



ANNUAL REPORT 2015





SENATOR JABULILE MASHWAMA
HON. MINISTER FOR NATURAL RESOURCES AND ENERGY
THE MINISTRY RESPONSIBLE FOR SWAZILAND WATER
SERVICES CORPORATION

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INTRODUCTION



WHO WE ARE

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

WHAT WE DO

The objects of the Corporation is to abstract, purify, store, transport, 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, Nhlanguano, Nkoyoyo, Piggs Peak, Siphofaneni, Siteki and Vuvulane. The Corporation has also extended its services of providing water to Ntfontjeni, 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 on commercial principles so that revenue generated fully covers operating and maintenance costs. 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 clean water and proper sanitation irrespective of its commercial objective. The Corporation 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. With regard to access to good quality water, Vision 2022 envisages a 100% coverage for the country.

VISION AND MISSION

OUR VISION

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

OUR 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

OUR CORE VALUES

Good Governance:

We ensure that all our actions are morally and legally fair whilst treating all with respect.

Performance and continuous improvement: We continually look for better ways of doing things.

Ownership and accountability:

We respect the business as if it were our own and deliver on our commitments.

Communication and transparency:

We continuously communicate with and through our people in an honest and fair manner.

OUR DIFFERENTIATING SLOGAN

WE DO IT THROUGH OUR PEOPLE



**CHAIRMAN OF
THE BOARD**
Benedict N. Xaba

CHAIRMAN'S STATEMENT

On behalf of the SWSC Board, it gives me pleasure to present the Corporation's Annual Report for the financial year ended 31st March 2015.

The Corporation is dedicated to increasing potable water and sanitation access to the people of Swaziland whilst ensuring the delivery of excellent service to our existing customers. We appreciate that in order to be a highly efficient and performing entity we need to be guided by our strategic plan at the same time continuously exploring ways to improve our business model and meeting stakeholder expectations.

This year marks the end of the 2012-2015 strategic plan period and the beginning of a new cycle for the 2016-2018 strategic plan. It brings its own mix of successes and challenges but our direction is clear and we know what to do. We hope that this plan inspires others to share our vision and be partners in pursuing it. There are many issues weighing not only on us, but on the entire public enterprise sector, including concerns about the economic performance, tariff regulation and lately, procurement regulation.

Looking back over the years, it is evident that SWSC went through a transformation process resulting in the attraction of local and international recognition. I am proud to say that the architects of this transformation are none other than our competent and dedicated workforce, stakeholders including our loyal customers, Government, Financiers and Suppliers. When reflecting on the success of the Corporation, always bear in mind that we have developed a strong track record for delivering safe and quality water and sanitation as evidenced by the achievement of Quality Management Systems Certifications. Needless to say, the Corporation plays a crucial role in socio-economic

development. Our role in the economy is cross cutting, from economic and social development and growth to poverty reduction. Let us build on our strengths and exploit opportunities that will sustain our business. Our track record bears testimony that we are ready to tackle new challenges that may emerge as we work towards achieving our 2018 strategic goals.

We recognize the crucial role of Government in supporting economic growth and development through infrastructure investment including water and sanitation. This gesture is in fact a catalyst for the attainment of objectives under the Vision 2022 strategy as supported by other national development plans and action programmes.

As we move forward, let us bear in mind that our customers are the reason we are in business. Let us thrive to meet or even exceed their expectation. Building stronger strategic partnerships with our key stakeholders will even make us stronger. We need to appreciate that the external environment we operate in continues to be sluggish but we can still overcome many hurdles if we put to best use our resources and capabilities. Business success and growth will surely have positive spin-offs and contribute to customer satisfaction and employee development and welfare.

The Board remains committed to the objectives of its strategic plan and recognizes that the active participation of all our stakeholders will make SWSC achieve its strategic goals.

B.N. Xaba
Chairman



CHIEF EXECUTIVE OFFICER

Peter N. Bhembe

MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

INTRODUCTION

The Board, management and employees played an active role in the implementation of the 2012-2015 strategy. A number of achievements were made under each strategic focus area supporting our business model and strategy. Our previous track record and our people's requisite skills and competencies give me supreme confidence that we shall deliver on our 2016-2018 Strategic Plan.

INSPIRING THE NEXT GENERATION

CUSTOMERS, BUSINESS AND COMMUNITY

It is our shared conviction that community engagement programmes are the cornerstone of our work to help build sustainable communities and inspire the next generation of environment leaders. As a Corporation, we believe that it is our responsibility to help ensure a sustainable future for the next generation, as well as provide for today's needs. The Corporation's commitment to sustainability goes beyond our day-to-day operations and includes corporate social responsibility programmes designed to further education and knowledge, alleviate poverty, develop communities where we operate and focus on HIV & Aids related initiatives. In the last 20 years, we have aligned policies to foster those key areas. We have also continually engaged our stakeholders, customers, employees, regional development teams, the media and community partners to identify areas of improvement.

