Swaziland Water Services Corporation

# Annual Report

# 2010

# Contents



# Introduction

## Who we are

Swaziland Water Services Corporation (SWSC) is a body corporate duly established under the Water Services Corporation Act, No. 12 of 1992. The Corporation is a category 'A' Public Enterprise in terms of the Public Enterprise (Control and Monitoring) Act No.8 of 1989 and therefore it is wholly owned by Government.

## What we do

The objects of the Corporation is to abstract, store, transport, purify and supply water and collect, convey, treat and dispose sewage in the following areas as specified in the schedule of the Water Services Act:- Croydon, Hlatikulu, Hluti, Kubuta, Kwaluseni, Lavumisa, Lobamba, Lomahasha, Lubuli, Malkerns, Mananga, Mankayane, Manzini, Matsapha, Mbabane, Ngwenya, Nhlangano, Nkoyoyo, Piggs Peak, Siphofaneni, Siteki and Vuvulane. The Corporation has also extended its services of providing water and sewage disposal to Ntfonjeni, Nhlambeni, Ezulwini and Sithobela.

With regard to the above-mentioned areas the Corporation is mandated to:

- Prepare schemes for the development of water resources and for the supply of water and construct, maintain and operate such schemes.
- Keep under constant review the quality, reliability and availability of water supplies.
- Control and regulate the production, treatment, storage, transmission, distribution and use of water for public purposes.
- Design, construct, acquire, operate and maintain water works for the purpose of supplying water for public purposes and
- Inspect and advise on the management, collection, production, transmission, treatment, storage, supply and distribution of water.

## Social and economic considerations

The Corporation acknowledges that water is both a social and economic good. In terms of the Water Services Corporation Act No. 12 of 1992, the Corporation is expected to conduct its business strictly on commercial principles so that it can realize an operating profit. However most of the SWSC's areas of supply are financially non-viable (i.e the cost of producing one unit of water exceeds the price per unit). This brings about the challenge of implementing a cost reflective tariff that balances social, political and economic goals.

# Vision, Mission and Core Values

## Vision

"To delight our customers in the provision of potable water, wastewater disposal and other services"

## Mission statement

"To provide quality water and waste water services, effectively meeting customer needs in a growing market through sound management policies, strategies and improving technology, whilst maintaining a safe environment for our staff and community"

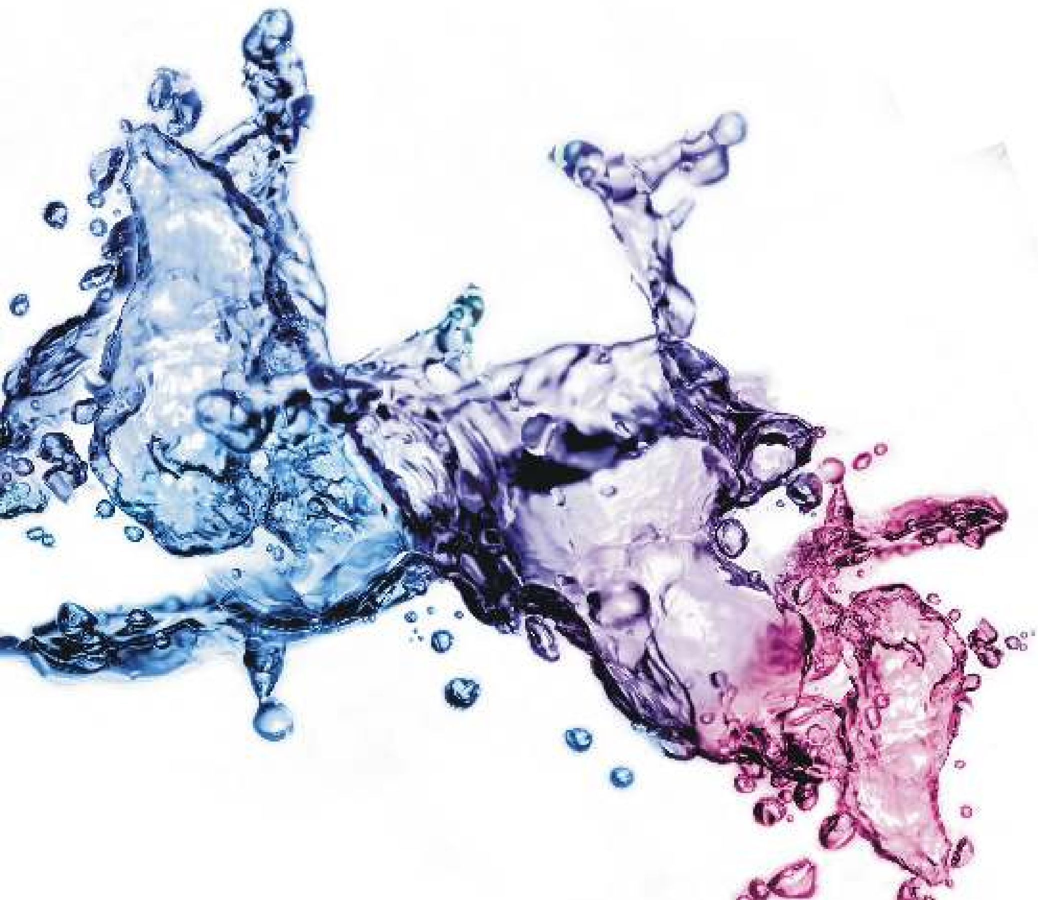
## Core values

• **Good governance:**
we ensure that all our actions are morally and legally fair whilst treating all with respect.

• **Performance and continuous improvement:**
we continually look for better ways of doing things.

• **Ownership and accountability:**
we respect the business as if it were our own and deliver on our commitments.

• **Communication and transparency:**
we continuously communicate with and through our people in an honest and fair manner.



# Chairman's Statement

I am pleased to present the Swaziland Water Services Corporation's (SWSC) 2009/2010 Annual Report incorporating Financial Statements. SWSC takes pride in its socio-economic obligation of providing safe water and sanitation services. We commit ourselves to continuously improving service delivery.

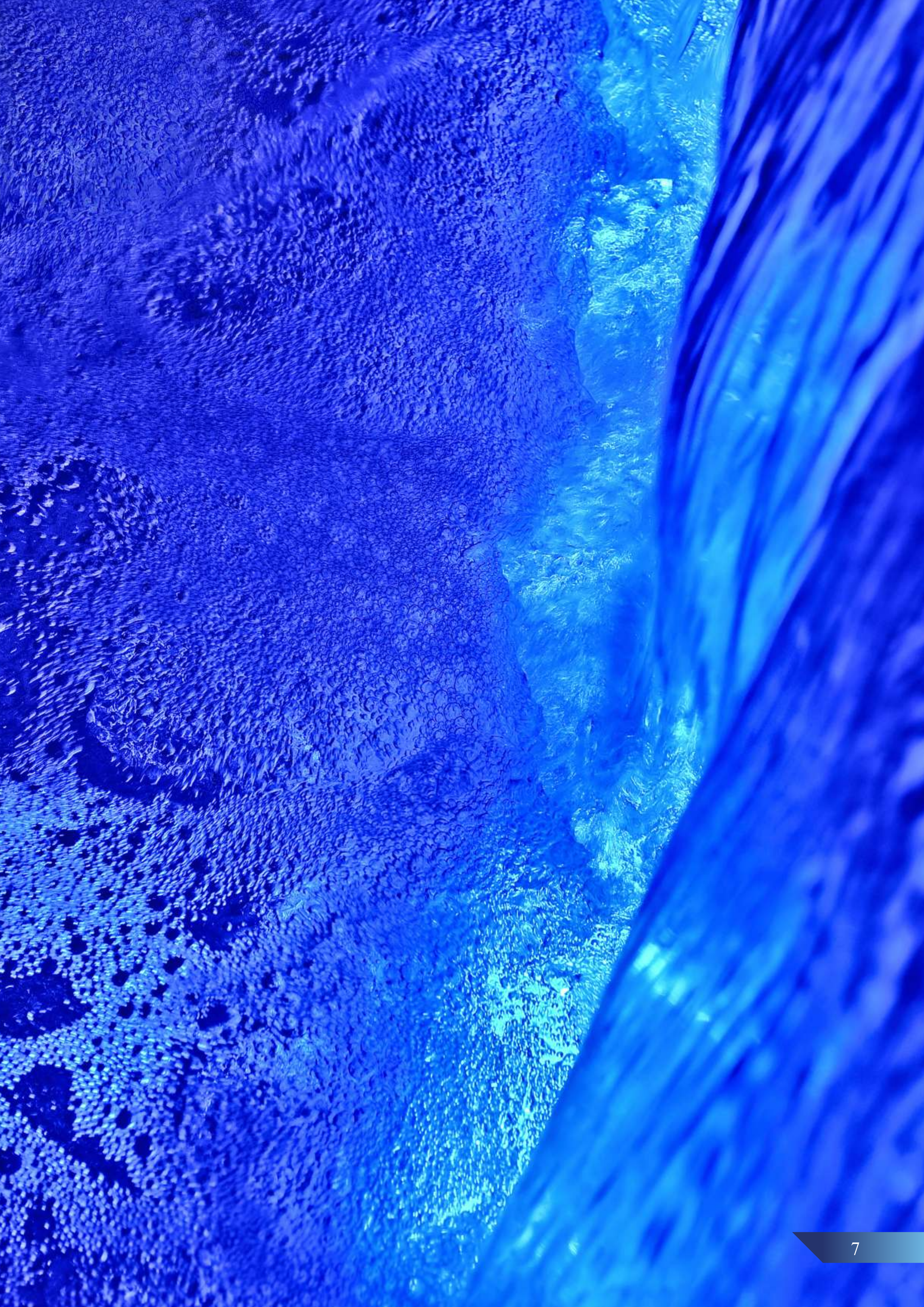
Investing in water and sanitation infrastructure is key for socio-economic development and attracting foreign direct investment. Water resources are becoming scarce. Demand is beginning to outpace supply and supply itself is being impacted in terms of quantity and quality including climate change and environmental degradation. Meeting the growing demands for water resources for socio-economic development requires commitment by Government and water stakeholders. Water resources management has become critical including its allocation among competing needs. The involvement of stakeholders in decision-making cannot be over-emphasised. The efficient use of water needs to be promoted by charging a cost reflective tariff. Communication and outreach programmes on water conservation and efficient use need to be promoted to households and businesses.

As a Corporation we are aware that improved water and sanitation is a key component of Government's Poverty Reduction Strategy and Action Programme (PRSAP). Water and sanitation affects all the six pillars of the PRSAP. Progress towards increasing proper access to water and sanitation needs to be accelerated through proper investment in infrastructure development. Such investments will match the rate of socio-economic development and break the cycle of poverty thus improving the quality of life. “Considering that two thirds of the time span from the base year (1990) to the MDG target has elapsed, business as usual is not enough” (WHO/UNICEF:2005).

We are aware about the challenges brought about by the external environment such as the economic downturn and changes in hydrological patterns. These challenges impact on our business and stakeholders. Despite the economic downturn we will continue to be resilient and grow the business whilst ensuring reliable and sustainable service delivery.

I would like to thank the Board, Management and staff for playing an important role in service delivery and showing commitment towards our customers. Excellent customer service remains our priority and we pledge to continue improving service delivery to the satisfaction of our customers.

**E.N. Zwane**
**Chairman of the Board**



# Chief Executive Officer's Review

## Introduction

I am pleased to report on the 2009/2010 financial year. We are increasing our focus on revenue generation, cost containment and minimizing operational risk. This involves increasing network coverage, plant optimization and promotion of efficient use of water (e.g through the media and road shows). We thrive for service excellence and continuously monitor targets under our strategic plan with the aid of key performance indicators.

## Strategic plan

The strategic plan for 2009-2012 was launched during the year under review. The strategic plan is divided into five focus areas which are (1) People and structure (2) Products and services (3) Financial growth and sustainability (4) Customer service and quality and (5) Infrastructure and systems. Each of these focus areas are supported by measurable goals and action plans which have timelines.

As we implement the strategy, we are aware of the underlying challenges in the water and sanitation sector which include changes in climatic patterns, high infrastructure development costs, very low returns on investment, international declarations and targets (i.e. MDGs, poverty alleviation etc.) In spite of these challenges we will continue to leverage our resources to ensure that we meet our strategic objectives whilst meeting social and economic objectives.

## Operations

**Reduction of non-revenue water:** Non-revenue water continues to be a major challenge facing the Corporation. Monitoring and control of non-revenue water is an ongoing exercise. Public awareness campaigns on the importance of reporting leakages and illegal connections are continuously taking place. A Water Loss Team team has been set up specifically to work on reducing non-revenue water. The telemetry system has also been upgraded to highlight service reservoirs that are prone to overflowing.

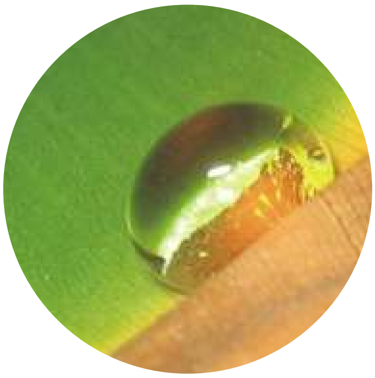
**Health and safety:** The Corporation always ensures that operations are conducted in a safe and healthy environment. We focus on accident prevention rather than mitigation. Employees are regularly trained on all aspects of health and safety. All accidents are reported to the Safety and Health Officer so that they can be acknowledged and prevention strategies put in place to help reduce the probability of similar accidents occurring in the future.

**Geographic Positioning System (GPS):** A key achievement during the year under review was the capture of GPS coordinates of all fire hydrants throughout the country. Approximately 600 fire hydrants distributed throughout the Corporation's countrywide network have their exact positions mapped. Consequently, and through the Corporation's strategic interventions, it will become possible to effectively monitor fire hydrants' usage in order to safeguard against possible misuses that can further impact negatively on reducing Non Revenue Water (NRW).

**Information Technology (IT):** The Corporation's IT and Archive centre was completed during the financial year. The new server room has improved the IT infrastructure in that connection to the SPTC's exchange is now via fiber whereas the connection to the old server room was via copper. The copper connection was a problem in that there were a lot of down times for the regional offices connected to the IT infrastructure at head office via data lines. These down times were in most instances due to stolen SPTC copper wires. The IT operational efficiency will greatly improve with the installation of the fibre connection.

## Customer service

The call centre was moved from the North West Region to the new Archives and IT building at Head Quarters. A new system for tracking and monitoring all customer calls to SWSC was installed at the call center. The system is also linked online to all the regions. The call center captures all customer calls and allocates them to the appropriate region/ department. The regions then allocate the calls to the relevant personnel and update the system on the status/progress on calls. The call center monitors the status/progress on the calls and gives feedback to the customers.



## Bottled water

Eco-water sales volumes were 217 940 units against an annual target of 192 000. The sales were 13.5% above target. The major contribution towards overall sales is from sales to customers hosting special events.

## Our people

Our people are committed towards the attainment of corporate objectives and we recognize their contribution to the business. The changes in the business environment require us to constantly upgrade the skills and competencies of our staff. The Corporation will continue to invest in training and development and partner with employees to achieve corporate goals. Employment and retention of competent people is the Corporation's priority and so is performance management. Our values charter is a strategic foundation for achieving Corporate goals. We will continue to develop skills and provide opportunities for career development so that we can be regarded as one of the best employers.

## Financial overview

The Corporation's operating revenue for the year was E165 million (2009:E150 million), representing an increase of 10%. The net profit for the year was E12.3 million (2009: E9.6 million).

The current ratio stood at 1.83:1 (2009: 2.45:1). The debtors collection period was 61 days compared to the performance agreement target of 100 days.

Commissioned projects (transfers from capital projects) amounted to E64 million out of added capital work in progress for the year of E125.7 million.

## Regulation

The Privatisation Policy of the Kingdom of Swaziland makes provision for the establishment of an independent regulator. The independent regulator considers tariff proposals whilst taking into account the interest of stakeholders and that of the utility in terms of pricing and quality of service. Regionally and internationally, utilities are now economically regulated.

Price setting without a regulator often results in utilities not recovering their costs of providing the service and limits effective maintenance and the rate of investment in infrastructure. There is a strong need to establish an independent regulator for utilities so that tariff proposals can be independently evaluated and approved. This can significantly reduce the time between tariff proposal and tariff approval.

## Challenges facing the Corporation

The under-listed were problems and challenges facing the Corporation during the period under review. These problems/challenges have an impact on the operations of SWSC and its ability to extend adequate services to its customers:

- **Aging infrastructure:** The structures and materials used in piping systems are reaching the end of, or have exceeded, their life expectancy. Because maintaining and operating aging infrastructure is very costly, financial resources have to be allocated to more pressing needs such as attending to pipe bursts and leaks. Direct infrastructure costs continue to escalate for building, replacing, or improving treatment plants and laying or replacing pipes.

- **Rapid pace of urbanisation and industrialisation:** The increase in population and industrial output has resulted in the demand for water and sewer services. In some communities especially unplanned settlements it is difficult to provide an adequate supply of clean water and sanitation.

- **Tariff approval:** The tariff approval process takes a longer time due to the number of approval structures. This results in tariffs being implemented well into the financial year resulting in revenues collected being significantly less than budget.

