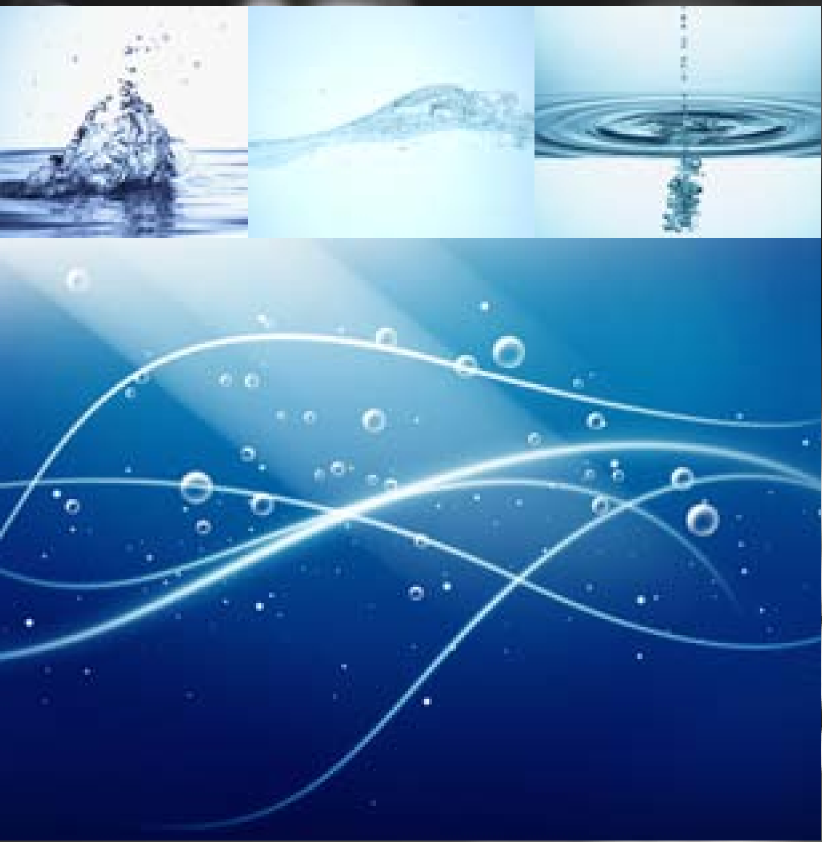
Swaziland Water Services Corporation



2012 Annual Report

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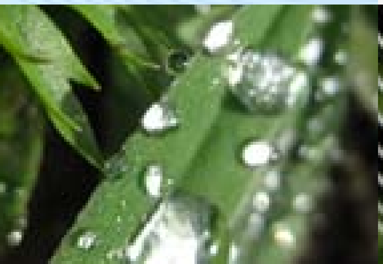
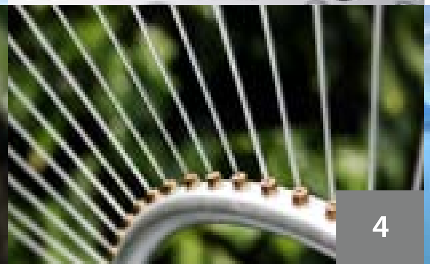


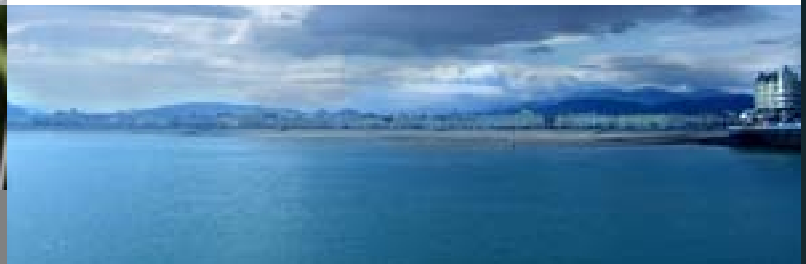


Who we are
Swaziland Water Services Corporation (SWSC) is a body corporate duly established under the Water Services Corporation Act, No. 12 of 1992. The Corporation is a category 'A' Public Enterprise in terms of the Public Enterprise (Control and Monitoring) Act No.8 of 1989 and therefore it is wholly 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 to Ntfonjeni, Nhlambeni, Ezulwini and Sithobela.

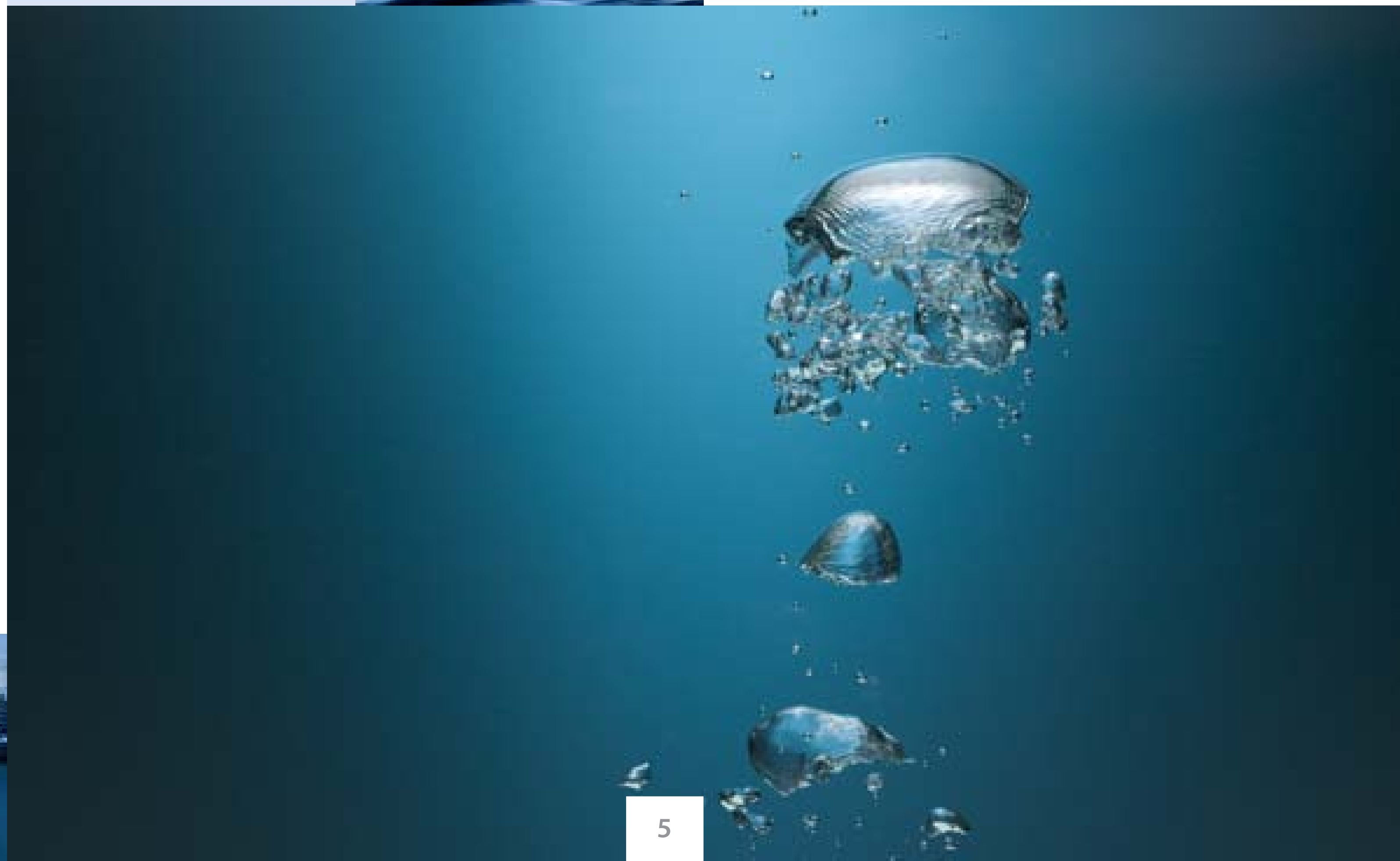
With regard to the above-mentioned areas the Corporation is mandated to:

- 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 supplying one unit of water cannot be recovered). This brings about the challenge of implementing a cost reflective tariff that balances social, political and economic goals.

Under the Millennium Development Goals, SWSC has a social obligation to reduce the number of people without access to water and proper sanitation irrespective of its commercial objective so that it can contribute to poverty alleviation in line with the Government of Swaziland Poverty Reduction Strategy and Action Programme (PRSAP). SWSC has also an economic obligation to provide water and sewer services to stimulate economic development where there are socio-economic benefits irrespective of business (financial) viability.



Differentiating slogan

WE DO IT THROUGH OUR PEOPLE

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

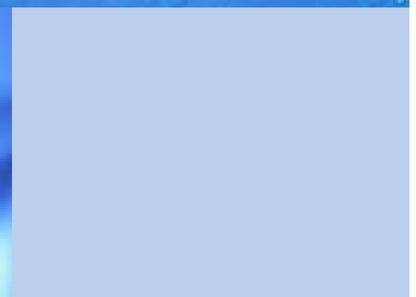
- **Good Governance:** we ensure that all our actions are morally and legally fair whilst treating all with respect.
- **Performance and continuous improvement:** we continually look for better ways of doing things.
- **Ownership and accountability:** we respect the business as it if were our own and deliver on our commitments.
- **Communication and transparency:** we continuously communicate with and through our people in an honest and fair manner

VISION, MISSION & VALUES

Chairman's Statement

I am honoured once again to present the Swaziland Water Services Corporation (SWSC) 2011/2012 annual report. It gives me pleasure to note that SWSC as a customer centred organization is working hard to continuously improve product quality and service in line with the corporate vision. The accreditation with ISO14001:2004 and OHSAS 18001:2007 for the Woodlands and Simunye treatment plants shows commitment to quality management systems. Accreditation is an important step in the assurance of quality management systems which in turn provides confidence to the customer about our products and services. We all know that accreditation is a rigorous process that requires commitment, energy and drive. In this regard I would like to congratulate all those who have worked hard to meet the requirements for accreditation.

Despite operating in tough and challenging economic times, the Corporation was able to fulfill its social, economic and commercial objectives. Projects aimed at increasing water and sanitation access continued to be implemented even though the expected rate of return is very low. We will continue to monitor and improve our key performance indicators as per our strategic plan using the annual balanced score card.



The Corporation experienced the pleasure of having His Majesty King Mswati III officially open the Siteki-Lomahasha Water Supply Project. The ceremony took place on the 6th of March 2012 in Siteki and marked a new era in the reduction of poverty and improved socio-economic development in Siteki and surrounding areas. As a Corporation we also reinforce His Majesty's plea that the benefitting communities should make good use of the water and take care of it so that even future generations can be able to use it.

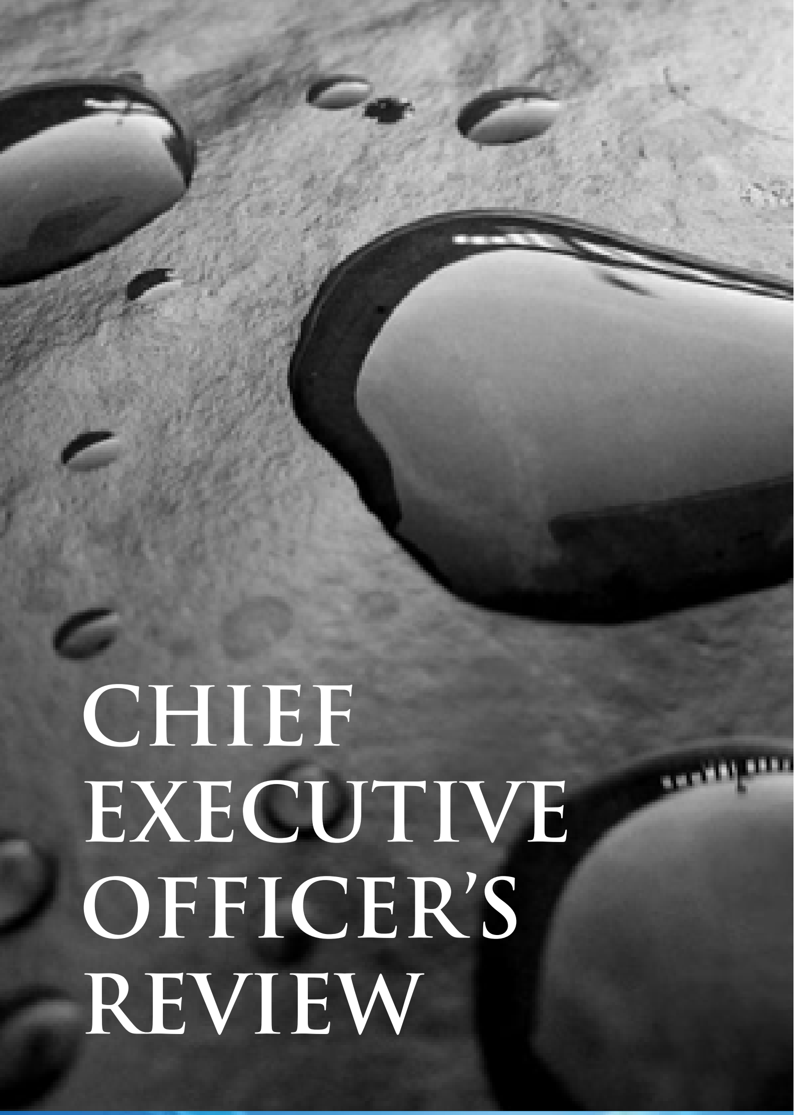
As a Corporation we need to understand that the state of the economy will remain tough in the short to medium term. There is therefore a need to focus on excellent and efficient service delivery whilst living our corporate values.

