances	3 052 937	6 590 037
	<hr/>	<hr/>
	3 513 666	7 050 201
	=====	=====
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash and bank balances	3 513 666	7 050 201
Bank overdraft (Note 15)	(4 757 732)	(2 889 305)
	<hr/>	<hr/>
	(1 244 066)	4 160 896
	=====	=====

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007

	2007	2006
	E	E
10. Members' funds		
Statutory and supplementary contributions	737 569 622	622 188 103
Interest on members funds credited	495 314 603	419 753 840
Employer overpayments (note 22)	56 538 368	91 137 450
Benefits paid to members	(319 659 254)	(279 774 521)
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Balance at end of the year	969 763 339	853 304 872
	=====	=====

11. Property revaluation reserve

The revaluation reserve relates to the revaluation of freehold land and buildings. The movement on the reserve is summarised as follows:

Freehold land and buildings revaluation reserve		
Balance at beginning of the year	28 652 944	5 803 517
Current year valuation (note 4)		22 849 427
	<hr/>	<hr/>
Balance at end of the year	28 652 944	28 652 944
	=====	=====

12. Reserves

12.1 Penalties reserve

Balance at beginning of the year	6 631 886	6 535 994
Penalties received from employers during the year	325 688	95 892
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Balance at end of year	6 957 574	6 631 886
	=====	=====



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007)

	2007	2006
	E	E
13. Trade and other payables		
Employer penalty liability	7 057 010	5 106 502
Sundry payables and accruals	3 387 428	2 627 420
Rental deposits	954 495	845 043
Voluntary exit scheme	<u>1 343 051</u>	<u>18 362 661</u>
	12 741 984	26 941 626
	=====	=====
14 Defined benefit liability		
The fund operates a defined benefit plan that covers all salaried employees		
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	21 903 410	21 903 410
Fair value of plan assets	(26 978 000)	(26 978 000)
Surplus not recognised	<u>5 074 590</u>	<u>5 074 590</u>
Liability in the balance sheet	-	-
	=====	=====
The amounts recognised to the revenue account are as follows:		
Current year contributions (note 3)	1 400 655	2 123 290
	=====	=====
The movement in the liability recognised in the balance sheet is as follows:		
Beginning of the year	-	2 729 360
Total income credited to the revenue account	<u>-</u>	<u>(2 729 360)</u>
End of the year	-	-
	=====	=====
At as 30 June 2006, the Fund had a surplus of E4 977 000 based on an actuarial valuation performed by Alexander Forbes Financial Services.		
The principal actuarial assumptions used were as follows:		
Discount rate	10.00%	10.00%
Expected return on plan assets	10.00%	10.00%
Future salary increases	7.50%	7.50%
Future pension increases	5.00%	5.00%
	=====	=====

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007**

	2007 E	2006 E
15. Bank overdraft		
First National Bank of Swaziland Limited	2 481 539	1 652 488
Nedbank (Swaziland) Limited	2 276 193	1 236 817
	<u>4 757 732</u>	<u>2 889 305</u>
	=====	=====
16. Provisions		
Opening balance - provision for leave pay	1 941 080	1 067 507
(Decrease)/increase in provision	(441 159)	873 573
	<u>1 499 921</u>	<u>1 941 080</u>
	=====	=====
17. Cash utilised in operations		
Net operating surplus before interest on members funds:	182 793 162	98 177 447
Adjustment for:		
Depreciation (note 1)	3 197 880	2 575 492
Dividends and insurance policies income (note 2)	(31 808 968)	(20 799 113)
Interest income (note 2)	(15 753 754)	(14 660 812)
Fair value gains on investments – realised and unrealised	(147 866 166)	(101 556 062)
Fair value gains on investment property (note 5)	(11 996 019)	(3 439 532)
Loss/(surplus) on disposal of property, plant and equipment (note 1)	65 894	-
Investment fees deducted from values of investments	3 024 125	2 504 188
Impairment of rental debtors	442 055	97 914
<i>Changes in working capital</i>		
Increase in receivables and prepayments	(1 647 307)	(5 184 771)
(Decrease)/increase in provision	(441 159)	873 573
(Decrease)/increase in trade and other payables	(14 199 642)	19 360 523
	<u>(34 189 899)</u>	<u>(22 051 153)</u>
	=====	=====

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007

	2007 E	2006 E
18. Commitments in respect of capital expenditure		
Contracted for	1 443 000	3 860 000
Authorised but not yet contracted for	-	3 236 757
	<u>1 443 000</u>	<u>7 096 757</u>
	=====	=====

Capital expenditure will be funded from operating income.

