

PUBLIC SERVICE PENSIONS FUND



2020

ANNUAL
REPORT



VISION

To provide excellent retirement services anchored on responsible investment through our empowered people.

MISSION

To provide a portfolio of security services to members in a sustainable, progressive and ethical manner

VALUES

- ▶ Innovation
- ▶ Fairness
- ▶ Transparency
- ▶ Excellence

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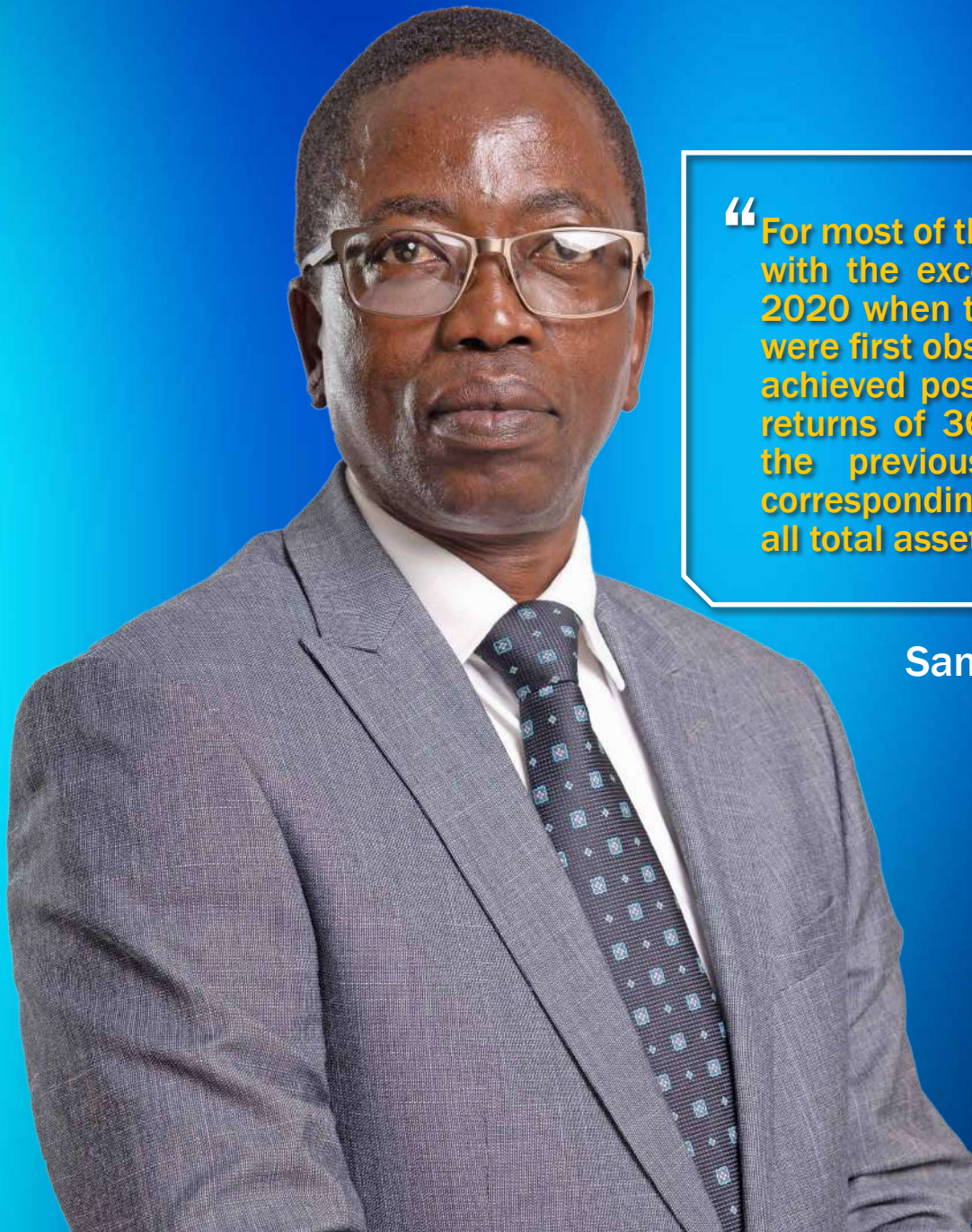
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The Minister for Public Service
Honourable Christian Ntshangase



CHAIRMAN'S STATEMENT



“For most of the financial year, with the exception of March 2020 when the Covid effects were first observed, the Fund achieved positive investment returns of 36 percent above the previous year and a corresponding growth in overall total assets.”

Sammy Dlamini
Chairman

Overview

I have the pleasure to present the Public Service Pensions Fund's (PSPF) annual report for the year 2020 on behalf of the Board of Trustees. This I do in the backdrop of the unprecedented new global environment brought about by the Covid-19 pandemic which has engulfed all the economies of the world, not sparing that of our country Eswatini.

Financial Highlights

For most of the financial year, with the exception of March 2020 when the Covid effects were first observed, the Fund achieved positive investment returns of 36 percent above the previous year and a corresponding growth in overall total assets. This good financial run, which would be later curtailed by the performance downturn due to Covid-19

brought about adverse revaluations of portfolio stocks and counters in the investment space. By year end the Fund recorded gross income of a modest E355 million.

I am happy to report however, that subsequent to the March crash, financial markets have rebounded and we are starting to observe returns to pre-Covid levels in most of our investment portfolios. With market confidence restored, we expect improved profitability in most of the sectors where we are invested and we remain positive of recouping the short term losses suffered.

Turning to expenses, which are mostly driven by benefits paid to retired members, we have recorded the highest levels in the history of the fund reaching E1.487 billion for the year. Member benefits expenses have for the first time exceeded the total value of contributions received from active members reaching a record benefits to contributions ratio of 104 percent. This on the one hand is testament of the generosity of the retirement benefits offered by the Fund to its members, and on the other the emergence of an unsustainable situation requiring the disinvestment of funds to offset the shortfall benefit payment obligations.

All these factors combined have resulted in a 10 percent contraction in the funding level to 68.9 percent. The Board of Trustees is exploring strategies to address this disparity in an effort to turn the Fund's growth trajectory in the positive direction.

To date the total E22 billion assets of the Fund are split 50/50 in outlay between local (domestic) and external (foreign) portfolios. I am proud to report that our domestic investments have shown strong resilience to the Covid-19 shocks in

that they have in this period outperformed the foreign portfolio, returning positive results. In this regard, the 2020 domestic investments posted returns of 11 percent translating to an income of E830 million.

This domestic performance has truly been the Fund's lifesaver this year without which we would have recorded negative total income. Further, this result gives credence to the Fund's diversification strategy which underpins our investment mandates as a risk containment measure.

Significant developments

It is my assertion that due to the size of the Fund in relation to the economy of Eswatini, PSPF invariably finds herself playing a prominent participatory role in most sectors of the economy. This year alone the Fund has injected a total of E762 million into the economy through major investments in the agriculture, hospitality, retail and public administration sectors. The domestic portfolio now boasts of significant participation in the following asset classes:

- Loans/Bonds - E6.9 billion
- Equity stakes - E2.3 billion
- Cash instruments - E0.9 billion
- Property holdings - E0.9 billion

Income streams that accrue from these investments are in the form of dividends, interest and rentals, all positively contributing to the bottom line of the organisation.

Hilton Garden Inn Opening

One of the major milestone events of the year was the official opening of the Hilton Garden Inn by His Majesty King Mswati III on October 15, 2019. This structure which was completed and open for trading in the prior year is one of PSPF's wholly owned property investments. The event was also attended, amongst others, by the Hilton Vice President Jan Van de Putten.



CHAIRMAN'S STATEMENT

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I am proud to note that judging from the overwhelming response of invited guests to the function numbering around 1 000 and feedback received, it was a hugely successful and momentous event. The function was featured on two sites (hotel premises and MTN Golf Park) and utilised technology to stream the official ceremony live to the gathering site.

The guest of honour, His Majesty the King, conducted the official tasks of ribbon cutting and the unveiling of the electronic plaque at the main entrance of the hotel. He was then taken on a conducted tour of the features and operations of the facility of which he took a keen interest. In my extensive and close interaction with him as well as in his address to the public, His Majesty commended PSPF for bringing such a calibre of an investment into the country's landscape in the form of an international brand. He also valued the high technology standard employed in the hotel environment. He further urged the public to get used to utilising the hotel and its facilities.

I have no doubt that the event was hugely successful and that it demonstrates the capabilities and achievements of the Fund in its developmental objective. We are equally proud of the incidental business opportunities that were directly provided as positive spinoffs from the event to many service providers such as food caterers, facilities installers, printers, advertisers, etc.

Corporate Social Responsibility

In both its business and social dealings, the Fund has always thrived to be a good corporate citizen of the country. To this end, we have made significant inroads in actively participating in initiatives of meaningful investment around programmes of social upliftment and the provision of relief to the obtaining social ills. I can proudly report that in the year under review, we have disbursed a total of E1.7 million to various segments of the population under the Corporate Social Responsibility Programme. The beneficiary groups that have been covered by the programme include, Covid-19 Relief programme, End Malaria programme and many more.

Conclusion

It is my honour to express the Board of Trustees' appreciation to the Honourable Minister, Christian Ntshangase for the leadership he has accorded the Fund since he assumed office. My gratitude also extends to members of the Board of Trustees for their cooperation and wise direction of the affairs of the Fund. The same goes to the Investment Committee for valuable expert advice towards the management of the assets. Lastly, to the CEO and his Management team on undertaking the day to day business dealings for the good of the Fund.



Chairman

BOARD OF TRUSTEES



Mr. C.D. Khumalo



Mr. S.S. Dlamini
Chairman



Ms. D.J. Ngwenya



Mr. R.F. Maseko



Mr. H.M. Mabuza



Mr. E. B. Hlatshwayo



Mr. C.D. Dlamini



Mr. C.R. Tembe



Mr. E.B. Mamba



Mr. D.C. Ndlangamandla

EXECUTIVE MANAGEMENT



Mr. L.P. Dlamini
Chief Executive Officer



Mr. F.J. Mabuza
Director Finance



Mr. S.S. Shongwe
*Director Information
Communication Technology*



Mrs. P.T. Dlamini
Director Internal Audit & Risk



Mr. B.M. Vilakati
Director Investments



Mr. E.B. Makhanya
Director Corporate Services



Mr. J.J. Ndlangamandla
Director Operations

CORPORATE GOVERNANCE AND RISK AND MANAGEMENT STATEMENT



Governance Principles

Good Governance and ethical behaviour provide the foundation for the Fund to realise its aspiration to be a role model for pension funds in the region. The Board of Trustees is committed to the objective of achieving high standards of corporate governance, which are designed to provide assurance that the Fund is directed and controlled by its Board and through systems of delegation and escalation, so as to be able to achieve its business objectives responsibly and in accordance with high standards of accountability and integrity.

Risk management is an integral part of the Fund's governance framework, it has in place a risk management policy and plan and risk registers for all operations of the Fund, which was approved by the Board.

The COVID-19 outbreak which was declared a pandemic by the World Health Organisations has caused a huge impact on people's lives, families, communities and Organisations being no exception. Organisations are facing potentially significant challenges to which they needed to respond rapidly, thus the Fund undertook a risk impact analysis to all key processes of the Fund. The risks were identified, assessed and mitigation strategies were put in place which are monitored frequently. A Covid-19 Committee was appointed to drive the response to the pandemic, working closely with the Executive Management.

The key strategies implemented included the protection of its people, assessment of the Fund's risk exposure, maintaining a business continuity plan, providing clarity to employees and stakeholders to enable business continuity, and balanced customer protection with business priorities. The Fund is assessing the pandemic situation daily, remaining vigilant, and following all recommendations from the World Health Organization and the Ministry of Health.

Governance Structures

Stakeholder

The Fund through its Board is accountable to the Government of the Kingdom of Eswatini represented by the Minister of Public Service. The Minister holds

the Board of Trustees accountable for operations and management of the Fund.

Board of Trustees

The Board comprises of ten non-executive members, appointed by the Minister in consultation with relevant constituents in accordance with Retirement Funds Act, 2005. The Board has a charter which sets out their terms of reference. It defines the roles, responsibility and authority of the Board. The current Trustees were appointed to the Board on 1 June 2019.

In addition, there is full separation of the roles of Chairman and Chief Executive Officer. The Chief Executive Officer serves as Secretary to the Board and is accountable to the Board for all authority delegated to executive management.

The key functions of the Board are to:

- supervise the operations and management of the Fund
- decide on the financing and financial position of the Fund
- decide upon the investments of the assets of the Fund by acting on the advice of the Investment Committee and
- decide on any matter from time to time referred to it by the Minister

On appointment, the Trustees received induction on the operations of the Fund, including information about matters of immediate importance to the Fund, such as the legislation governing the Fund, annual budget, strategic Plan, management accounts and other sources of important information. In an attempt to foster good corporate governance principles, the Board was afforded training on corporate governance and mastering Board leadership.

In line with good governance principles, the Trustees shall conduct an evaluation of the Board as a whole and its board committees in order to ascertain their performance and effectiveness.

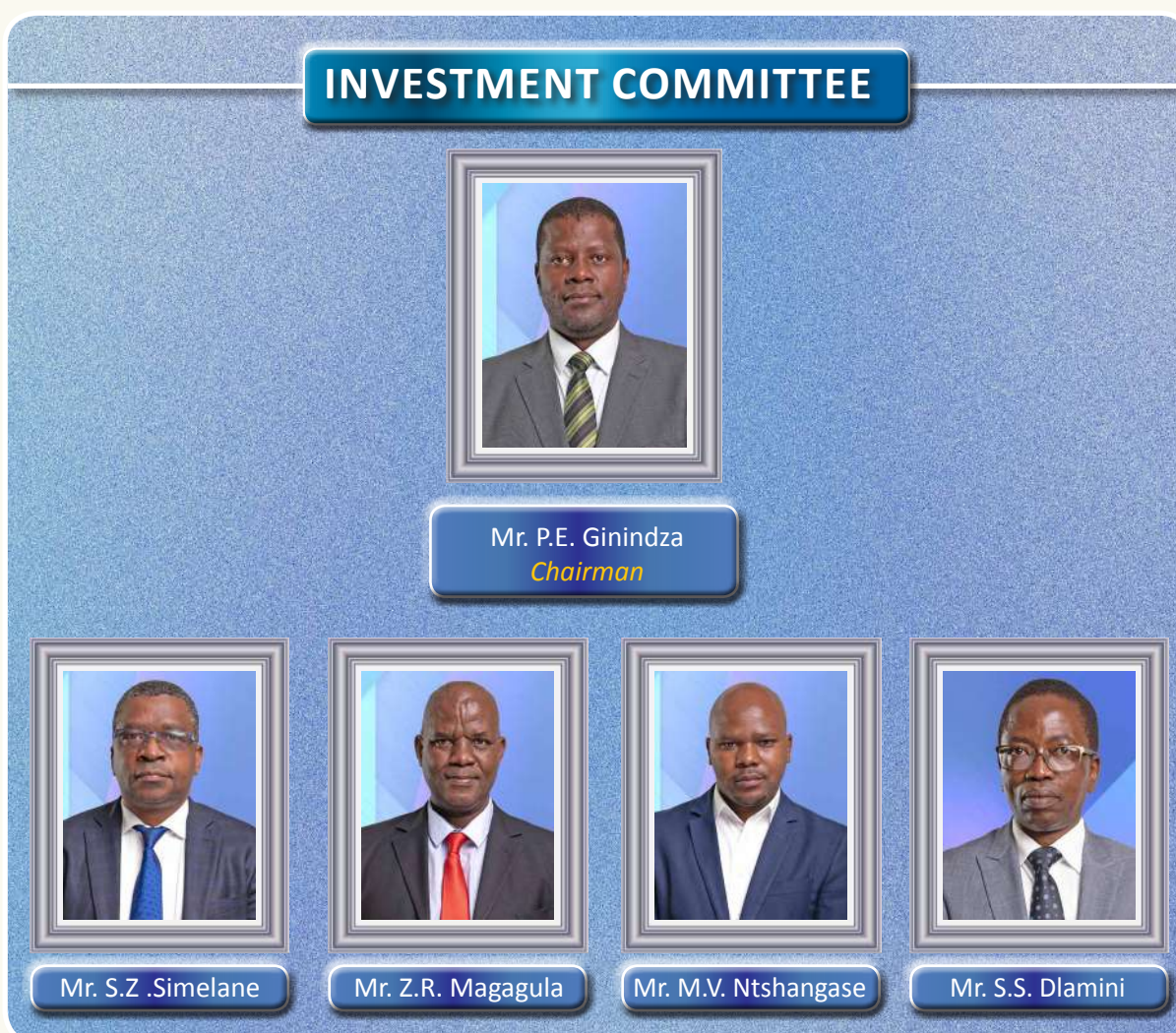
Investment Committee

The Investment Committee is a statutory body that advises the Board on the investment of the Funds' assets. It consists of the Chairman of the

Board and four other persons appointed by the Minister in consultation with the Board for their expertise in investment matters. The term of office for the Committee is three (3) years. The Committee holds quarterly meetings to review investment performance reports, and hold special meetings as circumstances require. The Committee deliberates

on investments issues and makes recommendations to the Board for approval.

The current membership of the Committee consists of Mr. P.E. Ginindza (Chairman), Mr. Z.R. Magagula, Mr. S.Z. Simelane, Mr. M.V. Ntshangase and Mr. S.S. Dlamini (Chairman of the Board of Trustees).



Board Sub-Committees

The Board has a number of sub Committees to which it has delegated some of its responsibilities in accordance with the respective terms of reference. The Committees are the Finance and Audit Committee, Human Resources and Administration Committee, Projects Committee and the Benefits Committee. These Committees all strive for excellence and attainment of the Fund's objectives in carrying out their responsibilities.

The Committees each comprise of four Board members and all have a Charter in place which sets out the terms of reference. Each Committee meets quarterly, special meetings are held as and when the business of the Fund demands.