- **Lack of adequate water storage:** There is a critical need to increase raw water storage through the building of strategically located dams so that current and future water demand is catered for.

- **Lack of financial resources for the development of water and sewer infrastructure:** The non-availability of an adequate budget for accelerating the provision of the necessary infrastructure for water and sanitation access has slowed down progress on meeting socio-economic targets.

- **Drought:** Climate change resulting in drought spells affect water sources and threatens sustainability of long-term water supply.

- **Increasing costs of production:** The rising costs of production inputs (electricity, chemicals and materials and consumables) usually at a rate above inflation affects the fixing of a cost reflective tariff in that tariff determination is normally a function of the consumer price index (CPI) which Government uses as a base to set the “major rate”.

- **Impact of HIV and AIDS:** HIV and AIDS has a direct impact on productivity as it affects people who are in their most productive years through absenteeism from work and lowered output.

## Acknowledgment

I would like to thank our Board of Directors, staff, business partners, and other stakeholders for their support and their role in making it possible to continue with our service delivery in spite of the many challenges faced by the Corporation.

**P.N. Bhembe**
**Chief Executive Officer**

# Board of Directors

**Mr Esau Zwane:** *B.Comm; MBA.*

Mr Esau Zwane joined the SWSC Board as a non-executive member in 1993. Mr Zwane is Chairman of the Board after having served three terms as a Board Member. He was previously employed by the University of Swaziland as a Bursar/Financial Controller. He is a businessman involved in community development finance. As a developer of grassroots community business, he is currently working for Eswatini Kitchen Honey Factory. He is actively involved in Community Agri-business Marketing Trade Linkage Programmes.

**Mr Peter Bhembe:** *HND (Electrical Engineering); BEng (Electrical Engineering); MSAIEE; PGD (Human Resource Mngt)*

Mr Peter Bhembe joined SWSC as Managing Director in 1995. He is the executive member of the SWSC Board. Previously he was Engineering Manager at Swaziland Breweries. Mr Bhembe has also held the position of Engineering Manager at GENCO (South Africa) and Emaswati Coal Mine (Swaziland). He is a member of: the South African Institute of Electrical Engineers (SAIEE); the International Water Association (IWA) and the IWA Strategic Council.

**Ms Thab'sile Mlangeni:** *BA (Econ and Acc); MSc (Public Finance and Econ).*

Ms Thabsile Mlangeni joined the SWSC Board as a non-executive member in 2004. She is currently the Principal Finance Officer at the Ministry of Finance having joined the Ministry as an Assistant Finance Officer in the budget section in January 1997. Ms Mlangeni was Chairman of the Intergovernmental Committee of Experts of the United Nations Economic Commission for Africa from 1996 to 1997. She has also served at the RFM Hospital as a Board member. She is currently a member of the Government Planning and Budget Committee and also a board member of the Motor Vehicle Accident Fund.

**Mr Bertram Stewart:** *B.Comm; MBA*

Mr Bertram Stewart joined the SWSC Board in 2009 in an ex-officio capacity as per section 4 (1) of the Water Services Act of 1992. Mr Stewart was the Principal Secretary in the Ministry of Natural Resources and Energy in the reporting period. Prior to his current position he has held the positions of Chief Executive Officer at SEDCO, a public enterprise and that of Director-Small and Medium Enterprises in the Ministry of Trade and Commerce.

**Mr Magalela Maphalala:** *Mngt Dev. Programme (MDP)*

Mr Magalela Maphalala joined the SWSC Board as a non-executive member in 2001. Mr Maphalala is self- employed. Prior to running his own business he was a Management Accountant at Usuthu Pulp Company (now Sappi) until he retired in 2002. Mr Maphalala has been involved in management consulting with various companies in the country. He is a board member of SASSCO. He is the founder member of Asikhutulisane Savings and Credit Cooperatives where he served as Chairman from 1984 to 1986.

**Mr Phinda Nxumalo:** *BA Hons; M.ED (Administration).*

Mr Phinda Nxumalo joined the SWSC Board as a non-executive member in 2004. He is currently the Human Resources and Development Director at the Swaziland Railways. He is an alternate board member at the Federation of Swaziland Employers and Chamber of Commerce. He is also a committee member (Industrial Relations and Social Policy) at the same organization.

**HRH Prince Jwabu**

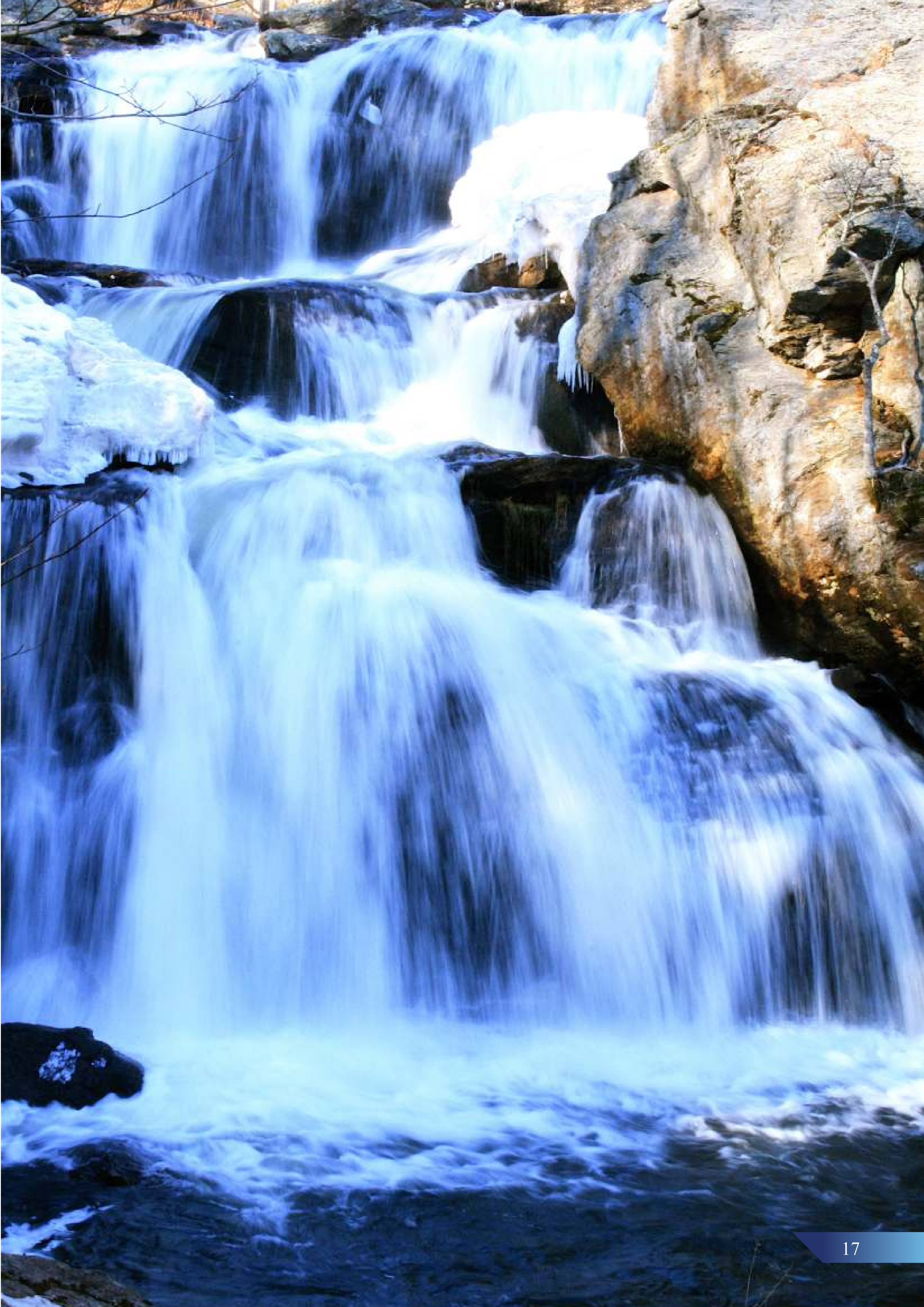
HRH Prince Jwabu joined the SWSC Board as a non-executive member in November 2009. Prince Jwabu has worked for the Government of Swaziland in various positions and has served in the then Ministry of Interior as Chief Immigration Officer and in the Ministry of Foreign Affairs as Undersecretary-Political Affairs.

**Mr Muzikayise Motsa:** *BA (Law); LLB; LLM.*

Mr Muzikayise Motsa joined the SWSC Board as a non-executive member in 2007. Mr Motsa is currently a lecturer in the Department of Law at the University of Swaziland having joined the University in December 2002. He is an admitted attorney of the High Court of Swaziland. He worked as a Crown Counsel for the Ministry of Justice and Constitutional Affairs and Legal Advisor for the Ministry of Education. Mr Motsa is also a member of the Inner Council (Bandlancane) at Ngculwini area in the Manzini Region.

**Dr Winnie Nhlengethwa:** *BA (Nursing); MSc;(Nursing); Dip(Reproductive Health); PhD*

Dr Winnie Nhlengethwa joined the SWSC Board as a non-executive member in 2004. She is the Principal of the Nazarene College of Nursing, a position she has held since 1996. She serves in a number of committees and boards which include the Ministry of Education-Scholarship Board, University of Swaziland - Board of Affiliated Institutions, Swaziland Nazarene Health Institution-Executive Management Team, Nazarene College of Nursing-Senate and the Sharpe Memorial Church of the Nazarene -Church Board. She is currently participating in the ongoing health sector reviews and she provides technical support to the Ministry of Health and Social Welfare, Swaziland Nursing Council and Swaziland Nursing Association.



# Executive Management

**SWSC Executive Management** (from left to right)
Peter Bhembe (Managing Director)
Lungile Dlamini (Finance Director)
Leonard Nxumalo (Strategic Services Director)
Nontombi Maphanga (Technical Services Director)
Sandile Dlamini (Operations Director)

**Mr Peter Bhembe:** *HND (Electrical Engineering); BEng (Electrical Engineering); MSAIEE; PGD (Human Resource Mngt)*

Mr Peter Bhembe joined SWSC as Managing Director in 1995. He was Engineering Manager at Swaziland Breweries. Mr Bhembe has also held the position of Engineering Manager at GENCO (South Africa) and Emaswati Coal Mine (Swaziland). He is a member of: the South African Institute of Electrical engineers (SAIEE); the International Water Association (IWA) and the IWA Strategic Council.

**Ms Lungile Dlamini:** *BCOMM, Mngt.Adv.Prog, FCCA, CA (SD)*

Ms Lungile Dlamini joined SWSC in October 2002 as Commercial Manager. In May 2006 she was appointed Finance Director, a position she still holds to date. Before joining SWSC she worked for KPMG as Finance and Administration Manager, after having been Audit Supervisor in the same firm. She has also worked as a Financial Manager at Swaziland Fruit Canners. Ms Dlamini is a member of the South African Institute of Directors, International Water Association and the Swaziland Institute of Accountants.

**Ms Nontombi Maphanga:** *BSc; BSc (Civil Eng); GDE (Civil Eng).*

Ms. Nontombi Maphanga joined SWSC as Hydraulics Engineer in April 2006 and was appointed a member of the SWSC Strategy Implementation Team soon after. In November 2008 she was appointed into the SWSC Executive Management Team as Technical Services Director. In her previous engagements in other organizations she has held the posts of Quality Assurance Chemist at Coca Cola Swaziland and Project Coordinator for an NGO. She is a member of the Swaziland Association of Architects, Engineers and Surveyors, the International Water Association (IWA) and has also held office in the IWA young water professionals committee.

**Mr Sandile Dlamini:** *BSc + CDE, Post Grad Dip. (Environmental Eng); Mngt.Dev.Prog*

Mr Sandile Dlamini joined the Water and Sewage Board (a Government department then) in 1990 as a Chemist. When the Department was corporatised into Swaziland Water Services Corporation he became Treatment Engineer. In 2001 he was appointed Regional Manager in charge of the South West Region. He is currently Operations Director, a position he has held since September 2006. Mr Dlamini has served in various SWSC working committees including the SWSC Pension Fund. He is member of the International Water Association (IWA) and a board member of the Human Settlements Authority (HSA).

**Mr Leonard B. Nxumalo:** *B.A. Social Science; M.A Public Management; Post Grad. Diploma in Company Direction.*

Mr. Nxumalo joined the SWSC Executive Team in July 2001 as Human Resources Director. In 2004 he assumed the position of Director: Strategic Services. Prior to that he spent 5 years as Human Resources Manager in the FMCG industry, and 8 years in the Sugar Industry in the Human Resources Division. He participates in a number of Boards. He is Chairman of the Board at LULOTE, an SME Business Entrepreneurial Development Organisation, Board member of the East & Southern African Water Association (ERSA), and Governing Board Member of the International Water Association (IWA).

# Senior Management






**1. Lindiwe Madau** - Financial Manager: BComm; MBA.

**2. Thobile Simelane** - Commercial Manager: B.Comm; Mngt.Dev.Prog.

**3. Sikelele Fakudze** - Regional Manager - Central: BSc; Hons BSc

**4. Sindie Mango** - Human Resources Manager: BA LLB; Adv. Dipl (Labour Law)

**5. Mandla Masina** - Projects Engineer: BSc; BSc (Civil Eng).

# Senior Management (continued)






**6. Kennedy Shongwe** - Projects Engineer: BSc; BSc (Civil Eng)

**7. Bafana Sibandze** - Survey Engineer: HND (Land Surveying)

**8. Angeline Matsenjwa** - Information Technology Manager: BSc; MBA

**9. Elwyn Dlamini -** Regional Manager - East: Dip.Gen.Agric; BSc

**10. Susan Nkumane** - Internal Audit Manager: BComm; ACCA; CIA

# Senior Management (continued)






**11. Bernard Dube** - Business Analyst: BComm; MBA; FCIS; Certified Utility Mngt Specialist

**12. Bongani Ntshangase** - Customer Services Manager: BSc, PGD (Marketing); MBA

**13. Nhlanhla Dlamini** - Regional Manager - South West: B.Sc; MBA

**14. Musa Shongwe** - Laboratory Manager: BSc; Hons BSc

**15. Dumisa Dlamini** - GIS Manager: BA; MSc (Bus Info Tech)





**16. James Mkhonta** - Public Affairs Manager: Electrical Techn.Cert; HND (Electrical.Eng)

**17. Phindile Nkomo** - ACCA

**18. Aubrey Mkhonta** - Dip(Water Tech); HND (Civil Engineering); MBA; Adv. Dip (Project Mngt)

**19. Mfanasibili Simelane** - Head Office Services Manager: B.A. (Communication Science); Dip (Mass Communication).

**SWSC Executive Management and Head Office Staff**

# Performance Review

## Introduction

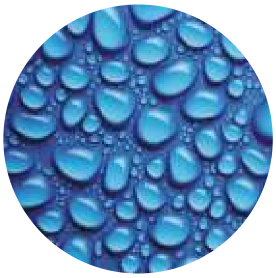
In line with national and international health and environmental standards, the quality of drinking water and wastewater discharged is one of SWSC's key performance measures and as such a great deal of focus is directed towards achieving high standards whilst ensuring that products and services remain affordable to our customers. SWSC is acutely aware of the importance of quality of service and its positive impact on the quality of life, not only to the Swazi Nation but also to the region and the world at large. His Majesty, King Mswati III has recently stated the vision to see the Kingdom of Swaziland as a first world country by 2022. For that reason SWSC is determined to provide world class products and services taking cognizance of environmental preservation.

## Quality assurance

SWSC supplies drinking water that is, in terms of quality, amongst the best in the region. All drinking water supplied by SWSC must comply with the WHO Guidelines for Drinking Water (2006). Water is an essential nutrient to all life, the benefits of drinking sufficient & good quality water are increasingly understood in keeping us fit and healthy and protecting the body against serious diseases. Therefore it is important that customers have confidence in the quality of the water supplied. Through the WHO drinking water guidelines, SWSC Guidelines (2005) and the in-house extensive monitoring program, safeguards are in place to ensure that the water supplied is of the highest quality whilst ensuring affordability.

The level of treatment needed to ensure that high quality drinking water is supplied varies depending upon the raw water quality. Currently, all of the water supplied by SWSC is derived from surface water, either directly from the rivers which are Black Mbuluzi, Usushwana, Great Usuthu, Mkhondvo, Phophonyane, Mhlambanyatsi, Komati, Ngwempisi, Ngwavuma and Umhlathuzana or from dams such as Magugu, Hawane, Maguga and Sibhowe. During the period under review the water was treated by a variety of conventional processes including chemical coagulation & flocculation, pH control, clarification, filtration and disinfection to ensure removal of microbiological organisms and the compounds responsible for causing the presence of colour and turbidity. Once treated, the drinking water is distributed to customers via a network of mains and service reservoirs. During the period under review, SWSC continued to invest in the water network to satisfy new customers and also to ensure that the standards remained high enough to tackle water quality issues promptly.

The SWSC Laboratory has been vigorous in ensuring that the water quality monitoring program covers the distribution network as much as possible. A number of new sampling points have been added to the monitoring program (such as the new Simunye Potable Water Treatment Plant) and growth is expected in the coming years as the Corporation extends its operations countrywide.