The Corporation would like to offer sincere condolences to the family and friends of Mr. Magalela Maphalala who passed on during the year. Mr Maphalala served as a non-executive director for more than 10 years. His contribution to the Board shall always be acknowledged. We will miss his wisdom, knowledge and skills and may his soul rest in peace.

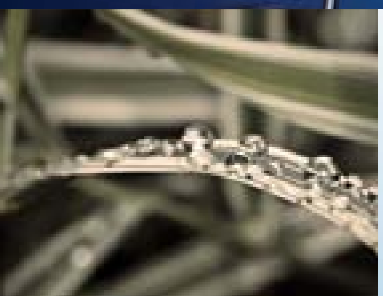
For the coming year let us have renewed confidence in ourselves and be ready to tackle new challenges and exploit new opportunities for the benefit of the Corporation. I am confident that with all your unlimited support, loyalty, commitment and professionalism we will meet or even exceed stakeholders' expectations.

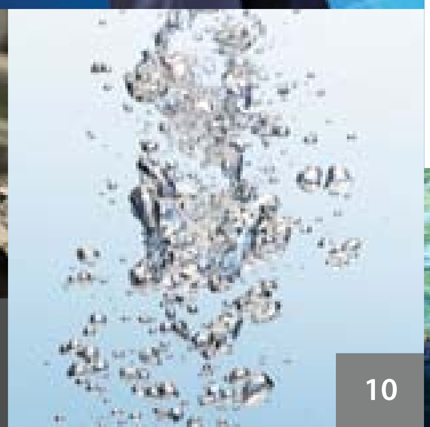
On behalf of the Board, I would like to thank our employees for their efforts this year and also challenge them to do even better in the years to come. To our customers and stakeholders, thank you for your continued support over the years and we look forward to a strong strategic alliance in the years to come.

A.T Maseko
Chairman of the Board



CHIEF EXECUTIVE OFFICER'S REVIEW





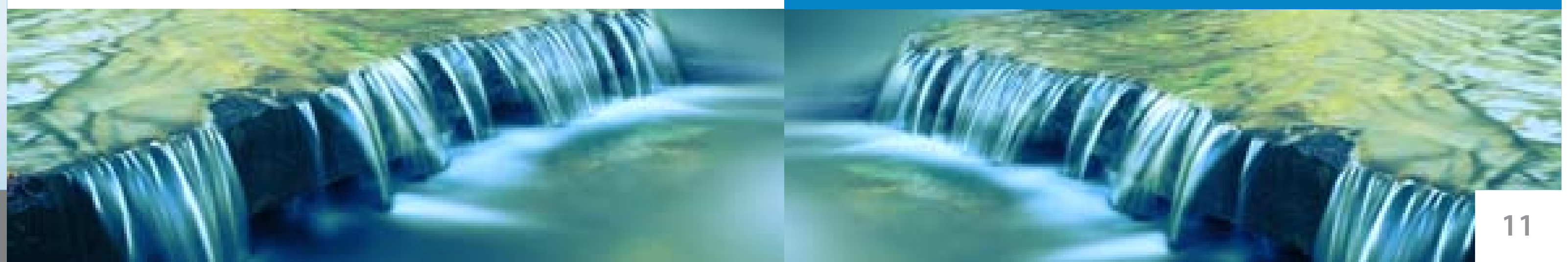
Introduction
The past year has been very challenging for the Corporation due to the economic downturn and Government's fiscal position. As a Corporation we had to employ short-term tactics to overcome the effects of economic uncertainties whilst navigating through a tougher business environment in a bid to sustain our operations. Despite these conditions we have shown resilience and continued to implement our strategic plan by maximizing expected strategic outcomes against limited financial resources.

Financial Overview
The Corporation's operating revenue for the year was E209.8 million (2011:E192.9 million), representing an increase of 9% (17% in 2011). The lower increase in 2012 is due to the economic downturn and Government's challenging fiscal position which triggered the curtailment of projects and activities resulting in lower water consumption levels. The net profit for the year was E10.1 million (2011: E19.6 million).

The current ratio stood at 1.77:1 (2011: 1.32:1). The debtors' collection period stood at 88 days (compared to 58 days in the previous year). This is attributable to the prevailing economic and fiscal impasse.

Commissioned projects (transfers from capital projects) amounted to E96.1 million out of added capital work in progress for the year of E101.5 million.

Tariffs
This year was the first in the implementation of the multi year tariff increment for the period 2011/12 to 2013/14. The tariff for 2011/12 was for the first time implemented on time (in April). The multi year tariff also helps in preparing revenue budgets and forecasts which are critical in the implementation of the strategic plan.



Geographic Information Systems
The Corporation launched an intranet-based Geographic Information System (GIS) which provides a single point of access to the GIS data resources and is also searchable using its query driven capabilities. The system allows the download of unlimited PDF print layouts of GIS maps and data via a central server. The maps and data are accessible online via the Corporation's intranet. The generated GIS maps and data can then either be used for customized reports or even printed within the internal users' respective work stations countrywide. Customer service officers countrywide will be able to use the system for improved service delivery.

Information technology (IT)
In enhancing performance monitoring, measurement and review the IT department introduced a system for monitoring the organizational scorecard and projects online on the Corporation's Intranet. Management is expected to update progress on tasks related to the organizational scorecard and progress on projects on a monthly basis.

Electronic bills were also implemented for the billing system. This means that all customers that want their bills sent electronically to them can get them directly from the billing system. The commercial department has engaged in an exercise of updating customers' email addresses on the billing system, so that bills for customers with email addresses will be sent electronically to them.

Customer service
The Corporation recognises that putting the customer first is critical for the success of the business and to this end has been working extensively on putting together a Customer Services Charter which will be rolled out to the public in the next financial year. The Customer Services Charter is aimed at ensuring that the Corporation lives its values of communication and transparency, ownership and accountability, performance and continuous improvement and good governance. The Charter will include customer service quality standards and the expected roles and responsibilities of both the Corporation and the customer..

Customer education campaigns continued during the year under review through road shows and the media. Performance indicators and targets on customer service and satisfaction were closely monitored and feedback results were analysed and acted upon accordingly. Customers were also encouraged to use the 24hour Toll Free line (800 5000) to report leaks, pipe bursts, illegal connections or any faults requiring the attention of SWSC. The Corporation continues to pledge its commitment to service excellence and quality.

Non Revenue Water
Water loss reduction is a key performance indicator in the Corporation's strategic plan objectives. Improvements in the reduction of Non Revenue Water (NRW) have been noted. A four year trend analysis shows a reduction of NRW from 40% in 2009 to 34% in 2012. The strategic plan target is 25% for 2015. Action programmes that have been implemented in reducing NRW include installation of leak detection devices and pressure reducing valves; district meter zoning; telemetry upgrade for all reservoirs and pump stations; meter replacement programmes; airvalve repair and installation programme. Though there are some challenges that may not be completely addressed such as illegal connections and pipe bursts and leakages the Corporation continues to invest in projects where the financial and economic benefits of reduced NRW exceed the cost.

Bottled water
The installation and commissioning of the two production lines at the Nkamazi Bottling Plant was successfully carried out by a joint team from SWSC and the main equipment suppliers. The production lines commissioned were the 500ml/ 1.5L, 5L line and the flavored product mixing module. Furthermore, the PET bottle blowing module was installed and commissioned. The critical and key process installations such as the clean room (controlled processing environment) were completed.

The business unit also initiated the implementation of the following Quality Management Systems in preparation for accreditation:

- ISO 14001:2004 (Environment)
- OHSAS 18001:2007 (Occupational Health and Safety)
- ISO 9001: 2008 (Quality)
- HACCP (Food Safety)

A first stage audit was done on the Environment and Health and Safety standards and the plant was recommended for the last stage audits on both systems.

Health and safety
We are committed to providing a safe and healthy environment for all employees, stakeholders and visiting members of the public. We comply with all relevant legislation, codes of practice and safe operating procedures. Training on aspects of health and safety will continue to be provided so that our employees commit to maintaining a safe and healthy workplace.

People
One of the Corporation's key strategic focus areas is "People". We will always maintain that our people are our greatest asset. It is through our people that the Corporation has made it thus far and sustained itself. It will be through our people that the Corporation continues to grow and meets stakeholder expectations. We are committed to creating an environment that respects people and creates opportunities for growth and development whilst balancing the interest of our customers and stakeholders.

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

- ***Economic downturn:*** The prevailing economic climate and Government's fiscal position continues to affect the operations of the Corporation especially its cashflow position and its ability to implement capital projects.

- ***Increasing costs of production:*** The continuous increase in the cost of production inputs (electricity, chemicals and materials and consumables) at a rate above inflation undermines the fixation of a cost reflective tariff.

- ***Changing demographics:*** With the continuous increase in population, there is a great proportion of people moving to urban areas. As the population in the urban areas grows, so do the demands for water and sewer services. This poses a key challenge to SWSC in that urban population growth occurs in communities that are poor and settlements that are informal and unplanned resulting in serving such communities being an expensive and difficult task.

{ Continuation }

- ***Lack of raw water storage:*** For the long-term sustainability of water supply there is a need for the construction of raw water storages, in particular, the proposed Nondvo Dam which will improve water supply in the Mbabane-Manzini corridor. Projects like the new Bio-Tech Park stand to benefit from this dam for without it water supply to the Park may be compromised. This is because the Matsapha water treatment plant has almost reached maximum capacity whilst the quota for raw water abstraction from the Usushwana River has reached the limit.

- ***Tariff setting process:*** The absence of an independent economic regulator makes it difficult to charge a cost recovery tariff that would support financial, economic and social goals.

- ***Financial constraints:*** Investment in water and sanitation infrastructure requires huge capital outlays and even if finance is made available, the payback period is longer resulting in low liquidity to meet operational costs.

- ***Land for water and sewer infrastructure projects:*** Securing land for locating water and sewer infrastructure projects is a difficult process with cost implications. This often results in delayed implementation of projects.

- ***Old infrastructure:*** The bulk of the water infrastructure is very old and it often results in pipe bursts and leaks. Overhauling the whole infrastructure would be very expensive and can significantly affect operating cash flows.

Acknowledgement

I would like to thank all employees for being part of SWSC and moving the Corporation forward. Please continue to go that extra mile for our customers so that we continue to exceed stakeholder expectations.

P.N. Bhembe
Chief Executive Officer

BOARD OF DIRECTORS

Mr Themba Maseko

Chairman: Dipl (Banking); BSc (Finance); MBA.

Mr Themba Maseko joined the SWSC Board as Chairman and non-executive member in January 2011. Mr Maseko is a businessman in the hospitality industry. He has served in various Boards of different organizations including Ezra – Tourism section (as Chairman); Southern Eastern Africa Tourism Committee (as Chairman); Technoserve BBB (as President). He was previously employed by Standard Chartered Bank as Head of Credit. He is currently the Vice Chairman of the Swaziland Tourism Authority.