The Chairperson of each Committee reports to the Board on matters discussed by the Committee after each meeting and make recommendations to the Board for approval.

OPERATIONS REPORT

Financial Highlights



	2016 Em	2017 Em	2018 Em	2019 Em	2020 Em
INCOME					
Contributions	888	1 089	1 142	1 189	1 187
Withdrawal ^{N1}	-	-	-	-	-
Reversal of impairment	140	-	-	-	-
Investment income	1 480	1 609	2 469	1 444	2 413
Total	2 508	2 698	3 611	2 633	3 600
Revaluation gains/(losses)	48	(406)	(1 201)	427	(3 245)
Gross Returns	2 556	2 292	2 410	3 060	355
EXPENSES					
Benefits awarded	743	948	1 039	1 176	1 237
Administration expenses	86	108	113	121	128
Investment Management Fees	84	89	97	92	102
Regulatory Fees	12	13	26	27	20
Total	925	1 158	1 275	1 416	1 487
Surplus/(Deficit)	1 631	1 134	1 135	1 644	(1 132)
FINANCIAL POSITION					
Property, plant and equipment	47	45	45	43	43
Foreign assets ^{N2}	13 256	13 547	12 974	13 028	11 140
Domestic assets ^{N3}	6 142	6 994	8 699	10 383	11 145
Accumulated funds	(19 380)	(20 514)	(21 649)	(23 293)	(22 160)
Liabilities	(65)	(72)	(69)	(161)	(168)
CASHFLOWS CONDENSED					
Cash from operations	1 482	1 602	2 328	1 139	2 115
Net cash invested	(1 272)	(2 255)	(2 437)	(1 045)	(3 025)
Net movement in cash and cash equivalents	210	(653)	(108)	94	(910)
Opening cash position	2102	2 312	1 659	1 635	1 730
Closing cash position	2312	1 659	1 551	1 730	820
FINANCIAL RATIOS					
	%	%	%	%	%
Member benefits/contributions	84	87	91	99	104
Admin expenses/ contributions	21	19	21	20	11
Admin expenses/total expense	20	18	19	17	9
Return on investments	8	5	5	7	(3)
Inflation	6	6	4	5	3
Real rate of return	3	(1)	1	2	(6)

N1 – Refund of member contribution to members who leave the service

N2 – This is the portfolio invested outside the country.

N3 – This is made up of domestic investment portfolio and current assets



OPERATIONS REPORT

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Summary Performance Notes

Revenue increased by 37 percent from E2.63 billion to E3.60 billion, driven by realised profits in the South African based portfolio. Coronation Asset Management contributed E1.20 billion due to good stock selection. In the case of the domestic portfolio the high vacancy rate had an adverse impact on rental income. Pension contributions were almost stagnant as they decreased by 0.2 percent during the year under review.

Administration Expenses - these increased by 4 percent from E240 million last year to E250 million this year. The cost containment strategy implemented under the new leadership is paying dividends.

Benefits Awarded to Members increased by 5 percent to E1.24 billion this is attributable to the Cost of Living Adjustment awarded on pension annuities.

Revaluation Gains/ (Losses) - the Fund recorded revaluation losses of E3.25 billion mainly from the foreign portfolio, due to the Corona Virus pandemic. The losses are mainly attributed to stock market uncertainty on the advent of Corona Virus. Once the World Health Organisation (WHO) declared the novel Corona Virus a pandemic, investors started disinvesting from emerging markets, plummeting the value of related shares in those markets.

From experience of all previous stock markets crashes, we kept our heads down and waited for the markets to settle. In all the previous market crashes the biggest losses were incurred by those who made panic sales as they missed out on market recovery. The markets have started to recover and we are confident that we will recoup losses incurred by the Fund in subsequent periods.

As a result, a **Deficit** of E1.13 billion was recorded in the current period compared to a surplus of E1.64 billion last year.

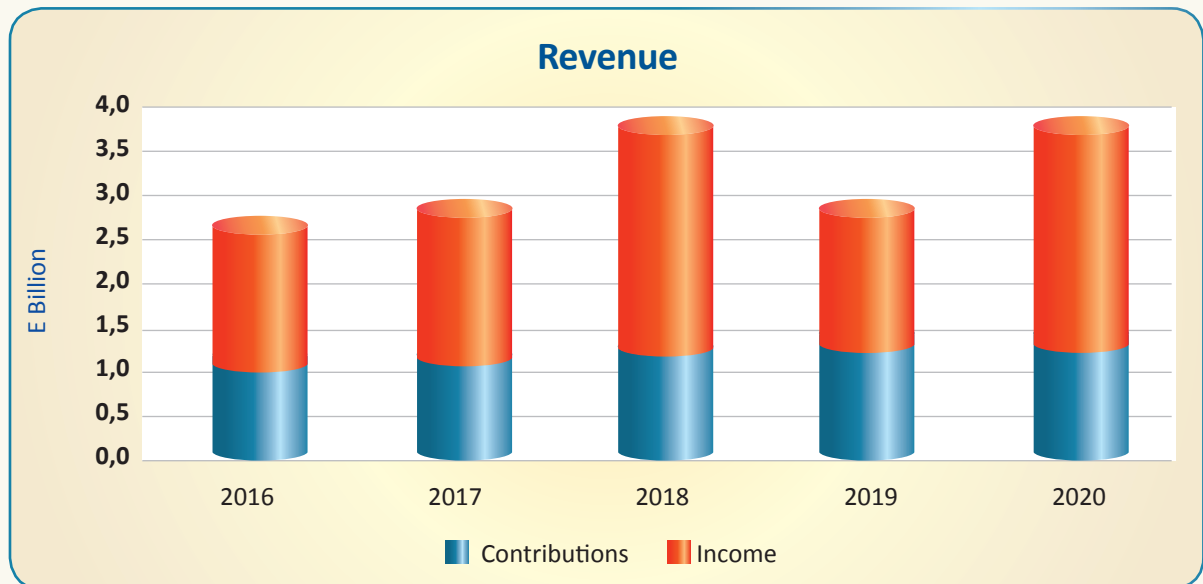
Consequently, **Net Assets** decreased by 5 percent from E23.29 billion to E22.16 billion.

Domestic Portfolio Capital Investment the Fund injected an amount of E762 million in the Kingdom of Eswatini during the year mainly in the public, hospitality, agriculture and retail sectors so as to support the economy and create employment.

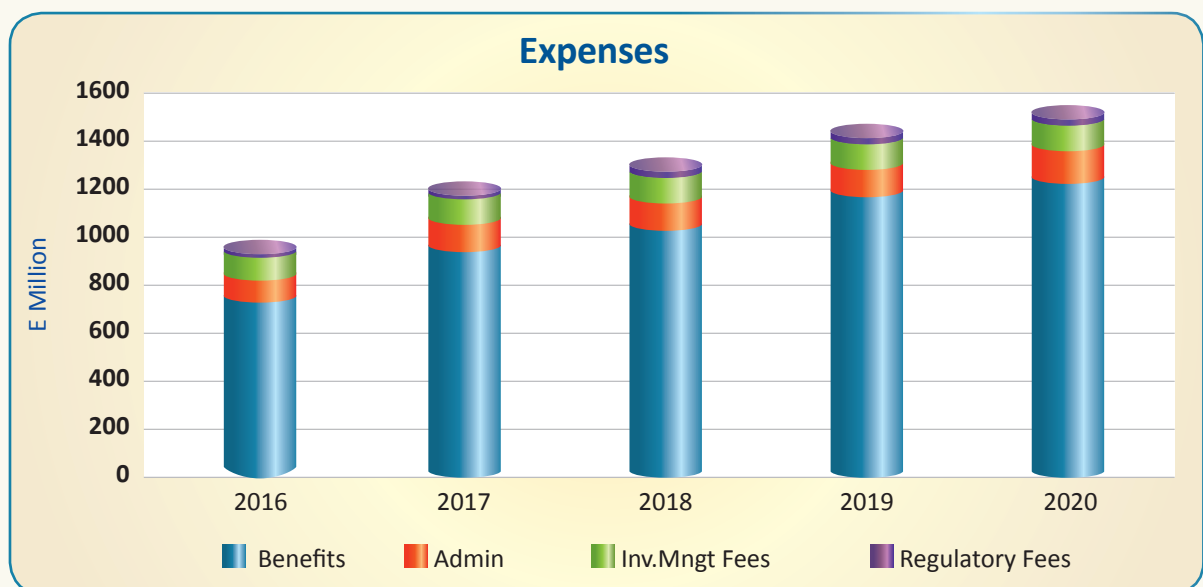
Direct Property Capital Investment increased by 5 percent to E882 million. The Fund added a conference facility to the Hilton Garden Inn. The conference facility will be ready for use in September 2020.

Cash Generated from Operations before fair value adjustments amounted to E2.12 billion earned from contributions and investment income. The strong cash position confirms that the Fund remains in a solvent position to support operations.

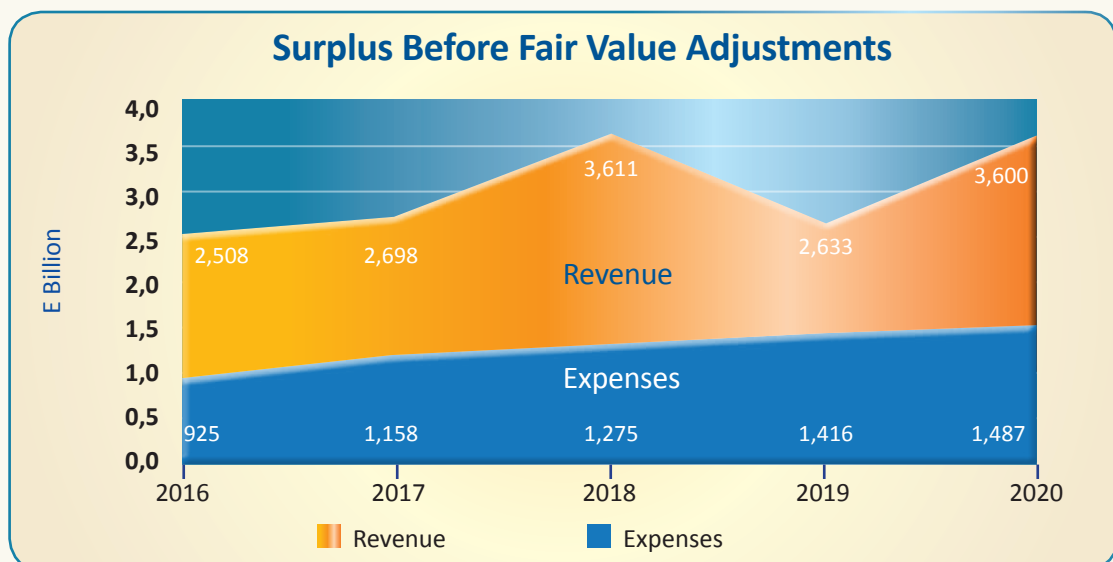
Performance Trend Analysis follows:



Total Revenue growth chart



Expenses trend chart



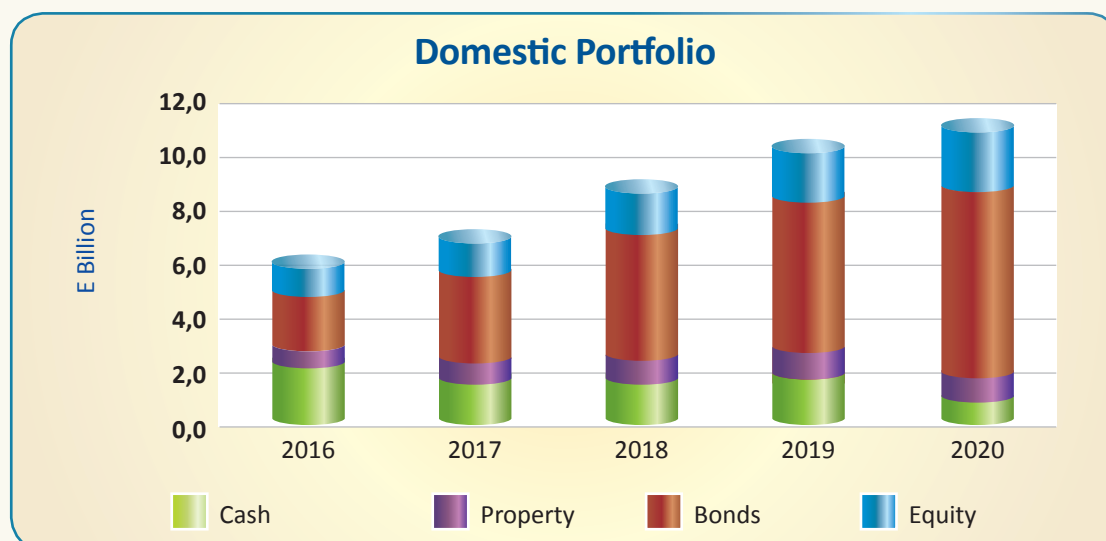
Revenue

Net Surplus growth chart

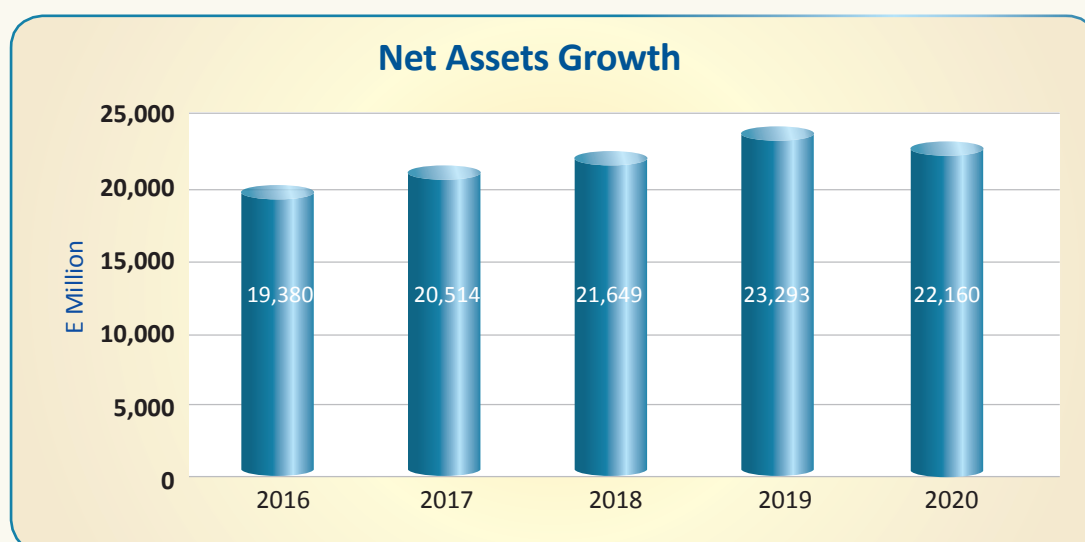


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Domestic Portfolio chart



Net Asset growth chart

NET ASSETS

There was a drop in assets to E22 160 million (2019: E23 293 million) attributable to:

- Government freeze on new posts and replacements payments of benefits.
- Corona Virus Impact

INCOME

Pension Contributions

The contributing employers:

- Eswatini Government
- Eswatini National Treasury
- Eswatini Water Services Corporation

A total of E1 187 million was received as contributions for 42 130 members. In the previous financial year, the Fund had received E1 189 million for 42 979 members. Contributions decreased by E2 million which translates to a 0.2 percent decrease.

CASH FLOWS

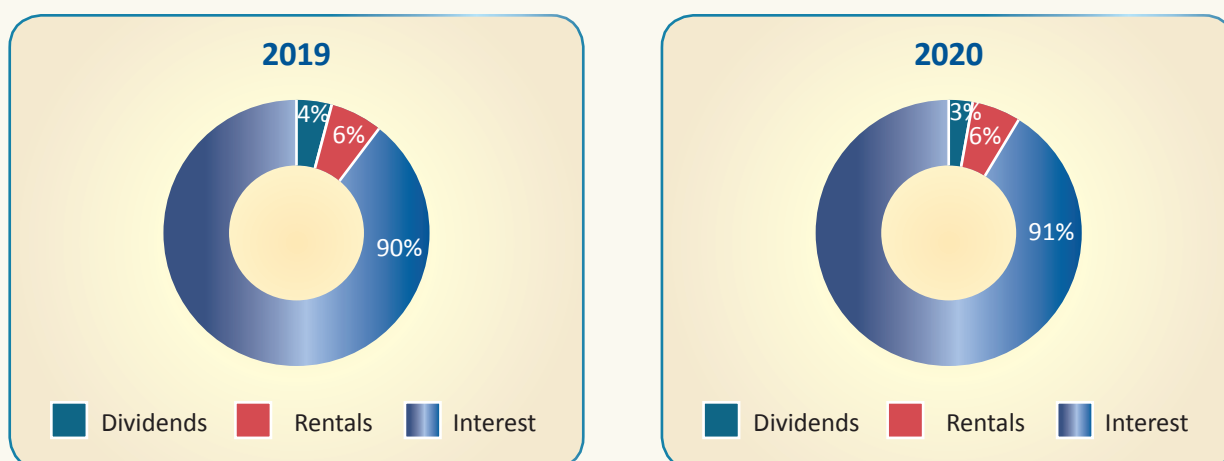
In the year to 31 March 2020 cash and cash equivalents decreased from E1 730 million to E820 million. This is mainly attributable to the cash utilised for investment in Eswatini.

Domestic Investment Portfolio – Income Components

	2015	2016	2017	2018	2019	2020
	E000's	E000's	E000's	E000's	E000's	E000's
Dividends	44 600	69 109	56 030	64 426	44 336	48 998
Interest	287 152	341 935	440 189	561 675	671 343	758 374
Rentals	24 731	28 336	31 099	34 742	33 139	22 918
Total	356 483	439 380	527 318	660 843	748 818	830 290

Domestic income is on an upwards trajectory. Income increased by 25 percent, 13 percent and 11 percent in 2018, 2019 and 2020, respectively.