## Monitoring Program

SWSC's monitoring program currently covers 159 sampling points distributed as follows:

- Raw water: 23
- Treated water: 23
- Distribution water: 60
- Wastewater: 53

The SWSC monitoring program is based on the Performance Agreement entered into by SWSC and the Government of Swaziland which outlines the areas to be monitored and the sampling frequency thereof. The SWSC monitoring program includes the following:

• **Sampling:** This is managed by the Laboratory Information Management System (LIMS) to ensure that the correct daily, weekly and monthly sampling trips are scheduled and carried out at various points of the distribution network. The minimum sampling frequency is prescribed by the Performance Agreement. The average sampling frequency for both potable and wastewater was 102.7% for the 2009/10 fiscal year (See Figure 1).

• **Data collection:** Collection routes are planned and schedules produced by LIMS. Quality Inspectors who conduct the sampling are dispatched with pre-labeled and uniquely identified sample containers to collect various samples such as raw water, treated water, distribution water, wastewater treatment plant influent and effluent and industrial effluent samples. On the field, site tests are conducted using calibrated portable equipment and data is recorded on collection lists.

• **Sampling procedure:** Sampling is done as per the SWSC laboratory's documented sampling procedure which is part of the laboratory's management system. The procedure gives direction on how different sample types are collected and also defines what type of sampling equipment is to be used, e.g. glass or plastic bottles, transparent or opaque. The procedures also outline a step-wise instruction on how a sample is taken, e.g. from a tap starting from flushing and sterilization of the tap. Transportation to the laboratory is undertaken with care to safeguard against cross-contamination and some samples are refrigerated during transportation in order to maintain their integrity.

• **Sample logging and tracking:** At the laboratory all collected samples are logged onto LIMS or record books using the unique identification codes assigned to each sample container. Field analytical data is also then fed into the LIMS. A range of analyses are programmed for each sample with specific tests and test procedures depending on the nature of the sample, e.g. raw water will be tested using the raw water test suite and treated water using a treated water test suite. Each of the test suites is composed of different documented and validated test methods which are also part of the laboratory's management system. The samples are then routed to the applicable laboratory sections for the relevant analyses to be done.

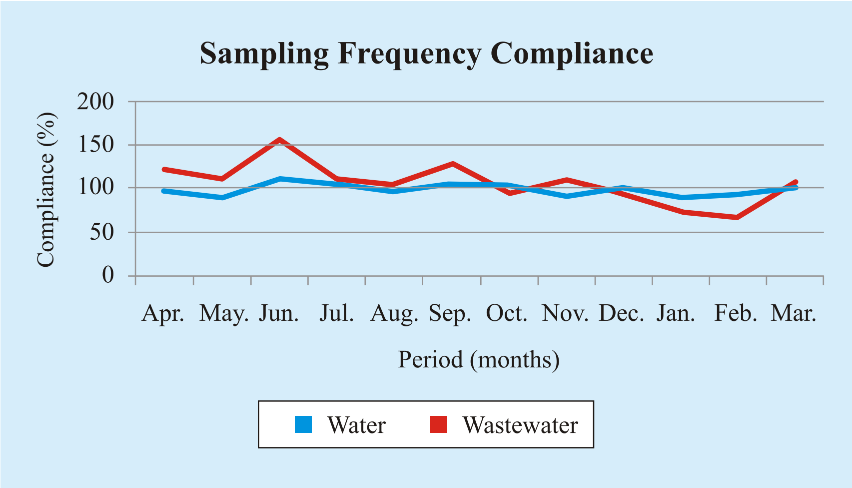



**Figure 1:** Monthly sampling frequency (2009/10)

• **Laboratory analysis:** The SWSC Laboratory is staffed by trained personnel whose competency is periodically evaluated. Analyses conducted in the laboratory range from physical to chemical and microbiological. The laboratory's analytical scope continued to grow in response to new risks that are being identified in this dynamic field of water and environmental science. It is for that reason that the SWSC laboratory procured a GC-MS in order to be able to monitor new parameters that have been identified as risk factors by the latest national and international standards. In addition to competent personnel, the laboratory also uses documented and validated standard and non-standard methods (SOPs) whose suitability for the laboratory and sample matrices have been verified. Over and above that the laboratory uses accredited/competent service providers to calibrate equipment. Laboratory supplies that have an effect on the tests being done are also procured from selected sources that are periodically being evaluated to ensure that they continuously provide quality products within reasonable turn-around times.

• **Quality Management:** An application for accreditation was lodged with the South African National Accreditation System (SANAS) and a date for the initial audit from SANAS was awaited as at end of March 2010. The laboratory uses internal and external controls to manage quality of results by using primary and secondary standards for validations and daily analyses, respectively. The laboratory also participates in two Proficiency Testing Schemes, i.e. with the South African Bureau of Standards (SABS) and National Laboratory Association (NLA, South Africa). In addition, the laboratory has also installed a temperature monitoring system which monitors and records the testing environment and storage facilities for samples and reagents.

**Potable Water**

SWSC has a potable water quality monitoring program which is used to asses potable water for its fitness for use by consumers. The monitoring program covers SWSC's raw water sources, treatment plants, service reservoirs and end user points (selected customer taps). A total of 5, 203 potable water samples collected from all the SWSC service areas across the country were analyzed during the course of the year. This means that on average approximately 434 potable water samples were collected & analyzed monthly over the period under review.

The total number of tests conducted for potable water during the 2009/10 fiscal year totals 249, 744. It is worth mentioning that the total number of samples collected shows a 3% reduction compared to the 2008/9 year and this is attributable to the review of the sampling frequency whereby it was observed that certain areas were being over-sampled (as per Performance Agreement).

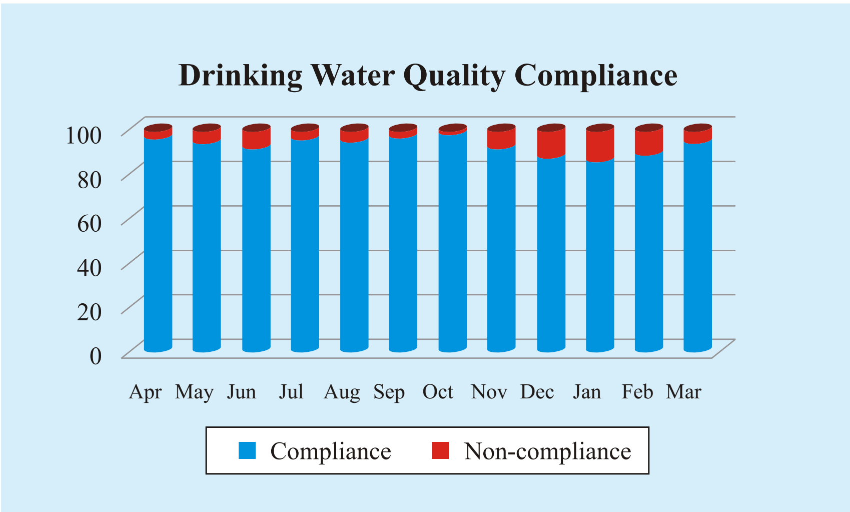



**Figure 2:** Monthly Drinking Water Quality Compliance with WHO Drinking Water Guidelines (2006)

The overall 2009/10 annual microbiological and physico-chemical compliance for potable water based on WHO Guidelines for Drinking Water (2006) was 93.0% (Figure 3), which shows a 1% increase compared to 2008/9.

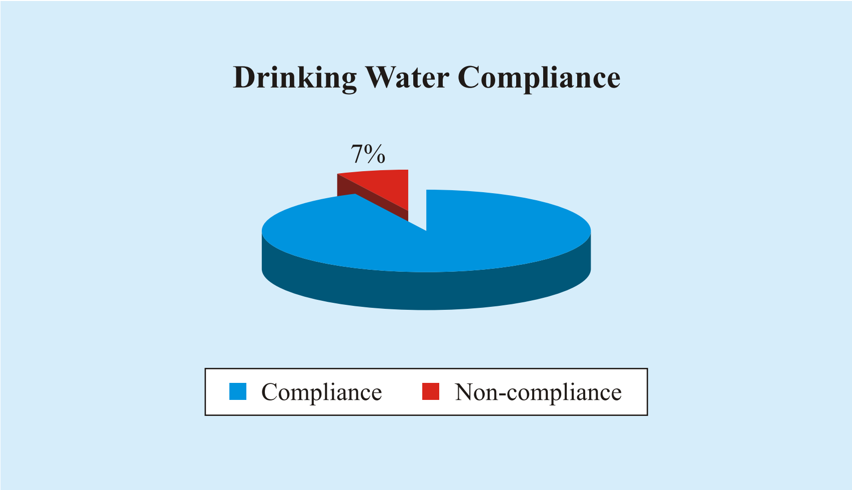



**Figure 3:** Overall Annual Drinking Water Quality Compliance with WHO Drinking Water Guidelines (2006)

**Plant Audits**

SWSC's 23 operational treatment plants were regularly monitored by the laboratory in order to ascertain the efficiency of the water treatment process and to offer technical advice to the operations department on areas of improvement where applicable. This was achieved by regular sampling for comprehensive analyses at the main laboratory and also by conducting water quality audits of the plants.

**Reservoirs**

The performance agreement with the Government of Swaziland requires that each of the Corporation's 75 reservoirs should be cleansed at least once in 24 months in order to ensure that the integrity of the water stored in such facilities is kept intact. The reservoir cleansing program was implemented in line with the performance agreement requirements.

**Wastewater**

A total of 1, 375 wastewater samples were collected and analyzed over the 12-month period and the total number of tests conducted thereof was 20, 625, excluding metals analysis. The tests range from microbiological to physico-chemical parameters, which are used to evaluate the efficiency of our wastewater treatment plants and the quality of the treated effluent before it is released to receiving water bodies such as rivers and streams. The key parameters which determine compliance for effluent are biological and chemical oxygen demand including total coliform (BOD, COD & TC).

**Trade Effluent**

During the period under review, SWSC also visited all the companies in the effluent monitoring programme to conscientise them on the importance of ensuring that the effluent discharged to SWSC's sewerage system is treatable by SWSC's current technology so that receiving water bodies are not polluted. This campaign resulted in some industries implementing projects for on-site pre-treatment facilities.

# Projects - Government Funded

In keeping up with the objective of increasing water supply coverage and reducing poverty as envisaged in the Government of Swaziland Poverty Reduction Strategy and Action Programme (PRSAP), the Corporation continued with the implementation of water and sanitation capital projects during the period under review as highlighted below:

| SIKHUPHE WATER SUPPLY | STATUS/COMMENT |
|---|---|
| **Sikhuphe Bulk Water Supply** | The Bulk Water Supply to Sikhuphe involves the installation of a 14,5km, 355mm diameter uPVC pipeline from the 7Ml Malindza reservoir to a proposed 3.2Ml reservoir at Sikhuphe Hill.<br><br>The laying of uPVC sections of the pipeline has been completed. Most of the anchoring of the pipeline has been completed. Construction of gully crossing pillars is being carried out and a steel section will be installed once complete.<br><br>Other outstanding areas include the tying in at the Malindza reservoir which has been delayed by very deep blasting having to be carried out. The completion of the bulk supply line is anticipated in April 2010. |
| **Sikhuphe Bulk Reticulation** | The Bulk Reticulation to Sikhuphe involves the installation of an 8km, 250mm diameter uPVC pipeline from the proposed reservoir at Sikhuphe Hill to the boundary of the Sikhuphe Airport.<br><br>The laying of uPVC sections of the pipeline has been completed. |
| **Sikhuphe Service Reservoir** | The proposed Sikhuphe Reservoir is to receive water from the Malindza reservoir through a 14,5km, 355mm diameter uPVC pipeline. Sikhuphe Airport will be supplied via an 8km, 250mm diameter uPVC pipeline.<br><br>Currently the reservoir structure is complete and the construction of a guard house, waste water system and the installation of the boundary fence is in progress.<br><br>Outstanding work components include a paved road and parking. |
| **Sikhuphe Airport Reticulation and Fire Fighting Reticulation.** | The Reticulation within the Airport consists of installation of a 1,5km, 250mm diameter uPVC pipeline and a 590m x 160mm diameter uPVC pipeline. The Airport reticulation will also supply the proposed fire fighting reservoir. |

# Projects - Government Funded (continued)

| | |
|---|---|
| **Sikhuphe Fire Fighting Reservoir** | The proposed 1.0Ml Fire Fighting Reservoir is to receive water from the Airport reticulation pipeline and supply the 250mm diameter uPVC Fire Fighting Reticulation. The reservoir earth works have begun and the proposed date of completion is April 2010. |
| **Sikhuphe Wastewater Treatment Plant** | The overall project works done is 97%. The only outstanding works are installation of the muffle air blowers in the clarifier and the commissioning of the plant. |
| **Sikhuphe Sewer Outfall** | The uPVC pipeline has been installed. |
| **Sikhuphe Reticulation** | About 50% of uPVC pipeline has been layed inside the airport compound and work is still in progress. |

# Projects - Internally Funded

### *Nkoyoyo Water Supply*

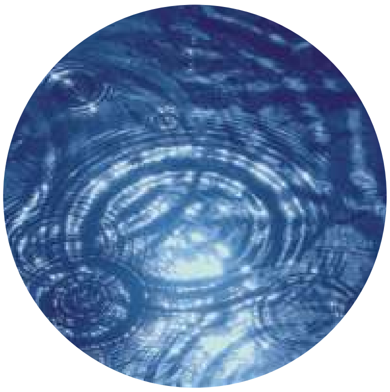
This is a water supply project to supply water to the Nkoyoyo community. The project comprises the installation of a 7 kilometre, 100mm diameter uPVC pipeline to service about 300 homesteads. The project has been completed.

### *Piggs Peak Sewer Extension*

The project comprises the construction of a trunk main that will service about twenty plots. The project was delayed due to some technicalities with the Municipal Council. Completion is expected in the next financial year.

### *Queensgate Sewer Reticulation*

The project comprises of the construction of a 1.2 km, 160mm mains and reticulation. It is expected to be completed in June 2010.



# Projects -
# Issues for Consideration

## Issues for consideration in the short to medium term

In order to sustain reliability of water supply, investments in water infrastructure need to be considered. Of concern is also the problem of raw water storage. Swaziland is not better placed to meet short to medium term water demand because of the lack of storage facilities for raw water. The lack of raw water storage is a major threat to the sustainability of water supply. There is also the need to upgrade infrastructure to increase supply capacity.

As the population increases so does the demand for water supply. Industrial expansion and urbanization has put pressure on the already scarce water resources. The projects tabulated below have been previously listed as priority projects which will have a positive contribution to social welfare and economic development. If funding becomes available they may be undertaken in the short to medium term.

| PROPOSED PROJECT | PROJECT DESCRIPTION |
|---|---|
| **Manzini City Wide Water Supply** | The purpose of the project is to increase the security of raw water availability to meet present and future demands for water into the foreseeable future.<br><br>The Matsapha/Manzini water supply system is now operating dangerously close to capacity (97%). This system serves the City of Manzini, the Matsapha Industrial Estates and surrounding areas, stretching as far as Moneni to the East, Nhlambeni to the South, Lozitha to the West and Ticantfwini to the North. Trends indicate that the system is most likely to be stretched further to areas such as Mzimpofu, Mafutseni, Ngculwini, Sidvokodvo, Nkonyeni Golf Estates, Ludzeludze and Summerfield Botanical Gardens etc.<br><br>In order to meet these demands it is necessary to undertake some augmentation works on various critical components of the system. Some of the anticipated required augmentation works are discussed below;<br><br><u>Raw water intake</u><br>The intake capacity needs to be increased through the construction of a new intake on the main river. A 1993 report by John Burrow & Partners in a joint venture with Euro-consult proposed the construction of two wet wells, each housing four submersible pumps rated at 140l/s at 25m head delivering into two 600mm diameter pipe leading to the treatment works. The report further recommended that the existing intake works be rehabilitated and used as a standby facility.<br><br><u>Water Treatment Plant</u><br>The capacity of the Water Treatment Plant also needs to be increased through the construction of an additional production stream. The same report proposed the construction of two additional clarifiers and four additional filters to raise the production capacity to 800l/s. There may be need for the construction of a new chlorination plant and balancing tank or modifications of the existing structures to accommodate the additional water volumes. A wash water recovery system to recover water from sedimentation tanks and the backwashing of filters may be included.<br><br><u>Treated Water Pump Station</u><br>A new treated water pump station would need to be constructed or the existing one upgraded to lift the additional production to the airport reservoirs. |