Mr Peter Bhembe

Managing Director: 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.

Mr Andreas Dlamini

B.Com; Dipl(Public Sector Audit and accounting)

Mr Andreas Dlamini joined the SWSC Board as a non-executive member in January 2011. He is currently the Director of Internal Audit at the Ministry of Finance. Mr Dlamini has acted as Auditor General and has been Principal Auditor in the Auditor General's Office. He has served in various committees in the Auditor General's Office which include the Training Committee and Technical Committee (for the establishment of the new Internal Audit Department).

Mr Thembinkosi Mamba

B.Eng (Hons) E.E; F.T.C Elect. Eng

Mr Thembinkosi Mamba joined the SWSC Board in January 2011 in an ex-officio capacity as per section 4 (1) of the Water Services Act of 1992. Mr Mamba is currently the Principal Secretary in the Ministry of Natural Resources and Energy. He was previously the Principal Secretary in the Ministry of Housing and Urban Development. Other positions he has held in the Government of Swaziland include Commissioner of Customs, Undersecretary (Ministry of Natural Resources and Energy) and Director of Industrial and Vocational Training. Mr Mamba is also Chairman of the SOS School Committee, Chairman of the Swaziland Skills Centre and also serves in various statutory Boards within the Ministry of Natural Resources and Energy.

Mr Mmiseni Dlamini

Dipl. In PC Engineering (Data Mngt) Associate Degree (Business Mngt) BS (Human Resource Development)

Mr Mmiseni Dlamini joined the SWSC Board as a non-executive member in September 2011. He has held a Supervisory position at Tisuka TakaNgwane and was Financial Manager at Malunge Transport.

Ms Cynthia Dlamini

BS (Allied Health Ed); BS (Nursing); Masters (International Health)

Ms Cynthia Dlamini joined the SWSC Board as a non-executive member in January 2011. She is currently a lecturer in the Faculty of Health Sciences at the University of Swaziland. She was previously a clinical staff nurse at the Raleigh Fitkin Memorial Hospital. Ms Dlamini is a Registered Nurse and Midwife with the Swaziland Nursing Council and also a Registered Nurse with the State of Michigan (USA). She is active in community services and is currently a member of the Mbabane-Mbuluzi Rotary Club. Ms Dlamini is a supporter of children's education and is involved with the SOS children in Mbabane.

Mr Sifiso Khumalo

BA (Law); LLB

Mr Sifiso Khumalo joined the SWSC Board as a non-executive member in January 2011. Mr Khumalo is currently a Principal Crown Counsel in the Attorney General's Chambers having previously served as Crown Counsel in the same chambers. He is an admitted attorney of the High Court of Swaziland and a Member of the Law Society of Swaziland.

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 Manqoba Ntshangase

Dipl (Journalism and Mass Communication); Associate Degree (Public Relations) BS Communication Studies (Public Relations)

Mr Manqoba Nsthangase joined the SWSC Board as a non-executive member in September 2011. Mr Ntshangase has worked as an intern at Swaziland Broadcasting and Information Services (SBIS). He was a Reporter and Editor for the Vincennes University International Newsletter and a Media Fellow at the United Nations Development Programme (UNDP). Mr Ntshangase has also worked for the Swazi Observer as a General News Reporter.

EXECUTIVE MANAGEMENT

Mr Peter Bhembe

Managing Director: 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 Lungile Dlamini

Finance Director: 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, having been Audit Supervisor in the same firm before. 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

Technical Services Director: BSc; BSc (Civil Eng); GDE (Civil Eng)

Ms. Nontombi Maphanga joined SWSC as Hydraulics Engineer in April 2006 and was appointed as 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 being a 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

Operations Director: 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

Strategic Services Director: 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 Strategic Services Director. Prior to that he spent 5 years as Human Resources Manager in the FMCG industry, and 8 years in the Sugar Industry 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 (ESAR), and Governing Board Member of the International Water Association (IWA).

SENIOR MANAGEMENT

Lindiwe Madau
Financial Manager: BComm; MBA; Mngt.Adv.Prog

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

Sikelele Fakudze
Regional Manager – Central: BSc; Hons BSc

Angeline Matsenjwa
Information Technology Manager: BSc; MBA; Mngt.Adv.Prog

Jacob Muzulu
Mechanical and Electrical Engineer: B.Sc (Electrical Engineering); MBA

Sindie Mango
Human Resources Manager: BA LLB; Adv. Dipl (Labour Law); Cert. in HR Mngt

Bongani Mdluli
Projects Engineer: Dipl. In Civil Engineering, B.Tech (Civil Eng)

Bafana Sibandze
Survey Engineer: HND (Land Surveying)

Mandla Masina
Projects Engineer: BSc; BSc (Civil Eng)

Ranganai Zizhou
Projects Engineer: B.Eng (Civil Engineering)

Sithembile Majola
Eco Water Sales and Marketing Manager: Dip. Comm; B.Comm; Mngt Dev Programme

Elwyn Dlamini
Regional Manager – East: Dip.Gen.Agric; BSc

Bernard Dube
Business Analyst: BComm; MBA; FCIS; Certified Utility Mngt Specialist

Dumisa Dlamini
GIS Manager: BA; M.Sc (Bus Info Tech)

Phindile Nkomo
Purchasing Manager: ACCA; Mngt.Adv.Prog

Susan Nkumane
Internal Audit Manager: BComm; ACCA; CIA

Nhlanhla Dlamini
Production Manager–Ecowater Bottling plant: B.Sc; MBA

Nomahlubi Matiwane
Public Affairs Manager: Dip (Journalism and Mass communication.); BSocSc (Media and Communication);MBA

Aubrey Mkhonta
Regional Manager – North West: Dip(Water Tech); HND (Civil Engineering); MBA; Adv. Dip (Project Mngt)

Malusi Dlamini
Trainee Water Loss Engineer: B.Sc Civil Eng;

Musa Shongwe
Laboratory Manager: BSc; Hons BSc

Mfanasibili Simelane
Corporate Services Manager: Dip (Mass Communication); B.A. (Communication Science); Mngt Dev Programme

Ntokozo Nxumalo
Trainee Hydraulics Engineer: B.Sc Civil Eng;

{ Continuation }

OPERATIONS REVIEW

Introduction

SWSC supplies drinking water that is, in terms of quality, amongst the best in the region. The drinking water supplied by SWSC is healthy and complies with the WHO Guidelines for Drinking Water. The method 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 - Black Mbuluzi, Usushwana, Great Usuthu, Mkhondvo, Phophonyane, Sibhowe, Mhlambanyatsi, Komati, Ngwempisi, Ngwavuma and Umhlathuzana or from dams such as Maguga and Hawane.

To ensure that tap water is safe to drink, SWSC employs conventional water treatment whereby the unit processes include 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 through strategic service reservoirs, mains and reticulation.

Quality management systems

The Main Laboratory was recently accredited by the South African National Accreditation System for ISO 17025:2005 for seven of its tests. ISO 17025 accreditation is a formal recognition by an accreditation body which deems a laboratory competent to conduct its testing services. This therefore puts the accredited laboratory on the international stage and gives tests done at the laboratory global recognition. The accreditation of the laboratory is very important for product quality management at all of SWSC's treatment plants and it also one of the cornerstones for the implementation of the Quality Management System, ISO 9001:2008, which SWSC has started implementing at Matsapha Waterworks and the Ecowater Plant. The accreditation of the laboratory also provides confidence to water customers and consumers on the correctness of the results of the water quality issued by the SWSC Laboratory.

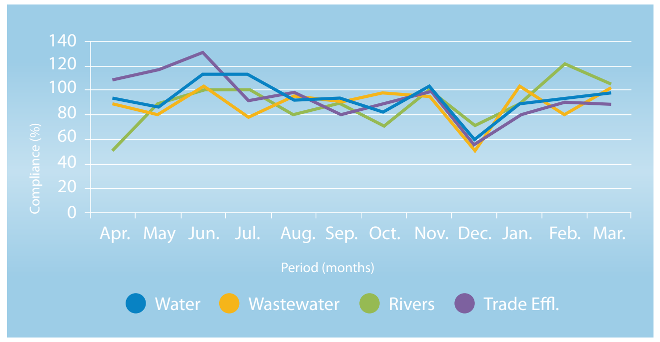
Quality monitoring program

The monitoring program was reviewed during the period under review following the suspension of operations at Siteki and Mangedla/Hlane Plants since the Simunye-Siteki-Sikhuphe supply area is now solely fed from the Simunye Waterworks. The SWSC monitoring program now covers 186 sampling points which represents a 2.6% growth compared to the previous year. The marginal increase was caused by the newly established points for the Ecowater Bottling Plant.

Sampling

The overall sampling compliance for the 2011/12 fiscal year stands at 91.3% (Figure 1). There has been a decline in the sampling frequency compliance compared to the previous year (96%) and this is due to the extra monitoring requirements on the rivers as per the Water Pollution Control Requirements (2010) putting additional strain on available resources.

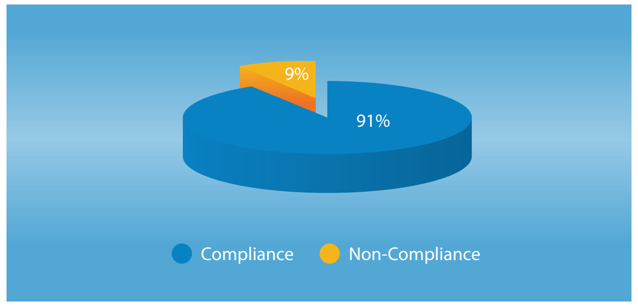
Figure 1:
Monthly sampling frequency 2011/2012



Potable Water

Water characteristics currently being monitored by SWSC's Laboratory fall under physico-chemical and microbiological parameters. A total of 4, 632 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 386 potable water samples were collected & analyzed monthly over the period under review. The total number of tests conducted for potable water during the 2011/12 fiscal year totals 222, 336.

Figure 2:
Annual drinking water quality compliance with WHO drinking water guidelines (2006)

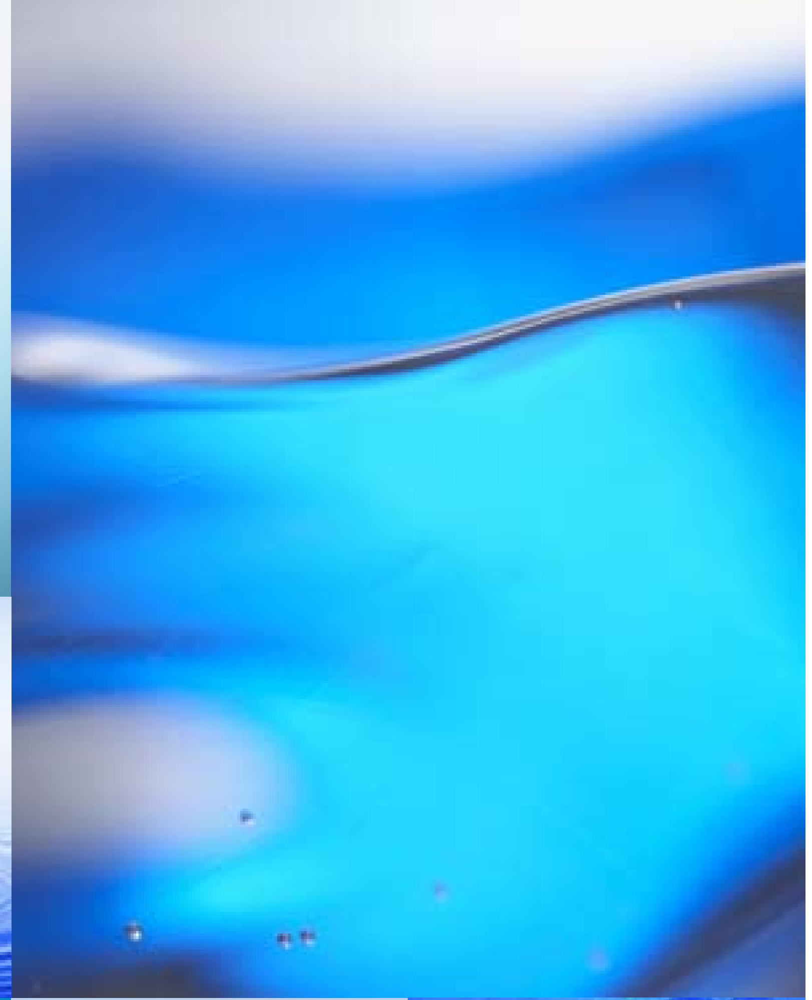


*Non compliance rate largely attributed to uncontrolled water source pollution. There is a strong need to introduce legislation to control the pollution of water sources such as rivers.