Percentage Profile of Domestic Income



Interest income was the major contributor to total income accounting for 91 percent. Rental income decreased by 31 percent mainly as a result of low occupancy.

Dividends consist mainly of earnings from Swaziland Empowerment Limited (SEL), being dividends from its investments in Swazi MTN Limited.

Foreign Investment Portfolio – Income Components

	2017 (Em)	2018 (Em)	2019 (Em)	2020 (Em)
	E000's	E000's	E000's	E000's
Dividends	248	219	268	246
Interest	198	192	205	225
Realised Profits	636	1 397	221	1 111
Total	1 082	1 808	694	1 582

The above analysis prevailed under the balanced portfolio mandates.



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Expenditure

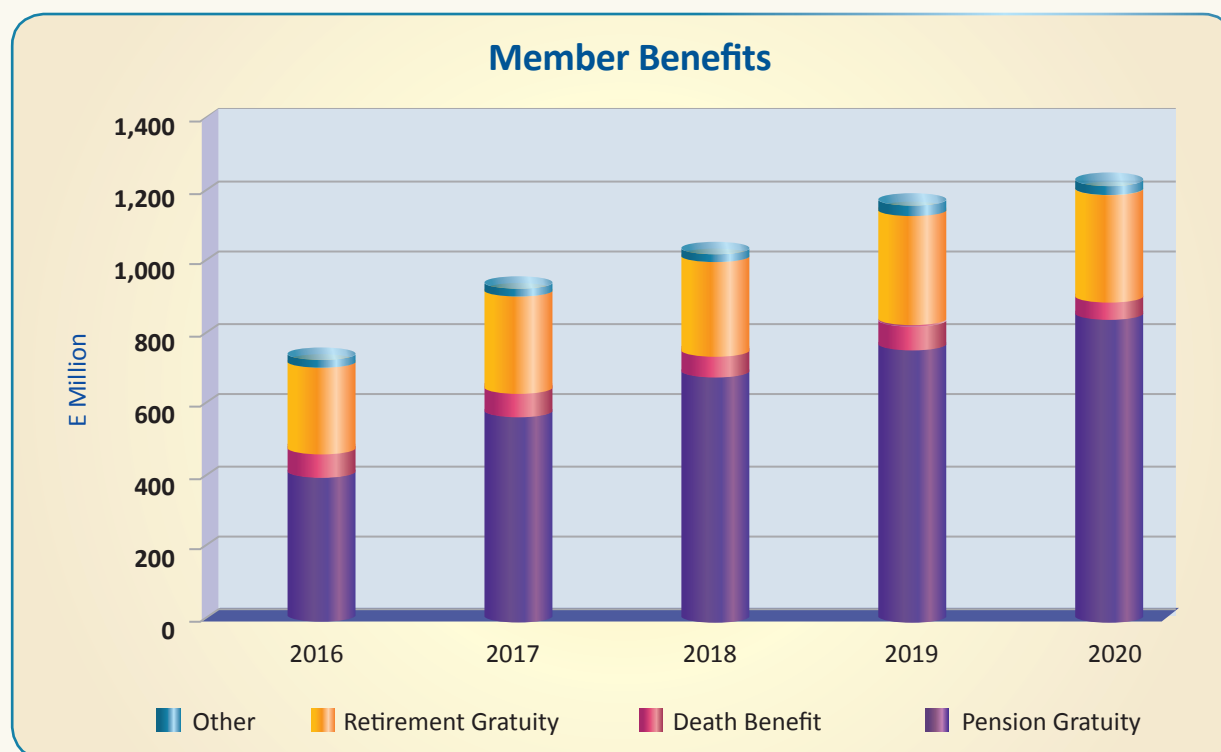
Expenditure breakdown:

- Member benefits: E1 237 million (2019: E1 176 million)
- Administration expenses: E250 million (2019: E240 million)

Member Benefits

	2016	2017	2018	2019	2020
	(Em)	(Em)	(Em)	(Em)	(Em)
Pension Annuity	487	586	695	778	857
Death Benefit	52	64	60	62	48
Retirement Gratuity	185	275	266	305	303
Other	19	23	18	32	29
Total	743	948	1 039	1 176	1 237
Total % change	6	28	10	13	5

Included in other benefits is an amount of E3.3 million for the funeral scheme. This benefit came into effect on the 1st September 2013. It is a non contributory amount of E7 000 payable on the death of an active member or pensioner.

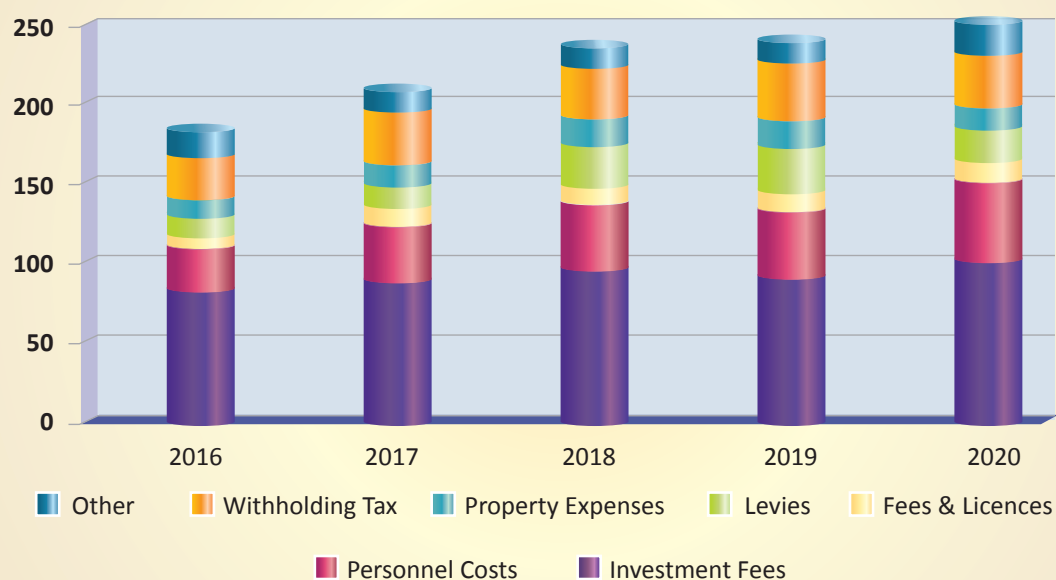


Administration Expenses Analysis

	2016	2017	2018	2019	2020
	(Em)	(Em)	(Em)	(Em)	(Em)
Investment Fees	84	89	97	92	102
Personnel Costs	26	36	41	42	50
Fees and Licences	7	10	10	11	12
Levies	12	14	26*	27	20
Property Expenses	12	14	18	17	15
Withholding Tax	26	34	31	36	32
Other	16	13	13	15	19
Total	183	210	236	240	250

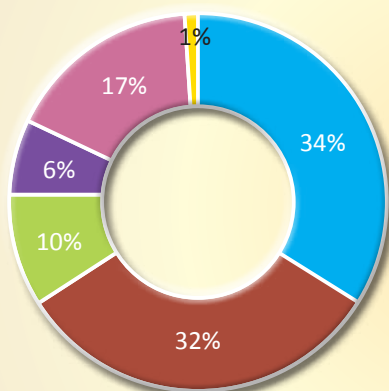
*Levy increased because of the introduction of PEU Levy.

Administration Expenses

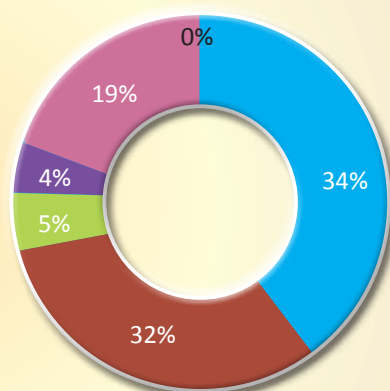


Financial Position - Investment Portfolio Overview

Asset Class Allocation - Overall 2019



Asset Class Allocation - Overall 2020



Equity Bonds Cash Property Foreign Assets Other



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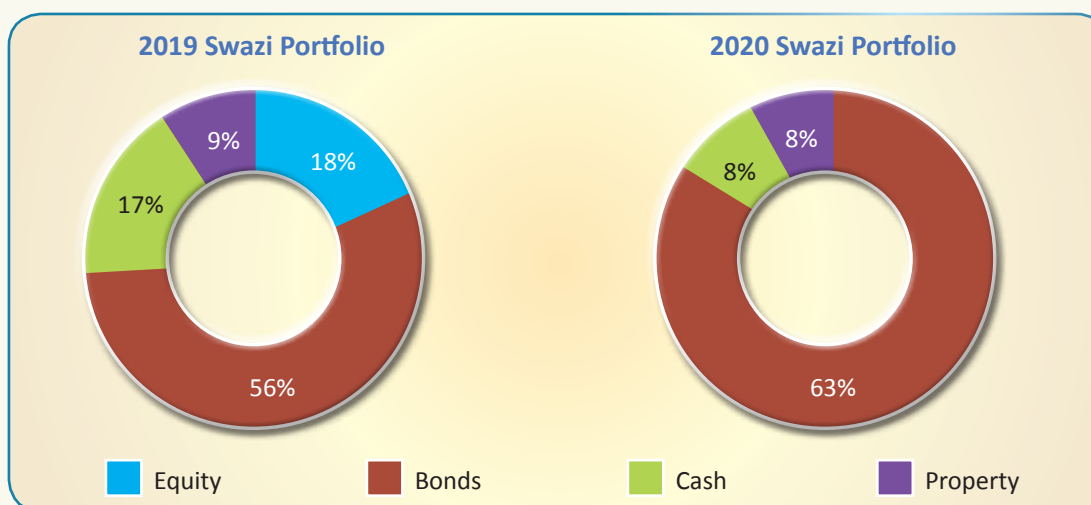
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Trend Chart of Investment Portfolio since 2014 (Em)

Year	2014	2015	2016	2017	2018	2019	2020
Domestic	4 516	5 449	5 845	5 845	8 699	10 168	11 020
Foreign	11 417	12 262	13 256	13 256	12 974	13 028	11 140
Total	15 510	17 711	19 101	19 101	21 673	23 196	22 160

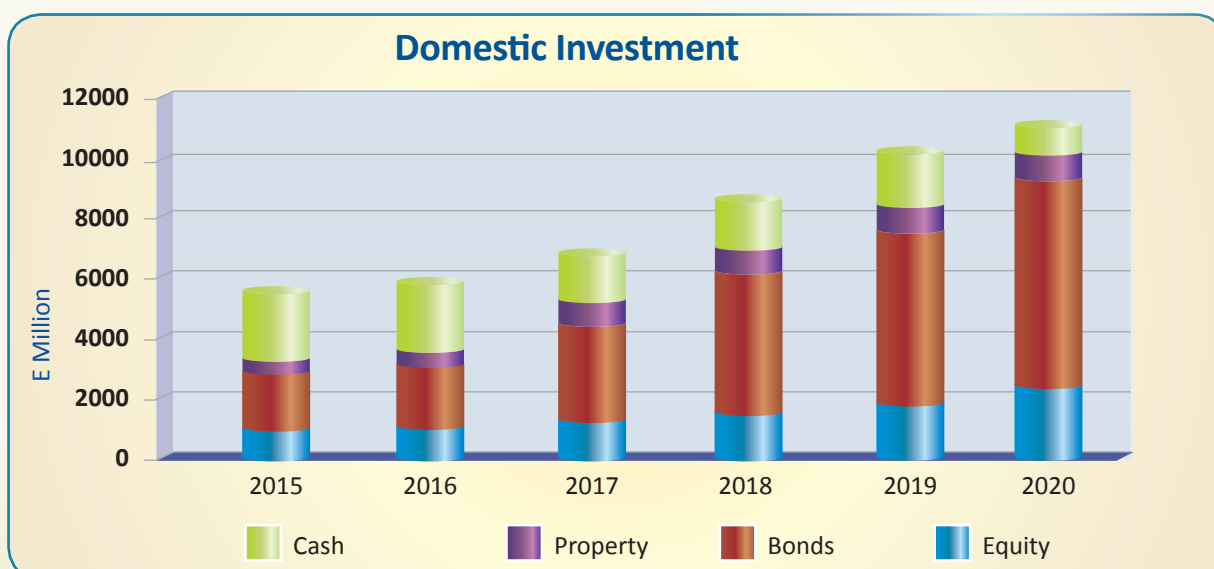
49.7 percent of assets were invested in Eswatini.

Domestic Assets Charts

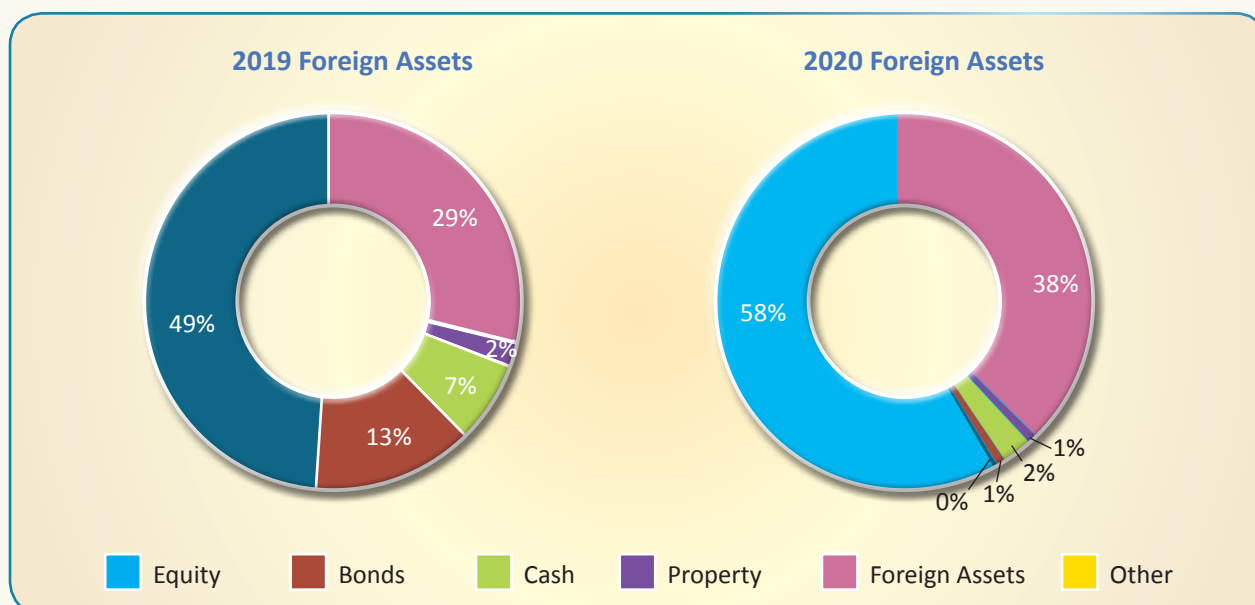


Domestic Investment Portfolio (Em) by Asset Class

Year	2013	2014	2015	2016	2017	2018	2019	2020
Equity	439	485	983	1 005	1 223	1 469	1 804	2 302
Loans/Bonds	1 554	1 892	1 917	2 100	3 293	4 731	5 712	6 928
Property	285	369	393	463	666	805	895	881
Cash	1 075	1 770	2 256	2 277	1 630	1 584	1 757	909
Total	3 353	4 516	5 449	5 845	6 812	8 589	10 168	11 020



Foreign Portfolio Distribution by Class of Asset



The foreign portfolio was changed to specialist equity mandate in March 2020.

Foreign Investment Portfolio by Asset Class (Em)

Year	2013	2014	2015	2016	2017	2018	2019	2020
Equity	4 859	5 469	5 473	6 463	6 489	5 895	6 430	6 478
Bonds	1 283	981	1 456	1 351	1 693	1 636	1 667	91
Property	123	540	718	736	781	762	290	78
Cash	1 274	1 175	1 001	1 034	931	977	925	262
Other*	-	238	243	152	241	234	-	18
Offshore	2 618	3 014	3 371	3 520	3 412	3 470	3 716	4 213
Total	10 157	11 417	12 262	13 256	13 547	12 974	13 028	11 140

*Other refers to New Gold ETF

Financial Ratios

The ratio analysis focuses on the following critical ratios:

- **Member benefits to contribution ratio:** 104 percent (2019: 99 percent). This ratio measures how much of the contributions receivable are used to finance member expenditure.
- **Administration expenses to contributions ratio:** 1 percent (2019: 20 percent). The ratio measures the percentage of total contributions used to run the scheme.
- **The return on investment (ROI):** 11 percent (2019: 7 percent). This is a critical ratio that measures the performance of the Fund's assets.



OPERATIONS REPORT

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Domestic Investments

As at 31 March 2020, 49 percent of the Fund's assets are invested within the Kingdom of Eswatini and 51 percent are invested externally, i.e. South Africa and outside the Common Monetary Area, through External Asset Managers. The assets invested locally are managed internally by the Fund and also through Domestic Asset Managers.

The Covid-19 pandemic negatively affected investments as the global stock markets recorded a sharp decline in March 2020 when the Corona Virus was declared a worldwide pandemic. A quick recovery was, however, recorded in April and May 2020.

Investment returns for the Fund are forecasted to be subdued in the short to medium terms as the world economies (including Eswatini) recover from the pandemic and adapt to the new way of life with the virus.

Investment Strategy

The Fund implemented a revised Investment Strategy during the financial year where the external assets were converted into a Specialist Equity portfolio. The transition process was completed in February 2020 for the South Africa Portfolio and in April 2020 for the Offshore portfolio.

The broad geographical asset allocation is outlined in the Table below.