# Projects - Proposed (continued)

| PROPOSED PROJECT | PROJECT DESCRIPTION |
|---|---|
| **Manzini City Wide Water Supply (continued)** | Pipelines<br>Various pipelines would have to be constructed including the raw water rising main, a duplicate 2,8km long clear water rising main to the Airport reservoirs, a duplicate 3.5km long gravity main from the Airport reservoirs to the Nazarene reservoir and a new 20km long gravity main from the Matsapha water treatment plant to Sidvokodvo.<br><br>The 110mm diameter pipeline transferring water from the Nazarene reservoir to the Ngwane park reservoir would also need to be upgraded to a bigger size of 200/250mm.<br><br>Storage Reservoirs<br>Additional storage would also be needed and reservoirs are envisaged at suitably high points at Logoba, Nhlambeni, Lozitha, Sidvokodvo etc.<br><br>If funding becomes available, the project is anticipated to be implemented over a period of five years at an estimated cost of E 198 million. |

| PROPOSED PROJECT | PROJECT DESCRIPTION |
|---|---|
| **Ezulwini Town Sewerage** | The Ezulwini Valley is located almost centrally between the two municipalities of Mbabane and Matsapha. The Valley is known for its scenic beauty and as a tourist destination as it boasts of international hotels, motels, other holiday resorts and an international standard Golf Course. It is also close to the Mlilwane Game reserve. The area also has a number of training establishments including the Mlalatini Development Centre, Mananga Satellite College, Swaziland College of Theology and others. The Valley offers prime residential land and is fast experiencing substantial growth with a number of private residential Townships springing up. There are also plans to construct an MTN Office Park, a new Convention Centre and Theme Park in the Valley under the Millennium Development Projects Programme.<br><br>Ezulwini was recently declared a town and now has a local Authority to guide its development. The Corporation now has a legal mandate, as per the Water Services Corporation Act 12 of 1992 to provide water and sewerage services in the Valley. The Corporation already offers limited water supply services to the Valley. However, supply is inadequate, unreliable and intermittent due to inadequate raw water supplies. Plans are underway, however to augment water supply to the Valley through securing funding from Government for the development of a new raw water source and construction of a new water treatment plant, pump station, pumping mains and a storage reservoir.<br><br>The Ezulwini Valley also has no comprehensive sewer reticulation system. All existing developments have private sanitation arrangements comprising either individual or communal septic tanks or soak-pits. The Sun International Hotel and the Happy Valley Motel have private sewage treatment facilities in the form of waste stabilization ponds.<br><br>There is a recently completed Sewage Treatment Plant to the Eastern boundary of the Ezulwini Valley that serves the City of Mbabane. It is proposed to connect the proposed sewer reticulation for the Ezulwini Valley to this existing Sewage Treatment Plant. In order to do so it shall be necessary to construct a sewer reticulation infrastructure comprising gravity and pumping mains, pump stations, and a pre-treatment plant.<br><br>If implemented the project is expected to take about 12 months with a total estimated cost of E35.8 million. |

| PROPOSED PROJECT | PROJECT DESCRIPTION |
|---|---|
| **Ezulwini Water Supply** | The security of supply in the Ngwenya- Mbabane- Ezulwini corridor has been showing signs of being threatened. At present the belt has treatment plant capacities of 9, 300, 23l/s respectively which cannot be met with the present water sources and infrastructure. as a result of the water shortage.<br><br>The Ezulwini treatment plant's original scope was inclusive of a 10 Ml service reservoir which is still outstanding. The current source for the system is the Mkhondolwane stream which is shared with the community. The community has priority over the source as the SWSC abstraction point occurs downstream of the community's abstraction point. The service areas supported by the treatment plant include the Royal Villas, Mantenga Township, Mdzimba Township, Goje Township, Mukela Township, Gelekeceni, Spintex area, etc. There is also a potential to also supply water to the Lobamba area during times of quality constraints resulting from activities conducted upstream of the Mhlambanyatsi river intake point.<br><br>Consequently the Corporation is still faced with the challenges as listed below:<br>• Inconsistency of current supply source due to prevailing dry spell.<br>• Severe water shortage: for the past three successive years there has been a severe water shortage between June – October.<br>• Hospitality industry inconvenience ( Royal villas, Guesthouses, etc).<br>• Continuity of supply no longer assured.<br>• Widespread customer dissatisfaction.<br>• Potential for food/water contamination resulting in illnesses.<br><br>**Socio-economic benefits of the project:**<br>The benefits associated with the implementation of this project are:<br>• Increase in efficiency and reliability of water access for Ezulwini and Lobamba.<br>• Uninterrupted water supply.<br>• Reduction of water borne diseases and optimisation of water supply pressure.<br>• Water supply to the Millennium Projects Convention Centre.<br>• The planned township developments in Ezulwini and the planned shopping complex development at Elangeni may benefit from this project.<br>• Attraction of new business: the SWSC is in receipt of hundreds of requests for new water connections that it cannot meet due to the prevailing situation. |

| PROPOSED PROJECT | PROJECT DESCRIPTION |
|---|---|
| **Ezulwini Water Supply (Continued)** | **Project details**<br><br>The source to be used is the Lusushwana River, abstracting at a point below the Luphohlo Dam below the Mantenga Falls. This would involve the construction of a weir intake structure, construction of a new water treatment plant (or relocation of existing water treatment package plant), pumping mains and a storage reservoir.<br><br>The flow in the river is supplemented by the riparian release from the dam of 0,15 cumecs (540$m^3$/hr) all year round. The catchment is a mix of rural settlements, forested land, and a nature reserve, hence the water quality compares favourable to the dam outflow.<br><br>The project components of this option would include the following;<br><br>• Abstraction Weir/Intake structure<br>• 1.5km Raw water gravity mains<br>• Pump station<br>• Water Treatment Plant<br>• Power supply<br>• 5ML capacity storage reservoir<br>• 2km Pumping mains<br>• Distribution mains<br>• Access road to reservoir<br><br>If funding becomes available, the project is anticipated to be implemented over a period of three years at an estimated cost of E 36 million. |

| PROPOSED PROJECT | PROJECT DESCRIPTION |
|---|---|
| **Sidvokodvo/ Nhlambeni Water Supply** | For some time now, Government has been considering the idea of developing an Industrial Estate at Sidvokodvo. With the availability of suitable land, it is understood that Government is now going ahead with plans to develop the Estates.<br><br>As with most urban areas the Corporation will be required to provide water supply services to the new estates.<br><br>In anticipation of this, the Corporation is already developing plans to extend the Matsapha/Manzini system to cover Sidvokodvo. This will also benefit the established Swaziland Railways village with an estimated current population of 400 people that is projected to rise to 760 during the design period. In order to service Sidvokodvo efficiently potable water from the Matsapha Airport service reservoirs would be conveyed over a 20km distance in pipe sizes of 350mm and 300mm along the Mhlaleni – Nhlangano Road.<br><br>This pipeline would invariably also address the potable water requirements of the Mhobodleni township, the proposed Swazi City and some parts of Nhlambeni area.<br><br>The project scope would include design and construction works whose total costs are estimated at about E30 million. |

| PROPOSED PROJECT | PROJECT DESCRIPTION |
|---|---|
| Ngwane Park Sewerage | Ngwane Park is primarily a residential Township within the Manzini City Council's boundaries. The Township was developed by a private developer, who later handed it to the municipality.<br><br>At the time of its development there was no suitably located sewage treatment facility to accept sewage generated from it. The use of septic tanks and soak-away systems was therefore adopted. These worked well initially for some areas but with increased densification over the years, and the high water table, sewage spillages became a common occurrence and sight around the township. This has become a health hazard and raises environment pollution concerns.<br><br>The Corporation's aspiration is that, wherever the infrastructure permits, all areas within municipal boundaries should have waterborne sewerage infrastructure.<br><br>In this case, the Corporation has a capable new waste water treatment facility at Nhlambeni including two outfall sewers that can channel waste water outflow to the new facility at Nhlambeni. With the existence of Nhlambeni wastewater facility almost all of Ngwane Park Township waste water can now be transferred through one or both of the completed outfall sewers for treatment.<br><br>However, a sewer reticulation system must first be constructed for the township in order for the sewage to be collected from individual properties and delivered into the outfall sewers.<br><br>From the preliminary data gathered, indications are that the cost of constructing the required sewer reticulation system for the Township is estimated at E15 million. This amount would account for consultancy fees, (design and supervision) and construction costs. It is anticipated that this project could be concluded in two years. |

# Projects - Proposed (continued)

| PROPOSED PROJECT | PROJECT DESCRIPTION |
|---|---|
| **Siphofaneni Water Supply** | With Government's decentralisation policy, areas like Siphofaneni are target growth points for socio-economic development hence the need to increase the water supply capacity.<br><br>Siphofaneni is a growth area and comprises basic necessities such as a shopping complex, filling station, bus rank, residential plots, school, market, clinic, mortuary and police station. It supports the surrounding rural communities of Phuzumoya, S'thobela etc. Government has recently completed the construction of at least two factory shells in the Area in a bid to attract investors to the town. Some of these factory shells cannot yet be operated because there are no distribution pipelines that deliver treated water to the factory shells.<br><br>In anticipation of increased water demand due to the construction of the factory shells, the Corporation recently completed the construction of a new water treatment plant capable of producing and supplying 3600m3 of water per day.<br><br>The plant however is presently under-utilised, as the treated water cannot be distributed to most areas of the town and the factory shells. In order to distribute the water to all parts of the town and to the factory shells, it is necessary to extend the water supply infrastructure through the construction of a pumping main, a 1500m3 storage reservoir and distribution or feeder pipes.<br><br>The total estimated cost for this project is E20 million and it can be completed over a period of two years. |

# Corporate Governance Statement

## Introduction

The Board is committed to the highest standards of corporate governance throughout the Corporation. Effective corporate governance requires a clear understanding of the respective roles of the Board and management and their relationship with employees and stakeholders. It also requires a proactive, focused state of the mind on the part of directors, the Chief Executive Officer (CEO) and management, who all must be committed to business success through maintenance of the highest standards of responsibility and ethics. The Board of Directors have the overall responsibility of driving the Corporation's strategic plan; reviewing annual operating plans and budgets and reviewing the Corporation's annual financial reports.

The Corporation's senior management under the direction of the CEO, is responsible for the operations of the Corporation; implementation of the strategic, financial, operational and management plans of the Corporation; preparation of financial statements, annual reports, statutory reports, management accounts and other reports that accurately reflect requisite information about the Corporation and timely reports which inform the Board about foregoing matters.

## Terms of office of the Board of Directors

The Minister for Natural Resources and Energy appoints the Board of Directors of the Corporation in terms of section 6 of the Public Enterprises (Control and monitoring) Act No.8 of 1989 and section 4(1) of the Water Services Act No.12 of 1992 for a three year term.

## Structure and operation of the Board

The Corporation has nine Board members and this complies with the requirements of both the Public Enterprises (Control and Monitoring) Act No.8 of 1989 and the Water Services Act No.12 of 1992 (which both prescribe a maximum number of nine members). The Board of Directors meets at least four times a year and can also meet as and when there is a need as determined by the Board Chairman.

## Board Committees

To carry out its duties effectively, the Board operates through three Committees which are the Finance committee, Remunerations Committee and the Tender Committee. Each Committee reports to the Board on the results of each Committee meeting.

## Internal Audit

SWSC has an internal audit function whose purpose is to evaluate and improve the effectiveness of risk management, control and governance processes through; ensuring that internal control systems are operating effectively; ensuring compliance with policies, procedures, laws and regulations and that the policies in place adequately safeguard the Corporation's assets. The internal audit function coordinates with the Corporation's external auditors to ensure proper coverage of financial, operational and compliance controls.

## Risk Management

The Board has overall responsibility over risk management and Management is accountable to the Board for developing, implementing and monitoring risk management processes. The Corporation performs a risk assessment exercise every three years.

## Reporting

The Corporation has a statutory obligation to report to its shareholder, the Government of Swaziland. Section 7(1) of the Public Enterprise (Control and Monitoring) Act No.8 of 1989 requires the Corporation to submit on an annual basis a report on its operations together with annual audited financial statements and section 7(4) of the same Act requires the Corporation to submit a report on its operations on a quarterly basis.

**Board meeting attendance**

Below is a table showing the number of meetings attended by the individual members of the Board for the year ended 31 March 2010.

| NAME | TITLE | No. of normal Board meetings convened | No. of normal Board meetings attended | Percentage Attendence (normal meetings) |
|---|---|---|---|---|
| 1. Mr. E.N. Zwane | Chairman | 4 | 4 | 100% |
| 2. Mr. M. Motsa | Member | 4 | 4 | 100% |
| 3. Mr. Z. Kunene | Member | 4 | 1 | 25% |
| 4. Mr. P.N. Bhembe | Member | 4 | 4 | 100% |
| 5. Mr. M.P. Maphalala | Member | 4 | 4 | 100% |
| 6. Mr. P. Nxumalo | Member | 4 | 4 | 100% |
| 7. Ms. T. Mlangeni | Member | 4 | 4 | 100% |
| 8. Mr. B. Stewart | Member | 4 | 3 | 75% |
| 9. Mrs. W.N. Nhlengethwa | Member | 4 | 3 | 75% |
| 10. Prince S.J. Dlamini | Member | 4 | 2 | 50% |

**Note: Mr. Z. Kunene resigned on 27th August 2009. HRH Prince S.J. Dlamini was appointed on 27th November 2009.**

**Compliance statement**

The Board and Management shall endeavour to uphold the rules and practices of good corporate governance and respond quickly to changing circumstances within a framework of solid corporate values to the benefit of all stakeholders.

# Corporate Social Responsibility Statement

SWSC, recognizes the importance of Corporate Social Responsibility (CSR) and is committed to fully implementing its CSR policy in the best interest of its stakeholders. Our policy applies to activities undertaken by or on behalf of SWSC. We strive to maintain a productive and open dialogue with all parties who may have an interest in our activities including shareholders, customers, suppliers and employees. SWSC management will ensure that appropriate organizational structures are in place to effectively identify, monitor and manage CSR issues relevant to our businesses. The Board takes full responsibility for CSR and is committed to developing and implementing policies that will maximize shareholder value.

## Business ethics and transparency

SWSC is committed to maintaining the highest standards of integrity and corporate governance practices in order to maintain excellence in its daily operations, and to promote confidence in our governance systems.

- SWSC will conduct its business in an open, honest and ethical manner.
- SWSC recognizes the importance of protecting all our human, financial, physical, information, social, environmental and reputational assets.
- SWSC shall advise its customers, contractors and suppliers of its CSR policy, and shall work with them to achieve consistency with this policy.
- SWSC is committed to measuring, auditing and publicly reporting performance on its CSR programs.

## Environment, Health and Safety

SWSC is committed to protecting the health and safety of all individuals affected by its activities, including our employees, contractors and the public. The Corporation shall seek to provide a safe and healthy working environment, and will not compromise the health and safety of any individual. The Corporation's goal is to have no incidents and to mitigate impacts on the environment by working with our stakeholders, peers and others to promote responsible environmental practices and continuous improvement. SWSC is committed to environmental protection and stewardship. SWSC recognizes that pollution prevention, biodiversity and resource conservation are key to a sustainable environment, and will effectively integrate these concepts into our business decision-making.

All employees shall be held responsible and accountable for providing a safe working environment, for fostering safe working attitudes and for operating in an environmentally responsible manner.

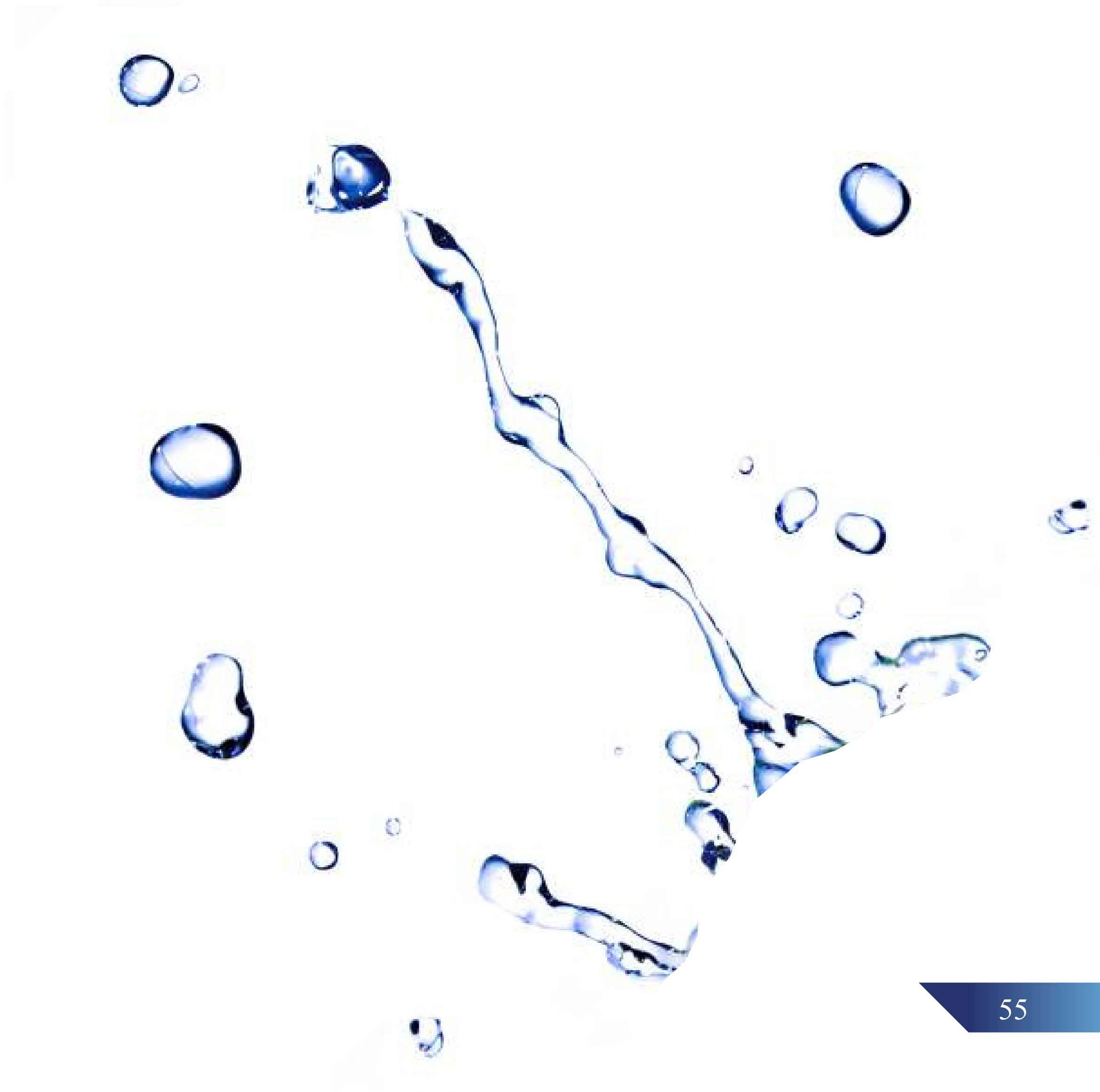
## Community Investment

SWSC stresses collaborative, consultative and partnership approaches in its community investment and social responsibility programs.