Wastewater

Wastewater from SWSC's wastewater treatment plants was continuously monitored against the Swaziland Environment Authority's Water Pollutions Control Regulations (WPCR) of 2010. A total of 1, 027 wastewater samples were collected and analyzed over the 12-month period and the total number of tests conducted thereof was 20,540. Tests done on wastewater samples are as per Schedule 2 of the WPCR (2010) and these include physical-chemical, organic pollutants, trace metals and microbiological determinants.

According to the WPCR (2010), SWSC in the discharge of effluent has an obligation to monitor the rivers into which its plants deposit effluent. For that reason the SWSC Laboratory has been monitoring the quality of river water upstream and downstream of its discharge points. A total of 195 river water samples were collected and analyzed over the 12-month period. The total tests done for these samples is 3, 900. Tests done on river water samples are as per Schedule 1 of the WPCR (2010) and these include physical-chemical, organic pollutants, trace metals and microbiological determinants.



Trade Effluent

A total of 1, 258 trade effluent samples were collected during the 2011/12 fiscal year and 5, 032 tests were conducted thereof. The total number of samples collected reflects a marginal 0.24% increase compared to 2010/11. The overall average annual COD for all the monitored industries' effluent stood at 3, 295mg/L, which SWSC is required to further treat to reduce the COD to less than 75mg/L before release.

Plant Audits

SWSC's 23 operational treatment plants (including Bottling Plant) were regularly monitored in order to ascertain the efficiency of the water treatment process. This was achieved by regular sampling for comprehensive analyses at the main laboratory and also by conducting water quality audits of the plants. A total of 233 water treatment plant audits were conducted representing a 27% increase compared to previous year.

Reservoirs

The performance contract between the Government of Swaziland and SWSC dictates that each of the Corporation's 78 reservoirs should be cleansed at least once in 24 months in order to preserve the integrity of the water stored. It is for that reason that the Laboratory in conjunction with the SWSC Regions continued with the Reservoir Cleansing Program whose primary objective is to remove sediment and also prevent bacterial growth in the water during storage in an attempt to maintain the product's integrity until it is delivered to the end user. The program for 2009/2011, which commenced in November 2009, was concluded in January 2012 and a total of 64 reservoirs had been cleansed, bringing the success rate to 85.3%.

PROJECTS

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 as highlighted below.

GOVERNMENT FUNDED PROJECTS

New Sewer Treatment Plant for Matsapha Industrial Town

Purpose
The construction of a new sewer treatment plant for Matsapha Industrial Town.

Progress Achieved
The project was suspended in September 2011 due to unhonoured interim payment certificates. Both the Civil and Mechanical Contracts are suspended works, however negotiations with the Contractors to resume works are in progress.

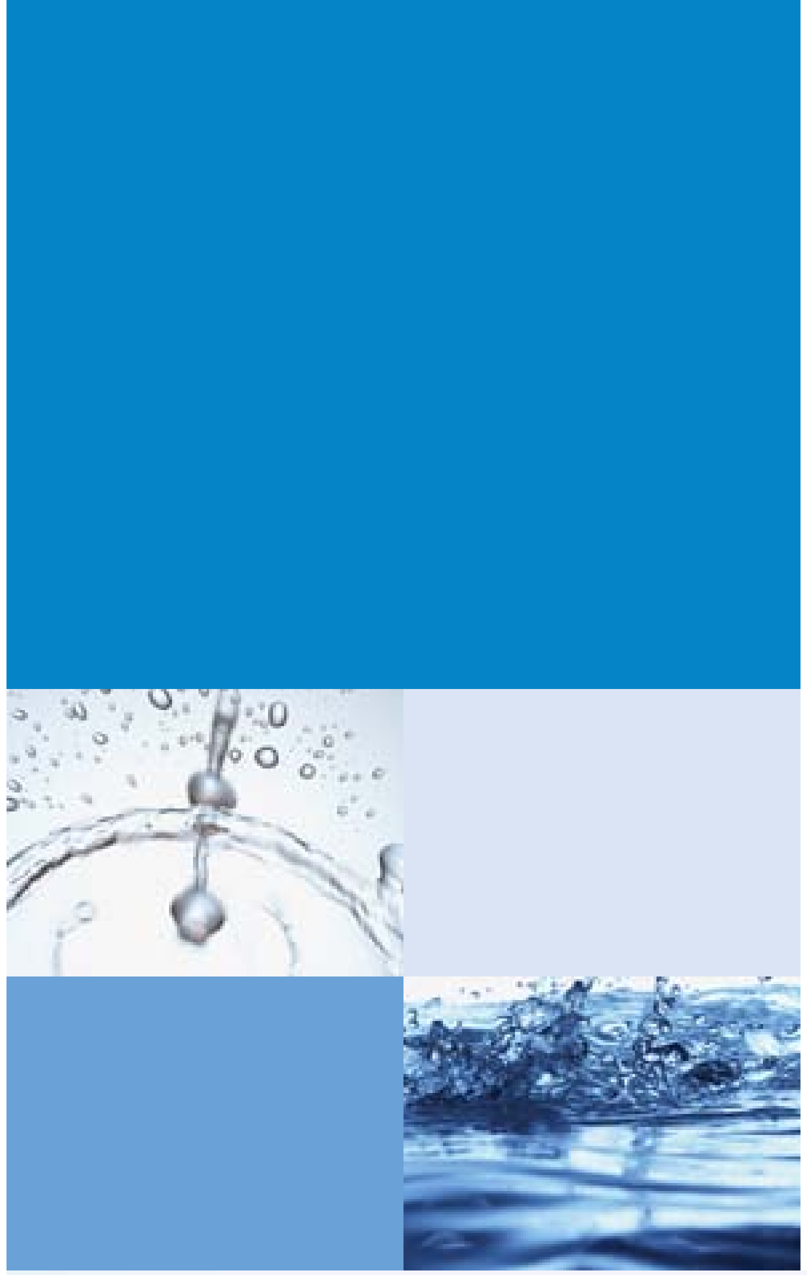
There were challenges encountered in securing access for the outfall sewer line. Negotiations are ongoing with the property owners and evaluations and compensation agreements are due to be concluded.

Nhlangano Water Supply and Sewer Treatment

Purpose
The construction of a water treatment plant and sewer treatment plant for Nhlangano Town.

Progress Achieved
Designs of both the water and wastewater treatment plants were completed. The water treatment plant contract was awarded but the project was suspended in September 2011 due to Government's fiscal constraints. Negotiations with the Contractors to continue works are in progress.

The water supply Contractor is still off site and no works are in progress. This is due to delayed payments of interim statements submitted by the Contractor.



The sewerage treatment plant tender adjudication was concluded but award of the tender remains suspended subject to Government's financial position improving. The site for the wastewater treatment plant is still unsecured due to access issues raised by the land concessionaire.

Lomahasha/Siteki Water Supply

Purpose
The design and implementation of the Lomahasha water supply scheme.

Progress Achieved
The Design Consultant was appointed in 2011 and feasibility reports and Preliminary designs were submitted in February 2012 for the Lomahasha Water Supply System. The final designs are expected in June 2012.

The construction for the Lukhula to Siteki pipeline is now complete and is operational.

The Lukhula and Lonhlupheko Booster stations are almost complete with progress at 95%.

{ Continuation }

INTERNALLY FUNDED PROJECTS

Ngwane Park Sewerage

The project comprises of the design, construction and commissioning of a sewer mains, trunk mains, interceptors and outfall sewers to the Ngwane Park Pump station in Ngwane Park. A budget of E1.5 million was provided for under the SWSC Capital Expenditure Programme. This budget was utilized to lay 4000 metres of pipeline and 252 connections. Cumulative total reticulation coverage is currently 8000 metres since the inception of the project in 2010.

Logoba Reservoir

The project includes the design, construction and commissioning of a 3.2 megalitre reinforced concrete reservoir. This reservoir will replace the old Logoba 0.3 million litre pressed steel reservoir to meet growth in demand and ensure potable water supply to Fairview, parts of Matsapha, Manzini, Logoba and surrounding areas. The reservoir also provides capacity for the supply of water to the Lozitha area. The reservoir is 95 percent complete.

Malkerns water treatment upgrade

The Malkerns treatment plant was upgraded from a capacity of 3l/s, to 6l/s (double the original). A 3 Km 110mm diameter pipe main was installed as well as a reticulation system that supplies over a 100 homesteads.

Ludzeludze water supply

The installation of a 250mm diameter gravity pipeline taking water from the Ngabezweni mains just below the University of Swaziland (Kwaluseni) to the Ludzeludze market and shops, and another 160mm diameter pipeline taking water to the Mbikwakhe direction was completed. A 110mm diameter pipeline was also installed as part of the reticulation of the Ludzeludze area which is yet to be completed. Valves and other fittings were also installed.

ISSUES FOR CONSIDERATION IN THE MEDIUM TO LONG TERM

The continuous growth in population and industrial activity requires investment in water and sanitation infrastructure. The implementation of water infrastructure projects remains a challenge in the water sector because of budgetary constraints yet developing water sector infrastructure can have profound impacts on long-term sustainability. The proposed projects listed below have a great potential to contribute to social and economic development. If funding becomes available they may be undertaken in the short to medium term.

Ezulwini Water Supply

The Ezulwini water supply scheme is dependant on a small but perennial stream called Mkhondolwane. The source has intermittent supply during the winter and dry season resulting in an inadequate supply of raw water to the Corporation's treatment plant. This has led to frequent disruptions in water supply to Customers. There are also various parallel community water supply schemes that draw water from the same stream. The stream can no longer cope with the demands of both the Corporation and community.

The Corporation has conducted studies and preliminary designs to establish alternative sources of supply. Two options are currently under further investigation namely the construction of the Nondvo dam or abstraction from the Lusushwana river using the Luphohlo as a buffer.

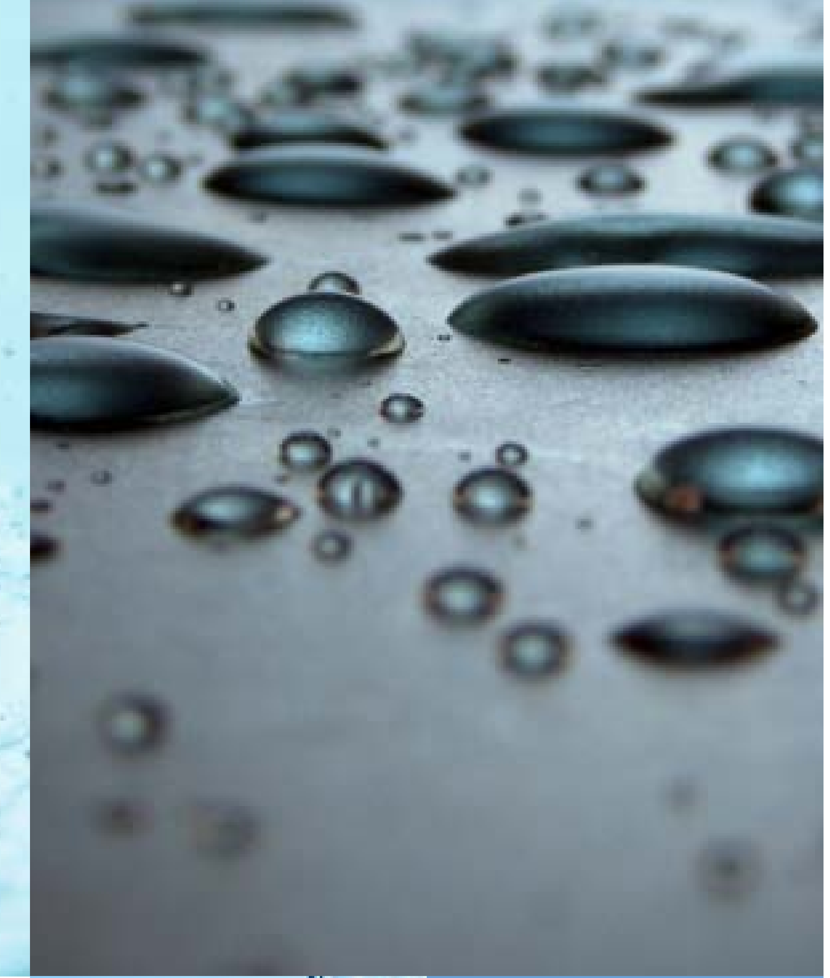
The new water source would ensure reliable and adequate water supply to existing and upcoming developments in the Ezulwini area. The project would also satisfy the water demand requirements of the Ezulwini – Matsapha corridor and particularly the science and Biotechnology Park. The total estimated cost for the Luphohlo dam option is estimated at E149 million and the Nondvo dam option is estimated at E170 million.

