SWAZILAND NATIONAL PROVIDENT FUND

Annual Report
2013

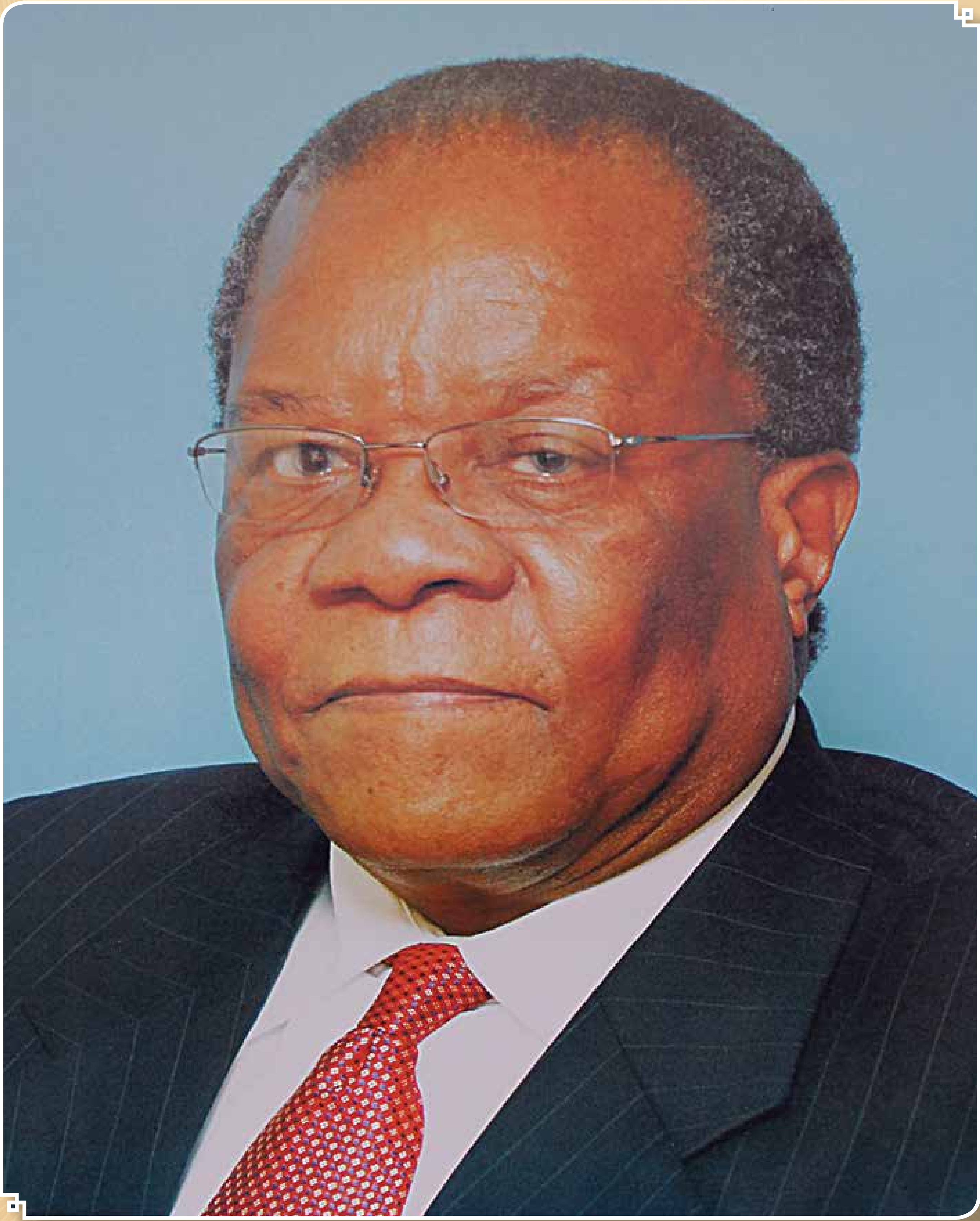
Laying Foundations For Sustainable Growth

Contents

Vision, Mission And Values	7
Corporate Profile	8 - 9
The Board	10 - 11
Chairman's Statement	12 - 14
Chief Executive Officer's Review	16 - 18
Annual Financial Statements	20 - 53

His Majesty, King Mswati III
Ngwenyama of the Kingdom of eSwatini / Swaziland

Her Majesty Queen Mother Ntombi
Indlovukazi of the Kingdom of Swaziland



Dr. Barnabas Sibusiso Dlamini
His Excellency the Prime Minister of Swaziland

The Ministry in Charge of SNPF

The Minister of Labour and Social Security

Senator Winnie K. Magagula

Vision

To provide the best managed social security scheme
in Africa and to be a major contributor to
Swaziland's socio-economic growth.

Mission

We will provide the Fund's members with the best retirement packages through collecting all due contributions, investing wisely, paying out at the shortest possible time, educating stakeholders, and engaging a well motivated and committed staff with efficiently managed systems.

Values

1. Honesty and Transparency
2. Accountability and Commitment
3. Professionalism and Integrity
4. Customer care and Social responsibility
5. Mutual Respect
6. Team Focus

Corporate Profile

Establishment

Swaziland National Provident Fund was established by the King's Order-in-Council No. 23 of 1974 for purposes of receiving contributions and other moneys required or permitted by the Order, and to pay out such benefits and other payments, including payments in respect of the expenses of administration, as are authorized by or under the Order.

Organisational Structure

The Board and Board Committees

The Board is made up of thirteen (13) members.
Three of them represent Employers, three represent Employees, four represent the Government of Swaziland, and two represent the Swaziland National Council and finally the Chief Executive Office of the Fund.

In compliance with international benchmarks, particularly the King III Report, the Board has five sub-committees:

Remunerations Committee

The Remunerations Committee advises the Board on all issues of personnel policies, salaries structure and benefits packages for staff members.

Audit Committee

The Audit Committee meets quarterly. Its main purpose is to plan and support the audit of major functions like budgets and organisational systems.

Benefits Committee

The Benefits Committee is mainly responsible for advising the Board on products and other benefits that may be introduced for members of the Fund.

Ethics Committee

The Ethics Committee advises the Board on all matters relating to the Code of Ethics. They develop and apply guidelines for ensuring ethical behavior and resolving ethical conflict.

Investment Committee

The Investment Committee is a separate committee from the Board and meets once a quarter. It is made up of experts on issues of finance and investments but is subordinate to the Board. During these quarterly meetings, the Committee takes decisions that give direction to the Fund's investment strategies. It is also in these meetings where reviews of the performance of the entire Fund's Fund Managers are conducted.

Departments

Swaziland National Provident Fund has three (3) departments.

Fund Department

The Fund Department is responsible for the collection of statutory contributions, maintenance of member/ employer accounts and the payment of benefits in accordance with the SNPF Order No. 23 of 1974. It is also responsible for employer registration, compliance and prosecution of default-ing employers including employer and member education on the operations of the Fund. This is a core function of the Fund.

Business Development and Finance

This Department is responsible for the overall management of accounting, procurement, business development, property porfolio and the information technology functions. This is another core function of the Fund.

Corporate Services

The department's key performance areas are corporate governance, corporate branding, human resource management and organisational behavior.