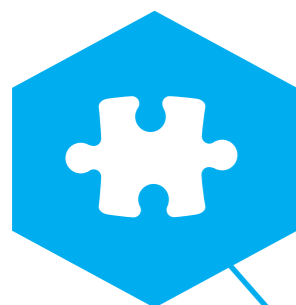
FINANCIAL OVERVIEW

The Corporation's operating revenue for the year was E282.5 million (2014: E271.5 million) representing an increase of 4% (11% in 2014). The marginal increase is mainly attributable to the delayed implementation of the revised tariff whilst growth and the rate of implementation of capital projects has been slow as the economy is still picking up from the fiscal impasse.

The current ratio stood at 3.1:1 (2014: 4.1:1). The debtors' collection period stood at 93 days (compared to 87 days in the previous year). The Performance Agreement target is 100 days for 2014/15 and 2015/16.

Total assets stood at E1.67 billion (2014: E1.45 billion). Total projects commissioned amounted to E53.4 million.

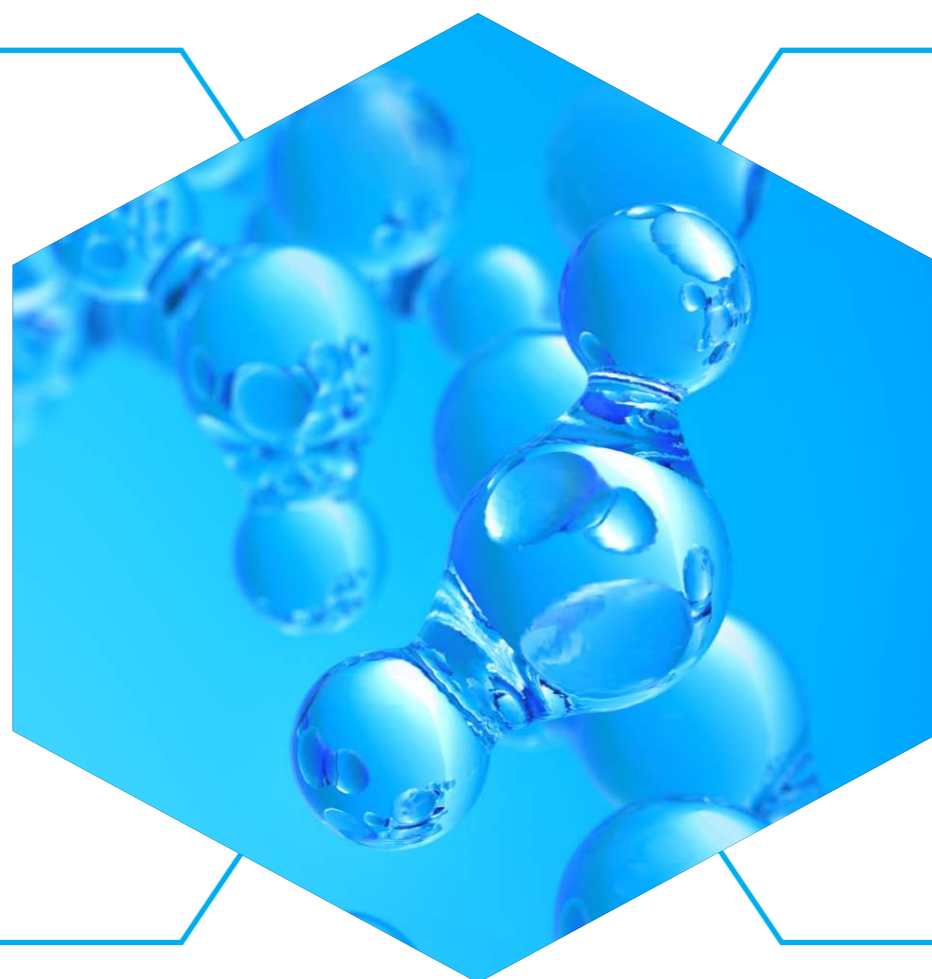
CAPITAL PROJECTS



The Corporation continued with the implementation of in house and Government/externally funded projects. Major projects include the New Matsapha Wastewater Treatment Plant, Nhlanguano Water and Sewer Plants, Ezulwini Water and Sanitation Project and Siphofaneni, Somntongo and Matsanjeni (SISOMA) water supply schemes. A detailed project implementation report is provided under the projects section of this report.