SWSC will integrate community investment considerations into decision-making processes and business practices, and will assist in local capacity building to develop mutually beneficial relationships with communities.

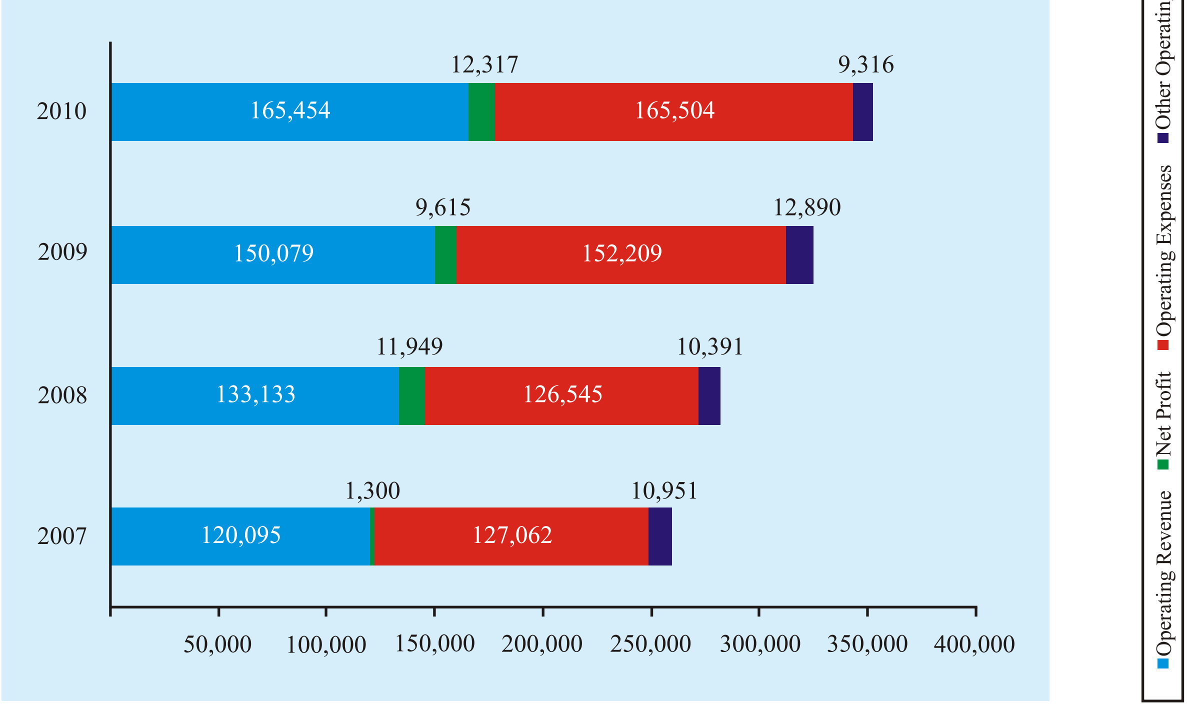
SWSC undertakes to contribute to the communities' quality of life by supporting innovative programs in health, HIV/AIDS, education, social services and the environment, as well as youth, cultural and civic projects.

SWSC will strive to provide employment and economic opportunities in the communities where we operate.

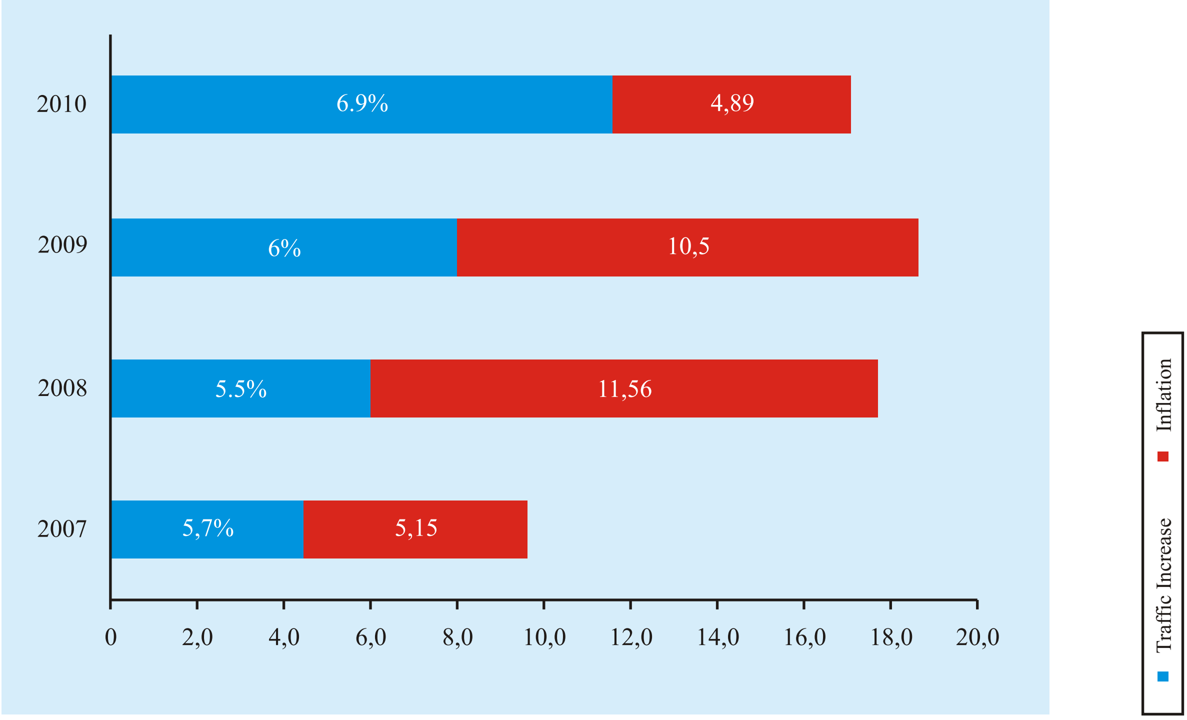


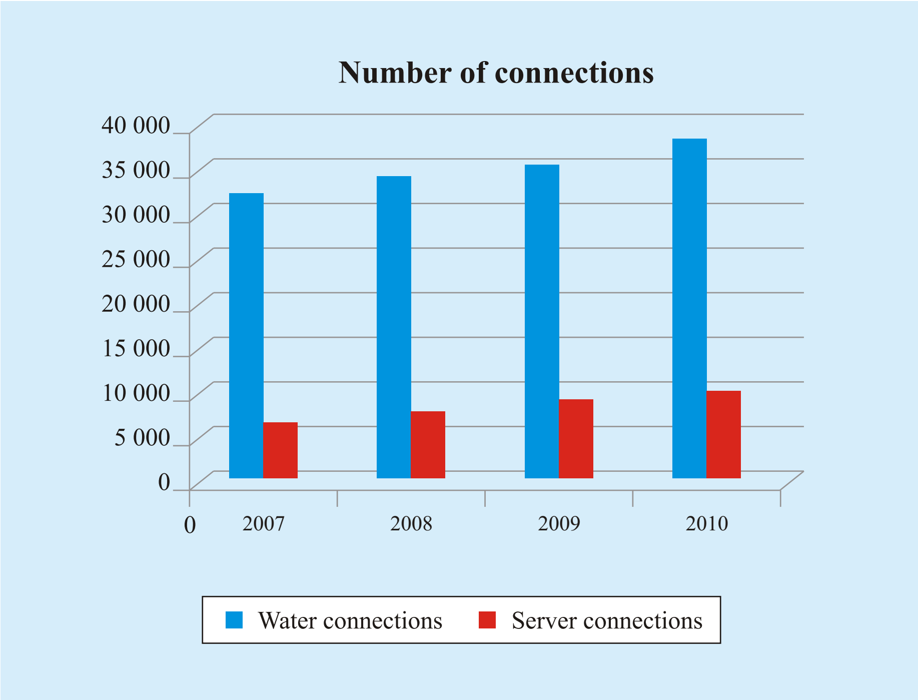
# Financial and Operating Statistics

## Four year performance at a glance (E000)




## Effective Tariffs and inflation (percentage)





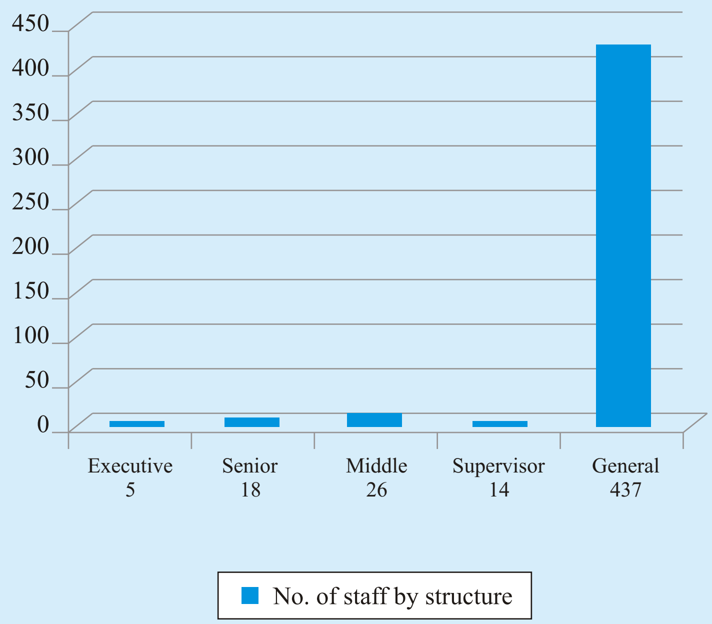

**Number of connections and water consumption**

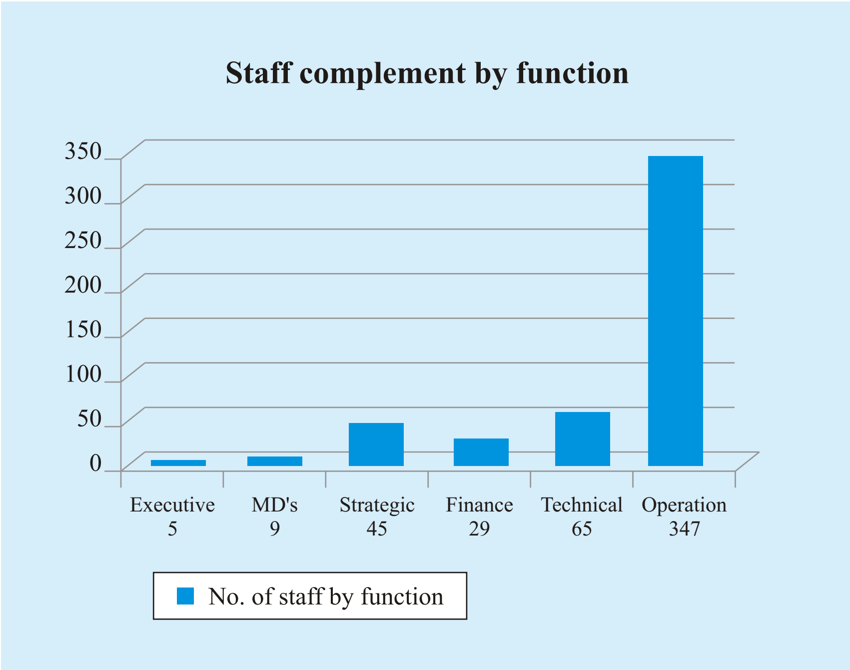
| | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Water connections | 32,451 | 34,167 | 35,911 | 37,617 |
| Sewer connections | 6,786 | 7,845 | 8,836 | 9,423 |
| Total water consumption (m3) | 10,950,399 | 11,624,722 | 12,004,962 | 12,161,161 |

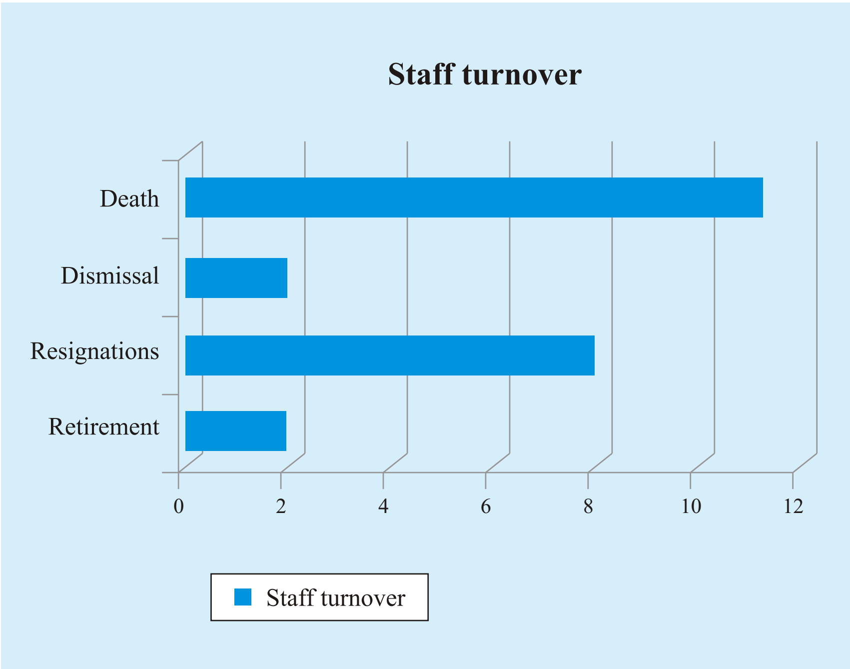
**Employee productivity**

| | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Number of employees | 508 | 518 | 500 | 500 |
| Sales turnover per employee (E000) | 236 | 257 | 300 | 331 |
| Average cost per employee (000) | 250 | 244 | 304 | 331 |

**Staff complement by structure**




Staff complement by function
350
300
250
200
150
100
50
0
Executive 5
MD's 9
Strategic 45
Finance 29
Technical 65
Operation 347
No. of staff by function


Staff turnover
Death
Dismissal
Resignations
Retirement
0
2
4
6
8
10
12
Staff turnover

# FINANCIAL STATEMENTS

# Swaziland Water Services Corporation
# Financial Statements

for the year ended 31 March 2010

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# Statement of Responsibility by the Board of Directors

for the year ended 31 March 2010

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Swaziland Water Services Corporation. The financial statements presented on pages 4 to 42 have been prepared in accordance with Swaziland and International Financial Reporting Standards, and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The directors are also responsible for the Corporation's internal financial controls. 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 directors to indicate that any material breakdown in the functioning of these controls, procedures and any system has occurred during the year under review.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Corporation 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 Corporation.

The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. PricewaterhouseCoopers' audit report is presented on page 3.

The annual financial statements which appear on pages 4 to 42 have been approved by the board of directors and are signed on its behalf by:

| | |
|---|---|
| DIRECTOR | DIRECTOR |
| 2010/06/29 | 2010/06/29 |
| DATE | DATE |

**PricewaterhouseCoopers**
MTN Office Park
Karl Grant Street
Mbabane, Swaziland
P O Box 569
Mbabane H100
Swaziland
Telephone +268 404 2861/3
or 404 3143
Facsimile +268 404 5015
www.pwc.com

## INDEPENDENT AUDITORS' REPORT TO THE MINISTER RESPONSIBLE FOR NATURAL RESOURCES AND ENERGY

We have audited the financial statements of Swaziland Water Services Corporation, which comprise the directors' report, the statement of financial position as at 31 March 2010, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 42.

*Directors' Responsibility for the Financial Statements*
The Corporation's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Water Services Corporation Act No. 12 of 1992. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of 31 March 2010, and of its financial performance and cash flows for the year then ended in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Water Services Corporation Act No. 12 of 1992.

Pricewaterhousecoopers

**PricewaterhouseCoopers**
**Partner:** ***Paul Lewis***
**Chartered Accountant (Swaziland)**
**Mbabane**
**Date:** 30 June 2010

Partner in charge J.P.E Lewis
Resident partners T. Mason

## DIRECTORS REPORT
for the year ended 31 March 2010

The Directors present their report, which forms part of the audited financial statements of the Corporation for the year ended 31 March 2010.

**Nature of the Corporation's business**

The Corporation is engaged in the supply of water and sewerage services in designated areas around Swaziland. The nature of the Corporation's business has not changed during the year under review.