Region	Market	Allocation
Offshore	Developed and Emerging market listed equities	20%
South Africa	South African Equities and Listed Property	30%
Eswatini	Eswatini Equities, Bonds, Property and Cash	50%

Implementation of the investment strategy culminated in the following appointments:-

- (i) Allan Gray Limited, Aluwani Capital Partners, Old Mutual, Sanlam Investment Management (Pty) Limited and Stanlib Asset Management Limited as asset managers for the South Africa Equity mandate.
- (ii) Stanlib Multi Manager and Alexander Forbes as the Global Multi Managers for the Offshore Portfolio.
- (iii) Gryphon Asset Management as the Transition Manager to oversee the transition process and allocation of the funds to the newly appointed Asset Managers.

South Africa Equity Assets

Assets invested in specialist South Africa Equity mandates accounted for 32 percent of the total assets. This is in line with the broad geographical asset allocation outlined by the Investment Policy.

In March 2020 when the Covid-19 virus was declared a pandemic, the financial and capital markets responded negatively to the anticipated effect of the pandemic. As a result the Johannesburg Stock Exchange FTSE/JSE Capped Swix All Share Index (our benchmark) declined by 26.6 percent for the quarter ended 31 March 2020. A sharp recovery was, however, recorded in the subsequent months of April and May 2020.

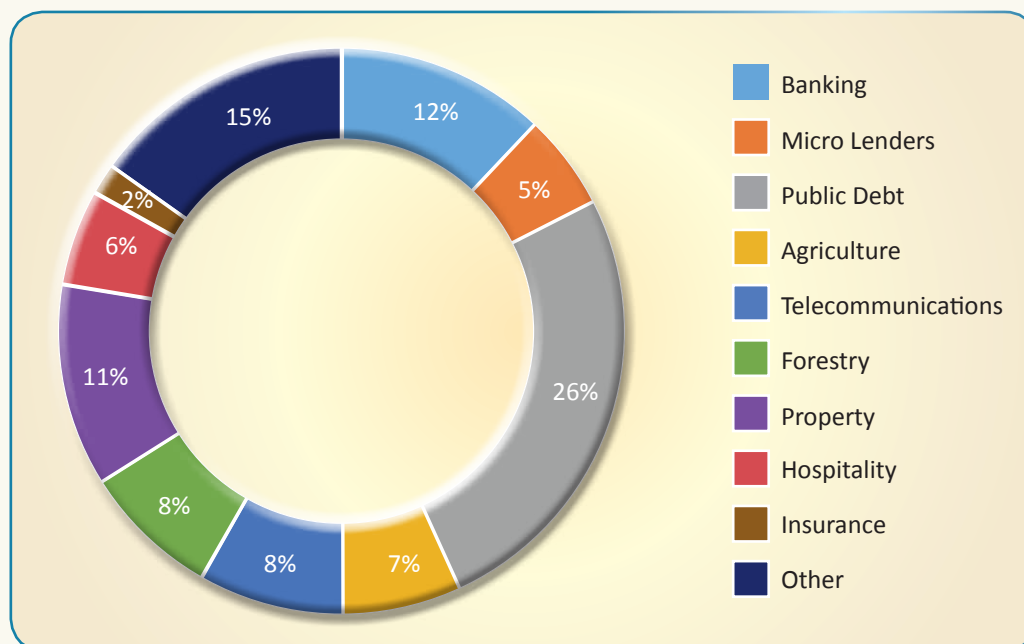
Offshore Assets

Stanlib Multi Manager and Alexander Forbes held 19 percent of the total assets as at 31 March 2020 and in line with the Investment Policy. It is anticipated that the offshore assets will continue to perform well in view of the difficulties that the emerging markets are experiencing.

Domestic Assets

49 percent of the Fund assets are invested in a diversified manner within the Kingdom of Eswatini. The Fund has invested in various sectors of the economy and in various industries such as banks, telecommunications, sugar industry, forestry, hospitality, insurance, etc. This strategy ensures that the Fund's performance is well balanced.

Domestic Portfolio Sectoral Analysis



There has been a gradual growth in the investments into financial instruments issued by the government due to the availability of such instruments.

Notable investments concluded in the 2019/20 financial year include:-

- (i) Loans concluded with various reputable entities such as SBC Limited, Eswatini Railways and Eswatini National Housing Board.
- (ii) Purchase of Eswatini Government Bonds including Government Infrastructure Bonds and promissory notes.
- (iii) The acquisition of shares in Eswatini Royal Insurance Corporation increasing the Fund's equity holding of the Corporation.
- (iv) Disbursements towards the construction of the Ebuhleni Shopping Complex and the Woodlands Shopping Centre.



OPERATIONS REPORT

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Membership Overview

The Fund had a total of 42 130 active members and 25 253 retired pensioners and dependants as at 31 March 2020.

Active Pensionable Members

The table below summarises information for active pensionable members as at 31 March 2020.

Active Pensionable Members			
	2019	2020	Percentage Change
Total Number of Employees	42 979	42 130	(1.98%)
Average Age	41.3	41.8	1.2%
Average Service	14.5	14.9	2.75%
Annual Average Salary	£137 143	£138 709	1.1%

Pensioners

Over the year, suspended pensioners (pensioners who have not submitted proof of existence) have decreased by 23.89 percent (from 1 172 to 892).

Pensioners			
	2019	2020	Percentage Change
Retirees	9 075	9 576	5.5%
Spouse	6 500	6 620	1.8%
Children	9 550	9 057	(5.15%)
Suspended	1 172	892	23.89%

Categories of Pensioners

Retiree – Former employees who retired in terms of the provisions of the enabling legislation.

Spouses – Wives or husbands of either deceased active member or deceased retiree.

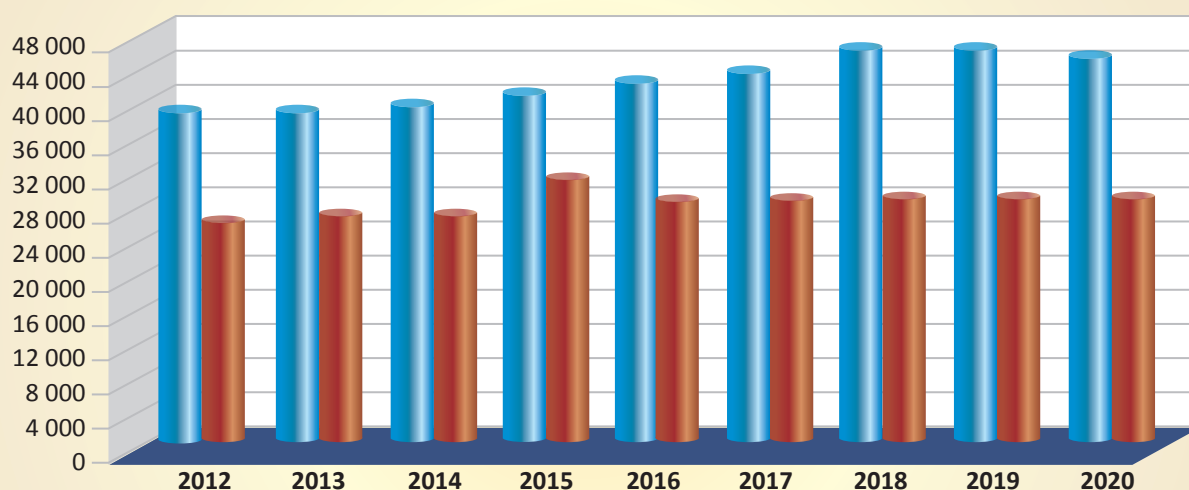
Dependants – Minors of either deceased active member or deceased retiree.

Suspended – Pensioners whose pension has been withheld because proof of life has not been verified.

Pensionable Officers and Pensioners

The number of pensionable officers has increased by 6.65 percent over the past five years. Pensioners and dependants on the other hand have increased by 1.07 percent in the same period.

Pensionable Officers and Pensioners

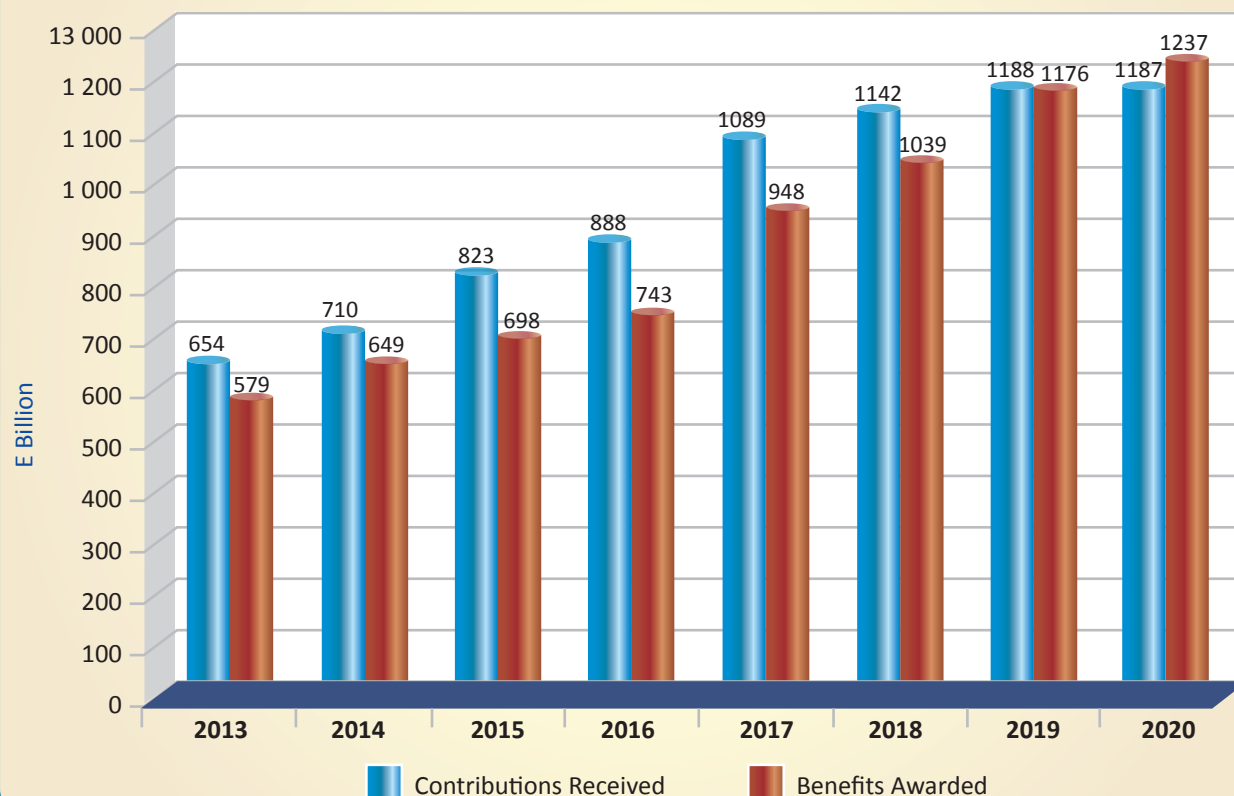


	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pensionable Officers	35 430	35 909	36 711	38 120	39 501	40 496	43 076	42 979	42 130
Pensioners & Dependants	23 849	24 507	24 516	28 216	25 868	26 035	26 236	26 297	26 145

Contributions Received and Benefits Awarded

For the first time since inception of the Fund, contributions received are not sufficient to cover benefits paid.

Contributions Received and Benefits Awarded





OPERATIONS REPORT

- continued

Benefits Paid

E1.23 billion was spent on benefits paid to members in the year ended 31 March 2020.

Benefits Awarded						
	2019			2020		
Benefit Category	Number of Members	Value of Benefit	2019 Average	Number of Members	Value of Benefit	2020 Average
Death	229	E62.2 million	E272 000	181	E47.6 million	E263 009
Commuted Benefit paid at Retirement	829	E305 million	E368 000	777	E30.3 million	E390 139
Withdrawals	178	E7.2 million	E40 000	148	E5.38 million	E36 371
Contract	76	E21 million	E276 000	71	E20.3 million	E286 377
Temporal	24	E25 009	E1 000	2	E9 121	E4 560.50
Funeral	486	E3.4 million	E7 000	478	E3. 346 million	E7 000
Pensioners	25 125	E778 million	E30 000 average pension per annum	25 253	E85.7 million	E33 955 average pension per annum

Funding Level

The assets of the Fund have decreased by 4.4 percent from E23.3 billion to E22.2 billion. Liabilities have increased by 8.79 percent from E29.7 billion to E32.3 billion, resulting in a worsening deficit of E2.6 billion and a decrease of the funding level from 78.4 percent to 68.9 percent. This is largely accounted for by changes in financial assumptions and lower investment returns.

Funding Level			
	2019	2020	Percentage Change
Assets	E23.3 billion	E22.2 billion	(4.4%)
Liabilities	E29.7 billion	E32.3 billion	(8.79%)
Deficit	E6.4 billion	E10 billion	(56.74%)
Funding Level	78.4%	68.6%	(12.11%)

Valuation Results as at 01 April 2020

	1 April 2020 E 000's	1 April 2019 E 000's
Assets:	22 262 999	23 292 913
Accrued liabilities:		
Pensionable Officers	(20 353 678)	(19 131 858)
Contract Workers	(30 374)	(40 547)
Pensioners	(11 526 075)	(10 206 089)
Deferred Pensioners	(79 925)	(68 384)
Benefits Payable	(333 764)	(262 484)
- Additional liabilities	(5 183)	(5 389)
Total liabilities	(32 328 999)	(29 714 751)
Surplus/(Deficit) (assets – liabilities)	(10 066 009)	(6 421 838)
Funding level (%)	68.90%	78.40%
Analysis of Deficit		
Deficit as at 1 April 2019	(6 421 838)	
Interest on Deficit	(809 152)	
Investment Returns	(3 914 607)	
Contributions	(98 854)	
Earnings Experience	1 909 320	
Pension increases	271 972	
Membership movements	60 405	
Change in financial assumptions	(1 130 062)	
Miscellaneous	(30 166)	
Deficit as at 1 April 2020	(10 162 982)	



OPERATIONS REPORT

- continued

HUMAN RESOURCES

Organisational Development

The Fund reviewed its performance management system in the reporting period. This will go a long way in ensuring improved strategy communication and execution, and improved alignment of organisational structure to strategic objectives. It will also help to align organisational processes which include budgeting and risk management to strategic priorities.

Staff Complement

The Staff complement for the financial year 2019/20 was fifty-five (55) members. Two new appointments were made while two members took normal retirement.

Staff Turnover

There were six staff movements in the reporting period. Two staff members within the Operations Department moved from Clerical Officer and Client Relations Officer positions to Branch Officer and Benefits Officer, respectively.

Two Officers in Operations and Corporate Services Departments took normal retirement.

Two new appointments were made for the Information Security Officer and Personal Assistant in the ICT and Operations Departments, respectively.

There were no deaths, dismissals or resignations in the reporting period.

Learning and Development

The Fund provides learning and development opportunities to its employees to enhance and expand their knowledge base leading to improved performance. The following courses and conferences were undertaken during the period under review;

- Performance Management System
- Compliance Monitoring
- Quality Assurance Training
- Money Laundering Training
- African Sovereign Wealth and Pension Fund Leaders Summit
- IFRS Annual Accounting Update Workshop
- ISSA Academy Workshop
- Advanced Data Analytics Tools and Optimisation
- 63rd Institute of People Management Annual Convention
- 3rd Annual African Pension Fund Conference

Employee Wellness Programme

The Fund supports employee health, wellness and fitness in the workplace. Our employees are encouraged to live a healthy work/life balance through initiatives for weight management and staying fit at all times to reduce stressful and chronic ailments.

Customer Service

Stakeholder Forum

Building, strengthening and maintaining sound relations with our stakeholders is of paramount importance to the Fund. In response to feedback from the Fund's Customer Satisfaction Survey, the Fund successfully hosted its inaugural stakeholder engagement forum. The Forum provided a platform for robust engagements with its stakeholders where pertinent issues were deliberated upon enhancing broader understanding of the Fund's products and services. The Fund's emphasis is in driving a "Customer First" culture. This engagement will enable the Fund to improve the quality of customer experience to all its clients.

The Forum welcomed all key stakeholders in the form of the Minister of Public Service, Parliament Portfolio Committee, PSPF Board of Trustess, PSPF Investment Committee, Swaziland National Teachers Association, National Public Services and Allied Workers Union, Swaziland Nurses Association, Swaziland National Association of Government Accounting Personnel, Eswatini Umbutfo Defence Force, His Majesty's Correctional Services, Eswatini Fire and Emergency Services, Public Enterprises Unit, Financial Services Regulatory Authority, Eswatini Revenue Authority and Business Eswatini.

Member Education

The Fund continued with its Member Education and Communication initiative by conducting face-to-face sessions with its membership nationwide to provide more information and knowledge on its products and services, and also communicating pertinent information on current events. A total number of 3 424 members from a cross section of government ministries attended these member education sessions.

We are due for a Customer Survey in the new year which will assess our members' perception of how well the Fund meets their expectations and requirements, and their perception on the quality of service delivery. The Fund has also reviewed its communication and education initiatives to align with the COVID – 19 guidelines to ensure health and safety of our clients.

The Fund continues to utilise its Radio and Social Media Pages for Member Education. The Social Pages in particular have improved the Fund's communication channels to its clients. Through these channels the Fund provides assistance to its members in relation to its business. Other platforms used to interact with clients are special events, including the Eswatini International Trade Fair. These three methods are very important as they are key means the Fund currently relies on besides its publications to update stakeholders on the Fund's core business.

The Fund is in its second year of a partnership with the Ministry of Public Service through the Public Sector HIV and AIDS Co-ordinating Committee, which facilitates the acceleration of access to employee assistance programmes within the public sector.



OPERATIONS REPORT

- continued

This strategic partnership enhances the Fund's visibility amongst its members and provides the Fund with a voice to communicate with them.

Mobile Offices

The Fund has a vehicle which serves as a Mobile Office and supports the Fund's outreach initiatives. This vehicle is fitted with the latest IT and communication technology, which enables the mobile office to link with the Fund's main information system at the Head Office.

Through this initiative, the Fund is able to provide on-site, real time assistance to members, thus improving service level to members.