Ezulwini Sewerage Scheme
Ezulwini was declared a Town and the Corporation is mandated to provide both water and sewerage services to the Town. Presently the Corporation only provides limited water services.

In order to meet its full mandate, the Corporation requires funds to construct a sewerage system for the Town. Presently, the Ezulwini Valley has no comprehensive sewer reticulation system. All existing developments have private sanitation arrangements comprising of either individual or communal septic tanks or soak-pits. Septic tanks and ponds present an environmental risk as they contaminate ground water. The Sun International Hotel has a private sewage treatment facility in the form of waste stabilization ponds.

The proposed sewerage system comprises of the design and construction of a waterborne sewerage system for the area of Ezulwini. It will service the town of Ezulwini and portions of Lobamba i.e. from Mvutjini to Ludzidzini along the Old Manzini-Mbabane Highway corridor. The system will consist of a sewerage reticulation network, collectors, outfall sewer, Gravity Mains, Pumping Mains, Pump Stations and Pre-Treatment Plant and other ancillary works. This pre-treatment plant will then be linked to the existing Sewage Treatment Plant located at Ezulwini through a pumping main. The total estimated cost for the project is E45 million.

Sidvokodvo – Nhlambeni water Supply
The planned development between Sidvokodvo and Nhlambeni requires an extension of the Matsapha/Manzini water infrastructure. Developments in the pipeline include an industrial park at Sidvokodvo and a residential housing project by the National Housing Board in the area of Mhobodleni between the Nazarene reservoir and the Nhlangano Road. These areas will need water and a pipeline will need to be constructed from the Matsapha reservoir to follow the Nhlangano road past Nhlambeni up to Sidvokodvo, a distance of about 20km.



The project scope would include design and construction works whose total costs are estimated at about E30 million.

Manzini City Wide Water Supply
The water supply system for Manzini and Matsapha industrial estates and surrounding areas needs to be upgraded to increase security of raw water supply to meet current and future demand. The plant is currently operating at approximately 97% of its capacity, hence additional water demand is unlikely to be met. In addition, the Corporation abstracts directly from the Usushwana river and fluctuations in flows may cause disruptions in supply. The Nondvo dam solution has to be implemented for the long term stability of supply.

The following work components need to be undertaken to improve the capacity of the system:

Raw water intake works
A new intake structure needs to be constructed on the main river where water can be abstracted from the existing pond formed for diversion of the river into the canal. The existing canal intake structure would be rehabilitated and maintained as a stand by facility.

Matsapha Treatment Plant extensions
Further extensions of the plant could be effected by constructing additional clarifiers and filters on the present site. These extensions would raise the production capacity of the plant from the present 400 litres per second to 800 litres per second.

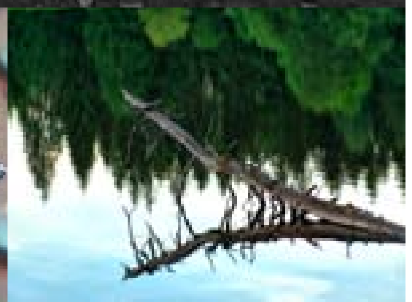
Treated Water Pump Station
A new treated water pump station would need to be constructed or the existing one upgraded to lift the additional production to the airport reservoirs.

Duplicate pipeline form Matsapha to Nazarene reservoir.
Manzini is totally dependant for its water supply on a single 375mm diameter pipeline, 3300m in length that transfers water to the Nazarene reservoir by gravity from the Airport reservoirs. With the ever increasing water demand in Manzini, the capacity of this pipeline is soon to be exceeded if not already. To meet increased demand it is proposed to duplicate this pipeline.

Importantly the additional pipeline would provide security of supply to Manzini in the event of problems arising with the existing 375mm pipeline, which as a single link means Manzini is highly vulnerable should the main have to be shut off for any period of time.

Storage Reservoirs
Additional storage would also be needed and reservoirs are envisaged at suitably high points at Logoba, Nhlambeni, Lozitha, Sidvokodvo etc.

The total cost for this project is estimated at E300 million.



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 Corporation Act No.12 of 1992 for a three year term.

Structure and operation of the Board
The Corporation has seven 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 Corporation Act No.12 of 1992 (which both prescribe a maximum number of nine members). The Board of Directors meet at least four times a year and can 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.

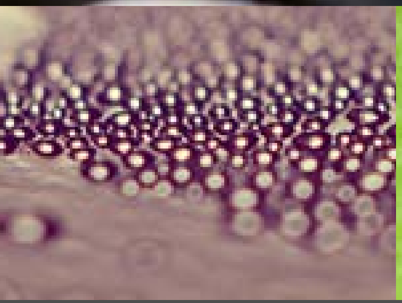
Board meeting attendance
Below is a table showing the number of meetings attended by the individual members of the Board for the year ended 31 March 2012.

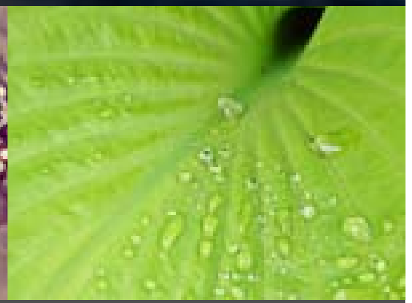
Table 1:
Board Attendance Register

NAME	TITLE	No. of normal Board meetings convened	No. of normal Board meetings attended	% Attendance (normal meetings)
Mr. A.T. Maseko	Chairman	6	6	100%
Mr. T. Mamba	Member	6	6	100%
Mr. M.P. Maphalala *	Member	6	3	50%
Mr. P.N. Bhembe	Member	6	6	100%
Mrs. C. Dlamini	Member	6	5	83%
Mr. S. Khumalo	Member	6	6	100%
Mr. A. Dlamini	Member	6	6	100%
Mr. M.B.C. Dlamini **	Member	6	4	66%
Mr. M.J. Ntshangase **	Member	6	4	66%

* Deceased in December 2011 ** Appointed in August 2011

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 business. 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 sustain 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 business decision-making.

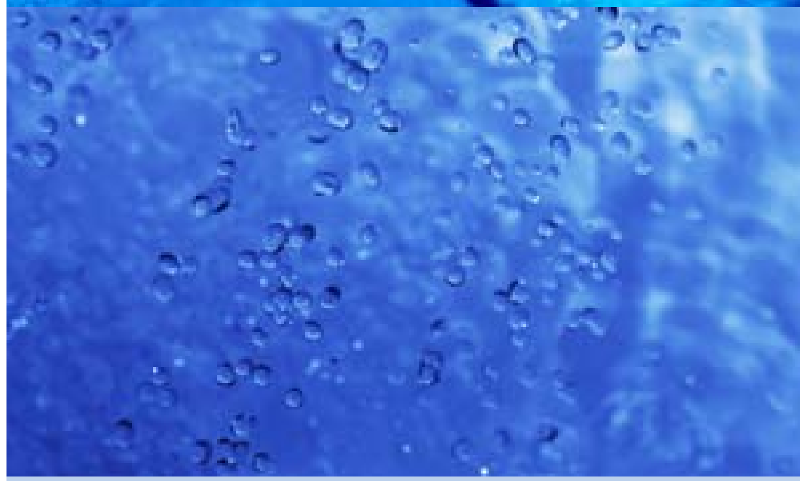
All employees shall be held responsible and accountable for providing a safe working environment, for fostering safe working attitudes and for operating in an environmentally responsible manner.

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

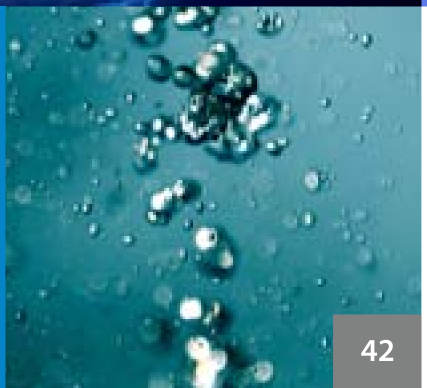
SWSC will integrate community investment considerations into decision-making processes and business practices, and will assist in local capacity building to develop mutually beneficial relationships with communities.

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.

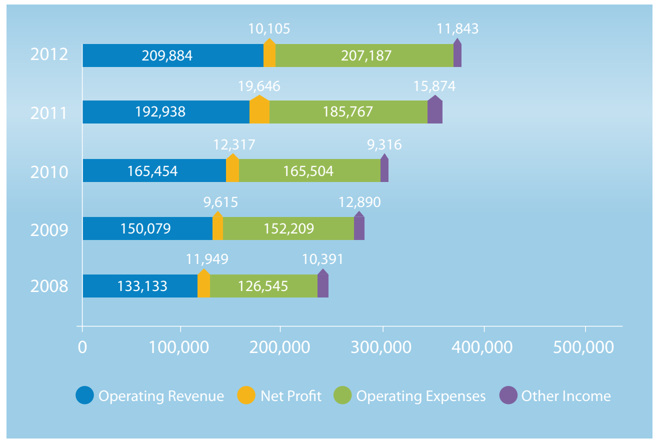
SWSC will strive to provide employment and economic opportunities in the communities where we operate.



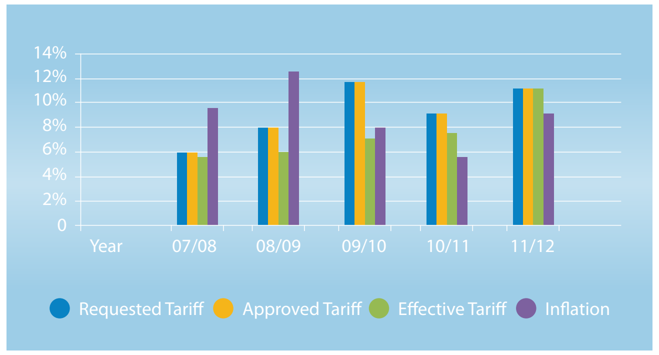
FINANCIAL AND OPERATING STATISTICS



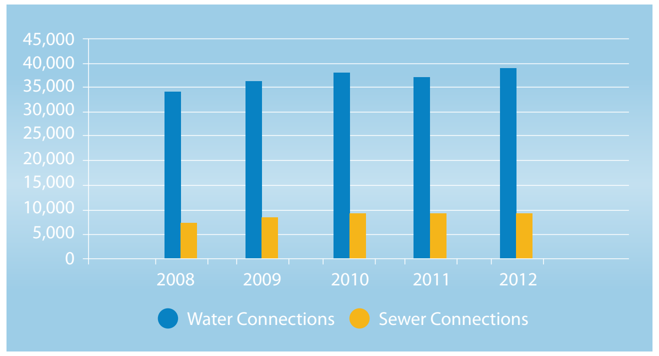
Four year performance at a glance (E000)



Tariffs and inflation (percentage)



Number of connections



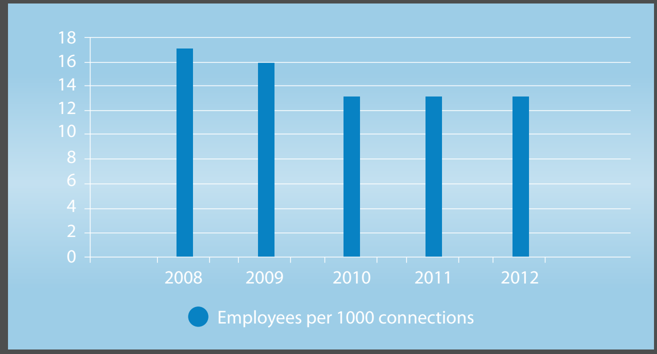
Number of connections & water consumption