Board of Directors

Back Row, from left to right: Jobe Mashwama*(Chairman/Employers)*, Samuel Shongwe, *(Employees)*, Mduduzi Hlophe, *(Government)* Prince Lonkhokhela, *(CEO/Secretary)*, Boy Mdluli *(SNC)*, Dumisile Magagula *(Government)*, Reuben Ndlangamandla *(Employees)*.

Front Row, from left to right: Justice Dlamini *(Employers)*, Khabo Dlamini *(Government)*, Prince Mkhumbi *(Government)*, Chief Mkhumbi Dlamini *(SNC)*, Mduduzi Gina *(Deputy Chairman/Employees)*, Zodwa Mabuza *(Employers)*.

Over the past five years we have taken great strides towards investing at least 30% of our assets locally, per the requirements of the Retirements and Insurance Funds Act of 2005.

- Mr. Jobe Mashwama
Chairman

Chairman's Statement

In accordance with section 4(5) of the Swaziland National Provident Fund Order No.25 of 1974, One is honoured to submit the 2012/2013 Annual Report of the Fund to the Minister of Labour and Social Security.

Introduction

The financial year under review has not been easy for many organizations, and the SNPF was not spared this challenge. As a consequence of the recent global meltdown recovery has been slow, with most organisations taking a cautious approach. In spite of continuously unstable global markets and minimal growth in the local economy, the Fund continued to embark on strategic programmes that would bring a good return for members while also ensuring compliance with international standards for social protections.

2. National Social Security

Studies undertaken by the International Labour Organization (ILO) indicate that 80% of people in the world live in social insecurity and 20% of these live in abject poverty. This amounts to 1.4 billion people all over the world. Studies have further shown that Social Protection is a catalyst for poverty reduction and in turn promotes harmonious societies, as we see in most developed countries.

The ILO's Social Security Convention 102 of 1952 is a flagship convention that sets the minimum social security standards and continues to shape social protection principles across regions. It is worth mentioning that out of 185 ILO member states, Swaziland is among 135 member states that have not ratified the convention as yet. The introduction of a national social security policy (and subsequently relevant legislation) is a major project towards bringing the country to a position where though we may not have ratified ILO Convention 102, we could alternatively accept obligation to fulfill the 9 branches/contingencies and standards set by the convention. As a Fund we are therefore in full support of the Ministry of Labour and Social Security's National Social Security Technical Working Group (NSS/TWG) project, which is currently our best available vehicle for operationalising some aspects of ILO Convention 102.

As a member of the NSS/TWG we will continue to assist the Ministry in the development of national social protection policy, motivating for the ratification of ILO Convention 102 and in ensuring that social protection is not just a social protection program but becomes entitlements that can be defined within the country's legal framework. We will further continue to support the Ministry in ensuring that the NSS/TWG project gradually spreads beyond the three pillars (i.e. national pension; national health insurance and workmen's compensation) and extends to ILO's two dimensional strategy of horizontal and vertical basic protection floors as adopted in the 2011 ILO Conference in Geneva.

3. Corporate Strategy

The five years corporate strategy that was formulated in 2008 came to an end at the close of this financial year. As a Board we have already completed the process of evaluating progress made and we have identified proper corrective adjustments to be made. We have satisfied ourselves that our strategy was a good fit, provided the Fund with the necessary competitive advantage and produced a strong performance all round for the Fund.

4. Conversion

The objective of the ILO (as pronounced in ILO Convention 102 of 1952) is for pension schemes to resonate with nations' cultures and way of life and should not just be a cut and paste from other schemes.

The draft Swaziland National Pensions Fund Act is yet to be presented to parliament as a Bill. As a Fund and with the assistance of the ILO we have done our best to ensure that the final legislation reflects Swaziland's cultural values and history per the objective of ILO Convention 102.

5. Local Investments

Over the past five years we have taken great strides towards investing at least 30% of our assets locally, per the requirements of the Retirements and Insurance Funds Act of 2005. In 2008 our compliance rate was 31% of our investments, 33% in 2009, 34% in 2010, 39% in 2011, 40% in 2012 and 42% in 2013.

6. Members' Interest

Just like all other years the most important function of the Board as regards ensuring that the Fund declares annual members' interest that is above the threshold

Chairman's Statement

of 3% as set by the Swaziland National Provident Fund Order No.23 of 1974 has not been forgotten. As we have done over the past four years the percentages declared continue to be higher than all other interests in the financial industry. For the year under review we were able to declare a member interest of 8.5%.

7. Farm 319

The Swaziland Commission on Human Rights & Public Administration/Integrity has finally made its recommendations as regards the illegal squatters on this farm. At the time of reporting we were still crafting the way forward, with these recommendations in place. This time there are tangible indicators that this long outstanding matter will finally and decisively be put to rest.

8. Property Unit Trust (PUT)

This is yet another project that has stalled for too long, where the Fund seeks to unlock the liquidity constraints for our property investments through the PUT. The project has been delayed by negotiations with critical stakeholders over some important aspects of the transaction. All agreements are now in place and the project will finally kick off.