Corporate Social Responsibility

The Fund annually sets aside funds aimed at assisting the needy and vulnerable segment of the country's population. The Fund approved donations to the value of E1.6 million to this group as part of its Corporate Social Responsibility Programme.

Amongst the beneficiary programmes was the End Malaria Campaign with which we provided an office for the next two years. We believe a Malaria Free Eswatini will impact positively to the lives of our members who are equally at risk with other members of our society.

The Fund has further provided assistance and support to the following entities:

- National Disaster Management Agency
- Umhluma Women and Youth Foundation
- Eswatini Hospice at Home
- Hope House
- Cheshire Homes of Eswatini
- Stukie Motsa Foundation (Albinism Day Commemoration)

Internal Audit and Compliance Function

The Fund has an internal audit and compliance function who operate according to Charters which set out the roles, responsibility and authority in carrying out their duties. These functions report administratively to the Chief Executive Officer and functionally to the Finance and Audit Committee for their independence.

The functions have direct access to the chairperson of the Finance and Audit Committee. Quarterly reports produced by the two functions are discussed with Executive Management and are ultimately presented to the Finance and Audit Committee for their review and consideration.

Internal Audit's role is to provide management and the Board with reasonable assurance on the internal controls, risk management and corporate governance processes of the Fund. The function adheres to the international standards in internal auditing when performing its duties. In accordance to the annual audit coverage plan, risk based audits are conducted including special assignments on request from management, the Board and the Finance and audit committee. The results of the audits are discussed with executive management and agreed management action is obtained on the findings which are then followed up by internal audit to ensure corrective action has indeed been taken. The function also provides assistance to the External Auditors as and when requested during the conduct of the financial year end audits.

The responsibility of the Compliance Function is to assist the Fund in ensuring its employees and the Fund, as a whole, abide by the internal rules of conduct and the external and regulatory requirements that are applicable to it. Regulatory compliance by making sure that the business of the Fund is conducted within legal parameters and reasonable actions have been taken to prevent incidents from occurring. Internal rules of conduct by concentrating on internal policies and ensuring that the Fund operates according to its own created culture. The Compliance Function needs to continually monitor and report on the effectiveness of controls for purposes of managing the Fund's risk exposure.



ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES - for the year ended 31 March 2020



The Trustees are responsible for the preparation, integrity and presentation of the financial statements of The Public Service Pensions Fund comprising the statement of net assets and funds at 31 March 2020, the revenue account 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. The financial statements presented on pages 33 to 74 have been prepared in accordance with the basis of preparation applicable to retirement funds in Eswatini and in the manner required by the rules of the Fund.

The Trustees are responsible for the preparation and presentation of the financial statements in accordance with the basis of preparation applicable to retirement funds in the Kingdom of Eswatini as set out in note 1 to the financial statements, and in the manner required by the rules of the Fund, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

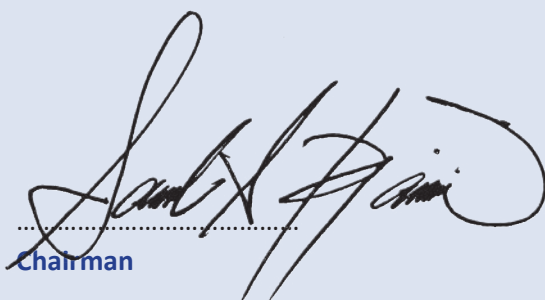
The Trustees are ultimately responsible for the Fund's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Trustees to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Trustees' responsibility also includes determining that the basis of accounting described in note 1 is an acceptable basis for preparing and presenting the financial statements in the circumstances.

The going concern basis has been adopted in preparing the financial statements. The Trustees have no reason to believe that the Fund will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Fund.

The financial statements have been audited by the independent auditors, KPMG, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Trustees and committees of the Board. The Trustees believe that all representations made to the independent auditors during their audit are valid and appropriate. The audit report of KPMG is presented on pages 30 to 32.

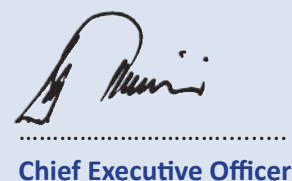
The financial statements were approved by the Board of Trustees on 8 July 2020 and are signed on its behalf by:

A large, stylized handwritten signature in black ink, likely belonging to the Chairman.

Chairman

A smaller, stylized handwritten signature in black ink, likely belonging to a Trustee.

Trustee

A stylized handwritten signature in black ink, likely belonging to the Chief Executive Officer.

Chief Executive Officer



REPORT OF THE INDEPENDENT AUDITOR

To the Trustees of The Public Service Pensions Fund

Opinion

We have audited the financial statements of The Public Service Pensions Fund which comprise the statement of funds and net assets at 31 March 2020, and the revenue account 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, and the Trustees' report as set out on pages 33 to 74.

In our opinion, the financial statements of The Public Service Pensions Fund for the year ended 31 March 2020 have been prepared, in all material respects, in accordance with the basis of preparation applicable to retirement funds in the Kingdom of Eswatini as set out in note 1 to the financial statements and in the manner required by the rules of the Fund.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the Eswatini Institute of Accountants Code of Professional Conduct (ESIA Code) and other independence requirements applicable to performing audits of financial statements in Eswatini. We have fulfilled our other ethical responsibilities in accordance with the ESIA Code and in accordance with other ethical requirements applicable to performing audits in Eswatini. The ESIA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion we draw attention to:

1. Note 17 which indicates that the actuarial valuation of the Fund at 1 April 2020 reflected a deficit amounting to E10 066 million.
2. Note 1.1 which describes the basis of preparation of the financial statements.

The financial statements are prepared in terms of the Public Service Pensions Order, 1993 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 information

The Trustees are responsible for the other information. The other information comprises the statement of responsibility by the Board of Trustees which we obtained prior to the date of the auditors' report and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

REPORT OF THE INDEPENDENT AUDITOR

To the Trustees of The Public Service Pensions Fund (continued)



Responsibilities of the Trustees' for the Financial Statements

The Trustees are responsible for the preparation and presentation of these financial statements in accordance with the basis of preparation applicable to retirement funds in the Kingdom of Eswatini as set out in note 1 to the financial statements and in the manner required by the rules of the Fund, and for such internal control that the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



REPORT OF THE INDEPENDENT AUDITOR

To the Trustees of The Public Service Pensions Fund (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves allowed presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Auditors

REPORT OF THE TRUSTEES

for the year ended 31 March 2020



The Trustees have pleasure in presenting their report for the year ended 31 March 2020.

1. The Fund

1.1 Description of the Fund

The Fund, was established under section 3 of the Public Service Pensions Order, 1993, and is a contributory defined benefit scheme. With effect from 1 May 2007 the Public Service Pensions Order regulations were amended and all members contribute at a rate of 5% of pensionable salary whilst the participating employers contributes at a rate of 15% of pensionable salary.

1.2 Participating employer entities

The Government of Eswatini and any parastatal body or other service which the Minister, in consultation with the Board of Trustees, may determine to be “public service” for the purpose of the Public Service Pensions Order, 1993.

1.3 Membership of the Fund

Membership of the Fund is restricted by the Public Service Pensions Order 1993, to those groups employed in the Government of Eswatini’s public service as defined under Section 2 (a)-(d) of the Public Service Pensions Order, 1993.

1.4 Assigned duty

The Fund shall, as from the commencement date on 1 November 1993, be responsible for the payment of all benefits arising under the Public Service Pensions Order, 1993, and Regulations and pension benefits to individuals who are entitled to receive such benefits under the provisions of the Pensions Act 1968, the Umbutfo Eswatini Defence Force (Gratuities) Regulations, 1979, and the Commercial Union Pension Scheme for Teachers (CUSADA).



REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)

2. Board of Trustees and officials

2.1 Trustees

The members who were in office at the time of approval of the financial statements were all appointed on 1 June 2019.

Name	Representing
Sammy Dlamini	Chairman
Dumisani Ndlangamandla	Employer representative
Dumsile J Ngwenya	Employer representative
Bathandwa Hlatswako	Employer representative
Hezekiel Mabuza	Employer representative
Celumusa Tembe	Employee representative
Celucolo Dlamini	Employee representative
Ross Maseko	Employee representative
Bheki Mamba	Employee representative
Dumisani Khumalo	Employee representative

2.2 Investment Committee

Phiwayinkhosi E Ginindza
Simanga Z Simelane
Zombodze R Magagula
Mzwandile Ntshangase
Sammy Dlamini

The Investment Committee was appointed by the Minister on 1 August 2019.

2.3 Principal Officer, registered and postal address of the Fund:-

The principal officer is Mr L P Dlamini

Registered address of the Fund	Postal Address
7 th Floor	P O Box 4469
Ingcamu Building	Mbabane
Mhlambanyatsi Road	Eswatini
Mbabane	
Eswatini	

REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)



3. Consultants

3.1 Actuaries

Bernard Yen FIA
Aon Hewitt (Actuarial)

Business Address

4th Floor
Dias Pier Le Caudan
Waterfront Port Louis
11307
Mauritius

3.2 Investment Consultant

Mr H G Rodd (BSc, AIA) of Alexander Forbes.

Business Address

4th Floor
88 Grayston Drive
Sandton
South Africa

Postal Address

P O Box 782824
Sandton
2146
South Africa

3.3 Property Manager

Ncedze Property Managers

Business Address

Mountain Inn Hotel Area
Princess Drive
Mbabane

Postal Address

P O Box 7414
Mbabane
H100

4. Investment Managers and Consultants

Allan Gray Limited

Business Address

1 Silo Square
V & A Waterfront
Cape Town
8001
South Africa

Postal Address

P O Box 51318
V & A Waterfront
Cape Town
8002
South Africa



REPORT OF THE TRUSTEES

for the year ended 31 March 2020

4. Investment Managers and Consultants (continued)

Sanlam Investment Management Eswatini

Business Address

3rd Floor Fincop Building
Crn Gwamile and Dabede Street
P O Box 8392
Mbabane, H100
Eswatini

Postal Address

P O Box 8392
Mbabane
H100
Eswatini

Stanlib Asset Management Limited Eswatini

Business Address

2nd Floor, Mbabane Office Park
Mhlambanyatsi Road
Mbabane
Eswatini

Postal Address

P O Box A294
Swazi Plaza
H101
Eswatini

African Alliance Eswatini

Business Address

2nd Floor Nedbank Centre
Corner of Sozisa and Dr Sishayi Road
Swazi Plaza
Mbabane
Eswatini

Postal Address

P O Box 5727
Mbabane
H100
Eswatini

Inhlonhla Eswatini

Business Address

Office 201 Second Floor
Development House
Swazi Plaza
Mbabane
Eswatini

Postal Address

P O Box 239
Mbabane
H100
Eswatini

Old Mutual Eswatini

Business Address

4th Floor
Ingcamu Building
Mhlambanyatsi Road
Mbabane
Eswatini

Postal Address

P O Box 95
Mbabane
H100
Eswatini

REPORT OF THE TRUSTEES

for the year ended 31 March 2020



4. Investment Managers and Consultants (continued)

Aluwani Capital Partners

Business Address

1st Floor, East Wing Embassy House
Msakato Street
Mbabane

Postal Address

P O Box 3640
Mbabane

Alexander Forbes Investments

Business Address

2-6 Church Street
Jersey, St Helier
JE 4 8UU

Postal Address

P. O. Box 336
St Helier
Jersey

Gryphon

Business Address

1st Floor Bonitas Office Park East
Southgate, Tyger Waterfront
Carl Cronje Drive
Tyger Valley, Belville, 7530

Postal Address

Private Bag X20
Tyger Valley 7536
South Africa

5. Investment strategy

The Board of Trustees is responsible for the overall investment of the assets of the Fund, including the performance thereof, after acting on the advice of the Investment Committee. The Fund's broad investment objective is to invest in those asset types that enable it to meet its long-term objective, which is to earn returns of at least 5% above the rate of Consumer Price Inflation for the total Fund assets.

The Board has selected a combination of Investment Managers in order to ensure an asset mix that will achieve its objectives and does not place any restriction on the Fund Managers, who may invest at their own discretion, within the guidelines set out in the Fund's Investment Policy Statement. The portfolio includes assets which are managed internally.

The Fund may invest up to 20% of the Fund's assets offshore. Investments in unlisted shares and unlisted debt instruments may only be made in Eswatini. The Board also believes that it has a duty to invest in social responsibility projects without compromising its primary responsibility, which is to achieve optimum investment returns with the least risk to members.

An investment committee of the Fund, as established according to section 4.1(c) of the Public Service Pensions Order 1993, acted as investment administrators during the year.

The value of the Fund's assets held in the investment portfolio at year end was as follows:



REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)

	2020 E	2019 E
INVESTMENT MANAGERS – FOREIGN MANAGED PORTFOLIOS		
Allan Gray Limited	4 327 082 826	5 210 774 966
Coronation Asset Management (Proprietary) Limited	4 307 495	4 327 920 352
Foord Asset Management (Proprietary) Limited	510 395 544	1 330 106 056
Sanlam Investment Management (Proprietary) Limited	1 463 593 178	990 925 961
Stanlib Asset Management Limited	360 998 410	1 168 305 617
Stanlib Equity (SA)	1 059 182 674	-
Old Mutual	988 141 878	-
Aluwani Capital Partners	1 068 885 081	-
Alexander Forbes	1 339 544 599	-
Gryphon	18 028 317	-
	<u>11 140 160 002</u>	<u>13 028 032 952</u>
INVESTMENT MANAGERS – DOMESTIC MANAGED PORTFOLIOS		
Stanlib Asset Management Limited Eswatini	1 150 581 590	588 686 152
Inhlonhla Eswatini	2 043 853 090	1 889 609 969
African Alliance Eswatini	467 646 340	317 955 458
Old Mutual Eswatini	446 725 289	266 217 930
	<u>4 108 806 309</u>	<u>3 062 469 509</u>
Balance carried forward	15 248 966 311	16 090 502 461

REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)



5. Investment strategy (continued)

5.1 Investment Portfolio (continued)

	2020 E	2019 E
Balance carried forward	15 248 966 311	16 090 502 461
OWN PORTFOLIO – DOMESTIC MANAGED PORTFOLIO MONEY MARKET AND SHORT-TERM SECURITIES		
Stanlib Eswatini – Income Fund	217 459 732	556 945 844
African Alliance - Lilangeni Fund	151 381 814	289 806 619
Eswatini Bank	107 883 834	107 839 039
Nedbank – fixed term deposit	108 325 971	108 174 657
Standard Bank – fixed term deposit	-	108 126 711
Old Mutual Absolute Growth Portfolio	20 622 862	173 451 673
Stanlib Unit Trusts – money market	40 308 280	41 585 896
Sanlam Unit Trusts – money market	39 903 700	41 768 985
	<u>685 886 193</u>	<u>1 427 699 424</u>
EQUITIES		
Swaziland Property Investments Limited - shares at market value	45 863 450	35 123 275
Swazi Empowerment Limited - shares at market value	506 789 500	494 916 146
The Royal Eswatini Sugar Corporation Limited - shares at market value	700 000	700 000
Eswatini Royal Insurance Corporation	85 764 124	-
Ingcamu Hotel	9 268 769	-
SBC Limited – shares at market value	101 742 466	-
Ezulwini Reinsurance Company Ltd	31 390 113	38 398 009
	<u>781 518 422</u>	<u>569 137 430</u>
Balance carried forward	16 716 370 926	18 087 339 315



REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)

	2020 E	2019 E
Balance brought forward	16 716 370 926	18 087 339 315
LOANS		
Swaziland Building Society - Permanent shares	157 851 692	148 510 751
Swaziland Sugar Association	355 678 217	355 816 914
Eswatini Development and Savings Bank	255 708 588	315 078 632
Eswatini Electricity Company	15 299 176	30 591 780
Eswatini National Housing Board	627 641 189	633 048 270
New Mall Loan	6 942 275	6 942 275
Eswatini Revenue Authority	625 354 372	625 713 858
Eswatini MTN	38 323 799	-
Select Limited Loan 3	103 653 764	102 205 477
Royal Eswatini Sugar Corporation	39 722 533	59 899 323
Standard Bank Eswatini	107 200 001	107 372 603
	2 333 375 606	2 385 179 883
BONDS		
Eswatini Government bonds - SG023 – 30/11/2020	68 610 096	68 594 114
Eswatini Government bonds - SG017 – 31/10/2020	93 290 324	93 269 343
Eswatini Government bonds - SG018 – 31/01/2024	98 933 808	98 909 108
Eswatini Government bonds - SG024 – 31/01/2024	-	80 937 660
Eswatini Government bonds - SG025 – 31/01/2024	205 616 442	205 561 648
Eswatini Government bonds - SG026 – 31/01/2024	100 721 918	101 159 592
Eswatini Government bonds - SG027 – 31/01/2024	104 476 709	104 447 258
Eswatini Government bonds - SG029 – 31/01/2024	100 891 777	100 891 778
Eswatini Government bonds - SG030 – 30/01/ 2024	101 088 389	100 715 111
Eswatini Government bonds - SG031 – 31/01/2025	100 379 207	100 090 160
Eswatini Government bonds - SG027A – 31/10/2026	105 512 980	105 640 938
Eswatini Government bonds - SGIB002 – 31/10/2025	101 854 386	101 413 258
Eswatini Government bonds – SGIB004 – 29/03/2028	97 020 538	96 713 515
Eswatini Government bonds – SGIB005 – 29/03/2028	99 686 130	99 080 049
Eswatini Government bonds – SG033 – 29/03/2028	50 551 401	50 374 980
Eswatini Government bonds – SG034 – 29/03/2028	70 139 722	69 816 400
Eswatini Government bonds – SG035 – 29/03/2028	69 356 780	69 037 560
Eswatini Government bonds – SG040 – 31/01/2024	91 176 751	-
Eswatini Government bonds – SG041 – 31/01/2026	123 126 956	-
Eswatini Government bonds – SG042 – 31/01/2026	80 709 392	-
Eswatini Government bonds – SGIB006 – 28/09/2024	100 078 082	-
Eswatini Government bonds – SGIB007 – 31/07/2026	99 143 760	-
	2 062 365 548	1 646 652 472
Balance carried forward	21 112 112 083	22 119 171 670

REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)



5. Investment strategy (continued)

5.1 Investment Portfolio (continued)

	2020 E	2019 E
Balance brought forward	21 112 112 083	22 119 171 670
PROPERTY AT VALUATION		
Sibekelo Building	240 778 897	240 715 726
Mid Scale Hotel – Hilton Garden Inn Hotel	504 830 034	463 338 438
Residential Estate	11 397 293	10 053 220
Tonkwane Properties	124 531 127	124 531 127
The New Mall (Proprietary) Limited – shares at valuation	30 861 130	29 956 248
	<u>912 398 481</u>	<u>868 594 759</u>
	<u>22 024 570 564</u>	<u>22 987 766 429</u>



REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)

6. Bankers

Standard Bank Eswatini Limited

P O Box A308
Swazi Plaza
Mbabane
Eswatini

Standard Bank of South Africa Limited

Treasury Division
P O Box 4425
Johannesburg
South Africa

First National Bank of Eswatini Limited

P O Box 261
Eveni
Eswatini

Nedbank (Swaziland) Limited

P O Box 70
Mbabane
Eswatini

7. Funding and Investment Performance

On the basis of an actuarial investigation by Malan and Partners which was conducted in September 1991, the Fund at inception, was grossly underfunded.