	2009	2010	2011	2012
Water connections	35,911	37,617	* 36,895	38,923
Sewer connections	8,836	9,423	* 9,356	9,453
Total water consumption (m^3)	12,005,000	12,160,000	12,630,000	12,885,000

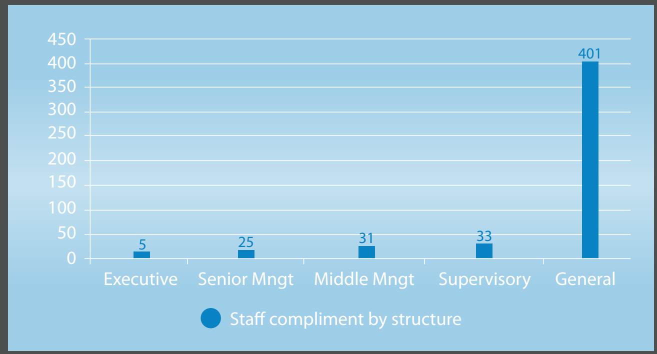
* Inactive connections were removed from the system in 2011 hence the decline in no. of connections

Employee productivity	2009	2010	2011	2012
Number of employees	500	500	495	495
Sales turnover per employee (E000)	300	331	389	424
Net profit per employee (E000)	19	25	39	20
Average cost per employee (000)	304	331	375	419
Employees per 1000 connections	16	13	13	13

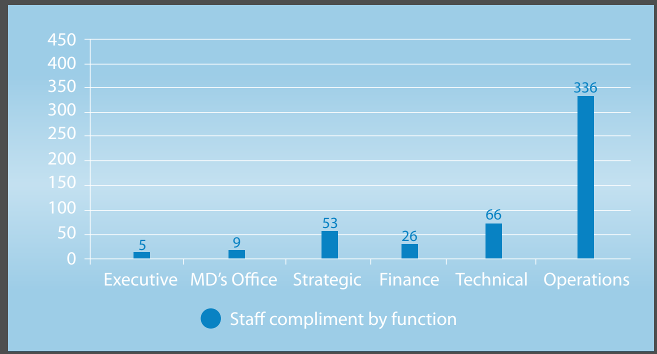
Employees per 1000 connections



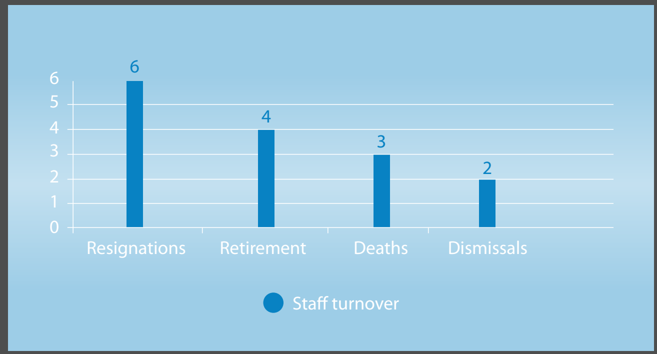
Staff complement by structure 31 March 2012



Staff complement by function 31 March 2012



Staff turnover 31 March 2012



FINANCIAL STATEMENTS

For the year ended 31 March 2012

CONTENTS

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

For the year ended 31 March 2012

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 50 to 89 have been prepared in accordance with 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 the next page.

The annual financial statements which appear on pages 50 to 89 have been approved by the Board of Directors and are signed on its behalf by:

....
DIRECTOR

2012/12/05
....
Date

....
DIRECTOR

2012/12/05
....
Date

INDEPENDENT AUDITOR'S 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 2012, 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 in the rest of this annual report.

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 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 2012, and of its financial performance and cash flows for the year then ended in accordance with 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: 12 December 2012

DIRECTORS REPORT

For the year ended 31 March 2012.

The Directors present their report, which forms part of the audited financial statements of the Corporation for the year ended 31 March 2012.

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

	2012 E'000	2011 E'000
Total assets	**987 389**	908 374
Total liabilities	**762 919**	694 010
Operating results		
Revenue	**209 885**	192 938
Profit for the year	**10 105**	19 647

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

T.A Maseko (Chairman)
P. N. Bhembe (Managing Director and Secretary to the Board)
A. Dlamini (Representative of the Ministry of Finance & member)
C. Dlamini (Member)
S. Khumalo (Member
MBC Dlamini (Member) - appointed in August 2011
T. Mamba (Representative of the Ministry of Natural Resources & Member) - appointed April 2011
M. Ntshangase (Member) – appointed in August 2011
M Maphalala – deceased in December 2011

Secretary
Mr P. N. Bhembe
P O Box 20
Mbabane

Auditors
PricewaterhouseCoopers
P O Box 2513
MTN Office Park
Karl Grant Street
Mbabane

Bankers and investees
First National Bank of Swaziland Limited
Nedbank (Swaziland) Limited
Standard Bank Swaziland Limited
Swaziland Building Society
Swaziland Development and Savings Bank
African Alliance Swaziland
Stanlib (Swaziland) (Proprietary) Limited

Registered office
Emtfonjeni Building
Below Gables Shopping Complex
Above Usushwana Bridge (MR103)
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 2012.

	Notes	2012 E	2011 E
Revenue	2	**209 884 704**	192 938 242
Other income	6	**11 843 234**	15 871 640
Changes in inventory		**1 065 969**	(31 972)
Raw materials and consumables used		**(62 222 720)**	(50 287 276)
Employee benefits expense	4	**(80 160 822)**	(74 644 267)
Depreciation expense	7	**(21 332 582)**	(21 220 831)
Other expenses		**(47 245 579)**	(41 143 287)
Finance costs – net	3	**146 159**	2 944 034
Profit before income tax	1	**11 978 363**	24 426 283
Income tax expense	5	**(1 872 886)**	(4 779 649)
Profit for the year		**10 105 477**	19 646 634

STATEMENT OF FINANCIAL POSITION

At 31 March 2012.

	Notes	2012 E	2011 E
Assets			
Non-current assets			
Property, plant and equipment	7	**837 362 562**	758 961 105
Available for sale financial asset	10	**3 046 811**	3 046 811
		840 409 373	762 007 916
Current assets			
Inventories	12	**4 555 836**	3 489 867
Trade and other receivables	13	**77 020 507**	48 276 297
Financial asset at fair value through profit and loss	11	**13 235 602**	12 655 011
Cash and cash equivalents	14	**52 167 918**	81 945 298
		146 979 863	146 366 473
Total assets		**987 389 236**	908 374 389
Equity			
Capital and reserves			
Share capital	15	**30 222 580**	30 222 580
Retained earnings		**194 247 509**	184 142 032
		224 470 089	214 364 612
Liabilities			
Non-current liabilities			
Deferred government grants	16	**632 640 707**	541 694 133
Borrowings	17	**23 418 956**	19 403 981
Deferred income tax liability	18	**23 940 725**	22 067 839
		680 000 388	583 165 953
Current liabilities			
Trade and other payables	19	**64 795 094**	92 302 324
Borrowings	17	**16 683 334**	16 941 370
Provisions for other liabilities and charges	20	**1 440 331**	1 600 130
		82 918 759	110 843 824
Total liabilities		**762 919 147**	694 009 777
Total equity and liabilities		**987 389 236**	908 374 389

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012.

	Share Capital E	Retained Earnings E	Total E
Balance at 1 April 2011	**30 222 580**	**184 142 032**	**214 364 612**
Net profit for the year	-	**10 105 477**	**10 105 477**
Balance at 31 March 2012	**30 222 580**	**194 247 509**	**224 470 089**
Balance at 1 April 2010	30 222 580	164 495 398	194 717 978
Net profit for the year	-	19 646 634	19 646 634
Balance at 31 March 2011	30 222 580	184 142 032	214 364 612

STATEMENT OF CASH FLOWS

For the year ended 31 March 2012.

	Notes	2012 E	2011 E
Cash flows from operating activities			
Cash (utilised)/generated from operations	21.1	**(32 699 488)**	42 911 833
Interest received		**3 375 451**	6 289 734
Interest paid		**(3 229 292)**	(3 345 700)
Net cash (utilised/ generated from operating activities		**(32 553 329)**	45 855 867
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		**175 391**	4 006 958
Acquisition of property, plant and equipment	21.2	**(101 825 560)**	(102 342 773)
Net cash used in investing activities		**(101 650 169)**	(98 335 815)
Cash flows from financing activities			
(Repayment)/proceed of long term borrowings		**3 756 940**	(11 208 619)
Swaziland Government capital grant received		**100 669 178**	33 827 097
Net cash generated from financing activities		**104 426 118**	22 618 478
Net decrease in cash and cash equivalents		**(29 777 380)**	(29 861 470)
Cash and cash equivalents at beginning of the year		**81 945 298**	111 806 768
Cash and cash equivalents at the end of the year	21.3	**52 167 918**	81 945 298

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 March 2012.

1. Basis of preparation

The financial statements of Swaziland Water Services Corporation have been prepared in accordance with 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 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 2011

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the corporation.

(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 group's accounting periods beginning on or after 1 January 2011 or later periods, but the corporation has not early adopted them.

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the corporation will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The standard has no impact on the corporation as the corporation has a defined contribution plan.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The corporation is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

IFRS 10, consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard has no impact on the Corporation.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard has no impact on the corporation.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The corporation is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2012.

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 grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 2012.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2012.

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2012.

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.

(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 2012, 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 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	
	2012	**2011**
	E	E
African Alliance Swaziland Managed Fund unit trust price	661 780	632 751

(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.

(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 counterparties.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2012.

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.

At 31 March 2012	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
Borrowings	**16 683 334**	**23 418 956**	-
Trade and other payables	**64 795 094**	-	-
At 31 March 2011			
Borrowings	16 941 370	19 403 981	-
Trade and other payables	92 302 324	-	-

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.

The gearing ratios at 31 March 2012 and 2011 were as follows:

	2012	**2011**
	E	E
Total borrowings (note 17)	**40 102 290**	36 345 351
Total equity	**224 470 089**	214 364 612
Total capital	**264 762 379**	250 709 963
Gearing ratio	**15%**	15%

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.

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 7).

(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 2012.

	2012 E	2011 E
1. Profit for the year		
The following items have been included in arriving at profit for the year:		
Auditors' remuneration		
- Audit fees	**528 311**	418 117
Depreciation (Refer note 7)	**21 322 582**	21 220 831
Amortisation of grant - included in other income (Refer note 16)	**(9 722 605)**	(11 193 223)
Fees for services		
- Public Enterprise Unit management fees	**1 628 824**	1 216 495
Directors emoluments		
- For services as directors	**388 252**	254 332
Loss/(Profit) on disposal of property, plant and equipment	**849 950**	(1 559 718)
Staff costs (refer note 4)	**80 160 822**	74 644 267
Inventory increase/(decrease)	**1 065 969**	(31 972)
Trade receivables (impairment charge for bad and doubtful debts)	**7 733 503**	7 129 768
Rentals in respect of operating leases		
- Land and buildings	**1 282 808**	1 458 592
Repairs and maintenance expenditure		
- Property, plant and equipment	**22 714 670**	16 530 011

	2012 E	2011 E
2. Revenue		
Analysis of revenue		
Water charges – commercial and residential customers	**145 496 320**	132 507 600
Sewer charges	**37 532 375**	35 209 624
Basic charges	**15 142 579**	12 754 408
Penalty charges	**1 139 439**	1 172 291
Miscellaneous water supply services	**1 649 802**	1 964 856
Connection charges – new customers	**2 064 060**	2 211 030
Connection charges – reconnected customers	**173 095**	210 455
Trade effluent charges	**6 687 036**	6 907 978
	209 884 705	192 938 242
3. Finance costs – net		
Interest income	**3 375 451**	6 289 734
Interest expense	**(3 229 292)**	(3 345 700)
	146 159	2 944 034
4. Employee benefits expenses		
Salaries, wages and allowances	**70 794 628**	65 928 514
Provident fund contribution	**599 745**	391 965
Medical aid contribution	**2 860 122**	2 239 803
Retirement benefits:		
Defined benefit plan – Public Service Pension Fund	**236 254**	226 110
Defined contribution plan – SWSC Staff Pension Fund	**5 670 073**	5 857 875
	80 160 822	74 644 267
The average number of employees during the year was 495 (2011: 495)		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2012.