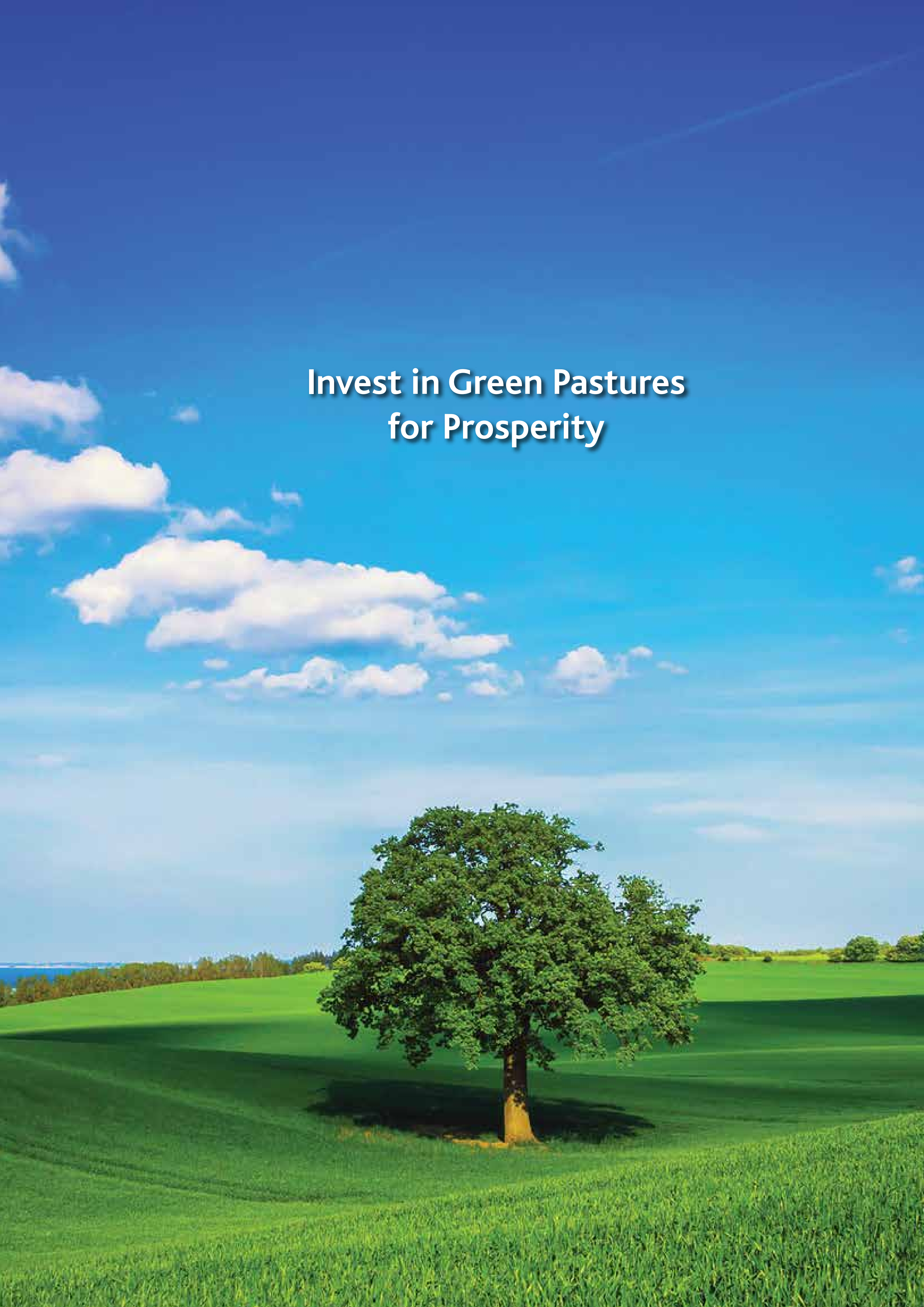
9. Formalisation of Informal Sector

One of the biggest challenges facing organizations like the Fund is the extension of social protections to cover the most vulnerable groups of our society. The formalization of the informal sector is currently regarded as seemingly the most viable solution. Other African countries like Nigeria have already begun activities towards this end. This issue will be the main agenda for the 2014 Conference in Geneva. As a Fund we shall also continue to work with our line Ministry.

In accordance with section 4(5) of the Swaziland National Provident Fund Order No.25 of 1974, One is honoured to submit the 2012/2013 Annual Report of the Fund to the Minister of Labour and Social Security.

Mr. Jobe Mashwama
Chairman

Invest in Green Pastures for Prosperity



Chief Executive Officer's Review

Over the years we have learnt not to try predict the future as markets tend to behave differently from prediction. However, we have also learnt that a good investment policy, financial strength and strong character are the differentiators in an uncertain world.

Introduction

The Fund delivered a solid performance in the financial year ended 30th June 2013, which is particularly pleasing given the volatile and weak operating conditions seen during the financial year. The global economic recovery proved sluggish in the year under review, attributable to the Euro zone, the fiscal challenge in the United States and Japan, as well as moderation the growth momentum in a number of emerging and developing economics.

The fragility of the recovery limited the expansion and development performance of the local economy, impacting on the export earnings capacity of Southern Africa's corporate sector including the Fund.

Despite this, the Fund remained resolute it its pursuit to achieve its objectives evident in the growth of the Fund's balance sheet to more than E2 Billion.

The year marked, the end of an era of our five year strategic plan set in 2008, we look back to the past five years with pride and satisfaction that we have achieved what we set before us in 2008.

When the strategy was formulated, we were coming from a business re-engineering exercise which had changed a lot in our operating structure. Worse so was that our Executive Management had changed significantly leaving the team lean and inexperienced which adds to the reason why we are so excited with our vision and achievement.

Our strategy priotirised the Fund to be customer centric, which was to be achieved through two objectives:

- Good turn around time
- Paying high interest benefit to our members.

Turn around time

We have received good accolades on the quality of our service, which is underlined by the quick turnaround on member claims. In the year ended we achieved 1.61 days claims turnaround ration (2012: 1.84 days) this is far better than the legally stipulated maximum turnaround time of 21 days. By any standards this claims payment ration is by far the most efficient ratio. When we compare with our colleagues in the continent we far exceed their turnaround ratio.

Interest paid to members

In line with our corporate policy to pay members interest at a rate above what is obtaining in the market and be above average inflation; the Fund paid members interest at 8.5% per annum for the year ended (2012:9%). This rate was higher than bank call account rate and was at least 2% higher than inflation.

The second pillar of our strategy was to grow local investments

In the year ended the Fund invested more than E100 Million in the country increasing the Fund's local investment from 38% in the prior year to 42% of the total portfolio. This was done amid beliefs that the Swazi investment environment was weak bearing low investment returns but for us we know no other investment approach than to believe in the local market, where we get all our member contributions. The local investment market has not disappointed with our property investments bearing on average return of 9% when including fair value gains on the properties.

As a Fund we still believe that there is value in the local property market. As such in the past year we bought 33% stake in a property company Emprop (Pty) Ltd. Emprop is a local property company which owns a large commercial and residential property portfolio in and around Mbabane. Emprop is arguable the largest private single owner of property owner in Swaziland and by extension the Swaziland National Provident Fund is one of the largest property owners.

In the period ended the Fund completed its new building in Manzini. The seven story building houses two well-known South African brands; JetMart and Food lovers. The building looks a lot futuristic and the public has warmly received it.

Funeral Cover

For the past three years the Fund has been providing a non-contributory funeral cover of E3 000.00 to its members. This cover has been enjoyed by our members. The Board felt it to be fair to increase the cover amount to E5 000.00. This has been mainly influenced by ever increasing funeral costs and assessed sustainability of the increase. The new funeral benefit rate shall be implemented to all affected members immediately the line Ministry approves it and after the subsequent issuance of the enabling gazette.

Conversion

Our vision is to be the best managed social security scheme in Africa and to be a major contributor to Swaziland's socio-economic growth. We believe that for us to be the best managed social security scheme we will have to provide pension fund benefits as opposed to Provident Fund benefits. As previously reported, with the help of ILO the Fund has drafted and consulted stakeholders on the proposed National Social Security Pension Scheme. The draft legislation is currently with the Minister of Labour and Social Security who intends to table it before parliament as soon as it starts its business in 2014. This has been a long wait considering when we started talking about converting into a National social security scheme. We however believe that on its completion the quality and benefits of the scheme will prove the wait to have been worth it.

It is pleasing to mention that the new Minister of Labour and Social Security, when taking office immediately committed to prioritize the conversion as an exercise she would want to see through and we are grateful to the Honourable Minister for that.

People

Our staff is an important resource. We know no other way to deliver our results other than through them. We recognize the invaluable contribution made by the effective teams as well as by all the talented individuals that make SNPF successful. In the year under review, we had two resignations at management level, where our Human Resources and Internal Audit Managers resigned to take up more senior positions with other entities. We pride ourselves in the quality of staff we produce, we have always seen ourselves as a national contributor to socio-economic development which includes human capital development. We wish them the best of luck in their future endeavors. Having said the above, we wish the Public Enterprise Unit could review Circular No.4 of 2013 which brings a ceiling to salaries of parastatal employees as this has had a negative effect on our desire to retain talented and skilled people.

Acknowledgement

On behalf of my Executive Committee Colleagues and staff, I would like to express our appreciation for all the dedication of the Fund's Board during the year for the resilience, support and commitment they showed.

Boards of parastatals have numerous challenges in carrying out their tasks over and above the general responsibility of being a Board member and despite that significant challenge and responsibility our Board has continued to commit their time, talents and skills to see this Fund grow. We appreciate it.

It goes without saying that the success of a financial institution would not happen without a strong regulatory framework, for which we thank Government. We also appreciate the goodwork done by the Registrar of Retirement Funds in this regard.