19. Taxation

No provision for taxation has been made as the Fund is exempt from taxation in Swaziland in terms of Section 12 (1)(iv) of the Income Tax Order of 1975.

20. Financial instruments

The objective of the Fund is to achieve capital growth through investing in a balanced portfolio of high yielding investments in equity, bonds and money market instruments.

The Fund is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below.

(i) Market price risk

The Fund's interest rate securities and equity securities are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Fund's market price risk is managed through diversification of the investment portfolio ratios by exposure to different market instruments. 30% of the net investment is managed by Investec Asset Management, of which approximately 43% is invested in individual equities, 24% in the capital market, 8% in the money market and 25% in the international market. 36% of the net investment is invested in units in an Allan Gray Long Term Investment portfolio. 11% of the net investment is invested in different investment products with African Alliance Swaziland.

9% of the net investment is invested in insurance policies with Old Mutual. The balance of the investment is invested in local shares, debentures and bonds through various institutions.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007**

20. Financial instruments (continued)

(i) Market price risk (continued)

At 30 June 2007 the overall balance sheet market exposures were as follows:

Schedule of investment securities as at 30 June 2007

	Fair value or cost E	% of total net investment E
Securities available-for-sale	768 769 105	87.9
Securities held to maturity and insurance policies	106 164 211	12.1
	<hr/>	<hr/>
Total securities (note 6)	874 933 316 =====	100.0 =====

The Fund's overall market positions are monitored on a monthly basis by the Fund's management and reviewed on a quarterly basis by the board of directors and the investment committee.

(ii) Interest rate risk

The Fund is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The analysis below summarises the Fund's exposure to interest rate risks. The analysis shows the maturity profile of the investments and the related interest rate.

<i>Financial instrument</i>	<i>Interest rate</i>	<i>Maturity date</i>
SPTC Bonds	16.4%	15 April 2008
12% Preference shares Usutu Pulp Company Limited	12%	Non-redeemable

Short-term deposit investments (included in portfolio funds) are held for periods varying from thirty days to a year. Interest rates are dependent upon prevailing market rates.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007**

20. Financial instruments (continued)

(iii) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered to with the Fund.

The Fund's credit risk concentration is spread between interest rate, and equity securities and trading derivative products as discussed above under market risk diversification.

Credit risk also arises by virtue of rental debtors. The Fund has credit control policies to ensure that no significant exposure to a single debtor arises.

(iv) Liquidity risk

The Fund's listed securities are considered to be readily realisable as they are listed on the Swaziland Stock Market and the Johannesburg Securities Exchange.

The Fund has the ability to borrow in the short term to ensure settlement, although no such borrowings have arisen during the year.

(v) Currency risk

The Fund has no significant currency risk because substantially all assets and liabilities are denominated in Emalangeni. Some of the investments of the Fund are denominated in Rands, a currency to which the Lilangeni is pegged.

(vi) Fair values

At 30 June 2007, the carrying value of the financial assets and liabilities of the Fund approximated their fair values.

21. Events subsequent to balance sheet date

There were no material subsequent events between year end and the date of the audit report.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007**

22. Members funds – under provision in prior years

During the 2005 year the audit opinion was disclaimed due to a difference between the members' detailed records and the total members funds balance reflected on the balance sheet. Subsequent to the 2005 year end the Fund has upgraded its computer systems and detailed lists of amounts owed to individual members are now available.

Management and the directors are of the opinion that the listing of amounts due to individual contributors is substantially complete and accurate and have effected an adjustment to the 2006 annual financial statements whereby an amount of E61 380 671 has been transferred from accumulated surplus to members funds directly in the statement of changes in members interest. The adjustment has been accounted for prospectively and there is no effect on the surplus for the current year.