Of the total funds available for investment, approximately 70% will be placed in the South African investment market through professional investment portfolio management teams with above-average investment track records. It is the Fund's aim that its combined assets in this investment sector should yield a return that equals or better the 3-year market universe as shown in the Alexander Forbes Investment Monitor.

In compliance with the Retirement Funds Act, 2005, the Fund shall use its best endeavours to ensure that, at least 30% of its investment portfolio, at market value, is invested within the domestic (Eswatini) market.

Investments are made and monitored by the Board on the advice of the Investment Committee as established under Section 4.1(c) of the Public Service Pensions Order, 1993. Investments in Eswatini are divided into two portfolios; those with investment managers with a discretionary mandate and those managed by the Fund as their own portfolio. Investments outside the country are managed through investment managers who have a discretionary mandate. The minimum desired real rate of return is to achieve at least 5%.

8. Review of activities

8.1 Membership statistics

	Pensionable officers		Pensioners and Dependents	
	2020	2019	2020	2019
Number	42 130	42 979	26 145	26 297

REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)



8. Review of activities (continued)

8.2 Accumulated funds

The revenue account discloses net revenue for 2020 as E3 600 million (2019: E2 633 million). The change in the value of the Fund due to the changes in fair values of investments during 2020 was an E3 245 million decrease (2019: E427 million increase), making the total decrease in the Fund's assets for the year E1 132 million (2019: E1 644 million increase), after meeting the cost amounting to E1 237 million (2019: E1 177 million) of benefits paid out.

Total contributions paid into the Fund during 2020 amounted to E1 187 million (2019: E1 189 million). Members of the Fund contributed E297 million (2019: E298 million) being contributions at the normal rate of five percent of pensionable salary and additional voluntary contributions. The balance was contributed by the participating employers.

8.3 Benefit changes

It is the current policy of the Fund to carry out a review of pensions in payment on the 1st of April each year. A 5% increase in pensions was granted from 1 April 2019 (1 April 2018: 4.7%).

8.4 Gazetted regulations

The Retirement Funds Act, 2005, was approved and promulgated on 11 April 2007. The Act, which is effective from 1 November 2006, requires certain changes to the operations of the Fund, especially as regards the minimum levels of investment to be held in the country. Regulations have been drafted by the Registrar.

9. Actuarial valuation

In accordance with the rules of the Fund, the financial position of the Fund is to be examined and reported on by the valuator at intervals not exceeding three years. The Board has resolved to value the financial position of the fund annually. The latest statutory valuation was as at 1 April 2020. The valuation covered the following membership.

	Number	Annual salary/pension E000's
Pensionable officers	42 130	5 843 791
Contract workers	112	51 361
Deferred pensioners	159	9 270
Pensioners (including suspended)	26 145	874 338

The net actuarial value of the Fund was a deficit of E10 066 million (2019: E6 422 million) as at the valuation date. For valuation purposes of the Fund, the actuarial value of the assets has been taken from the most recent valuations performed using various valuation techniques such as fair value and net asset valuation.



REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)

9. Actuarial valuation (continued)

The actuarial valuation result in respect of past service was as follows:-

	2020 £'000	2019 £'000
Accrued liability for Pensionable Officers	(20 353 678)	(19 131 858)
Accrued liability for Contract Workers	(30 374)	(40 547)
Deferred Pensioners	(79 925)	(68 384)
Pensioners	(11 526 075)	(10 206 089)
Benefits payable	(333 764)	(262 484)
Additional liabilities	(5 183)	(5 389)
Total liabilities	(32 328 999)	(29 714 751)
Actuarial value of assets	22 262 990	23 292 913
Deficit	(10 066 009)	(6 421 838)
Funding level (%)	68.9%	78.4%
Contributions paid to the Fund, expressed as a percentage of the pensionable salaries and before considering the deficit were:		
	%	%
By members (average)	5	5
By Government	15	15
	20	20

The contribution rate, after adding an allowance for expenses, required to support the level of benefits expected to accrue over the future service of current members was 24.2% (2019: 23.0%) of pensionable emoluments. This excludes any additional contribution required to reduce the deficit in the Fund.

The contribution rate required to eliminate the past service deficit over the next 15 years is 14.1% of pensionable emoluments. It should be noted though that, in normal circumstances, pension fund deficits are required to be eliminated over a much shorter period than the future working lives of current employees.

In view of the level of underfunding a high degree of caution has to be exercised in granting salary/pension increases or any benefit improvements which could affect the liabilities of the Fund. The contribution rate required in order for the Fund to attain financial soundness over the next 15 years is 38.1% of pensionable emoluments.

REPORT OF THE TRUSTEES

for the year ended 31 March 2020 (continued)



10. Fidelity cover

Adequate Fidelity cover was maintained during the year.

11. Loans to members

There were no loans to members of the Fund.

12. Investments in the participating employer

The Fund holds investments amounting to E4 105 892 711 (2019: E3 735 677 225) in entities controlled by the participating employer.

13. Subsequent events

There have been no events that have occurred subsequent to year end which require adjustment or disclosure in the financial statements.



REVENUE ACCOUNT

for the year ended 31 March 2020

	Note	2020 E	2019 E
Contributions received			
Members		297 308 674	298 000 218
Employers		889 721 189	890 946 714
		1 187 029 863	1 188 946 932
Income from investments	2	2 389 530 361	1 410 123 120
Sundry income		484 195	479 223
Rental income		22 917 979	33 138 963
		3 599 962 398	2 632 688 238
Less: Administration expenses	3	(217 827 621)	(203 803 687)
Withholding tax		(31 917 252)	(36 014 702)
		3 350 217 525	2 392 869 849
Less: Benefits awarded and accrued	4	(1 237 286 791)	(1 176 542 334)
		2 112 930 734	1 216 327 515
Surplus before fair value adjustments			
Adjustment to market value of investments and provision for impairment		(3 245 009 571)	427 272 238
		(1 132 078 837)	1 643 599 753
Provision for taxation	5	-	-
(Deficit)/surplus for the year	6	(1 132 078 837)	1 643 599 753

STATEMENT OF FUNDS AND NET ASSETS

At 31 March 2020



	Note	2020 E	2019 E
Assets			
Non-current assets			
Property and equipment	7	42 787 980	43 487 244
Investments	8	20 457 087 024	20 721 428 496
Investment property	9	881 537 351	838 638 512
Current assets			
Accounts receivable	10	28 879 033	24 797 367
Arrear contributions	11	98 029 380	96 241 823
Bank and cash	12	134 303 584	302 042 187
Money market and short-term securities	13	685 886 193	1 427 699 424
Total assets		22 328 510 545	23 454 335 053
Funds			
Accumulated funds	6	22 160 834 539	23 292 913 376
Current liabilities			
Benefits payable	14	113 862 725	120 097 980
Accounts payable	15	53 813 281	41 323 697
Total funds and liabilities		22 328 510 545	23 454 335 053



STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	Note	2020 E	2019 E
Cash flows from operating activities			
Cash generated from operations	16.1	<u>2 115 624 687</u>	<u>1 139 521 194</u>
Cash flows from investing activities			
Additions to investment property	9	(42 898 839)	(48 376 886)
Acquisition of property and equipment	7	(1 609 583)	(1 166 312)
Acquisition of investments	8	(8 984 874 879)	(1 796 432 393)
Investment income and profits capitalised	8	(2 234 659 004)	(1 232 417 031)
Management fees and withholding tax paid	8	133 421 435	127 278 213
Disposal of investments	8	<u>8 105 444 349</u>	<u>1 906 485 796</u>
Net cash outflows from investing activities		<u>(3 025 176 521)</u>	<u>(1 044 628 613)</u>
(Decrease)/ increase in cash and cash equivalents		(909 551 834)	94 892 581
Cash and cash equivalents at beginning of year	16.2	<u>1 729 741 611</u>	<u>1 634 849 030</u>
Cash and cash equivalents at end of year	16.2	<u><u>820 189 777</u></u>	<u><u>1 729 741 611</u></u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020



1. Principal accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Public Service Pensions Order, 1993 which are silent on the basis of preparation of the Fund's financial statements. Accordingly the financial statements are prepared in accordance with the basis described below which is considered by the Trustees to be the basis applicable to pension funds in the Kingdom of Eswatini and acceptable to the users of the financial statements.

The financial statements were approved by the Board of Trustees on 8 July 2020.

The financial statements have been prepared under the historical cost convention as modified by the marking to market of investment securities designated or at fair value through profit and loss.

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 presented in Emalangeni rounded to the nearest one.

1.2 Property and equipment

Property comprises land and buildings. Land is recorded in the financial statements at cost without being depreciated. All other items of property and equipment are stated at historical cost less accumulated depreciation.

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

Buildings	50 years
Motor vehicles	5 years
Office furniture and equipment	10 years
Computer equipment	3 years

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the revenue account during the financial period in which they are incurred.

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

1.2.1 Intangible assets

Intangible assets comprise computer software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Fund which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

1.2 Property and equipment (continued)

1.2.1 Intangible assets (continued)

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and is added to the original cost of the software. Computer software development costs recognised as part of property and equipment and are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

1.2.2 Impairment of long lived assets

Property and equipment and intangible 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.

1.3 Investment securities

Business model assessment

The Fund makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated-e.g. whether compensation is based on the fair value of the assets managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



1.3 Investment securities

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; and
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features).

Subsequent measurement

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit and loss.

Policy applicable before 1 April 2018

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).

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

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. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the revenue account. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. 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.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

1.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of classification becomes its cost for subsequent accounting.

1.5 Accounts receivable

Accounts receivable include arrear contributions from Government, prepayments, staff and other debtors. Receivables other than arrear contributions from Government are carried at the fair value of the financial asset exchanged less provision made for impairment of these receivables. A provision for impairment of 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 the receivables contract. The amount, being the present value of expected cash flows, discounted at the market rate of interest for similar receivables.

Arrear contributions are carried at the fair value of the cash consideration to be received from the employers.

1.6 Money market securities

Money market securities consist of short-term highly liquid investments with original maturities of three months or less. Such securities are stated at their fair values at the end of the year. These are disclosed separately from bank and cash because management does not utilise them to meet daily funding needs.

1.7 Bank and cash

Bank and cash comprises cash on hand and deposits held at banks available for meeting the Fund's daily funding needs. Bank overdrafts are separately disclosed in current liabilities on the statement of funds and net assets.

1.8 Employee benefits

The employees of the Fund are members of a separate defined contribution plan (The Public Service Pensions Fund Staff Pension Scheme). The Fund pays contributions to a privately administered pension plan on a mandatory, contractual or voluntary basis. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Fund had guaranteed a minimum investment return of 8% per annum on the assets of the employees' pension scheme.

1.9 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



1.10 Foreign currency assets and liabilities

Outstanding balances in foreign currencies are converted at the Emalangeni rate of exchange ruling at the financial year end. Profits or losses arising from such transactions are included in the revenue account at rates prevailing at the dates of such transactions.

1.11 Contributions

Contributions are accounted for on the accrual basis, except for additional voluntary contributions, which are recorded in the period in which they are received.

A provision for impairment of arrear contributions is established when there is objective evidence that the Fund will not be able to collect arrear contributions.

1.12 Dividend, interest and rental income

Dividend income

Dividend income is recognised in the revenue account, when the right to receive payment is established, which is the last date of registration for equity securities.

Interest income

Interest income is recognised in the revenue account as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium or any other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective rate basis.

Rental income

Rental income from investment property is recognised in the revenue account as it accrues in terms of the respective lease agreements.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

1.13 Accounting policies, changes in accounting estimates and errors

The Fund applies adjustments arising from changes in accounting policies or errors prospectively. Any adjustment relating to changes in accounting policies or errors is therefore recognised in the current and future periods affected by the change.

1.14 Comparatives

When necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2. Income from investments

	2020 E	2019 E
<i>Income from domestic fund managers and own portfolio</i>		
Dividends	48 998 469	44 336 382
Interest	758 373 792	671 343 117
<i>Income from foreign fund managers</i>		
Allan Gray Limited - managed portfolio	498 875 296	313 840 534
Coronation Asset Management (Proprietary) Limited - managed portfolio	1 203 849 284	129 980 051
Foord Asset Management (Property) Limited - managed portfolio	129 302 648	112 031 631
Sanlam Investment Management – managed portfolio	165 034 757	43 204 447
Stanlib – managed portfolio	62 383 744	95 386 958
Stanlib Global – managed portfolio	(16 206 482)	-
Old Mutual – managed portfolio	(87 057 477)	-
Aluwani Capital Partners– managed portfolio	(74 064 560)	-
Gryphon	(299 959 110)	-
	2 389 530 361	1 410 123 120

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	2020 E	2019 E
3. Administration expenses		
Actuaries' fees	1 110 044	1 115 257
Advertising and communications to members	3 522 035	3 949 122
Audit fees	569 457	461 683
Bank charges	654 568	572 944
Board expenses	1 941 294	2 250 041
Computer expenses	212 549	423 232
Consultants fees	5 548 412	2 569 968
Depreciation	2 308 847	2 923 868
General expenses	2 222 047	1 922 407
Investment management fees	102 163 819	91 832 361
Licences and insurances	3 147 728	6 033 530
Motor vehicle expenses	181 749	189 815
Postage and telephone	346 966	435 467
Printing and stationery	288 896	457 516
Property expenses	14 782 704	17 395 674
Public functions – opening of Hilton Garden Inn	4 574 219	-
Regulators levy	20 441 438	27 270 910
Rent and office expenses	676 584	724 716
Repairs and maintenance	534 978	60 191
Salaries and related costs	49 883 048	42 357 636
Social investments	1 674 145	222 174
Staff wellness	429 992	163 865
Travel and entertainment	612 102	471 310
	<u>217 827 621</u>	<u>203 803 687</u>
4. Benefits awarded and accrued		
Pensions	857 472 392	777 897 644
Lump sums on deaths	47 604 792	62 240 332
Lump sums on retirements	303 138 778	304 577 580
Lump sums on withdrawals	5 382 926	7 158 723
Other	23 687 903	24 668 055
	<u>1 237 286 791</u>	<u>1 176 542 334</u>



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	2020 E	2019 E
5. Taxation		
5.1 Eswatini Normal Taxation		
The Fund is exempt from Eswatini normal taxation in Terms of Section 12(1)(a)(iv) of the Income Tax (Consolidation) Order 1975 as amended.		
6. Accumulated funds		
Balance at beginning of year	23 292 913 376	21 649 313 623
Accumulated (deficit)/surplus for the year after taxation	(1 132 078 837)	1 643 599 753
Balance at end of year	<u>22 160 834 539</u>	<u>23 292 913 376</u>
Included in accumulated funds above are the following amounts which at inception of the Fund were transferred from predecessor funds and the Eswatini Government		
Funds transferred from the Eswatini Government	110 000 000	110 000 000
Value of investment transferred from Commercial Union Pension Scheme for Teachers (CUSADA)	176 535 000	176 535 000
	<u>286 535 000</u>	<u>286 535 000</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	Cost E	Accumulated depreciation E	2020 Net book value E	2019 Net book value E
7. Property and equipment				
Land	1 666 139	-	1 666 139	1 666 139
Buildings	47 183 682	10 347 440	36 836 243	37 779 914
Motor vehicles	2 569 545	1 035 289	1 534 256	1 559 922
Office furniture and equipment	6 483 849	4 538 673	1 945 176	1 358 772
Computer equipment	7 135 647	6 706 821	428 826	745 157
Computer software	11 568 182	11 190 842	377 340	377 340
	<u>76 607 044</u>	<u>33 819 065</u>	<u>42 787 980</u>	<u>43 487 244</u>

Land comprises portion 936 and 937 of farm no.2, Mbabane urban area, measuring 2368 and 2502 square metres respectively. Building relate to the Ingcamu Building of which 50% is let out and disclosed at cost. The market value of the portion of the building that is considered to be investment property is valued at E52 million.