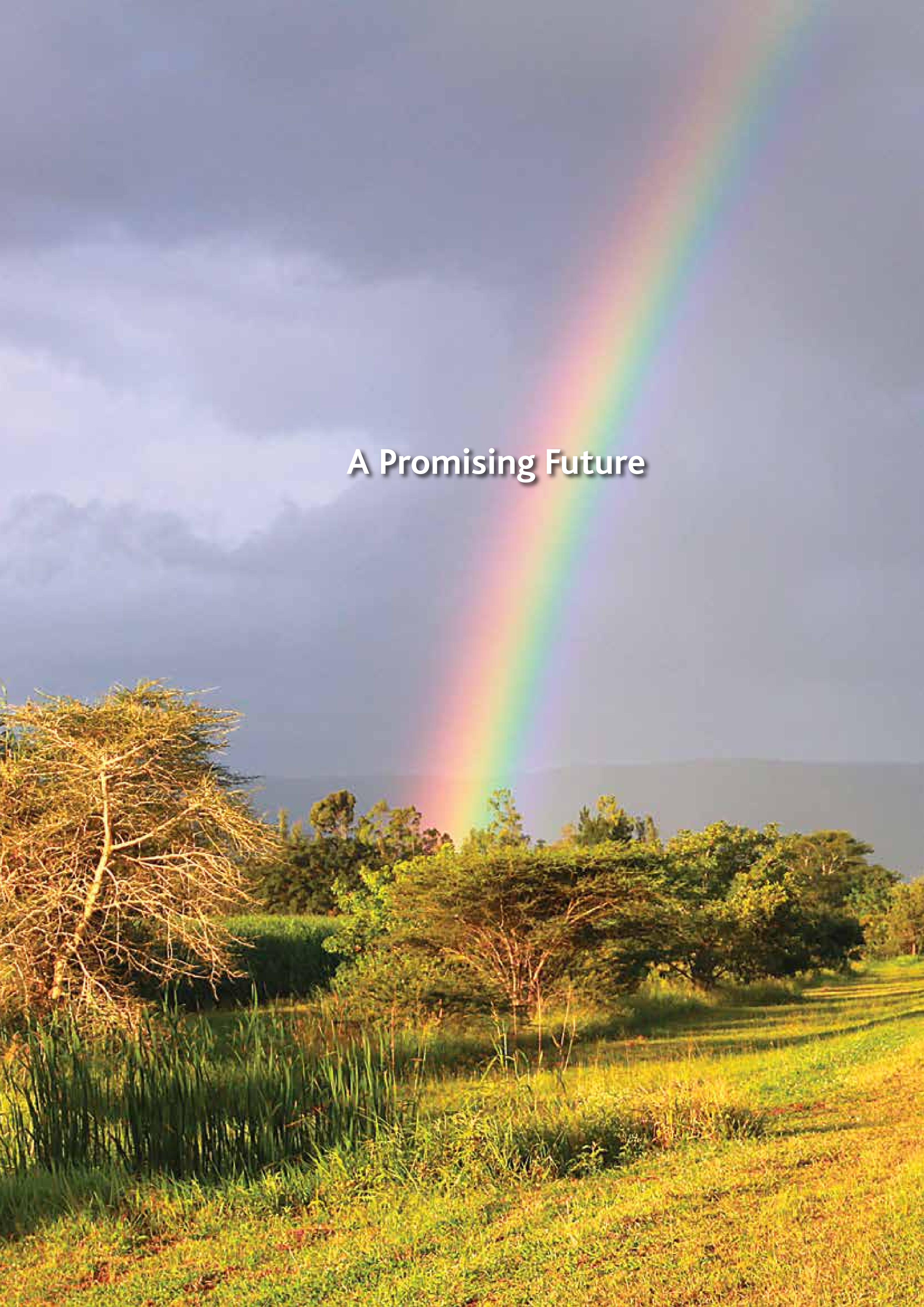
We also acknowledge the support we receive from the Federation of workers, the Federation of employers and the Swazi Nation at large.

Future prospects

Over the years we have learnt not to try predict the future as markets tend to behave differently from prediction. However, we have also learnt that a good investment policy, financial strength and strong character are the differentiators in an uncertain world. We believe the Fund has all the attributes of a successful entity and we look forward to an even better financial year 2013/2014.

Prince Lonkhokhela
Chief Executive Officer

A Promising Future



Annual Financial Statements

Good Corporate Governance, Accountabilty and Transparency produce high returns

Contents	Page
List of Officers and Professional Advisors	21
Board Members' Responsibility Statement	22
Report of the Independent Auditors	23
Revenue Account	24
Statement of Net Assets and Funds	25
Statement of Changes in Members' Interest	26
Statement of Cash Flows	27
Summary of Principal Accounting Policies	28 - 33
Notes to the Annual Financial Statements	34 - 48
Detailed revenue account and related schedules (annexure1)	49 - 53

LIST OF OFFICERS AND PROFESSIONAL ADVISORS

for the year ended 30 June 2013

The Board:

The names of the board members in office during the year under review are:

Mr Jobe S Mashwama - Chairman	Employers
Mr Mduduzi C Gina – Deputy Chairman	Employees
Mr Samuel M Shongwe	Employees
Mr Reuben Ndlangamandla	Employees
Mr Justice Dlamini	Employers
Mrs Zodwa Mabuza	Employers (resigned)
Mrs Dumisile E Magagula	Government/Finance
Chief Mkhumbi Dlamini	Swazi National Council
Prince Mkhumbi	Swazi National Council
Mr Boy M Mdluli	Swazi National Council
Ms Khabo Dlamini	Government/Labour
Mr Mduduzi Hlophe	Government/Labour
Prince Lonkhokhela	Chief Executive Officer, Secretary
Mr Zithulele Gina	Recorder (Non member)

Legal advisors:	Robinson Bertram
	Waring Attorneys
Bankers:	Nedbank (Swaziland) Limited
	Swaziland Development and Savings Bank
	Standard Bank Swaziland Limited
	First National Bank of Swaziland Limited
Auditors:	KPMG (Chartered Accountants) Swaziland

Board Members' responsibility for the annual financial statements

The Fund's Board Members are responsible for the preparation and presentation of the annual financial statements of the Swaziland National Provident Fund, comprising the statement of net assets and funds as at 30 June 2013, and the revenue account, the statement of changes in members' interest and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of principal accounting policies and other explanatory notes, as set out on pages 24 to 53, in accordance with the basis of preparation applicable to retirement funds in Swaziland and in the manner required by the Swaziland National Provident Fund Order of 1974, as amended.

The Board Members are also responsible for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Board Members have made an assessment of the Fund's ability to continue as a going concern and there is no reason to believe the Fund will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements have been prepared, in all material respects, in accordance with the basis of preparation applicable to retirement funds in Swaziland and in the manner required by the Swaziland National Provident Fund Order of 1974, as amended.

Approval of the annual financial statements

The annual financial statements of the Swaziland National Provident Fund, as identified in the first paragraph, were approved by the Board Members on 4 November 2013 and are signed on its behalf by:

....	....	....
Chairman	Chief Executive Officer	Board Member

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE SWAZILAND NATIONAL PROVIDENT FUND

We have audited the annual financial statements of the Swaziland National Provident Fund which comprise the statement of net assets and funds as at 30 June 2013, and the revenue account, the statement of changes in members' interest and the statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of principal accounting policies and other explanatory notes, as set out on pages 24 to 48.