**Operating and financial review**

Key statistics to the financial position and profit and loss for the period are set out in the table below:

**Financial position**

| | **2010** | 2009 |
|---|---|---|
| | **E'000** | E'000 |
| Total assets | **847 213** | 718 071 |
| Total liabilities | **652 495** | 535 670 |
| | | |
| **Operating results** | | |
| Revenue | **165 454** | 150 079 |
| Profit for the year | **12 316** | 9 615 |

**DIRECTORS**

The following were directors of the Corporation during the year under review.

E. N. Zwane (Chairman)
P. N. Bhembe (Managing Director and Secretary to the Board)
T. Mlangeni* (Representative of the Ministry of Finance)
B. Stewart (Government Ministry Representative)
W. Nhlengetwa ✔
P. Nxumalo ✔
M. P. Maphalala*
Z. Kunene* - resigned (27 August 2009)
M. Motsa ✔
Prince J. Dlamini – appointed (27 November 2009)

✔ Remunerations Committee Member
* Audit Committee Member

**DIRECTORS REPORT (continued)**
for the year ended 31 March 2010

| | |
|---|---|
| **Secretary:** | Mr P. N. Bhembe<br>P O Box 20<br>Mbabane |
| **Auditors:** | PricewaterhouseCoopers<br>P O Box 2513<br>MTN Office Park<br>Karl Grant Street<br>Mbabane |
| **Bankers and investees:** | First National Bank of Swaziland Limited<br>Nedbank (Swaziland) Limited<br>Standard Bank Swaziland Limited<br>Swaziland Building Society<br>Swaziland Development and Savings Bank<br>African Alliance Swaziland<br>Newera Partners Limited<br>Stanlib (Swaziland) (Proprietary) Limited |
| **Registered office:** | Emtfonjeni Building<br>Below Gables Shopping Complex<br>Above Usushwana Bridge (MR103)<br>Ezulwini |

**Subsequent events**

There are no events which have occurred between the statement of financial position date and the date of this report which have a material impact on these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**
for the year ended 31 March 2010

| | Notes | 2010<br>E | 2009<br>E |
|---|---|---|---|
| Revenue | 2 | **165 453 938** | 150 079 381 |
| Other income | 6 | **11 660 057** | 10 260 102 |
| Changes in inventory | | **76 480** | 226 133 |
| Raw materials and consumables used | | **(43 238 276)** | (34 605 601) |
| Employee benefits expense | 4 | **(64 957 099)** | (57 644 712) |
| Depreciation expense | 7 | **(18 596 446)** | (16 650 289) |
| Other expenses | | **(41 133 502)** | (33 465 436) |
| Finance costs - net | 3 | **4 995 669** | (7 003 530) |
| **Profit before income tax** | 1 | **14 260 821** | 11 196 048 |
| Income tax expense | 5 | **(1 944 275)** | (1 580 788) |
| **Profit for the year** | | **12 316 546** | 9 615 260 |

## STATEMENT OF FINANCIAL POSITION
at 31 March 2010

| | Notes | **2010** | 2009 |
|---|---|---|---|
| | | **E** | E |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **680 207 203** | 573 341 820 |
| Available for sale financial asset | 10 | **3 046 811** | 3 046 811 |
| | | **683 254 014** | 576 388 631 |
| **Current assets** | | | |
| Inventories | 12 | **3 521 839** | 3 445 359 |
| Trade and other receivables | 13 | **37 081 543** | 34 489 452 |
| Financial asset at fair value through profit and loss | 11 | **11 549 281** | 9 125 566 |
| Available for sale financial asset | 10 | **-** | 1 000 000 |
| Cash and cash equivalents | 14 | **111 806 768** | 93 622 422 |
| | | **163 959 431** | 141 682 799 |
| **Total assets** | | **847 213 445** | 718 071 430 |
| **Equity** | | | |
| **Capital and reserves** | | | |
| Share capital | 15 | **30 222 580** | 30 222 580 |
| Retained earnings | | **164 495 398** | 152 178 852 |
| | | **194 717 978** | 182 401 432 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred government grants | 16 | **519 060 259** | 425 413 602 |
| Borrowings | 17 | **26 644 317** | 36 941 867 |
| Deferred income tax liability | 18 | **17 288 191** | 15 343 915 |
| | | **562 992 767** | 477 699 384 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **67 507 584** | 35 437 345 |
| Borrowings | 17 | **20 909 653** | 21 605 750 |
| Provisions for other liabilities and charges | 20 | **1 085 463** | 927 519 |
| | | **89 502 700** | 57 970 614 |
| **Total liabilities** | | **652 495 467** | 535 669 998 |
| **Total equity and liabilities** | | **847 213 445** | 718 071 430 |

## STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2010

| | Share Capital E | Retained Earnings E | Total E |
|---|---|---|---|
| **Balance at 1 April 2009** | **30 222 580** | **152 178 852** | **182 401 432** |
| Net profit for the year | **-** | **12 316 546** | **12 316 546** |
| **Balance at 31 March 2010** | **30 222 580** | **164 495 398** | **194 717 978** |
| | | | |
| **Balance at 1 April 2008** | 30 222 580 | 142 563 592 | 172 786 172 |
| Net profit for the year | - | 9 615 260 | 9 615 260 |
| **Balance at 31 March 2009** | 30 222 580 | 152 178 852 | 182 401 432 |

## STATEMENT OF CASH FLOWS
for the year ended 31 March 2010

| | Notes | 2010<br>E | 2009<br>E |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 21.1 | **43 003 464** | 26 835 712 |
| Interest received | | **9 638 046** | 2 638 221 |
| Interest paid | | **(1 712 961)** | (4 481 040) |
| *Net cash generated from operating activities* | | **50 928 549** | 24 992 893 |
| **Cash flows from investing activities** | | | |
| Proceeds on disposal of equipment and motor vehicles | | **167 014** | 279 859 |
| Acquisition of property, plant and equipment | 21.2 | **(125 953 238)** | (39 246 249) |
| Redemption of available for sale investment | | **1 000 000** | - |
| *Net cash used in investing activities* | | **(124 786 224)** | (38 966 390) |
| **Cash flows from financing activities** | | | |
| Repayment of long term borrowings | | **(10 993 648)** | (4 734 142) |
| Swaziland Government capital grant received | | **103 035 669** | 85 879 184 |
| *Net cash generated from financing activities* | | **92 042 021** | 81 145 042 |
| **Net increase in cash and cash equivalents** | | **18 184 346** | 67 171 545 |
| **Cash and cash equivalents at beginning of the year** | | **93 622 422** | 26 450 877 |
| **Cash and cash equivalents at the end of the year** | 21.3 | **111 806 768** | 93 622 422 |

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
for the year ended 31 March 2010

## 1. Basis of preparation

The financial statements of Swaziland Water Services Corporation have been prepared in accordance with Swaziland and International Financial Reporting Standards. They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with Swaziland and International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies.

***(a) Standards and amendments effective in 2009***

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Corporation presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. The Corporation has not presented statements of other comprehensive income for the year under review because they have not earned any other comprehensive income during the past two financial years.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Corporation will apply IAS 23 (Amendment) retrospectively from 1 January 2009 but is currently not applicable to the Corporation as there are no qualifying assets.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

1. **Basis of preparation** (continued)

***(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Corporation***

The following standards and amendments to existing standards have been published and are mandatory for the Corporation's accounting periods beginning on or after 1 January 2010 or later periods, but the Corporation has not early adopted them:

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.
The Corporation will apply IFRIC 17 from 1 January 2010. It is not expected to have any impact on the Corporation's financial statements.

IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Statement of comprehensive income. There is a choice on an acquisition-by- acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Corporation will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal Corporations) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal Corporations) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Corporation will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Corporation's financial statements.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Corporation will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Corporation's financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

**2. Property, plant and equipment**

Land and buildings comprise mainly administrative offices. Building and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | | |
|---|---|---|
| Buildings | 50 | Years |
| Dams and reservoirs | 40 – 60 | Years |
| Treatment works | 60 | Years |
| Mains and reticulation | 40 | Years |
| Plant and equipment | 5 – 10 | Years |
| Furniture and equipment | 3 – 10 | Years |
| Motor vehicles | 5 | Years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income.

**3. Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Corporationed at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

**4. Financial assets**

The Corporation classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(a) Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.
Assets in this category are classified as current assets.

*(b) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

*(c) Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Corporation commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Corporation's right to receive payments is established.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

**4. Financial assets (continued)**

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Corporation's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Corporation establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset or a Corporation of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of trade receivables is described in policy 7.

**5. Leases**

Leases of property, plant and equipment where the Corporation has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

**6. Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

**7. Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 365 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

**8. Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**9. Share capital**

Ordinary shares and non-redeemable preferred shares with discretionary dividends are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**10. Government grants relating to purchase of property, plant and equipment**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

**10. Government grants relating to purchase of property, plant and equipment** (continued)

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight line basis over the expected lives of the related assets.

**11. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

**12. Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**13. Employee benefits**

For defined contribution plans, the Corporation pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Corporation has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

**14. Provisions**

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Corporation expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Corporation recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Corporation becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Corporation are not provided in advance.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

## 15. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Corporation's activities.

The Corporation recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Corporation's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Corporation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*(a) Sales of services*
Revenue comprises the billed value of water, sewerage services rendered, and collection for water and sewer connections. The revenue is recognised upon performance of services.

Revenue from rendering of services is recognised by reference to the completion of the specific transaction assessed as the basis of the actual service provided as a proportion of the total services provided when it is probable that the economic benefits associated with a transaction will flow to the Corporation and the amount of revenue, and associated costs incurred or to be incurred can be measured reliably.

*(b) Interest income*
Interest income is recognised on a time-proportion basis using the effective interest method.

*(c) Dividend income*
Dividend income is recognised when the right to receive payment is established.

## 16. Dividend distribution

Dividend distribution to the Corporation's shareholder is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholder.

## 17. Financial risk management

### 17.1 Financial risk factors

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk, cash flow interest-rate risk and price risk), credit risk, and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. The Corporation currently does not use derivative financial instruments to hedge certain risk exposures.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

**17.Financial risk management** (continued)

**17.1 Financial risk factors** (continued)

*(a) Market risk*

(i) Foreign exchange risk

From time to time the Corporation is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the Corporation's functional currency.

As at 31 March 2010, the Corporation was not exposed to any foreign currency exchange risk.

(ii) Price risk

The Corporation is exposed to equity securities price risk because of an investment held by the Corporation and classified on the statement of financial position as an at fair value through profit or loss financial asset. This asset is an investment in African Alliance Swaziland Managed Fund unit trusts. The unit trust prices of this managed fund are published in the local press on each business day.

The table below summarises the impact of increases/ decreases in the African Alliance Swaziland Managed Fund unit trust price on the Corporation's post-tax profit for the year. The analysis is based on the assumption that the unit trust price had changed by 5% with all other variables held constant:

| | **Impact on post-tax profit** | |
|---|---|---|
| | **2010** | 2009 |
| | **E** | E |
| African Alliance Swaziland Managed Fund unit trust price | **404 224** | 456 277 |

(iii) Cash flow and fair value interest rate risk

As the Corporation has no significant interest-bearing assets, the Corporation's income and operating cash flows are substantially independent of changes in market interest rates. The Corporation's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Corporation to fair value interest-rate risk. The Corporation is not exposed to fair value interest rate risk because all the Corporation's borrowings (note 17) are at variable rates. The Corporation does not consider the exposure to cash flow interest rate risk as significant to the Corporation. Therefore, the Corporation currently does not have formal mechanisms to mitigate this risk.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

**17.Financial risk management** (continued)

**17.1 Financial risk factors** (continued)

*(b) Credit risk*
Credit risk is managed on Corporation basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to commercial and residential customers, including outstanding receivables and committed transactions. For banks and financial institutions, only high credit quality parties are accepted. If commercial customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to customers are settled in cash. See note 9 (B) and 13 for further disclosure on credit risk. Management does not expect any losses from non-performance by these counter parties.

The Corporation does not do credit vetting for new customers since it is an essential service. Overdue accounts are disconnected for non-payment after 20 days from the statement due date as per the policies and procedures.

*(c) Liquidity risk*
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Corporation Management aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Corporation's financial liabilities into relevant maturity rationings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | **Less than 1 year** | **Between 1 and 5 years** | **Over 5 years** |
|---|---|---|---|
| At 31 March 2010 | | | |
| Borrowings | **20 909 653** | **26 644 317** | **-** |
| Trade and other payables | **68 593 047** | **-** | **-** |
| | | | |
| At 31 March 2009 | | | |
| Borrowings | 21 605 750 | 30 262 540 | 6 679 327 |
| Trade and other payables | 36 364 866 | - | - |

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

**17. Financial risk management** (continued)

**17.2 Capital risk management**

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

During 2010, the Corporation's strategy, which was unchanged from 2009, was to maintain a gearing ratio of not more than 40%. The gearing ratios at 31 March 2009 and 2008 were as follows:

| | **2010** | 2009 |
|---|---|---|
| | **E** | E |
| Total borrowings (note 17) | **47 553 970** | 58 547 617 |
| Total equity | **194 717 978** | 182 401 430 |
| Total capital | **242 271 948** | 240 949 047 |
| **Gearing ratio** | **20%** | **24%** |

**17.3. Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2010

## 18. Critical accounting estimates and assumptions

The Corporation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There were no critical accounting estimates that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

***(a) Provision for impairment of trade receivables***

The Corporation considers all trade receivable balances that have been outstanding for over one year as impaired. The Corporation applies this policy consistently and the Corporation's management is of the view that, even though this is an accounting estimate, it is the best estimate of the amount that may not be recovered from the Corporation's customers. Refer to note 13 for disclosure on the provision for impairment of trade receivables.

***(b) Review of useful lives***

The Corporation depreciates items of property, plant and equipment based on the useful lives of these items. The useful lives of the items are management's best estimates. The useful lives are disclosed in accounting policy 2 and they are reasonable in management's view. These useful lives determine the amount of depreciation recognised in the statement of comprehensive income each year (refer to note 5).

***(c) Income taxes***

Judgement is required in determining whether the Corporation is liable for tax or not. There may be transactions and calculations for which the ultimate tax determination may be uncertain. The Corporation recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

## 19. Comparatives

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

## NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

| | | 2010 | 2009 |
|---|---|---|---|
| | | E | E |
| 1 | **Profit for the year** | | |
| | The following items have been included in arriving at profit for the year: | | |
| | Auditors' remuneration | | |
| | - Audit fees | **507 755** | 314 621 |
| | Depreciation (Refer note 7) | **18 596 446** | 16 650 289 |
| | Amortisation of grant and subvention - included in other income (Refer note 16) | **(9 389 012)** | (8 634 932) |
| | Fees for services | | |
| | - Public Enterprise Unit management fees | **532 026** | 948 371 |
| | Directors emoluments | | |
| | - For services as directors | **367 530** | 330 994 |
| | Loss/(profit) on disposal of plant and equipment, and impairments | **324 395** | 374 139 |
| | Staff costs (refer note 4) | **64 957 099** | 57 644 712 |
| | Inventory write down | **76 480** | 226 133 |
| | Trade receivables - impairment charge for bad and doubtful debts | **8 005 375** | 3 072 807 |
| | Rentals in respect of operating leases | | |
| | - Land and buildings | **1 135 404** | 1 388 475 |
| | Repairs and maintenance expenditure | | |
| | - Property, plant and equipment | **16 293 586** | 14 844 739 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

| | | 2010 | 2009 |
|---|---|---|---|
| | | E | E |
| 2 | **Revenue** | | |
| | Analysis of revenue | | |
| | Water charges - commercial and residential customers | **116 456 128** | 106 302 000 |
| | Sewer charges | **31 174 199** | 26 378 961 |
| | Basic charges | **10 976 352** | 9 460 514 |
| | Penalty charges | **1 075 459** | 1 180 573 |
| | Miscellaneous water supply services | **1 588 460** | 2 082 615 |
| | Connection charges - new customers | **1 668 012** | 1 707 650 |
| | Connection charges - reconnected customers | **168 259** | 119 890 |
| | Trade effluent charges | **2 347 069** | 2 847 178 |
| | | **165 453 938** | 150 079 381 |
| 3 | **Finance costs - net** | | |
| | Interest income | **9 638 046** | 1 859 894 |
| | Interest expense | **(4 642 377)** | (8 085 097) |
| | Fair value loss/(gain) on at fair value through profit and loss financial asset | **-** | (778 327) |
| | | **4 995 669** | (7 003 530) |
| 4 | **Employee benefits expenses** | | |
| | Salaries, wages and allowances | **57 556 368** | 51 132 205 |
| | Provident fund contribution | **362 880** | 340 890 |
| | Medical aid contribution | **1 635 744** | 1 352 085 |
| | Retirement benefits: | | |
| | Defined benefit plan - Public Service Pension Fund | **277 643** | 264 042 |
| | Defined contribution plan - SWSC Staff Pension Fund | **5 124 464** | 4 555 490 |
| | | **64 957 099** | 57 644 712 |