	Opening net book value E	Additions E	Disposals E	Depreciation E	Closing net book value E
Movement – 2020					
Land	1 666 139	-	-	-	1 666 139
Buildings	37 779 914	-	-	(943 674)	36 836 240
Motor vehicles	1 559 922	433 325	-	(458 990)	1 534 257
Office furniture and equipment	1 358 772	865 350	-	(278 943)	1 945 179
Computer equipment	745 157	310 908	-	(627 240)	428 825
Computer software	377 340	-	-	-	377 340
	<u>45 244 800</u>	<u>1 609 583</u>	<u>-</u>	<u>(2 308 847)</u>	<u>42 787 980</u>
Movement - 2019					
Land	1 666 139	-	-	-	1 666 139
Buildings	38 722 471	-	-	(942 557)	37 779 914
Motor vehicles	854 396	986 091	-	(280 565)	1 559 922
Office furniture and equipment	1 665 933	60 551	-	(367 712)	1 358 772
Computer equipment	1 969 004	109 187	-	(1 333 034)	745 157
Computer software	366 857	10 483	-	-	377 340
	<u>45 244 800</u>	<u>1 166 312</u>	<u>-</u>	<u>(2 923 868)</u>	<u>43 487 244</u>



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	Debt instruments at amortised cost E	Designated at fair value through profit and loss E	Fair value through profit or loss E	Total E
8. Investments				
At the beginning of the year	5 993 214 232	1 700 181 312	13 028 032 952	20 721 428 496
Additions	2 386 218 196	234 252 384	6 364 404 299	8 984 874 879
Withdrawals	-	-	(6 364 404 299)	(6 364 404 299)
Repayments	(1 201 529 948)	-	-	(1 201 529 948)
Matured investments	(539 510 102)	-	-	(539 510 102)
Investment income capitalised	652 500 903	-	470 881 324	1 123 382 227
Realised profits capitalised	-	-	1 111 276 777	1 111 276 777
Unrealised fair value gains and provision for impairment	(118 302 542)	248 296 959	(3 375 003 988)	(3 245 009 571)
Management fees paid	(38 394 372)	-	(62 009 334)	(100 403 706)
Withholding tax	-	-	(33 017 729)	(33 017 729)
	<u>7 134 196 367</u>	<u>2 182 730 655</u>	<u>11 140 160 002</u>	<u>20 457 087 024</u>

Debt instruments held at amortised cost consist mainly of loans and bonds (Refer note 8.1).

Investment securities designated at fair value through profit and loss consists mainly of unlisted equity instruments. (Refer note 8.2).

Held for trading investment securities represent a combination of various equity, debt and linked instruments that are traded on the Johannesburg Securities Exchange (South Africa) and local equities listed on the Eswatini Stock Exchange. The Fund utilises the services of specialist asset managers to invest and manage the held for trading securities on management's behalf. (Refer note 8.3).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	Opening carrying value E	Additions E	Capital repayments E	Unrealised fair value gains E	Matured investments E	Investment income capitalised E	Fees paid E	Closing carrying value E
8. Investments (continued)								
8.1 Investment securities -								
At amortised cost								
<i>Own Portfolio</i>								
Eswatini Bank loan	62 500 002	-	(25 000 000)	-	(4 745 787)	4 745 789	-	37 500 004
Eswatini Bank loan 2	50 000 001	-	(33 333 333)	-	(3 171 108)	3 171 107	-	16 666 667
Eswatini Sugar Association loan	253 568 778	-	-	-	(22 126 351)	22 049 306	-	253 491 733
Eswatini Electricity Company loan	30 591 780	-	(15 000 000)	-	(2 400 000)	2 107 396	-	15 299 176
The New Mall (Proprietary) Limited loan	6 942 275	-	-	-	(1 391 566)	1 391 566	-	6 942 275
Eswatini Building Society permanent shares	148 510 751	-	-	-	-	9 340 941	-	157 851 692
Eswatini Government Bond SG017	93 269 343	-	-	-	(7 658 585)	7 679 566	-	93 290 324
Eswatini Government Bond SG018	98 909 108	-	-	-	(9 014 310)	9 039 007	-	98 933 808
Eswatini Government Bond SG023	68 594 114	-	-	-	(5 832 794)	5 848 776	-	68 610 096
Eswatini Government Bond SG024	80 937 660	-	(78 466 500)	-	(3 716 947)	1 245 790	-	-
Eswatini Government Bond SG025	102 794 525	-	-	-	(10 000 000)	10 027 397	-	102 821 922
Eswatini Government Bond SG026	101 159 592	-	-	-	(8 649 315)	8 211 641	-	100 721 918
Eswatini Government Bond SG027	104 447 258	-	-	-	(10 750 000)	10 779 451	-	104 476 709
Eswatini Government Bond SG025A	102 767 123	-	-	-	(10 000 000)	10 027 397	-	102 794 520
Eswatini Government Bond SG029	100 891 778	-	-	-	(10 528 767)	10 528 766	-	100 891 777
Eswatini Government Bond SG030	100 715 111	-	-	-	(10 250 000)	10 623 279	-	101 088 390
Eswatini Government Bond SG031	100 090 160	-	-	-	(10 000 000)	10 289 048	-	100 379 208
Eswatini Government Bond SG027A	105 640 938	-	-	-	(10 750 000)	10 622 042	-	105 512 980
Eswatini Government Bond SGIB002	101 413 258	-	-	-	(10 000 000)	10 441 128	-	101 854 386
Eswatini Government Bond SGIB004	96 713 515	-	-	-	(9 652 055)	9 959 078	-	97 020 539
Eswatini Government Bond SG033	50 374 980	-	-	-	(4 615 750)	4 792 171	-	50 551 401
Eswatini Government Bond SG034	69 816 400	-	-	-	(6 825 000)	7 148 322	-	70 139 722
Eswatini Government Bond SG035	69 037 560	-	-	-	(7 175 000)	7 494 220	-	69 356 780
Eswatini Government Bond SGIB005	99 080 049	-	-	-	(9 750 000)	10 356 082	-	99 686 131
Eswatini Government Bond SG040	-	89 792 861	-	-	(5 645 077)	7 028 966	-	91 176 750
Eswatini Government Bond SG041	-	90 667 358	-	-	(5 690 062)	7 092 250	-	92 069 546
Eswatini Government Bond SG042	-	109 890 462	-	-	(7 971 130)	9 847 469	-	111 766 801
Eswatini Government Bond SGIB006	-	102 138 888	-	-	(4 736 986)	2 676 181	-	100 078 082
Eswatini Government Bond SGIB007	-	99 143 760	-	-	-	-	-	99 143 760

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	Opening carrying value E	Additions E	Capital repayments E	Unrealised fair value gains E	Matured investments E	Investment income capitalised E	Fees paid E	Closing carrying value E
8. Investments (continued)								
8.1 Investment securities –								
At amortised cost (continued)								
<i>Own Portfolio (continued)</i>								
Select Limited loan	51 589 038	-	-	-	(7 250 000)	7 020 204	-	51 359 242
Swaziland Revenue Authority	625 713 858	-	-	-	(61 877 496)	61 518 010	-	625 354 372
Select Limited loan 3	50 616 438	-	-	-	(4 156 250)	5 834 330	-	52 294 521
Eswatini National Housing Board loan	633 048 270	-	(31 449 921)	-	(37 124 512)	63 167 352	-	627 641 189
Eswatini Sugar Association loan 2	102 248 136	-	-	-	(9 105 729)	9 044 076	-	102 186 483
Royal Eswatini Sugar Corporation	59 899 323	-	(17 532 446)	-	(7 045 824)	4 401 479	-	39 722 533
Standard Bank Eswatini	107 372 602	-	-	-	(9 750 000)	9 577 398	-	107 200 001
Eswatini Development & Savings Bank	202 578 630	-	-	-	(18 790 411)	17 753 699	-	201 541 918
Eswatini MTN	-	40 000 000	(1 666 667)	-	(1 474 192)	1 464 658	-	38 323 799
SBC Limited	-	100 000 000	-	-	-	1 742 466	-	101 742 466
<i>Inhlonhla Swaziland Portfolio</i>								
Swazi Observer	772 747	-	-	-	(816 868)	44 121	-	-
Saphumula SACCO loan	6 781 911	-	-	-	(2 924 714)	694 978	-	4 552 175
Swazi Plaza Properties loan	34 100 708	-	-	-	(12 229 944)	3 009 815	-	24 880 579
Emprop Limited loan	100 877 083	-	-	-	(10 200 354)	10 104 575	-	100 781 305
Serjeans Investments (Pty) Ltd	29 625 514	-	-	-	(3 303 585)	3 299 782	-	29 621 710
Standard Bank custodial account	27 116 394	105 147 984	(51 144 728)	-	-	1 583 085	(25 951 519)	56 951 216
First Finance loan	193 081 010	-	-	-	(24 042 808)	23 912 759	-	192 950 961
Amandla Financial Services loan	111 342 483	-	-	-	(14 122 114)	13 925 563	-	111 145 932
Libuyile (Proprietary) Limited debenture	70 344 859	-	-	-	(7 090 197)	7 047 114	-	70 301 777
Montigny Swaziland group loans	107 178 766	-	-	-	(10 417 399)	12 691 042	-	109 452 409
Eswatini Mobile	308 852 178	-	-	(102 155 850)	-	43 303 672	-	250 000 000
Triomf Eswatini	35 192 595	-	-	-	-	5 234 570	-	45 571 893

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	Opening carrying value E	Additions E	Capital repayments E	Unrealised fair value gains E	Matured investments E	Investment income capitalised E	Fees paid E	Closing carrying value E
8. Investments (continued)								
8.1 Investment securities –								
At amortised cost (continued)								
<i>Stanlib Swaziland (continued)</i>								
Eswatini Sugar Association loan	75 366 781	-	-	(11 301)	(6 264 041)	6 264 041	-	75 371 405
Standard Bank Custodial Account	984 762	287 368 577	(235 119 864)	-	-	698 099	(6 656 220)	47 275 354
Standard Bank money market	25 963 498	51 300 000	(75 000 000)	(72)	-	1 629 381	-	3 892 807
Eswatini Government Bond (8.50%) SG0017	5 397 167	-	-	52 333	(441 915)	442 149	-	5 449 734
Eswatini Government Bond (8.75%) SG0023	46 602 894	-	-	429 232	(3 937 500)	3 941 046	-	47 035 672
RMS Bhunu Mall – shareholders loan	41 931 129	-	-	-	-	4 863 076	-	46 794 205
Promissory Note – Inyatsi	30 230 137	-	(30 000 000)	-	(2 621 404)	2 391 267	-	-
Promissory Note – Inyatsi	30 230 137	-	(30 000 000)	-	(1 326 884)	1 096 747	-	-
Promissory Note – Inyatsi	31 201 233	-	-	-	(2 775 000)	2 740 069	-	31 166 301
Promissory Note – Inyatsi	36 454 466	-	-	-	(3 360 000)	3 322 459	-	36 416 925
Promissory Note – Inyatsi	50 808 219	-	-	-	(5 000 000)	5 013 699	-	50 821 918
Promissory Note – Inyatsi	50 808 219	-	-	-	(4 936 986)	4 917 808	-	50 789 041
Promissory Note – Inyatsi	-	50 000 000	-	-	(2 394 521)	3 279 452	-	50 884 932
Promissory Note – Inyatsi	-	50 000 000	-	-	(2 444 932)	3 348 493	-	50 903 562
Promissory Note – Inyatsi	-	60 000 000	-	-	(2 916 986)	3 365 753	-	60 448 767
Promissory Note – Inyatsi	-	40 000 000	-	-	-	1 750 575	-	41 750 575
Promissory Note – Inyatsi	-	40 000 000	-	-	-	1 723 781	-	41 723 781
Promissory Note – Inyatsi	-	50 000 000	-	-	-	1 534 2471	-	51 534 247
Promissory Note – Inyatsi	-	20 000 000	-	-	-	826 164	-	20 826 164
Promissory Note – Inyatsi	-	100 000 000	(100 000 000)	-	(865 315)	865 315	-	-
Promissory Note – Inyatsi	-	30 000 000	-	-	-	846 904	-	30 846 904
Promissory Note – Inyatsi	-	115 262 309	-	-	-	1 473 962	-	116 736 271

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

8. Investments (continued)

8.1 Investment securities – At amortised cost (continued)

Old Mutual Swaziland

Standard Bank Custodial Account	417 262	198 904 703	(169 485 907)	-	-	61 440	(2 223 309)	27 674 188
Eswatini Government Bond SG0017	48 641 782	-	-	-	(3 995 000)	4 005 947	-	48 652 729
Old Mutual Agri-Fund	118 686 479	16 915 307	-	(16 616 884)	-	-	-	118 984 902
Old Mutual money market B2	13 202 974	12 200 000	-	-	-	1 257 548	-	26 660 522
The New Mall (Proprietary) Limited loan	3 223 199	-	-	-	(1 170 556)	286 799	-	2 339 442
Eswatini National Housing Board loan	20 514 399	-	-	-	(3 684 877)	2 010 968	-	18 840 490
Happy Valley Motel	55 651 835	-	-	-	(2 621 109)	6 443 620	-	59 474 346
Letshego Financial Services	-	100 000 000	(20 000 000)	-	(10 450 014)	10 424 046	-	79 974 032

African Alliance Swaziland

Lilangeni Fund	52 426 133	30 000 000	(58 330 583)	-	-	1 509 175	-	25 604 725
Standard Bank custodial account	186 693	234 010 675	(230 000 000)	-	-	217 923	(3 763 324)	651 967
Select Limited loan 1	31 624 110	-	-	-	(3 900 000)	3 910 684	-	31 634 794
Select Limited loan 2	31 858 562	-	-	-	(4 050 000)	4 061 096	-	31 869 658
Examinations Council of Eswatini loan 1	123 412 602	-	-	-	(14 400 450)	14 439 450	-	123 452 052
Examinations Council of Eswatini loan 2	10 290 958	-	-	-	(1 200 000)	1 203 287	-	10 294 245
Eswatini Railways	-	150 000 000	-	-	-	15 395 549	-	165 395 549
Select Limited bond	-	7 677 534	-	-	-	-	-	7 677 534
Select Limited note	-	653 049	-	-	-	-	-	653 049

	5 993 214 232	2 386 218 196	(1 201 529 948)	(118 302 541)	(539 510 102)	652 500 902	(38 394 372)	7 134 196 367
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	Opening carrying value E	Additions during the year E	Investments re-classified E	Unrealised value gains E	Closing carrying value E
8. Investments (continued)					
8.2 Investment securities – Designated at fair value through profit and loss					
<i>Held directly and indirectly through investment managers – domestic managed portfolios</i>					
Swazi Empowerment Limited (Equity)	494 916 146	-	-	1 187 354	506 789 500
Swaziland Property Investments Limited (Equity)	49 758 304	-	-	15 215 349	64 973 653
The New Mall (Proprietary) Limited (Equity)	29 956 248	-	-	904 882	30 861 130
The Royal Eswatini Sugar Corporation Limited (Equity)	700 000	-	-	-	700 000
Emprop Limited (Equity)	58 367 824	-	-	5 344 564	63 712 388
Eswatini Royal Insurance Corporation Limited (Equity)	68 156 400	-	-	2 256 367	70 412 767
RMS Manzini Investments (Proprietary) Limited (Equity)	23 098 883	-	-	2 910 545	26 009 428
Maguduza Hydro Power Station (Equity)	5 880 000	-	-	-	5 880 000
Montigny Investments Limited (Equity)	738 881 054	-	-	151 954 850	890 835 904
The Gables Shopping Centre Partnership	124 926 266	-	-	63 457 782	188 384 048
Libuyile Properties (Proprietary) Limited (Equity)	67 094 845	26 000 000	-	-	93 094 845
Invatsi House	47 333	(47 333)	-	-	-
Ezulwini Reinsurance Company Limited (Equity)	38 398 009	-	-	(7 007 896)	31 390 113
Ingcamu Hotel	-	9 268 769	-	-	9 268 769
Eswatini Royal Insurance Corporation Shares	-	11 735 876	-	-	11 735 876
Eswatini Royal Insurance Corporation	-	74 028 248	-	-	74 028 248
Ebuhleni Properties	-	56 409 346	-	-	56 409 346
Woodlands Shopping Centre	-	56 857 477	-	1 387 162	58 244 636
	1 700 181 312	234 252 384	-	248 296 959	2 182 730 655

Investments designated at fair value through profit and loss include certain equity investments where the Fund exercises significant control through its shareholding. These equity holdings are detailed as follows:



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

8. Investments (continued)

8.2 Investments securities – Designated at fair value through profit and loss (continued)

8.2.1 Swazi Empowerment Limited

The Fund has a 78.3% equity holding in Swazi Empowerment Limited, an investment holding company registered in Eswatini with a 19% stake in Eswatini MTN. At year end Eswatini MTN was one of two licensed mobile telephone operators in Eswatini.