Swaziland National Provident Fund Board's responsibility for the financial statements

The board is responsible for the preparation and presentation of these financial statements in accordance with the basis of preparation applicable to retirement funds in Swaziland, as set out in the summary of principal accounting policies and in the manner required by the Swaziland National Provident Fund Order of 1974, as amended, and for such internal control as the board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of the Swaziland National Provident Fund for the year ended 30 June 2013 have been prepared, in all material respects, in accordance with the basis of preparation applicable to retirement funds in Swaziland as set out in the summary of principal accounting policies and in the manner required by the Swaziland National Provident Fund Order of 1974, as amended.

Restriction on use

The financial statements are prepared in terms of Section 30 of the Swaziland National Provident Fund Order, 1974 in accordance with the basis of preparation indicated above. Consequently, the financial statements and related auditors' report may not be suitable for any other purpose.

Other matters

The supplementary schedules set out on pages 49 to 53 are presented for information only. We have not audited these schedules and accordingly do not express an opinion on them.

KPMG

Auditors

REVENUE ACCOUNT

for the year ended 30 June 2013

	Notes	2013 E	2012 E
Revenue			
Investment income	2	47 136 548	49 312 622
Fair value gains on available for sale securities		129 889 433	93 288 590
Fair value gains on unlisted investments		-	41 500 000
Fair value gain on investment properties	5	4 167 806	19 410 277
Investment property income		30 346 285	29 800 739
Miscellaneous income		3 740 002	4 501 981
Operating income		215 280 074	237 814 209
Expenditure			
Investment managers fees		8 845 238	7 898 911
General and administrative expenses		50 328 370	42 392 990
Property operating expenses		17 632 903	17 097 315
Depreciation charge		1 990 090	2 173 290
Funeral benefit premium		4 008 750	3 505 177
Operating expenditure		82 805 351	73 067 683
Operating surplus	1	132 474 723	164 746 526

STATEMENT OF NET ASSETS AND FUNDS

at 30 June 2013

	Notes	2013 E	2012 E
ASSETS			
Non-current assets			
Property, plant and equipment	4	62 661 837	66 532 192
Investment properties	5	434 081 890	343 895 720
Investments	6	1 637 095 999	1 510 546 192
Loans and advances	7	29 461 358	31 504 825
		2 163 301 084	1 952 478 929
Current assets			
Accounts receivable and prepayments	8	3 196 420	2 183 155
Cash and cash equivalents	9	13 066 461	18 559 583
		16 262 881	20 742 738
Total assets		2 179 563 965	1 973 221 667
FUNDS AND LIABILITIES			
Funds and reserves			
Members' funds	10	2 008 016 120	1 778 437 810
Property revaluation reserve	11	44 598 600	44 598 600
Statutory reserves	12	11 416 811	10 880 823
Accumulated surplus		91 982 377	121 158 572
		2 156 013 908	1 955 075 805
Non-current liabilities			
Lease liabilities		-	17 660
Current liabilities			
Trade and other payables	13	12 682 742	7 895 718
Payroll accruals	16	10 840 460	9 917 355
Bank overdraft	15	26 855	315 129
Total liabilities		23 550 057	18 128 202
Total funds and liabilities		2 179 563 965	1 973 221 667

STATEMENT OF CHANGES IN MEMBERS' INTEREST

for the year ended 30 June 2013

	Members' Funds E	Property Revaluation Reserve E	Statutory Reserves E	Accumulated Surplus E	Total E
Year ended 30 June 2013					
Balance at 1 July 2012	1 778 437 810	44 598 600	10 880 823	121 158 572	1 955 075 805
Operating surplus for the year	-	-	-	132 474 723	132 474 723
Net increase in statutory reserves (note 12)	-	-	535 988	-	535 988
Contributions received	155 083 519	-	-	-	155 083 519
Claims paid (note 10.1)	(87 156 127)	-	-	-	(87 156 127)
Interest on members funds	161 650 918	-	-	(161 650 918)	-
Balance at 30 June 2013	2 008 016 120	44 598 600	11 416 811	91 982 377	2 156 013 908
Year ended 30 June 2012					
Balance at 1 July 2011	1 564 539 152	44 598 600	10 404 630	107 456 737	1 726 999 119
Operating surplus for the year	-	-	-	164 746 526	164 746 526
Net increase in statutory reserves (note 12)	-	-	476 193	-	476 193
Contributions received	136 686 661	-	-	-	136 686 661
Claims paid (note 10.1)	(73 832 694)	-	-	-	(73 832 694)
Interest on members funds	151 044 691	-	-	(151 044 691)	-
Balance at 30 June 2012	1 778 437 810	44 598 600	10 880 823	121 158 572	1 955 075 805

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	Notes	2013 E	2012 E
ASSETS			
Cash flows from operating activities			
Cash utilised in operations	17	(31 376 733)	(27 307 751)
Interest received		1 391 448	1 576 324
Dividends received		665 760	603 251
Net cash flows from operating activities		(29 319 525)	(25 128 176)
Cash flows from investing activities			
Proceeds from disinvestments		64 894 182	50 000 000
Acquisition of investment property	5	(86 018 364)	(51 219 185)
Acquisition of property, plant and equipment	4	(1 840 578)	(2 468 342)
Proceeds on disposal of property, plant and equipment		2 090 250	4 611 562
Additions to investments		(25 500 000)	(34 800 000)
Decrease in loans and advances		2 043 467	290 082
Net cash flows from investing activities		(44 331 043)	(33 585 883)
Cash flows from financing activities			
Decrease in lease liabilities		(17 660)	(519 193)
Contributions received from members		155 083 519	136 686 661
Claims paid to members		(87 156 127)	(73 832 694)
Penalties received from employers	12	535 988	487 233
Payments made from penalty reserve account	12	-	(11 040)
Net cash flows from financing activities		68 445 720	62 810 967
Net increase in cash and cash equivalents		(5 204 848)	4 096 908
Cash and cash equivalents at beginning of year		18 244 454	14 147 546
Cash and cash equivalents at end of year	9	13 039 606	18 244 454

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, and the fair valuation of available-for-sale securities, financial assets and financial liabilities held for trading.

The preparation of financial statements 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 may ultimately differ from those estimates.

The financial statements are prepared in Emalangeni rounded to the nearest one.

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 valuations by external independent valuers. All other property, plant and equipment is stated at historical cost less accumulated depreciation.
Increases in the carrying amount arising on the revaluation of land and buildings are credited to the property revaluation reserve in the statement of changes 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 the property, revaluation reserve is transferred directly to accumulated surplus when the surplus is realised. The whole surplus is realised on the retirement or disposal of the asset. The transfer from the revaluation surplus to accumulated surplus is not made through the revenue account but through the statement of changes in members' 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:

Buildings	50 years
Motor vehicles	5 years
Office equipment	10 years
Furniture and fittings	10 years
Computer equipment	3 years
Land is not depreciated	

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 accumulated surplus.

Repairs and maintenance are charged to the revenue account during the financial period in which they are incurred.

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 in 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 stated at cost until construction or development is complete, at which time it is 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 accumulated surplus; the transfer is not made through the revenue account.

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. Investment securities

Investment securities are classified under the following categories:

- Held to maturity
- Available for sale, and
- Held for trading

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.

Investment securities are initially recognised at cost which includes transaction costs.