	2012 E	2011 E
5. Income tax expense		
- Current tax	-	-
- Deferred tax (note 18)	**1 872 886**	4 779 649
	1 872 886	4 779 649
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	**11 978 363**	24 426 283
Tax calculated at statutory tax rate (30%)	**3 593 508**	7 327 885
Tax effects of:		
Expenses not deductable for tax purposes	**1 196 160**	809 731
Grant amortisation credited to the statement of comprehensive income	**(2 916 782)**	(3 357 967)
Tax charge	**1 872 886**	4 779 649
6. Other income		
Ecowater	**1 240 940**	1 235 397
Amortization of deferred grant income	**9 722 605**	11 193 223
Rental income	**1 282 808**	1 458 592
(Loss)/Profit on disposal of fixed assets	**(849 950)**	1 559 718
Sundry income	**446 831**	424 710
Total	**11 843 234**	15 871 640

7. Property, plant and equipment
Year ended 31 March 2012

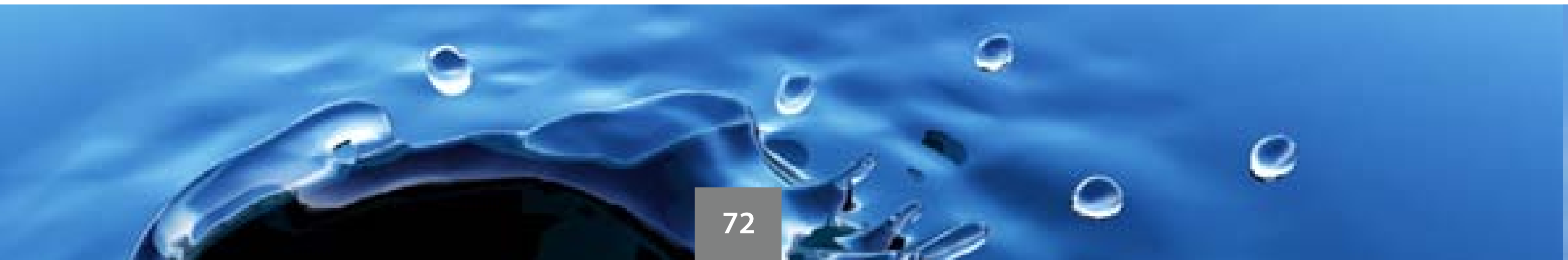
	Opening net Carrying amount	Additions	Disposals	Transfers from Capital projects	Depreciation Charge (note 1)	Derecognised	Closing net Carrying amount
	E	E	E	E	E	E	E
Land and buildings	76 130 292	280 000	(202 248)	7 243 043	(1 626 726)	-	81 824 361
Dams and reservoirs	41 292 308	-	(267 295)	1 126 618	(1 362 712)	-	40 788 919
Treatment works	174 379 145	-	-	310 802	(3 325 720)	-	171 364 227
Mains and reticulation	183 594 002	-	-	67 259 365	(6 222 301)	-	244 631 066
Plant and machinery	49 760 656	-	(507 946)	6 314 291	(3 357 140)	-	52 209 861
Furniture and equipment	6 054 511	-	(13 141)	4 132 284	(1 819 319)	-	8 354 334
Motor vehicles	12 377 893	-	(34 710)	9 714 139	(3 618 664)	-	18 438 658
Capital work in progress (note 8)	215 372 298	101 545 560	-	(96 100 541)		(1 066 181)	219 751 136
Total	758 961 105	101 825 560	(1 025 340)	-	(21 332 582)	(1 066 181)	837 362 562

At 31 March 2012	Cost	Accumulated Depreciation	2012 Net carrying Amount	2011 Net carrying Amount
	E	E	E	E
Land and buildings	97 410 774	(15 597 592)	81 813 182	76 130 292
Dams and reservoirs	56 638 751	(15 849 832)	40 788 919	41 292 308
Treatment works	196 621 064	(25 269 787)	171 351 277	174 379 145
Mains and reticulation	295 982 316	(51 340 787)	244 641 529	183 594 002
Plant and machinery	71 760 824	(19 530 898)	52 229 926	49 760 656
Furniture and equipment	24 115 378	(15 191 145)	8 924 233	6 054 511
Motor vehicles	28 669 389	(10 807 029)	17 862 360	12 377 893
Capital work in progress	219 751 136	-	219 751 136	215 372 298
Total	990 949 632	(153 587 070)	837 362 562	758 961 105

7. Property, plant and equipment (continued)
Year ended 31 March 2011

	Opening net Carrying amount	Additions	Disposals	Transfers from Capital projects	Depreciation Charge (note 1)	Derecognised	Closing net Carrying amount
	E	E	E	E	E	E	E
Land and buildings	78 599 566	-	(1 559 914)	738 208	(1 647 568)	-	76 130 292
Dams and reservoirs	42 665 534		(11 038)	-	(1 362 188)	-	41 292 308
Treatment works	177 339 723		-	357 908	(3 318 486)	-	174 379 145
Mains and reticulation	188 110 953		-	1 535 539	(6 052 490)	-	183 594 002
Plant and machinery	50 429 047		(114 047)	2 703 009	(3 257 353)	-	49 760 656
Furniture and equipment	7 541 357	117 488	(17 484)	1 016 564	(2 603 414)	-	6 054 511
Motor vehicles	11 809 367	-	(586 357)	4 134 215	(2 979 332)	-	12 377 893
Capital work in progress (note 8)	123 711 656	102 225 285	-	(10 485 443)	-	(79 200)	215 372 298
Total	**680 207 203**	**102 342 773**	**(2 288 840)**	**-**	**(21 220 831)**	**(79 200)**	**758 961 105**

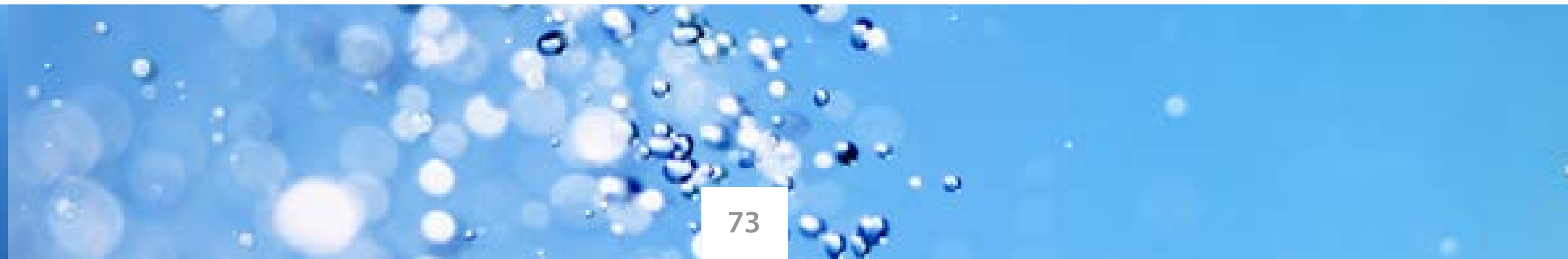
At 31 March 2011	Cost	Accumulated Depreciation	2011 Net carrying Amount	2010 Net carrying Amount
	E	E	E	E
Land and buildings	90 209 764	(14 079 472)	76 130 292	78 599 566
Dams and reservoirs	56 001 474	(14 709 166)	41 292 308	42 665 534
Treatment works	196 310 262	(21 931 117)	174 379 145	177 339 723
Mains and reticulation	229 973 674	(46 379 672)	183 594 002	188 110 953
Plant and machinery	66 437 076	(16 676 420)	49 760 656	50 429 047
Furniture and equipment	19 985 755	(13 931 244)	6 054 511	7 541 357
Motor vehicles	19 408 153	(7 030 260)	12 377 893	11 809 367
Capital work in progress	215 372 298	-	215 372 298	123 711 656
Total	**893 698 456**	**(134 737 351)**	**758 961 105**	**680 207 203**



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2012.

7. Property, plant and equipment (continued)	**2012** **E**	**2011** E
Leased assets (motor vehicles and trailers) included in property, plant and equipment are as follows:		
Cost	**10 434 612**	13 070 174
Accumulated depreciation	**(1 886 963)**	(4 404 130)
Net carrying amount	**8 547 649**	8 666 044
Land and buildings comprise:		
Portion 1165 of Farm 188	**195 000**	195 000
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 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
Land purchased at Shiselweni Forest (Nkawini T/Works)	**3 500**	3 500
Portion 1259 of Farm Dalriach No.188	**280 000**	-
Buildings at depreciated cost	**68 435 861**	64 021 792
	81 824 361	76 130 292
The cost of assets which are fully depreciated but still in use are as follows :		
Fencing	**1 009 496**	1 009 496
Mains & Reticulation	**78 858**	1 299 874
Motor vehicles	**380 620**	175 950
Furniture & equipment	**4 968 731**	4 995 152
	6 437 705	7 480 472



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2012.

	2012 E	2011 E
8. Capital projects in progress		
Internal projects (note 8.1)	**19 857 272**	19 066 825
Government Funded Projects (note 8.2)	**199 893 864**	196 305 473
Total capital work in progress (note 7)	**219 751 136**	215 372 298
The movement in the capital projects in progress during the year is as follows:		
8.1 Internal Projects		
Opening net carrying amount	**19 066 825**	5 810 950
Additions	**32 517 485**	23 741 318
Commissioned – transfers to property, plant and equipment	**(31 727 038)**	(10 485 443)
Closing net carrying amount	**19 857 272**	19 066 825
8.2 Government Funded Projects		
Opening net carrying amount	**196 305 473**	117 900 706
Additions	**67 824 845**	78 404 767
Commissioned - transfers to property, plant and equipment	**(64 236 454)**	-
Closing net carrying amount	**199 893 864**	196 305 473

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 E	Assets at fair value through profit and loss E	Available for sale E	Total E
31 March 2012				
Assets as per statement of financial position				
Trade and other receivables	**77 020 507**	**-**	**-**	**77 020 507**
Available for sale financial assets	**-**	**-**	**3 046 811**	**3 046 811**
Other financial assets at fair value through profit and loss	**-**	**13 235 602**	**-**	**13 235 602**
Cash and cash equivalents	**52 167 918**	**-**	**-**	**52 167 918**
	129 188 425	**13 235 602**	**3 046 811**	**145 470 838**
Liabilities as per statement of financial position				
Borrowings	**40 102 290**	**-**	**-**	**40 102 290**
Trade and other payables	**64 795 094**	**-**	**-**	**64 795 094**
	104 897 384	**-**	**-**	**104 897 384**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2012.

9. (A) Financial instruments by category

	Loans and Receivables E	Assets at fair value through profit and loss E	Available for sale E	Total E
31 March 2011				
Assets as per statement of financial position				
Trade and other receivables	48 276 297	-	-	48 276 297
Available for sale financial assets	-	-	3 046 811	3 046 811
Other financial assets at fair value through profit and loss	-	12 655 011	-	12 655 011
Cash and cash equivalents	81 945 298	-	-	81 945 298
	130 221 595	**12 655 011**	**3 046 811**	**145 923 417**
Liabilities as per statement of financial position				
Borrowings	36 345 351	-	-	36 345 351
Trade and other payables	93 902 453	-	-	93 902 453
	130 247 804	**-**	**-**	**130 247 804**

9. (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 on the right:

	2012 E	2011 E
Trade receivables		
Counterparties without external credit ratings		
- Low risk (15% Government accounts)	**10 620 839**	7 755 027
- Medium risk (10% Corporate clients and companies)	**7 080 559**	5 170 018
- High risk (75% Mainly individual accounts)	**53 104 193**	38 775 135
Total trade receivables	**70 805 591**	**51 700 180**
Cash at bank and short-term bank deposits		
Stanlib	**30 392 935**	28 796 399
Standard Bank Swaziland Limited	**6 804 053**	5 089 079
Nedbank Swaziland Limited	**3 040 548**	7 796 213
FNB Swaziland Limited	**2 516 526**	9 518 702
Swazi Bank	**5 497 801**	9 493 172
Swaziland Building Society	**2 396 209**	2 170 448
African Alliance	**1 511 310**	19 070 088
	52 159 381	**81 934 101**

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

10. Available for sale financial assets

	2012 E	2011 E
Swaziland Building Society Permanent Shares (note 10.1)	**3 046 811**	3 046 811
	3 046 811	**3 046 811**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2012.