	2020 E	2019 E
A summary of its unaudited financial position and results at its year end, 31 March 2020 was as follows:		
Investments	514 218 345	560 909 142
Loans receivable	-	864 685
Cash and cash equivalents	43 477 094	39 639 068
Accounts receivable	29 821 477	30 941 204
Accounts payable	(271 303)	(270 950)
Taxation (liabilities)/assets	(9 583)	(558 000)
Net assets	647 236 030	631 525 149
<i>Net profit for the year before taxation</i>	47 310 052	49 561 647
<i>Other comprehensive income</i>	13 309 203	18 849 994
Swazi Empowerment Limited is listed on the Eswatini Stock Exchange.		
8.2.2 Swaziland Property Investments Limited		
The Fund has a 35% equity holding in Swaziland Property Investments Limited, a property holding company registered in Eswatini and listed on the Eswatini Stock Exchange. A summary of its unaudited financial position and results at its year end, 30 June 2019 was as follows:		
Investment property	170 913 633	138 409 212
Equipment	3 176 030	2 052 679
Accounts receivable	700 720	1 918 016
Taxation prepaid	660 648	673 598
Money market investments	10 170 861	13 668 981
Cash	3 819 061	5 439 833
Lease assets	1 880 650	1 603 668
Current tax liability	(35 460)	(35 460)
Loans and borrowings	(7 233 240)	(5 512 966)
Deferred tax liability	(468 090)	(418 642)
Accounts payable	(4 826 155)	(9 915 904)
Net assets	178 758 658	147 883 015
<i>Net profit for the year before taxation</i>	43 888 643	12 269 344

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	2020 E	2019 E
8. Investments (continued)		
8.2.3 The New Mall (Proprietary) Limited		
The Fund has a 50% shareholding in The New Mall (Proprietary) Limited, an unlisted property company registered in Eswatini. A summary of its audited financial position and results at its year end, 30 June 2019, was as follows:		
Investment property	62 910 000	62 910 000
Property, plant and equipment	1 053 282	1 237 891
Trade and accounts receivable	1 243 904	1 029 279
Cash and cash equivalents	13 013 175	11 772 626
Shareholders' loans	(12 445 697)	(12 445 697)
Accounts payable	(441 931)	(599 136)
Borrowings	(3 010 829)	(3 826 571)
Taxation	(599 645)	(165 897)
Net assets	<u>61 722 259</u>	<u>59 912 495</u>
<i>Net profit for the year before taxation</i>	2 559 409	2 638 291
8.2.4 Emprop Limited		
With effect from 1 July 2013 the Fund had a 50% share-holding in Emprop Limited, an unlisted property company registered in Eswatini. A summary of its audited financial position and results as at its year end, 30 June 2019 was as follows:		
Property, plant and equipment	69 727	75 089
Investment property	245 700 090	235 551 290
Township property	221 535	350 250
Cash and cash equivalents	3 082 607	2 479 765
Trade and other receivables	5 466 902	5 756 182
Shareholders loans	(164 960 000)	(164 960 000)
Trade and other payables	(2 182 660)	(2 476 928)
Net assets	<u>87 398 201</u>	<u>76 775 648</u>
<i>Net profit for the year before taxation</i>	10 707 310	647 529



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	2020 E	2019 E
8. Investments (continued)		
8.2.5 Libuyile Properties (Proprietary) Limited		
With effect from 2015 the Fund had a 100% shareholding in Libuyile Properties (Properties) Limited, an unlisted property company registered in Eswatini. A summary of its unaudited financial position and results as at 31 March 2019 was as follows:		
Investment property	133 036 100	133 036 100
Accounts receivable	621 276	270 129
Cash and cash equivalents	7 131 382	5 871 872
Loans payable	(69 735 722)	(69 735 722)
Accounts payable	(648 688)	(557 992)
Net assets	70 404 348	68 884 387
<i>Net profit for the year before taxation</i>	1 543 634	1 789 540
8.2.6 Montigny Investments Limited		
The Fund has a 38.46% shareholding in Montigny Investments Limited, and Montigny Property Holdings Limited unlisted companies registered in Eswatini. A summary of the combined audited financial position and results at its year end 30 September 2019 was as follows:		
Investments	5 616 447	93 339 054
Biological assets	2 063 362 203	2 216 689 454
Property, plant and equipment	375 612 496	318 459 944
Inventory	80 617 326	91 856 630
Trade and other receivables	233 056 268	187 628 626
Loans and borrowings	(679 859 453)	(765 943 663)
Trade and other payables	(218 301 786)	(227 551 849)
Taxation	1 139 098	(3 609 247)
Cash and cash equivalents	(51 900 698)	8 302 619
Non-controlling interest	-	-
Net assets	1 809 341 901	1 919 171 568
<i>Net profit for the year before taxation</i>	394 535 865	226 389 008

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	2020 E	2019 E
8. Investments (continued)		
8.2.7 Old Mutual Swaziland Agri-Fund Partnership		
The Fund has a 61.7% holding in Old Mutual Agri-Fund, a partnership registered in Eswatini. A summary of its unaudited financial position and results at its year end 31 December 2018, was as follows:		
Loans and receivables	181 967 183	179 216 424
Investments at fair value through profit or loss	10 151 223	8 642 869
Cash and cash equivalents	2 291 083	6 571 379
Prepaid expenses	-	256 117
Accounts payable	(1 658 960)	(2 919 081)
Net assets	<u>192 750 529</u>	<u>191 767 708</u>
<i>Loss profit for the year</i>	(26 625 924)	(6 637 669)
8.2.8 RMS Manzini Investments (Proprietary) Limited		
The Fund has a 100% holding in RMS Manzini. A summary of it's unaudited financial position and results at its year end 31 March 2019 was as follows:		
Investment property	43 503 922	41 989 133
Financial assets	-	19 758 658
Trade and other receivables	4 804 350	2 936 430
Cash and cash equivalents	24 606 593	206 507
Trade and accounts payable	(112 231)	(13 334 669)
Shareholder's loan	(28 888 000)	(28 888 000)
Net assets	<u>43 914 634</u>	<u>22 668 059</u>
<i>Net profit before taxation</i>	-	3 056 421
8.2.9 Lower Maguduza Hydro Power Project		
The Fund has 28% shareholding in the Lower Maguduza Hydro Power Shareholders capital injection	<u>5 880 000</u>	<u>5 880 000</u>
8.3 Investment securities – held for trading		
The asset managers used during the year and the value of assets managed at year end were as follows:		
Allan Gray Limited	4 327 082 826	5 210 774 966
Coronation Asset Management (Proprietary) Limited	4 307 495	4 327 920 352
Foord Asset Management (Proprietary) Limited	510 395 543	1 330 106 056
Sanlam Investment Management (Proprietary) Limited	360 998 410	990 925 961
Stanlib Asset Management Limited	1 463 593 179	1 168 305 617
Aluwani Capital Partners	1 068 885 081	-
Stanlib Global	1 059 182 674	-
Old Mutual	988 141 878	-
Alexander Forbes	1 339 544 599	-
Gryphon	18 028 317	-
	<u>11 140 160 002</u>	<u>13 028 032 952</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

8. Investments (continued)

8.3.1 Investments securities – held for trading reconciliation (continued)

	Opening balance	Additions	Withdrawals	Investment income capitalised	Withholding tax	Realised profit/(loss)	Unrealised fair value gains/(losses)	Manage- ment fees paid	Closing balance
	E	E	E	E	E	E	E	E	E
Alan Gray	5 210 774 966	-	-	200 316 998	(8 825 089)	298 558 299	(1 352 771 232)	(20 971 116)	4 327 082 826
Coronation	4 327 920 352	-	(4 617 190 169)	157 907 207	(13 929 128)	1 045 942 076	(875 292 584)	(21 050 259)	4 307 495
Foord	1 330 106 056	-	(919 044 026)	39 126 808	(2 478 912)	90 175 840	(21 645 087)	(5 845 136)	510 395 543
Stanlib (Equity)	1 168 305 617	-	(828 170 104)	22 477 599	(3 945 910)	39 906 144	(30 886 357)	(6 688 579)	360 998 410
Sanlam (Equity)	990 925 961	750 448 208	-	25 565 646	(3 567 154)	139 469 112	(433 517 950)	(5 730 644)	1 463 593 179
Aluwani	-	1 338 759 676	-	7 095 339	-	(81 159 899)	(195 806 650)	(3 385)	1 068 885 081
Stanlib Global	-	1 335 975 460	-	6 013 201	(271 536)	(22 219 683)	(259 741 669)	(573 099)	1 059 182 674
Old Mutual	-	1 306 128 481	-	6 027 463	-	(93 084 940)	(229 871 983)	(1 057 143)	988 141 878
Alexander Forbes	-	1 315 997 552	-	-	-	-	23 547 047	-	1 339 544 599
Gryphon	-	317 094 922	-	6 351 063	-	(306 310 172)	982 477	(89 973)	18 028 317
	13 028 032 952	6 364 404 299	(6 364 404 299)	470 881 324	(33 017 729)	1 111 276 777	(3 375 003 988)	(62 009 334)	11 140 160 002

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	2020 E	2019 E
9. Investment property		
Investment property comprises portions 931, 932, 933, 935, 947 and portion 948 of Farm no. 2 situated in the Mbabane Urban area in the Hhohho region with improvements thereon; remaining extent of portion 2 and 4 of farm no. 73 situated in the Hhohho District, Eswatini with improvement thereon.		
At beginning of the year	838 638 512	790 261 626
Additions	42 898 839	48 376 886
At end of the year	881 537 351	838 638 512
10. Accounts receivable		
Net VAT receivable	21 421 618	19 050 903
Prepayments	900 541	151 693
Staff receivables	3 514 068	4 049 167
Rent receivable	2 574 153	846 952
Withholding tax receivable	468 653	698 652
	28 879 033	24 797 367
11. Arrear contributions		
Receivable from the Eswatini Government	98 029 380	96 241 823
Less provision for impairment	-	-
	98 029 380	96 241 823



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	2020 E	2019 E
12. Bank and cash		
First National Bank of Eswatini Current Account	7 504 404	(27 731)
First National Bank of Eswatini Call Account	67 370 316	217 985 520
First National Bank of Eswatini Trust current account	7 840 546	7 541 014
Nedbank (Swaziland) Call Account	41 378 454	71 306 088
Nedbank (Swaziland) Current Account	75 011	-
Standard Bank Eswatini Current Account	(338)	(297)
Eswatini Bank Current Account	72 006	-
Standard Bank Eswatini Call Account	9 663 813	4 967 489
MTN Mobile Money	112 000	-
Standard Bank South Africa Call Account	283 581	267 032
Petty cash	3 791	3 072
	134 303 584	302 042 187
13. Money market and short term securities		
Stanlib Swaziland – Income Fund	217 459 732	556 945 844
African Alliance Swaziland –Lilangeni Fund	151 381 814	289 806 619
Eswatini Bank – Fixed Deposit	107 883 834	107 839 039
Nedbank – fixed term deposit	108 325 971	108 174 657
Standard Bank – fixed term deposit	-	108 126 711
Old Mutual Absolute Growth Portfolio	20 622 862	173 451 673
Stanlib Unit Trust – money market	40 308 280	41 585 896
Sanlam Unit Trust – money market	39 903 700	41 768 985
	685 886 193	1 427 699 424
14. Benefits payable		
Trust Account benefits	88 052 526	90 895 895
Accrued lump sum benefits	22 077 103	23 241 020
Pensioners suspended	3 733 096	5 961 065
	113 862 725	120 097 980
15. Accounts payable		
Accrued expenses	11 974 559	10 777 589
Investment fees	10 668 348	9 617 971
PEU Levy	13 051 021	9 051 021
Other payables	15 287 379	9 568 271
Retention	2 831 974	2 308 845
	53 813 281	41 323 697

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	2020 E	2019 E
16. Notes to the cash flow statement		
16.1 Cash generated by operations		
Surplus before fair value adjustments	2 112 930 734	1 216 327 515
Adjusted for:		
Depreciation of property and equipment	2 308 847	2 923 868
Property valuation losses	-	(76 150 411)
Net surplus for the year before working capital changes	2 115 239 581	1 143 100 972
Movement in accounts and arrear contributions receivable	(5 869 223)	(11 737 417)
Movement in accounts and benefits payable	6 254 329	8 157 639
	<u>2 115 624 687</u>	<u>1 139 521 194</u>
16.2 Cash and cash equivalents		
Bank balances and cash (Refer note 12)	134 303 584	302 042 187
Money market and short term securities (Refer note 13)	685 886 193	1 427 699 424
Closing balance	<u>820 189 777</u>	<u>1 729 741 611</u>



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

17. Financial position of the Fund

The Fund was actuarially valued by Bernard Yen of Aon Hewitt Actuarial. In terms of their report dated 22 June 2020 the valuation of the Fund as at 1 April 2020 reflected the following:

Past service

The funding level was 68.9% resulting in a deficit of E10 066 million.

The contribution rate, after adding an allowance for expenses, required to support the level of benefit expected to accrue over the next year was 24.2%.

Future service

The additional contribution rate required to eliminate the past service shortfall over the future service of current members over the next 15 years was 14.1% of pensionable emoluments.

The total required contribution rate including that required to fund the deficit was therefore 38.1%.

18. Financial instruments

Financial assets of the Fund include cash, marketable securities and accounts receivable. Financial liabilities of the Fund include accounts payable and benefits payable.

Interest rate risk

Included in investments (note 8) are financial assets with fixed and floating interest rates which are subject to interest rate risk.

Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. The Fund has significant exposure to various investment managers. To reduce exposure to credit risk the Fund performs ongoing evaluations of the financial performance of the Fund managers. The Fund invests available cash and cash equivalents with its bankers. The Fund is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments but, given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

Fair value

The fair values of investments are shown in note 8 to the financial statements. The fair values of cash, accounts receivable and accounts payable are not materially different from their carrying amounts.

Derivative market instruments

Derivative market instruments have been entered into by the Fund Managers for the purpose of reducing the price risk of the share portfolio.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)



	2020 E	2019 E
19. Capital commitments		
Authorised and contracted for	<u>101 000 000</u>	<u>97 500 000</u>

19.1 Hotel construction

The Fund in 2019 approved a further investment plan for the development of Hilton Garden Inn hotel conference room worth E12 million. The project will be financed from the Fund's resources and was still in progress during the 2020 financial year. The development will be completed in 2020.

19.2 Residential Flats

The Fund in 2019 approved an investment plan for the development of residential flats. The project will be financed from the Fund's resources and was still in progress during the 2020 financial year. The development will be completed in 2021.

20. Employees

The average number of employees during the financial year was 55 (2019: 55).
Employment costs amounted to E49 883 048 (2019: E42 357 636).

21. Pension and other retirement benefits

The Fund and its employees contribute to a separately administered defined contribution plan (The Public Service Pensions Fund Staff Pension Scheme). Contributions are based on a percentage of pensionable earnings. The assets of the plan are held in a separate independently administered fund. Contributions to this fund are charged to the revenue account.

An accrual has also been made for benefits, payable on retirement or retrenchment amounting to E7 951 697 (2019: E5 793 537).

22. Related parties

The Fund holds significant equity investments in RMS Manzini Investment (Pty) Ltd (100%), Emprop Limited (50%), Swazi Empowerment Limited – SEL (78.3%), The New Mall (Proprietary) Limited (50%), Swaziland Property Investments Limited – SWAPROP (35%), Libuyile (Proprietary) Limited (100%), Montigny Investments Limited (38.46%), Old Mutual Agri-Fund Partnership (61.7%) and Lower Maguduza Hydro Power Station (28%), Ezulwini ReInsurance Company Limited (51%), Gables Shopping Centre Partnership (50%), Bekelela Enterprises (Pty) Limited (100%), Ingcamu Hotel (Proprietary) Limited (100%), Fitness For Life (Proprietary) Limited (100%). The specific detail relating to certain of these related entities has been included as part of note 8. Even though the Fund has effective control over eight entities and exercises significant influence over six entities, these entities have not been consolidated or equity accounted because the Fund's accounting policy election is that it is not the business of the Fund to acquire equity investments for control purposes or to hold them as controlled entities in the long term.

In certain instances the Fund has advanced amounts to controlled entities on terms and conditions similar to advances to non-related entities. (Refer note 8).



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

22. Related parties (continued)

The following transactions were entered into during the course of the year:

	2020 E	2019 E
Dividends received from Swazi Empowerment Limited	35 149 177	30 484 126
Dividends received from Swaziland Property Investments Limited	3 249 332	4 249 154
Dividends received from Royal Eswatini Sugar Corporation	81 040	28 100
Dividends received from Eswatini Royal Insurance Corporation	9 165 000	9 575 000
Interest received from RMS Manzini Investments (Pty) Ltd	1 353 919	-
Interest received from Libuyile (Pty) Ltd – Debentures	7 090 197	6 548 963
Interest received from The New Mall (Proprietary) Limited	1 391 566	1 171 732
Interest received from EMPROP Limited	10 200 354	10 143 378
Share of rental income received from The Gables Shopping Centre Partnership	11 684 707	9 994 101

Executive management consists of the Chief Executive Office, Director Finance, Director Corporate Services, Director Operations, Director Information Technology, Director Internal Audit and Risk and the Director Investments. In the prior year, the Director Investments position was referred to as Investment Analyst.

Total remuneration paid to executive management during the year was E12 542 874 (2019: E10 146 895). Fees, allowances and expenses of the Board of Trustees and committees was E1 941 294 (2019: E2 250 041).

23. Going concern – CoVid-19

In March 2020, the Kingdom of Eswatini invoked Section 29 of the Disaster Management Act of 2006 and declared a national emergency, commissioning a partial lockdown for the country. The effect of this was disruption in business operations and a significant increase in economic uncertainty. The partial lockdown regulations implemented by the Government of Eswatini categorised the Fund as an essential industry it has therefore been able to continue with its normal operations, whilst accommodating a best practise COVID risk avoidance strategy. Management actively monitors and responds to the constant changes with determined effort to ensure that the Fund emerges as a going concern post the COVID 19 era. Major capital projects have been prudently suspended while the markets settle and the COVID 19 pandemic persists.

The effect of the COVID 19 pandemic cannot be determined given the uncertainties, however, most of the countries worldwide have begun to resuscitate economic activities and trade which should bring stability in businesses. Based on this, the Board of Trustees are of the view that the Fund will continue to operate as a going concern.

24. Material Events After Year-End

Other than the above, there are no other matters, which are material to the financial affairs of the Fund, that have occurred between the reporting date and the date of approval of the financial statements.



Area for notes, consisting of horizontal lines.

Annual Report 2020

HEAD OFFICE

7th Floor, Ingcamu Building,
Mhlambanyatsi Road
P.O. Box 4469, Mbabane H100, Swaziland

Telephone: (+268) 2411 9000
(+268) 2404 8740/3

Fax: (+268) 2404 2712

Email: info@pspf.co.sz

Website: www.pspf.co.sz

BRANCHES

MBABANE

New Mall

Tel: (+268) 2404 6252

SITEKI

Lubombo Shopping Mall

Tel: (+268) 2343 5713

NHLANGANO

FNB Building, Mshengu Street

Tel: (+268) 2207 9697

MANZINI

Lidlelantfongeni Building

Tel: (+268) 2505 7889

PIGG'S PEAK

Eswatini National Provident Fund Building

Tel: (+268) 2437 3708



Facebook: /pspfswaziland

Toll Free: 8002401



Twitter: @pspf_swaziland



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www.pspf.co.sz