The average number of employees during the year was 513(2009: 500)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

| | | 2010 E | 2009 E |
|---|---|---|---|
| **5.** | **Income tax expense** | | |
| | - Deferred tax (note 18) | **1 944 275** | 1 580 788 |
| | | **1 944 275** | 1 580 788 |
| | The tax on the Corporation's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to companies in Swaziland as follows: | | |
| | **Profit before income tax** | **14 260 821** | 11 196 046 |
| | Tax calculated at statutory tax rate (30%) | **4 278 247** | 3 358 814 |
| | **Tax effects of:** | | |
| | Depreciation on assets acquired before 1 July 2000 | **482 731** | 811 867 |
| | Profit on disposal of assets acquired before 1 July 2000 | **-** | 601 |
| | Grant amortisation credited to the statement of comprehensive income | **(2 816 703)** | (2 590 494) |
| | **Tax charge** | **1 944 275** | 1 580 788 |
| | Refer to note 23 for further disclosure on income tax. | | |
| **6.** | **Other income** | | |
| | Eco water | **742 546** | 27 689 |
| | Amortization of deferred grant income | **9 389 012** | 8 634 930 |
| | Rental income | **1 135 404** | 997 608 |
| | Sundry income | **393 095** | 599 875 |
| | **Total** | **11 660 057** | 10 260 102 |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

### 7. Property, plant and equipment

| Year ended 31 March 2010 | Opening net Carrying amount | Additions | Disposals | Transfers from Capital projects | Depreciation charge (note 1) | Closing net Carrying amount |
|---|---|---|---|---|---|---|
| | E | E | E | E | E | E |
| Land and buildings | 69 922 156 | - | (33 974) | 10 322 182 | (1 610 798) | 78 599 566 |
| Dams and reservoirs | 42 523 139 | - | - | 1 474 200 | (1 331 805) | 42 665 534 |
| Treatment works | 153 690 169 | - | (184 547) | 26 700 045 | (2 865 945) | 177 339 722 |
| Mains and reticulation | 190 193 228 | - | - | 3 669 656 | (5 751 931) | 188 110 953 |
| Plant and machinery | 37 748 795 | - | - | 15 211 376 | (2 531 124) | 50 429 047 |
| Furniture and equipment | 4 773 776 | 10 618 | (158 976) | 5 236 354 | (2 320 415) | 7 541 357 |
| Motor vehicles | 11 631 435 | 171 277 | (113 912) | 2 304 995 | (2 184 428) | 11 809 367 |
| Capital work in progress (note 8) | 62 859 122 | 125 771 343 | - | (64 918 808) | - | 123 711 656 |
| Total | 573 341 820 | 125 953 238 | (491 409) | - | (18 596 446) | 680 207 203 |

| At 31 March 2010 | Cost | Accumulated depreciation | 2010 Net carrying Amount | 2009 Net carrying Amount |
|---|---|---|---|---|
| | E | E | E | E |
| Land and buildings | 91 071 556 | (12 471 990) | 78 599 566 | 69 922 157 |
| Dams and reservoirs | 56 016 921 | (13 351 387) | 42 665 534 | 42 523 138 |
| Treatment works | 195 952 354 | (18 625 581) | 177 339 723 | 153 690 169 |
| Mains and reticulation | 228 438 136 | (40 314 233) | 188 110 953 | 190 193 228 |
| Plant and machinery | 64 068 588 | (13 630 833) | 50 429 047 | 37 748 796 |
| Furniture and equipment | 19 752 755 | (12 252 432) | 7 541 357 | 4 773 776 |
| Motor vehicles | 18 842 001 | (7 000 308) | 11 809 367 | 11 631 435 |
| Capital work in progress | 123 711 656 | - | 123 711 656 | 62 859 121 |
| Total | 797 853 967 | (117 646 764) | 680 207 203 | 573 341 820 |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

### 7. Property, plant and equipment (continued)

| Year ended 31 March 2009 | Opening net Carrying amount | Additions | Disposals | Transfers from Capital projects | Depreciation Charge (note 1) | Closing net carrying amount |
|---|---|---|---|---|---|---|
| | E | E | E | E | E | E |
| Land and buildings | 71 295 672 | | (1 605) | 200 061 | (1 571 972) | 69 922 156 |
| Dams and reservoirs | 43 854 736 | | - | | (1 331 597) | 42 523 139 |
| Treatment works | 156 472 748 | | (676) | 92 773 | (2 874 676) | 153 690 169 |
| Mains and reticulation | 186 737 772 | | - | 8 935 362 | (5 479 906) | 190 193 228 |
| Plant and machinery | 39 597 858 | | - | 585 876 | (2 434 939) | 37 748 795 |
| Furniture and equipment | 4 495 554 | 160 614 | (47 995) | 950 810 | (785 207) | 4 773 776 |
| Motor vehicles | 11 098 252 | 2 721 850 | (603 721) | 587 045 | (2 171 991) | 11 631 435 |
| Capital work in progress (note 8) | 37 847 263 | 36 363 786 | - | (11 351 927) | - | 62 859 122 |
| Total | 551 399 855 | 39 246 250 | (653 997) | - | (16 650 289) | 573 341 820 |

| At 31 March 2009 | Cost | Accumulated depreciation | 2009 Net carrying Amount | **2008 Net carrying Amount** |
|---|---|---|---|---|
| | E | E | E | **E** |
| Land and buildings | 80 811 624 | (10 889 467) | 69 922 157 | 71 295 672 |
| Dams and reservoirs | 54 542 721 | (12 019 583) | 42 523 138 | 43 854 736 |
| Treatment works | 169 519 351 | (15 829 182) | 153 690 169 | 156 472 748 |
| Mains and reticulation | 224 818 239 | (34 625 011) | 190 193 228 | 186 737 772 |
| Plant and machinery | 48 902 793 | (11 153 997) | 37 748 796 | 39 481 977 |
| Furniture and equipment | 15 413 088 | (10 639 312) | 4 773 776 | 4 518 861 |
| Motor vehicles | 16 671 788 | (5 040 353) | 11 631 435 | 11 190 826 |
| Capital work in progress | 62 859 121 | - | 62 859 121 | 37 847 264 |
| Total | 673 538 725 | (100 196 905) | 573 341 820 | 551 399 856 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

**7 Property, plant and equipment** (continued)

| | 2010 | 2009 |
|---|---|---|
| | E | E |
| Leased assets (motor vehicles and trailers) included in property, plant and equipment are as follows: | | |
| Cost | **10 759 472** | 9 853 236 |
| Accumulated depreciation | **(1 698 878)** | (1 570 307) |
| Net carrying amount | **9 060 594** | 8 282 929 |

Land and buildings comprise:

| | 2010 | 2009 |
|---|---|---|
| Lot 862 situated in Manzini District Extension 9 - at cost | **226 420** | 226 420 |
| Portion 1165 of Farm 188 | **195 000** | 195 000 |
| Portion 50 of Farm Sterkstroom No. 264 Situated in Manzini District - at cost | **215 000** | 215 000 |
| Portion 80 (a portion of portion 61) of Farm 51, Hhohho | **950 000** | 950 000 |
| Portion 78 (a portion of portion 61) of Farm 51, Hhohho | **1 320 000** | 1 320 000 |
| Portion 387 (a portion of portion 300) of Dalriach No.188 | **2 150 000** | 2 150 000 |
| Portion 8 of Farm No. 1194, Hhohho District | **290 000** | 290 000 |
| Portion 604 of Farm No. 2, Hhohho District | **1 600 000** | 1 600 000 |
| Portion 457 of Farm No. 2, Hhohho District | **110 000** | 110 000 |
| Lot No. 585 Extension 3 - Checkers, Hhohho | **180 000** | 180 000 |
| Lot No. 2437 Extension 23 - Golf Course, Hhohho | **1 760 000** | 1 760 000 |
| Portion 95 (a portion of portion 61) of farm 51 Ezulwini | **4 500 000** | 4 500 000 |
| Portion 1016 of Farm 2 Mbabane | **650 000** | 650 000 |
| Buildings at depreciated cost | **64 453 146** | 55 775 736 |
| | **78 599 566** | 69 922 156 |

| | |
|---|---|
| The cost of assets which are fully depreciated but still in use as at 31 March 2010 are as follows | **E** |
| Dams & Reservoirs | **960 986** |
| Mains & Reticulation | **981 030** |
| Motor vehicles | **267 800** |
| Furniture & equipment | **4 301 822** |
| | **6 511 638** |

**8 Capital projects in progress**

| | 2010 | 2009 |
|---|---|---|
| Urban Development Project (note 8.1) | **5 810 950** | 3 717 057 |
| Other internal projects (note 8.2) | **117 900 706** | 59 142 065 |
| Total capital work in progress (note 7) | **123 711 656** | 62 859 122 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

| | | 2010 | 2009 |
|---|---|---|---|
| | | E | E |
| 8 | **Capital Projects in progress** (continued) | | |
| | The movement in the capital projects in progress during the year is as follows: | | |
| 8.1 | **Urban Development Projects** | | |
| | Opening net carrying amount | **3 717 057** | 2 931 839 |
| | Additions | **17 987 230** | 4 851 825 |
| | Commissioned - transfers to property, plant and equipment | **(15 893 337)** | (4 066 607) |
| | Closing net carrying amount | **5 810 950** | 3 717 057 |
| 8.2 | **Other Internal Projects** | | |
| | Opening net carrying amount | **59 142 065** | 34 915 425 |
| | Additions | **107 784 112** | 31 511 960 |
| | Commissioned - transfers to property, plant and equipment | **(49 025 471)** | (7 285 320) |
| | Closing net carrying amount | **117 900 706** | 59 142 065 |

9 **(A) Financial instruments by category**

The carrying amounts and fair value of each category of financial asset and liability as defined in IAS 39, and their fair values are as follows:

| | Loans and receivables | Assets at fair value through profit and loss | Available for sale | Total |
|---|---|---|---|---|
| | E | E | E | E |
| **31 March 2010** | | | | |
| **Assets as per statement of financial position** | | | | |
| Trade and other receivables | **37 081 543** | **-** | **-** | **37 081 543** |
| Available for sale financial assets | **-** | **-** | **3 046 811** | **3 046 811** |
| Other financial assets at fair value through profit and loss | **-** | **11 549 281** | **-** | **11 549 281** |
| Cash and cash equivalents | **111 806 768** | **-** | | **111 806 768** |
| | **148 888 311** | **11 549 281** | **3 046 811** | **163 484 403** |
| **Liabilities as per statement of financial position** | | | | |
| Borrowings | **47 553 970** | **-** | **-** | **47 553 970** |
| Trade and other payables | **68 593 047** | **-** | **-** | **68 593 047** |
| | **116 147 017** | **-** | **-** | **116 147 017** |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

### 9 (A) Financial instruments by category (continued)

| | Loans and receivables E | Assets at fairvalue through profit and loss E | Available for sale E | Total E |
|---|---|---|---|---|
| **31 March 2009** | | | | |
| **Assets as per statement of financial position** | | | | |
| Trade and other receivables | 34 489 452 | - | - | 34 489 452 |
| Available for sale financial assets | - | - | 4 046 811 | 4 046 811 |
| Other financial assets at fair value through profit and loss | - | 9 125 566 | - | 9 125 566 |
| Cash and cash equivalents | 93 622 422 | - | - | 93 622 422 |
| | 128 111 874 | 9 125 566 | 4 046 811 | 141 284 251 |
| **Liabilities as per statement of financial position** | | | | |
| Borrowings | 58 547 617 | - | - | 58 547 617 |
| Trade and other payables | 36 364 866 | - | - | 36 364 866 |
| | 94 912 483 | - | - | 94 912 483 |

### (B) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the credit rating about the counterparty. Where the counterparties do not have external credit ratings, the Corporation uses internal risk rating as described below:

| | **2010** | 2009 |
|---|---|---|
| **Trade receivables** | **E** | E |
| Counterparties without external credit ratings | | |
| - Low risk ( 15% Government accounts) | **6 367 756** | 5 881 632 |
| - Medium risk ( 10% Corporate clients and companies) | **4 245 170** | 3 921 088 |
| - High risk (75% Mainly individual accounts) | **31 838 780** | 29 408 162 |
| **Total trade receivables** | **42 451 707** | 39 210 882 |
| **Cash at bank and short-term bank deposits** | | |
| Stanlib | **27 024 643** | - |
| Standard Bank Swaziland Limited | **22 685 813** | 37 122 134 |
| Nedbank Swaziland Limited | **6 541 184** | 3 759 505 |
| FNB Swaziland Limited | **12 783 343** | 12 344 762 |
| SwaziBank | **9 088 339** | 10 309 749 |
| Swaziland Building Society | **1 923 071** | 1 643 315 |
| African Alliance | **31 748 975** | 28 437 476 |
| | **111 795 368** | 93 616 941 |

The rest of the statement of financial position item 'cash and cash equivalents' is cash on hand.

## NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

| | | 2010 E | 2009 E |
|---|---|---|---|
| **10** | **Available for sale financial assets** | | |
| | Swaziland Building Society Permanent Shares (note 10.1) | **3 046 811** | 3 046 811 |
| | Newera Partners notes (note 10.2) | **-** | 1 000 000 |
| | | **3 046 811** | 4 046 811 |

**10.1. Swaziland Building Society Permanent Shares**
The Corporation is holding the investment at the Swaziland Building Society as security for housing loans taken out by the Corporation's staff from Swaziland Building Society. The Corporation is therefore holding this investment as a noncurrent asset. The shares are measured at fair value.

**10.2. Newera Partners Notes**
The Corporation bought the E1 000 000 notes under the E200 000 000 Newera Partners Notes Issuance Progamme, listed on the Swaziland Stock Exchange. The notes earn interest at 11.75% per annum and were redeemed on 15 March 2010.

| | | 2010 E | 2009 E |
|---|---|---|---|
| **11** | **Fair value through profit and loss financial asset** | | |
| | African Alliance - Managed Fund | **11 549 281** | 9 125 566 |

The Corporation has invested this amount with African Alliance mainly for capital appreciation. The Corporation has ready access to these funds, and makes additions and withdrawals from time to time.

| | | 2010 E | 2009 E |
|---|---|---|---|
| **12** | **Inventories** | | |
| | Chemicals | **672 795** | 437 008 |
| | Building materials | **48 260** | 33 247 |
| | Petrol and diesel | **148 134** | 118 773 |
| | Spares, fittings and pipes | **2 652 650** | 2 856 331 |
| | | **3 521 839** | 3 445 359 |

Inventories are reported at the lower of cost or net realisable value.

## NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

| | | 2010 | 2009 |
|---|---|---|---|
| | | E | E |
| 13 | **Trade and other receivables** | | |
| | Trade receivable | **42 451 707** | 39 210 882 |
| | Less Provision for impairment of receivables | **(14 790 735)** | (12 378 555) |
| | Net trade accounts receivable | **27 660 972** | 26 832 327 |
| | Advance payments to contractors not yet utilised | **2 471 469** | 4 387 384 |
| | Heptagon Cement | **3 500 000** | - |
| | Staff receivables | **828 329** | 922 321 |
| | Sundry receivables | **2 620 773** | 2 347 420 |
| | | **37 081 543** | 34 489 452 |

The fair values of trade and other receivables are as follows:

| | 2010 | 2009 |
|---|---|---|
| Trade receivables | **27 660 972** | 26 832 327 |
| Sundry | **9 420 571** | 7 657 125 |
| | **37 081 543** | 34 489 452 |

The above values of trade and other receivables approximate fair value. There is no concentration of credit risk with respect to trade receivables, as the Corporation has a large number of customers, regionally dispersed. The Corporation's historical experience in collection of accounts receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Corporation's trade receivables. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Corporation does not hold any collateral as security.

As of 31 March 2010, trade receivables of E 14 790 735 (2009: E12 378 555) were impaired and provided for. The amount of the provision was E 14 790 735 as of 31 March 2010 (2009: E12 378 555). The individually impaired receivables mainly relate to residential accounts mostly disconnected for non-payment. The ageing analysis of these trade receivables is as follows:

| | 2010 | 2009 |
|---|---|---|
| | E | E |
| Up to 3 months | **890 756** | 757 445 |
| 3 to 6 months | **934 862** | 729 483 |
| 6 to 12 months | **2 052 795** | 1 560 943 |
| Over 12 months | **10 912 322** | 9 330 684 |
| | **14 790 735** | 12 378 555 |

The carrying amounts of all the Corporation's trade and other receivables are denominated in local currency, Emalangeni (E).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

**13 Trade and other receivables** (continued)

| | 2010<br>E | 2009<br>E |
|---|---|---|
| Movements in the Corporation's provision for impairment of trade receivables are as follows: | | |
| At 1 April | **12 378 555** | 12 910 319 |
| Provision for receivables impairment | **8 005 374** | 3 072 807 |
| Receivables written off during the year as uncollectible | **(5 593 194)** | (3 604 571) |
| At 31 March | **14 790 735** | 12 378 555 |

The creation and release of provision for impaired receivables have been included in 'other expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

**14 Cash and cash equivalents**

| | 2010<br>E | 2009<br>E |
|---|---|---|
| Cash at bank and in hand | **78 134 722** | 63 631 631 |
| Short term bank deposits (note 14.1) | **33 672 046** | 29 990 791 |
| | **111 806 768** | 93 622 422 |

Cheques outstanding at year end have been reclassified to trade and other payables in line with the requirements of IAS 39. Of the above cash and cash equivalents, E60,820,310 has been allocated to the following ongoing capital projects: Sikhuphe Water Supply (E50,012,893) and Siteki – Lomahasha Water Supply (E10,807,417).