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. Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

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. Available-for-sale financial assets are subsequently re-measured at fair value based on quoted closing 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. Unrealised gains and losses arising from changes in the fair value of investment securities classified as available-for-sale are recognised in the revenue account. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the revenue account as gains and losses from investment securities.

Included in available for sale investments are equity and debt instruments that are traded at the fund managers' discretion. Even though short term profit-taking occurs on an occasional basis, these investment securities are still categorised as available for sale because management holds them mainly for capital appreciation.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading and are included in non-current assets. During the period, the Fund did not hold any investment securities in this category.

E. Investment securities (continued)

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the assets carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. The recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current rate of interest for a similar financial asset.

All regular way purchases and sales of investment securities are recognised at trade date, which is the date that the Fund commits to purchase or sell the asset.

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.

G. Cash and cash equivalents

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 separately disclosed as current liabilities on the statement of net assets and funds.

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 reporting 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. Actuarially determined assets are not recognised.

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.

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.

I. Provisions

A provision is recognised in the statement of net assets and funds when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits, which can be reliably measured, will be required to settle the obligation. 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. Interest credited to members funds

Interest at 8.5% per annum (2012: 9% 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.

K. Leases

Assets subject to finance lease agreements are capitalised, where material, at the cash cost equivalent and the corresponding liability to the lessor is raised. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income, and the capital repayment, which reduces the liability to the lessor. These assets are depreciated on the same basis as similar categories of fixed assets owned by the Fund

L. Revenue recognition

Interest earned whilst holding investment securities is reported as interest income. Dividends received are included separately in dividend income when a dividend is declared. Rental income is recorded on an accrual basis using the straight line method over the lease period.

M. Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Fund's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of the carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, employee benefit assets and investment property which continue to be measured in accordance with the Fund's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss

N. Comparatives

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

	2013 E	2012 E
1. Operating surplus		
The following items have been charged/(credited) in arriving at operating surplus:		
Auditors remuneration	517 250	443 357
External audit prior year	315 000	259 944
External audit other services	120 305	140 595
External audit expenses and taxes	81 945	42 818
Board members fees	939 074	897 612
Depreciation (note 4)	1 990 090	2 173 290
Loss/(profit) on disposal of property, plant and equipment	1 399 820	(1 440 094)
Repairs and maintenance of property, plant and equipment	470 065	380 138
Staff costs (note 3)	36 174 424	29 043 640
Investment property		
Rental income	(30 346 285)	(28 846 969)
Bhunu Mall income	-	(953 770)
Fair value adjustment on investment property	(4 167 806)	(19 410 277)
Repairs and maintenance costs	3 019 840	1 776 336
Other direct operating expenses	10 692 508	11 815 490
Staff costs (note 3)	3 920 555	3 505 489
Net investment property income	16 881 188	(32 113 701)

		2013 E	2012 E
2.	**Investment income**		
	Interest income	30 601 644	29 807 440
	Dividend and other income	16 534 904	19 505 182
		47 136 548	49 312 622
3.	**Staff costs**		
	Leave pay provision	107 698	-
	Conversion of Executive	4 759 992	891 862
	Permanent health insurance	207 662	-
	Group life insurance scheme	235 491	250 400
	Salaries and wages	22 844 514	21 260 166
	Property division salaries and wages	3 920 555	3 505 489
	Pension costs – defined benefit plan contributions (note 14)	1 847 867	1 793 822
	SNPF contributions	69 450	63 250
	Housing subsidy	190 018	316 983
	Medical expenses	569 417	430 935
	Gratuity	692 836	352 926
	Workman's compensation	728 924	177 807
		36 174 424	29 043 640

The average number of employees in 2013 was 90 (2012: 92)

	Cost or valuation E	Accumulated depreciation E	Net book Value E
4. Property, plant and equipment			
At 30 June 2013			
Owned assets			
Freehold land	17 660 008	-	17 660 008
Buildings	48 897 961	(7 275 352)	41 622 609
Motor vehicles	1 386 201	(958 034)	428 167
Computer software	4 510 523	(4 510 523)	-
Computer equipment	2 174 702	(2 164 918)	9 784
Office equipment	2 763 127	(984 578)	1 178 549
Furniture and fittings	2 565 785	(1 403 065)	1 162 720
Total property, plant and equipment	79 958 307	(17 296 470)	62 661 837
At 30 June 2012			
Owned assets			
Freehold land	17 660 008	-	17 660 008
Buildings	51 480 548	(6 558 808)	44 921 740
Motor vehicles	1 384 738	(1 099 826)	284 912
Computer software	4 510 523	(4 504 030)	6 493
Computer equipment	1 988 031	(1 698 356)	289 675
Office equipment	2 715 020	(947 182)	1 767 838
Furniture and fittings	2 383 570	(1 150 113)	1 233 457
	82 122 438	(15 958 315)	66 164 123
Capitalised leased assets			
Motor vehicles	513 584	(145 515)	368 069
Total property, plant and equipment	82 636 022	(16 103 830)	66 532 192

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2013

4. Property, plant and equipment (continued)

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

	Land	Buildings	Computer equipment	Computer software	Office equipment	Motor vehicles	Furniture and fittings	Total
	E	E	E	E	E	E	E	E
Carrying value at beginning of year	17 660 008	44 921 740	289 675	6 493	1 767 838	652 981	1 233 457	66 532 192
Additions	-	1 423 586	-	-	186 671	48 106	182 215	1 840 578
Depreciation (refer note 1)	-	(1 018 945)	(262 820)	(6 493)	(175 960)	(272 920)	(252 952)	(1 990 090)
Disposals	-	(3 473 000)	(17 071)	-	-	-	-	(3 490 071)
Assets written off	-	(230 772)	-	-	-	-	-	(230 772)
Carrying value at end of year	17 660 008	41 622 609	9 784	-	1 778 549	428 167	1 162 720	62 661 837

	2013 E	2012 E
5. Investment properties		
The movement in investment properties is summarised as follows:		
Carrying value at beginning of the year	343 895 720	273 266 258
Additions at cost	86 018 364	51 219 185
Fair value gain	4 167 806	19 410 277
Carrying value at end of year	434 081 890	343 895 720

The Fund's investment properties were revalued at 30 June 2013 by independent property valuers L D Mabuza Masina Property Consultants. 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.

	2013 E	2012 E
6. Investments		
6.1 Available for sale – with gains and losses to the revenue account:		
6.1.1 Portfolio funds, unit trusts and listed investments – at market value:		
Old Mutual Plc shares	6 253 850	4 426 500
Inhlonhla yield enhancer investment product	103 482 598	136 082 053
Investec Asset Management Portfolio	216 887 701	197 451 796
African Alliance Swaziland Offshore fund	44 895 478	52 128 924
African Alliance Swaziland Lilangeni fund	30 051	12 628 720
African Alliance Swaziland Portfolio fund	87 932 469	76 419 995
Allan Gray Long Term Portfolio	549 014 292	483 132 193
Stanlib Collective	65 480 180	82 720 836
African Alliance Swaziland Managed fund	30 322 784	25 699 433
Stanlib Balanced Portfolio	142 929 713	122 341 030
Investec opportunity and income funds	11 355 236	10 175 352
Old Mutual Structured Product	110 670 509	89 115 206
	1 369 254 861	1 292 322 038

The Fund holds a cession of shares in the Swaziland Industrial Development Company Limited as security over its investment in the Inhlonhla yield enhancer investment product.