	2012 E	2011 E
11. Fair value through profit and loss financial asset		
African Alliance – Managed Fund	**13 235 602**	**12 655 011**

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.

	2012 E	2011 E
12. Inventories		
Chemicals	**504 414**	634 647
Building materials	**126 504**	45 524
Petrol and diesel	**266 608**	139 735
Spares, fittings and pipes	**3 433 189**	2 502 243
Ecowater	**225 121**	167 718
	4 555 836	**3 489 867**

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

	2012 E	2011 E
13. Trade and other receivables		
Trade receivable	**70 805 591**	51 700 180
Less Provision for impairment of receivables	**(19 675 456)**	(20 951 164)
Net trade accounts receivable	**51 130 135**	**30 749 016**
Advance payments to contractors not yet utilised	**20 558 951**	9 320 211
Heptagon Cement	**3 500 000**	3 500 000
Insurance prepayments	**48 888**	969 229
Staff receivables	**407 467**	490 949

13. Trade and other receivables (continued)	2012 E	2011 E
Sundry receivables	**2 619 893**	3 246 892
Less: Provision for impairment of other receivables	**(1 244 827)**	-
Net other receivables	**25 890 372**	17 527 281
	77 020 507	48 276 297
The fair values of trade and other receivables are as follows:		
Trade receivables	**51 130 135**	30 749 016
Sundry	**25 890 372**	17 527 281
	77 020 507	**48 276 297**

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 2012, trade and other receivables of E 20 920 283 (2011: E20 951 164) were impaired and provided for. The amount of the provision was E 20 920 283 as of 31 March 2012 (2011: E20 951 164). The individually impaired receivables mainly relate to residential accounts mostly disconnected for non-payment. The ageing analysis of these trade receivables impairment is as follows:

	2012 E	2011 E
Up to 3 months	**1 275 064**	1 786 249
3 to 6 months	**1 187 097**	1 027 178
6 to 12 months	**2 707 874**	2 981 229
Over 12 months	**15 750 248**	15 156 508
	20 920 283	**20 951 164**

The carrying amounts of the entire 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 2012.

	2012 E	2011 E
13. Trade and other receivables		
Movements in the Corporation's provision for impairment of trade receivables are as follows:		
Opening balance	**20 951 164**	14 790 735
Provision for receivables impairment	**7 691 582**	6 791 993
Receivables written off during the year as uncollectible	**(7 722 463)**	(631 564)
Closing balance	**20 920 283**	**20 951 164**

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.

	2012 E	2011 E
14. Cash and cash equivalents		
Cash at bank and in hand	**48 260 400**	60 704 762
Short term bank deposits (note 14.1)	**3 907 518**	21 240 536
	52 167 918	**81 945 298**
14.1 Short term bank deposits		
African Alliance – Lilangeni Fund	**1 511 309**	19 070 088
Swaziland Building Society – Gold savings	**2 396 209**	2 170 448
	3 907 518	**21 240 536**

	2012 E	2011 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	**72 332 648**	21 875 624
- Urban Development Projects (Packages 6, 7, 8, 10, 18 A & B, and 20)	**80 227 344**	83 759 269
- Pigg's Peak Dam	**3 700 723**	3 806 633
- Hlatikhulu Treatment Works	**2 623 479**	2 706 983
- Siteki – Lomahasha water supply	**164 562 458**	155 271 773
- Ezulwini – Lobamba Water Supply	**23 891 067**	24 535 162
- Lukhaba Gravity Mains	**4 497 838**	4 631 793
- Mankayane Water Supply	**11 097 222**	11 403 361
- Enhlambeni Water Supply	**13 254 360**	13 666 818
- Government forex subvention	**35 852 910**	36 986 524
- Currency ratio subvention – Package 18	**59 380 068**	61 111 085
- Land transferred from the Government to SWSC	**5 818 201**	6 105 000
- Raw water for Tex Ray factory	**6 251 241**	6 430 920
- Sikhuphe Water Supply	**84 003 983**	84 003 983
- Matsapha Sewer treatment plan relocation	**73 121 110**	29 458 159
- Mawelawela Correctional services	-	3 442 813
- Big Bend Correctional services	-	1 888 013
Swaziland National Housing Board Grants		
Makholokholo Project	**924 778**	956 675
Swaziland National Trust Commission		
Mlawula Workstation	**823 882**	846 768

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2012.

16. Deferred Government grants (continued)	**2012 E**	**2011 E**
Grant amortisation to statement of comprehensive income (Refer note 1 and 6)	**(9 722 605)**	(11 193 223)
Total deferred grants	**632 640 707**	**541 694 133**
17. Borrowings		
Swaziland Government:		
- IBRD loan (note 17.1)	**18 039 244**	20 444 478
- Excess IBRD loan (note 17.1)	**9 876 494**	9 876 494
	27 915 738	30 320 972
Nedbank loan (note 17.2)	**5 672 776**	-
Stannic finance lease (note 17.3)	**6 513 776**	6 024 379
	40 102 290	36 345 351
Due within one year		
- IBRD Loan	**(3 607 852)**	(3 607 852)
- Excess IBRD loan	**(9 876 494)**	(9 876 494)
- Stannic finance lease	**(3 198 988)**	(3 457 024)
Total due within one year	**(16 683 334)**	(16 941 370)
Total due after more than one year	**23 418 956**	**19 403 981**

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. At year end the balance outstanding was E27 915 738(2011: E 30 320 972). 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.

17.2 Nedbank Loan

The Nedbank Loan relates to an indirect facility of E23 775 808. The purpose of the facility is to meet the corporation's obligations to procure guarantees in favour of Swaziland Irrigation International (SII) in terms of the Hawane/Woodlands project. It bears interest at prime rate less 1.55% per annum, is repayable in monthly instalments of E281, 602.95 over 120 months once the final payment has been made by the Bank. 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 facility is available to the corporation from 1 August 2011 until 30 June 2012.

17 .3 Stannic Loan

The loan bears interest at prime less one percent per annum, is repayable within a maximum period of five years 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.

	2012 E	**2011 E**
Total liability	**6 513 776**	6 024 379
Less due within 1 year	**(2 313 170)**	(3 457 024)
Due after 12 months but not later than 5 years	**4 200 606**	2 567 355
Finance lease liabilities – minimum lease payments		
Not later than 1 year	**2 557 607**	3 799 211
Later than 1 year and not later than 5 years	**4 561 351**	2 837 860
	7 118 958	6 637 071
Future finance charges on finances	**(605 182)**	(612 692)
Present value of future finances liabilities	**6 513 776**	6 024 379

The leased assets are disclosed in note 7.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2012.

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:

	2012 E	2011 E
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**(61 898 594)**	(52 068 309)
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	**85 839 319**	74 136 148
Deferred tax liabilities (net)	**23 940 725**	**22 067 839**
The gross movement on the deferred income tax account is as follows:		
Beginning of year	**22 067 839**	17 288 190
Statement of comprehensive income charge (note 5)	**1 872 886**	4 779 649
End of year	**23 940 725**	**22 067 839**

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** **E**	**Insurance Prepayments** **E**	**Total** **E**
At 1 April 2011	**73 845 379**	**290 769**	**74 136 148**
Charged/(credited) to the statement of comprehensive income	**11 979 274**	**(276 103)**	**11 703 171**
At 31 March 2012	**85 824 653**	**14 666**	**85 839 319**

Deferred income tax liability (continued)	**Accelerated tax depreciation** **E**	**Insurance Prepayments** E	**Total** E
At 31 March 2010	74 608 330	-	74 608 330
Charged/(credited) to the statement of comprehensive income	(762 951)	290 769	(472 182)
At 31 March 2011	73 845 379	290 769	74 136 148

Deferred income tax assets	**Provision for impairment of trade Receivables** **E**	**Provision for leave pay** **E**	**Tax losses** **E**	**Total** **E**
At 1 April 2011	**6 285 349**	**480 039**	**45 302 921**	**52 068 309**
Charged to the statement of comprehensive income	**(9 264)**	**(47 940)**	**9 887 489**	**9 830 285**
At 31 March 2012	**6 276 085**	**432 099**	**55 190 410**	**61 898 594**
At 1 April 2010	34 437 220	325 639	52 557 281	57 320 140
Charged to the statement of comprehensive income	1 848 129	154 400	(7 254 360)	(5 251 831)
At 31 March 2011	6 285 349	480 039	45 302 921	52 068 309

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2012.

	2012 E	2011 E
19. Trade and other payables		
Trade accounts payable and accruals	**14 233 603**	14 772 272
Capital projects accruals	**13 486 754**	43 061 766
Contractors' retention (note 19.1)	**2 916 188**	4 356 267
Consumer deposits	**9 241 822**	7 862 080
IBRD loan interest accrual	**24 916 727**	22 249 939
	64 795 094	**92 302 324**

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.

	2012	2011
20. Provisions for other liabilities and charges		
Provision for leave pay		
Balances at the beginning of the year	**1 600 130**	1 085 463
Raised during the year	**7 298**	568 672
Utilized during the year	**(167 097)**	(54 005)
Balances at year end	**1 440 331**	**1 600 130**

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.

	2012 E	2011 E
21. Notes to the statement of cash flows		
21.1 Cash generated from operations:		
Net profit for the year	**11 978 363**	24 426 283
Adjustment for items not involving cashflow:		
Grant amortisation	**(9 722 605)**	(11 193 223)
Depreciation (Refer note 7)	**21 332 582**	21 220 831
loss/(Profit) on disposal of property, plant and equipment	**849 950**	(1 559 718)
Fair value (gains) on available for sale investment	**(580 591)**	(1 105 730)
Interest income	**(3 375 451)**	(6 289 734)
Interest expenses	**3 229 292**	3 345 700
Derecognisation of assets	**1 066 181**	(79 200)
	24 777 721	28 765 209
Working capital changes:	**(57 477 209)**	14 146 624
Decrease/(increase) in inventories	**(1 065 969)**	31 972
(Increase) in trade receivables	**(19 330 437)**	(3 088 044)
(Increase)/decrease in other current assets	**(9 413 774)**	(8 106 710)
Increase in trade and other payables	**(27 507 231)**	24 794 740
Increase in provisions	**(159 798)**	514 666
Cash(utilised)/generated from operations	**(32 699 488)**	**42 911 833**
21.2 Acquisition of property, plant and equipment		
Additions per note 7	**101 825 560**	**102 342 773**

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	**52 167 918**	**81 945 298**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2012.

	2012 E	2011 E
22. Commitments		
Capital expenditure:		
Contracted	**163 903 000**	225 902 229
Authorised but not yet contracted	**9 097 000**	77 120 146
Total future capital expenditure	**173 000 000**	**303 022 375**
This expenditure is to be financed as follows:		
- Internally generated funds	**55 000 000**	22 000 000
- Government capital grant	**118 000 000**	281 022 375
	173 000 000	**303 022 375**

Swaziland Water Services Corporation, issued a guarantee of E4 000 000, via Standard Bank to Roderigues and Associates Attorneys. This is in respect of a deed of sale for certain: Lot No. 237, situated in Matsapha Town, in the Manzini District, Swaziland, measuring 1, 0392 hectares and currently held under Deed of Transfer No. 701 of 2006. Rodrigues and Associates, serves as the sellers Agent, the seller being Financial Control Systems (Pty) Ltd. The purchase price of the property is E5 000 000, and the Corporation has made a deposit of E1 000 000 to the sellers agent and guaranteeing the difference.

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 Negotiated Benefit Consultant Pty Ltd. Membership of the pension plan, was optional for the former Public Service Pension Fund members. As at 31 March 2012, 13 (2011:14) employees are still covered under the Public Service Pension Fund and 473 employees are members of the Swaziland Water Services Corporation Pension Fund. The last actuarial valuation of the Public Service Pension Fund was performed in 2010. 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. Contingent liabilities

The Nhlangano Water Supply and Sewerage System, and the Matsapha Waste Water Treatment Plant projects were suspended in the current financial year. The suspension of the projects emanated into penalties that will arise. As the adjudication process is still in progress between the contractor and SWSC, the penalties cannot be reliably quantified. It was further noted that since these projects are funded by a government grant, any liability that arises, will be borne by the Government of Swaziland, thus exonerating the Corporation of raising any liability.

We do it through our people

Swaziland Water Services Corporation