**14.1 Short term bank deposits:**

| | 2010<br>E | 2009<br>E |
|---|---|---|
| African Alliance - Lilangeni Fund | **31 748 975** | 28 347 476 |
| Swaziland Building Society - Gold savings | **1 923 071** | 1 643 315 |
| | **33 672 046** | 29 990 791 |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

| | | 2010 | 2009 |
|---|---|---|---|
| | | E | E |
| **15** | **Share capital** | | |
| | Issued and fully paid up | | |
| | 30 222 580 ordinary shares of E1 each | **30 222 580** | 30 222 580 |
| **16** | **Deferred government grants** | | |
| | **Swaziland Government:** | | |
| | - Nhlangano - Water supply and treatment plant | **15 118 783** | - |
| | - Urban Development Projects (Packages 6, 7, 8, 10, 18 A & B, and 20) | **87 793 653** | 88 576 595 |
| | - Pigg's Peak Dam (note 15.1) | **3 912 543** | 4 018 452 |
| | - Hlatikhulu Treatment Works | **2 790 488** | 2 873 993 |
| | - Siteki - Lomahasha water supply | **148 012 055** | 155 532 094 |
| | - Ezulwini - Lobamba Water Supply | **25 179 259** | 25 823 355 |
| | - Lukhaba Gravity Mains | **4 765 750** | 4 899 706 |
| | - Mankayane Water Supply | **11 731 593** | 12 059 824 |
| | - Enhlambeni Water Supply | **14 079 275** | 14 491 732 |
| | - Government forex subvention | **38 173 225** | 39 359 928 |
| | - Currency ratio subvention - Package 18 | **62 938 529** | 64 765 974 |
| | - Land transferred from the Government to SWSC | **6 239 800** | 6 374 600 |
| | - Raw water for Tex Ray factory | **6 624 890** | 6 624 890 |
| | - Sikhuphe Water Supply | **84 003 983** | 6 698 926 |
| | - Matsapha Sewer treatment plan relocation | **15 227 221** | 35 458 |
| | **Swaziland National Housing Board Grants:** | | |
| | Makholokholo Project | **988 571** | 1 020 468 |
| | **Swaziland National Trust Commission:** | | |
| | Mlawula Workstation | **869 653** | 892 539 |
| | Grant amortisation to statement of comprehensive income (Refer note 1) | **(9 389 012)** | (8 634 932) |
| | Total deferred grants | **519 060 259** | 425 413 602 |

**16.1 Piggs Peak Dam**

The capital grant is for the partial funding of a 5 mega litre reservoir under the multimillion Komati Basin Water Authority project.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

| | | 2010 | 2009 |
|---|---|---|---|
| | | **E** | E |
| **17** | **Borrowings** | | |
| | Swaziland Government: | | |
| | - IBRD loan (note 17.1) | **22 849 713** | 30 065 414 |
| | - Excess IBRD loan (note 17.1) | **9 876 494** | 9 876 494 |
| | | **32 726 207** | 39 941 908 |
| | Nedbank loan (note 17.2) | **9 363 788** | 10 734 543 |
| | Stannic finance lease (note 17.3) | **5 463 975** | 7 871 166 |
| | | **47 553 970** | 58 547 617 |
| | Due within one year | | |
| | - IBRD Loan | **(7 215 703)** | (8 418 320) |
| | - Excess IBRD loan | **(9 876 494)** | (9 876 494) |
| | - Nedbank loan | **(1 165 826)** | (954 190) |
| | - Stannic finance lease | **(2 651 630)** | (2 356 746) |
| | Total due within one year | **(20 909 653)** | (21 605 750) |
| | Total due after more than one year | **26 644 317** | 36 941 867 |

**17.1 IBRD Urban Development Project Loan**

In December 1995 a subsidiary loan agreement was entered into with the Swaziland Government in terms of which the Corporation was granted E 43 294 200 to be used in financing rehabilitation and expansion of water and sewerage services in certain designated urban areas.

In terms of the subsidiary loan agreement, 15% of the expenditure incurred is treated as a capital grant to the Corporation from Government. All the funds have been drawn as at year end as follows:

| | 2010 | 2009 |
|---|---|---|
| Loan granted | **43 294 200** | 43 294 200 |
| Less: Drawdowns | **(43 294 200)** | (43 294 200) |
| Amount undrawn | **-** | - |

The loan is unsecured, bears interest at inflation rate plus 2% per annum and is repayable in semi-annual instalments of E 1 202 617 commencing January 2001. The final instalment is due in July 2018. As at the end of the year under review the Corporation exceeded the limit by E9 876 494.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

| | **2010** | 2009 |
|---|---|---|
| | **E** | E |

**17 Borrowings (continued)**

**17.2 Nedbank Loan**

The Nedbank Loan bears interest at prime rate per annum, is repayable in monthly instalments of E192 827, and Nedbank has a bond over the Corporation's Portion 80 (a portion of portion 61) of Farm 51, Hhohho District (refer to note 7).

The Nedbank loan shall become immediately repayable, together with all unpaid interest which is accrued as at the date of repayment and together also with all other monies then owing by the Corporation upon the date given by Nedbank to the Corporation in a notice in writing to this effect served at any time after the happening of any of the following events:

Failure by the Corporation for a period of 15 days after due date to pay any principal monies or interest or other monies falling due under the Loan Agreement. Any default in observing or fulfilling any obligation on the part of the Corporation to be observed or fulfilled under the Loan Agreement.

**17.3 Stannic Loan**

With effect from 22 January 2008, the Corporation entered into a loan agreement for vehicle and asset finance for a loan facility of E10 000 000 with Standard Bank Swaziland. At the end of the year under review, the Corporation had utilised E5 463 975 of the facility. The amount undrawn at year end is as follows:

| | **2010** | 2009 |
|---|---|---|
| Loan granted | **10 000 000** | 10 000 000 |
| Less: Drawdowns | **(5 463 975)** | (7 871 166) |
| Amount undrawn | **4 536 025** | 2 128 834 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

| | **2010** | 2009 |
|---|---|---|
| | **E** | E |

**17 Borrowings (continued)**

**17.3 Stannic Loan**

The loan bears interest at prime less one percent per annum, is repayable within a maximum period of five years in monthly instalments of E48, 912 and Standard Bank holds title to the leased assets for the duration of the lease period with ownership reverting to the Corporation upon settlement of the amounts owed.

| | **2010 E** | 2009 E |
|---|---|---|
| Total liability | **5 463 975** | 7 871 164 |
| Less due within 1 year | **(2 651 630)** | (2 356 747) |
| Due after 12 months but not later than 5 years | **2 812 345** | 5 514 417 |
| | | |
| Finance lease liabilities - minimum lease payments | | |
| Not later than 1 year | **3 036 428** | 2 775 096 |
| Later than 1 year and not later than 5 years | **3 246 536** | 6 563 128 |
| | **6 282 964** | 9 338 224 |
| Future finance charges on finances | **(818 989)** | (1 467 058) |
| Present value of future finances liabilities | **5 463 975** | 7 871 166 |

The leased assets are disclosed in note 7.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

## 18 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **E** | E |
| Deferred tax assets: | | |
| - Deferred tax asset to be recovered after more than 12 months | **(57 320 140)** | (51 512 285) |
| Deferred tax liabilities: | | |
| - Deferred tax liability to be settled after more than 12 months | **74 608 330** | 66 856 200 |
| **Deferred tax liabilities (net)** | **17 288 190** | 15 343 915 |
| The gross movement on the deferred income tax account is as follows: | | |
| Beginning of year | **15 343 915** | 13 763 127 |
| Statement of comprehensive income charge (note 5) | **1 944 275** | 1 580 788 |
| **End of year** | **17 288 190** | 15 343 915 |

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

| **Deferred income tax liability** | **Accelerated tax depreciation** | **Total** |
|---|---|---|
| | E | E |
| At 1 April 2008 | 65 919 456 | 65 919 456 |
| Charged to the statement of comprehensive income | 936 744 | 936 744 |
| At 31 March 2009 | 66 856 200 | 66 856 200 |
| Charged/(credited) to the statement of comprehensive income | 7 752 130 | 7 752 130 |
| **At 31 March 2010** | 74 608 330 | 74 608 330 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

## 18 Deferred income tax (continued)

| Deferred income tax assets | Provision for impairment of trade receivables | Provision for leave pay | Tax losses | Total |
|---|---|---|---|---|
| | E | E | E | E |
| At 1 April 2008 | 3 873 096 | 296 101 | 47 987 132 | 52 156 329 |
| Credited/(charged) to the statement of comprehensive income | (159 529) | (17 845) | (466 670) | (644 044) |
| At 31 March 2009 | 3 713 567 | 278 256 | 47 520 462 | 51 512 285 |
| Charged to the statement of comprehensive income | 723 653 | 47 383 | 5 036 819 | 5 807 855 |
| **At 31 March 2010** | 4 437 220 | 325 639 | 52 557 281 | 57 320 140 |

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

| | **2010** | 2009 |
|---|---|---|
| | **E** | E |

## 19 Trade and other payables

| | 2010 E | 2009 E |
|---|---|---|
| Trade accounts payable and accruals | **15 828 616** | 9 876 140 |
| Capital projects accruals | **22 910 352** | 1 510 106 |
| Contractors' retention | **2 191 045** | 1 627 821 |
| Consumer deposits | **6 432 783** | 5 207 906 |
| IBRD loan interest accrual | **20 144 788** | 17 215 372 |
| | **67 507 584** | 35 437 345 |

### 19.1 Contractors' retention

The contractors' retention represents liabilities the Corporation owes to contractors in respect of completed projects which are still being observed to confirm non existence of faults. Once the agreed periods for observation have elapsed, the liabilities will be settled using government grants and internal funding.

## 20 Provisions for other liabilities and charges

| **Provision for leave pay** | 2010 E | 2009 E |
|---|---|---|
| Balances as at 1 April 2009 | **927 519** | 987 003 |
| Raised during the year | **157 944** | - |
| Utilized during the year | **-** | (59 484) |
| Balances as at 31 March 2010 | **1 085 463** | 927 519 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2010

## 20 Provisions for other liabilities and charges (continued)

### 20.1 Provisions for leave pay

The leave pay accrual is related to vested leave pay to which employees are entitled. The accrual arises as employees render services that increase their entitlement to future compensated leave. The accrual is utilised when employees, who are entitled to leave pay, leave the employment of the Corporation or when the accrued entitlement is utilised.

| | | 2010<br>E | 2009<br>E |
|---|---|---|---|
| **21** | **Notes to the statement of cash flows** | | |
| **21.1** | **Cash generated from operations:** | | |
| | Net profit for the year | **14 260 822** | 11 196 046 |
| | Adjustment for items not involving cashflow: | | |
| | Grant amortisation | **(9 389 012)** | (8 634 932) |
| | Depreciation (Refer note 7) | **18 596 446** | 16 650 289 |
| | Loss/(profit) on disposal of property, plant and equipment | **324 395** | 374 139 |
| | Fair value (gains)/loss on available for sale investment | **(2 423 715)** | 778 328 |
| | Interest income | **(9 638 046)** | (2 638 221) |
| | Interest expenses | **4 642 377** | 8 863 424 |
| | | **16 373 266** | 26 589 073 |
| | Working capital changes: | **26 630 197** | 246 639 |
| | Decrease/(increase) in inventories | **(76 480)** | (226 133) |
| | Decrease/(increase) in trade receivables | **(4 328 646)** | (4 079 401) |
| | (Increase)/decrease in other current assets | **1 736 555** | 3 509 627 |
| | (Decrease)/Increase in trade and other payables | **29 298 768** | 1 042 546 |
| | (Decrease)/increase in provisions | **-** | - |
| | Cash generated from operations | **43 003 463** | 26 835 712 |
| **21.2** | **Acquisition of property, plant and equipment** | | |
| | Additions per note 7 | **125 953 238** | 39 246 249 |
| **21.3** | **Cash and cash Equivalents** | | |
| | Cash and cash equivalents consist of cash on hand and at bank, short term deposits and money market investments. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts: | | |
| | Cash on hand and balances with banks | **111 806 768** | 93 622 422 |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

| | | 2010 | 2009 |
|---|---|---|---|
| | | **E** | E |
| **22** | **Commitments** | | |
| | Capital expenditure: | | |
| | Contracted | **184 755 523** | 84 928 040 |
| | Authorised but not yet contracted | **67 088 543** | 67 032 295 |
| | Total future capital expenditure | **251 844 066** | 151 960 335 |
| | This expenditure is to be financed as follows: | | |
| | - Internally generated funds | **20 130 000** | 20 000 000 |
| | - IBRD Loan finance | **-** | 693 910 |
| | - Government capital grant | **231 714 066** | 131 266 425 |
| | | **251 844 066** | 151 960 335 |

### 23 Retirement Benefits

The staff pension fund, the SWSC Pension Fund, which is a defined contribution plan, was established on 1 April 1999 and is administered by Alexander Forbes Financial Services. Membership of the pension plan was optional for the former Public Service Pension Fund members. As at 31 March 2010, 17 (2009:17) employees are still covered under the Public Service Pension Fund and 496 employees are members of the Swaziland Water Services Corporation Pension Fund. The last actuarial valuation of the Public Service Pension Fund was performed in April 1999. The portion of the deficit relating to the Corporation's employees was fully funded by the Swaziland Government. No provision is made for statutory retirement benefits under The Employment Act of 1980 as such benefits are fully covered by The Corporation's contributions to the various pension funds.

### 24 Prior year adjustments

#### 24.1 Recognition of amortisation of currency ratio revision grant

The Corporation entered into an agreement with CMC di Ravenna, the contractor for project 18. The terms of the agreement had a specific ratio for splitting amounts on invoices issued by the contractor between USD, EURO and SZL when those invoices were due to be paid. This ratio was communicated to and agreed with the World Bank. However, at a later stage, the contractor revised the ratio for splitting the invoice amounts into USD, EURO and SZL. The revised currency ratio was agreed between the Corporation and the contractor but was not approved by the World Bank. Loan disbursements from the World Bank were received by the Swaziland Government in the original currency ratio yet payments to the contractor were made in the revised currency ratio. This resulted in the Swaziland Government making extra payments to the contractor to make up for the short falls in funds received from the World Bank caused by the revision of the currency ratio. The Corporation treated these extra payments made by the Swaziland Government to the contractor as a grant to the Corporation. However, this grant, which has been described as a currency ratio subvention (refer to note 15) and amounted to E70 248 309, was not amortised to the statement of comprehensive income after the related project 18 assets were commissioned during the financial year ended 31 March 2005.

## NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

### 24 Prior year adjustments (continued)

### 24.1 Recognition of amortisation of currency ratio revision grant (continued)

During the current year, the Corporation has recognised the amortisation of the currency ratio revision grant over the lives of the related project 18 assets, in terms of International Accounting Standard 20 – "Accounting for Government Grants and Disclosure of Government Assistance" (refer to note 16). The amortisation has been accounted for retrospectively. The effects of the adjustment are tabulated below:

Effects on years presented (2010 and 2009):

| | **2010** | 2009 |
|---|---|---|
| | **E** | E |
| ***Statement of financial position*** | | |
| Decrease in deferred government grants | **-** | 7 309 780 |
| ***Statement of comprehensive income*** | | |
| Increase in other income | **-** | 1 827 445 |
| Increase in profit for the year | **-** | 1 827 445 |

### 24.2 Recognition of deferred income tax

Prior to 1 July 2001, the Corporation was exempt from paying company tax in terms of Section 12 of the Income Tax Order as amended. In 2000, Section 12 was rescinded and an amendment to the effect that the Corporation and other parastatals would be liable for company tax with effect from 1 July 2001 was issued. In the financial years in the period 1 April 2001 to 31 March 2008, the Corporation did not recognise any company tax balances because the Corporation was seeking clarification and guidelines from the Commissioner of Taxes on how the tax computations had to be prepared. The Corporation was of the view that it would be misleading to recognise any tax balances because the Commissioner of Taxes had not yet approved any of the Corporation's tax computations. In 2007, the Corporation submitted tax returns for the years 2002 to 2007 for the first time and received tax assessments on these tax returns during the financial year ended 31 March 2009. During the financial year ended 31 March 2009, the Corporation also submitted a tax return for the 2008 year and received a tax assessment on this tax return. All the Corporation's tax assessments indicate that the Corporation had accumulated assessed tax losses of E159 957 108 as at 31 March 2008. This means the Corporation currently has no liability for current company tax.

## NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

**24 Prior year adjustments (continued)**

**24.2 Recognition of deferred income tax (continued)**

The Corporation has recognised a deferred income tax liability for the first time in the financial year ended 31 March 2010 in terms of the International Accounting Standard 12 - "Income Taxes" (refers to notes 5 and 17). The deferred income tax liability has been accounted for retrospectively. The effects of the adjustment are tabulated below:

Effects on years presented (2010 and 2009):

| | **2010** | 2009 |
|---|---|---|
| | **E** | E |
| ***Statement of financial position*** | | |
| Increase in deferred income tax liability | **-** | 15 343 915 |
| ***Statement of comprehensive income*** | | |
| Increase in income tax expense | **-** | 1 580 788 |
| Decrease in profit for the year | **-** | 1 580 788 |

# Notes