	2013 E	2012 E
6.1.2 Local investments – at market value:		
Shares – Nedbank (Swaziland) Limited	2 655 000	2 340 000
Shares – The Royal Swaziland Sugar Corporation Limited	778 742	778 742
	3 433 742	3 118 742

	2013 E	2012 E
6. Investments (continued)		
6.1.3 Unlisted investments – at board members' valuation/cost:		
Motel Enterprises (Swaziland) Limited (51% shareholding)	36 483 137	36 483 137
Happy Valley Enterprises (Proprietary) Limited (51% shareholding	21 303 136	21 303 136
Old Mutual Swaziland 15% shareholding	4 300 000	3 800 000
Swaziland Building Society – Permanent shares	8 632 783	8 257 997
Swaziland Building Society – Shares and savings account	14 417 340	13 990 142
Swaziland Industrial Development Company Limited		
– shares at valuation	124 000 000	124 000 000
Emprop Properties (Proprietary) Limited (33% shareholding)	53 000 000	-
	262 136 396	207 834 412
6.2 Held to maturity		
6.2.1 Bonds and structured investments at amortised cost:		
Swaziland Government Bond	2 271 000	2 271 000
Inyatsi Bond	-	5 000 000
	2 271 000	7 271 000
Total	1 637 095 999	1 510 546 192

	2013 E	2012 E
7. Loans and advances – at amortised cost:		
SIDC	10 000 000	-
Roots Construction	-	10 000 000
C & M Sales (Proprietary) Limited	1 815 441	1 815 441
Fincorp	7 211 241	8 671 230
Manzini City Council	12 250 117	12 833 595
	31 276 799	33 320 266
Less: Impairment of doubtful loans	(1 815 441)	(1 815 441)
Net recoverable loans	29 461 358	31 504 825

The loans bear interest at rates linked to the Swaziland prime interest rate and are secured by cessions of accounts receivable.

	2013 E	2012 E
8. Accounts receivable and prepayments		
Rental accounts receivable	4 100 703	2 471 650
Less: Allowance for impairment of rental receivables	(1 656 778)	(1 246 459)
Net rental accounts receivable	2 443 925	1 225 191
Staff receivables	111 488	160 820
Prepaid expenses	193 695	250 858
Other receivables	447 312	546 286
	3 196 420	2 183 155
9. Cash and cash equivalents		
Cash and bank balances	1 878 808	954 017
Call balances	11 187 653	17 605 566
	13 066 461	18 559 583

	2013 E	2012 E
9. Cash and cash equivalents (continued)		
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash and bank balances	13 066 461	18 559 583
Bank overdraft (Note 15)	(26 855)	(315 129)
	13 039 606	18 244 454
10. Members' funds		
Statutory and supplementary contributions	1 496 070 938	1 335 297 741
Interest on members funds credited	1 214 380 008	1 052 729 090
Employer overpayments	(9 892 715)	(4 203 037)
Benefits paid to members	(692 542 111)	(605 385 984)
Balance at end of the year	2 008 016 120	1 778 437 810
10.1 Benefits paid to members		
Benefits paid to members during the year comprised:		
Age	53 352 673	46 155 180
Survivor	11 412 888	11 605 754
Retirement	19 853 662	13 255 809
Disability	1 430 488	1 981 266
Supplementary	583 328	544 642
Emigration	474 295	237 358
Scholar	48 793	52 685
	87 156 127	73 832 694

	2013 E	2012 E
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:		
Balance at beginning of the year	44 598 600	44 598 600
Movement during the year	-	-
Balance at end of the year	44 598 600	44 598 600
12. Statutory reserves		
Penalties reserve		
Balance at beginning of the year	10 880 823	10 404 630
Penalties received from employers during the year	535 988	487 233
Corporate Social Responsibility	-	(11 040)
Balance at end of year	11 416 811	10 880 823
13. Trade and other payables		
Vat Payable	1 215 906	-
Trade payables	2 521 891	1 905 076
Sundry payables and accruals	6 710 485	4 084 868
Rental deposits	2 234 460	1 905 774
	12 682 742	7 895 718

	2013 E	2012 E
14. Defined benefit liability		
The fund operates a defined benefit plan that covers all salaried employees		
The amounts recognised in the statement of net assets and funds are determined as follows:		
Present value of funded obligations	43 314 000	43 314 000
Fair value of plan assets	(55 242 639)	(55 242 639)
Unrecognised losses	3 676 004	3 676 004
Asset not recognised	8 252 635	8 252 635
Liability in the statement of net assets and funds	-	-
The amounts recognised in the revenue account are as follows:		
Current year contributions (note 3)	1 847 867	1 793 822
At as 30 June 2012, the Fund had a surplus of E 8 252 635 based on an actuarial valuation performed by Robert Oketch of NBC Swaziland (Proprietary) Limited.		
The principal actuarial assumptions used were as follows:		
	%	%
Discount rate	9.0	9.0
Expected return on plan assets	9.0	9.0
Future salary increases	7.5	7.5
Future pension increases	3.0	3.0

	2013 E	2012 E
15. Bank overdraft		
First National Bank of Swaziland Limited	26 855	27 268
Nedbank (Swaziland) Limited	-	287 861
	26 855	315 129
16. Payroll accruals		
Employee benefit accruals		
Opening balance	9 917 355	8 633 523
Net increase/(decrease) in leave pay accrual	107 698	(18 763)
Net increase in other accruals	815 407	1 302 595
Closing balance	10 840 460	9 917 355
17. Cash utilised in operations		
Net operating surplus before interest on members funds	132 474 723	164 746 526
Adjustment for:		
Depreciation (note 1)	1 990 090	2 173 290
Dividends and other income (note 2)	(16 534 904)	(19 505 182)
Interest income (note 2)	(30 601 644)	(29 807 440)
Fair value gains on investments – realised and unrealised	(129 889 433)	(134 788 590)
Fair value gains on investment properties (note 5)	(4 167 806)	(19 410 277)
Loss/(profit) on disposal of property, plant and equipment (note 1)	1 399 820	(1 440 094)
Investment fees deducted from values of investments	8 845 238	7 898 911
Impairment of rental debtors	410 319	(122 495)
Increase in payroll accruals	923 105	1 283 832
Changes in working capital		
(Increase)/decrease in accounts receivable and prepayments	(1 013 265)	54 232
Increase in trade and other payables	4 787 024	1 609 536
Cash utilised in operations	(31 376 733)	(27 307 751)

	2013 E	2012 E
18. Commitments in respect of capital expenditure		
Contracted for	10 398 299	108 301 221
Not contracted for	-	-
	10 398 299	108 301 221

Capital expenditure is funded from operating income and will be spent in the next financial year.

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 by exposure to different fund managers and market instruments. The Fund's investments are reviewed by the Investment Committee who meet regularly to ensure that the Fund's investment strategy is adhered to.

20. Financial instruments (continued)

(i) Market price risk (continued)

At 30 June 2013 the overall market exposures were as follows:

Schedule of investment securities as at 30 June 2013

	Fair value or cost		% of total net investment	
	2013	2012	2013	2012
	E	E	%	%
Securities available-for-sale	1 524 154 490	1 414 159 986	93.1	93.6
Securities held to maturity	2 271 000	7 271 000	0.1	0.5
Guaranteed funds	110 670 509	89 115 206	6.8	5.9
Total securities (note 6)	1 637 095 999	1 510 546 192	100.0	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 Members 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.

Interest rates are dependent upon prevailing market rates and the fund's interest rate risk is managed and reviewed by the Investment Committee and Board Members on a quarterly basis.

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 into with the Fund.

The Fund's credit risk concentration is spread between interest rate and equity securities as reported above under market risk diversification. The fund is exposed to credit risk on all its investments and loans and advances with a market value of E1 666 557 357 (2012: E1 542 051 017).

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. Rental debtors amounting to E1 656 778 (2012: E1 246 459) were considered to be past due and these have been fully provided for. The Fund's loans and advances are secured by a cessation of debtors wit h a value of E32 000 000 (2012: E32 000 000). The investment in Inhlonhla is secured by a cessation of Interneuron's shares in SIDC with a value of E136 082 053 (2012: E136 082 053).

(iv) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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. The Fund's financial liabilities have a maturity period of less than 12 months with the exception of rental deposits which are dependent on the tenants' lease tenure.

(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. Certain investments managed by Investment Managers have exposure to currency risk. These are, however, an insignificant portion of the Fund's total assets.

(vi) Fair values

At 30 June 2013, the carrying value of the financial assets and liabilities of the Fund approximated their fair values.

21. Events subsequent to reporting date

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

DETAILED REVENUE ACCOUNT AND RELATED SCHEDULES (ANNEXURE 1)

for the year ended 30 June 2013

Annexure 1 comprises the following schedules:

	Schedule	Page
Gross income	1	50
Investment property income and expenditure	2	51
Realised income on RSA asset management	3	52
General and administrative overheads	4	52-53

	2013 E	2012 E
Schedule 1 – Gross income		
Investment income		
Local dividend and interest income	16 477 968	13 766 986
Interest income on local loan investments	2 051 533	2 296 846
Old Mutual plc dividends	288 678	367 831
RSA asset management (schedule 3)	31 422 628	35 726 890
African Alliance Lilangeni Fund	383 357	49 709
Gross investment property income (schedule 2)	34 514 091	49 211 016
Miscellaneous income	3 740 002	4 501 981
Severance pay provision	446 630	-
Bad debts impairment reversal	-	122 495
Profit on sale of assets	-	1 440 094
Interest on staff loans	-	-
Rental income from staff houses	2 109 396	1 984 542
Rental income from rental of head office building	928 120	623 609
Miscellaneous revenue	255 856	312 478
Leave pay provision	-	18 763
Gains/(losses) on investments	126 401 817	131 892 950
RSSC shares	-	(549 349)
SIDC shares	-	41 500 000
Investec Investments	14 293 356	11 325 553
Allan Gray Long Term Investment Portfolio	45 945 356	36 585 471
African Alliance Portfolio Fund	11 506 985	6 479 270
African Alliance Offshore Fund	14 566 553	8 527 279
African Alliance Managed Fund	4 623 351	2 371 273
Nedbank shares	315 000	90 000
Old Mutual Plc shares	1 827 350	1 155 430
Old Mutual Absolute return portfolio	11 555 303	7 722 947
Ovation voluntary Investment Plan	-	187 112
Stanlib	20 588 683	14 730 566
African Alliance High income	-	670 082
Investec smoothed bonus	1 179 880	1 097 316
	215 280 074	237 814 209

	2013 E	2012 E
Schedule 2 – Investment property income and expenditure		
Gross rentals – commercial and residential properties	30 346 285	28 846 969
Bhunu Mall income	-	953 770
Changes in fair value of investment property	4 167 806	19 410 277
Gross investment property income	34 514 091	49 211 016
Less: Property expenses		
Advertising	35 571	82 390
Cleaning	2 036 383	2 068 897
Electricity and water	3 242 556	3 626 534
General expenses	17 069	15 728
Hospitality expenses	-	1 495
Insurance	507 503	534 358
Legal and professional fees	124 003	178 160
Lift maintenance	288 610	128 800
Meter reading expenses	92 481	84 033
Motor vehicle expenses	513 082	293 554
Protective clothing	17 554	14 492
Provision for bad debts	410 319	-
Rates	2 147 984	3 590 510
Repairs and maintenance	2 731 230	1 647 536
Security	1 190 850	1 084 530
Staff costs	3 920 555	3 505 489
Stationery and postage	83 503	42 064
Subscriptions	-	5 618
Telephone	123 015	71 444
Training expenses	130 209	109 125
Travelling expenses	20 426	12 558
Property operating expenses	17 632 903	17 097 315
Net property income	16 881 188	32 113 701

	2013 E	2012 E
Schedule 3 – Realised income on RSA asset management		
Realised gains on investments	3 487 617	2 895 649
Dividends	14 604 681	17 814 108
Interest	13 330 330	15 017 133
	31 422 628	35 726 890
Schedule 4 – General and administrative overheads		
Advertising and publicity	700 591	619 026
Auditors remuneration (note 1)	517 250	443 357
Bank charges	649 759	825 600
Board members fees	939 074	897 612
Board development	261 599	-
Cleaning expenses	774 876	499 554
Computer expenses	1 253 354	640 874
Conference expenses	1 164 083	974 791
Conversion to Pension Fund costs	315 674	424 721
Electricity and water	553 547	335 996
Funeral Benefit Claim Premium	4 008 750	3 505 177
Funeral Benefit launch costs	-	308 643
Hospitality expenses	76 326	69 857
Hotel accommodation	55 424	125 297
Insurances	243 887	209 123
Lease finance charges	333 093	7 885
Legal and professional fees	1 675 797	1 536 523
Levies - Registrar of Retirement Funds	1 397 655	1 440 518
Loss on sale of staff houses	1 399 820	-
Marketing	417 272	582 372
Members medical expenses	83 495	51 737
Balance carried forward	16 821 326	13 498 663

for the year ended 30 June 2013

	2013 E	2012 E
Schedule 4 – General and administrative overheads (continued)		
Balance brought forward	16 821 326	13 498 663
Motor vehicle expenses	456 925	406 639
Office rent and expenses	123 915	68 219
Public Enterprises Unit management fees	-	-
Postage, telephone and telegrams	1 408 015	2 037 891
Printing and stationery	638 384	746 217
Provision for depreciation	1 990 090	2 173 290
Rates	513 805	1 630 444
Repairs and maintenance (note 1)	470 065	380 138
Security	689 279	561 163
Staff costs excluding property division	32 253 869	25 538 151
Conversion of EXCO to contracts	4 759 992	891 862
Group life insurance scheme	443 153	250 400
Housing subsidy	190 018	316 983
Leave pay provision	107 698	-
Medical expenses	569 417	430 935
Pension fund contributions	1 847 867	1 793 822
Salaries, gratuities and allowances	22 919 590	21 161 973
Staff welfare	401 637	306 725
Statutory SNPF contributions	69 450	63 250
Wellness program	216 123	144 394
Workman's compensation	728 924	177 807
Scanning task force	79 890	-
Sponsorship	78 740	87 000
Staff uniforms	13 439	8 896
Strategic plan review	-	24 563
Subscriptions	244 741	211 885
Training expenses	339 021	498 444
Travelling expenses and allowances	205 706	199 854
	56 327 210	48 071 457

NOTES


The Pessimist.
...says the glass is half empty.
The Optimist.
...says the glass is half full.
Be The Smarter One.
...and make sure the glass is always full.

S.N.P.F.

LIDLELANTFONGENI

SWAZILAND NATIONAL PROVIDENT FUND