WATER LOSSES

Non-Revenue Water (NRW) for the financial year 2014/15 stood at 27% representing a decrease of 1% from the previous year. There was a slight decrease in production volumes despite the increase in the number of connections. This reflects a positive change in that savings were made as a result of leakages and pipe bursts attended to. Billing data for the same period shows an increase in billed volumes due to the increase in number of connections. The key strategies implemented to reduce NRW include pressure management; Automatic Meter Reading (AMR) for District Meter Areas (DMAs) and Key accounts; leakage detection and meter reading audits. The combined savings from leakage detection and pressure management amounted to over 100 000 m³ of water saved per month. This correlates well with the increase in the number connections, billed volumes and water network extensions against relatively constant production volumes. The Corporation has also introduced the next level of pressure management, advanced pressure management which is expected to bring savings in excess of 120 000 m³ per month. The result of this technique will be monitored in the 2015/16 fiscal year.



INFORMATION TECHNOLOGY (IT)



The Corporation introduced the Enterprise Asset Management System. This system provides systematic, coordinated activities and practices through which the Corporation optimally and sustainably manages its assets and their associated performance, and risks and expenditures over their life cycle. The System's functional features include: Asset Management; Work Management; Contract Management / Administration; Safety Health and Environmental Management; Mobile Work Management and Centralised Printing.

QUALITY MANAGEMENT SYSTEMS

The Corporation increased its strides this year by implementing a quality management system (QMS) (ISO 9001:2008) at Woodlands Water Treatment plant. The system will assist the Corporation to improve customer service and service levels since it is based on the continual improvement principles. Implementing the QMS has also assisted the Corporation in obtaining customer feedback in terms of satisfaction levels on the potable water provision and wastewater disposal services. The long-term strategy is to culture QMS in all sites and facilities owned by the Corporation. Such a move is also in line with the national vision of attaining first world status by 2022.



SAFETY, HEALTH AND ENVIRONMENT

The Corporation increased its strides this year by implementing a quality management system (QMS) (ISO 9001:2008) at Woodlands Water Treatment plant. The system will assist the Corporation to improve customer service and service levels since it is based on the continual improvement principles. Implementing the QMS has also assisted the corporation in obtaining customer feedback in terms of satisfaction levels on the potable water provision and wastewater disposal services. The long-term strategy is to culture QMS in all sites and facilities owned by the Corporation. Such a move is also in line with the national vision of attaining first world status by 2022.

STAFF TRAINING AND DEVELOPMENT

The Corporation understands that people are an essential asset for the delivery of strategic objectives. We remain committed to training and developing skills and competencies of employees. Our performance management system is directly linked to strategic objectives hence it is our duty to ensure that we have a committed, capable and motivated workforce.



CHALLENGES FACING THE CORPORATION

The under-listed were problems and challenges facing the Corporation in 2014/15. These problems/ challenges have had an adverse impact on the operations of SWSC and its ability to extend adequate services to its customers:



LACK OF RAW WATER STORAGE INFRASTRUCTURE

Water harvesting in the form of dams is critical for ensuring the security and sustainability of water supply. This has positive spinoffs for socio-economic development.



COSTS OF PRODUCTION INPUTS

Production costs such as electricity, chemicals, materials and consumables often increase at a rate above inflation yet tariff determination is based on the major rate as determined from time to time by Government.



AGING INFRASTRUCTURE

Old and aging infrastructure remains a major cause for water loss due to pipe bursts and leaks. Because of limited financial resources pipes are replaced as and when there is a burst or leak.



BUDGET CONSTRAINTS

Inadequate budget for water and sanitation projects to match socio-economic development.



SECURING LAND FOR CONSTRUCTING WATER AND SEWER FACILITIES

Acquiring land for locating water and sewer facilities is a difficult process with cost implications. This often slows down the implementation rate of capital projects.



POPULATION GROWTH AND RURAL-URBAN MIGRATION

Population dynamics impact heavily on the demand for water and sewer services especially because population growth occurs in communities that are poor and settlements that are informal and unplanned making it costly to provide water and sanitation services.



TARIFF APPROVAL PROCESS

Water and sanitation services need to be independently regulated so that the financial, economic, social and political objectives can be balanced though the application of a more cost reflective tariff.

OUTLOOK

Sustainability of water supply: The sustainability of current and future water supply is under threat due to the lack of raw water storage dams. Investment in projects for water sustainability is critical given changing climatic conditions and unpredictable hydrological cycles. The scarcity of water resources has become a major challenge facing the country. There is currently no raw water storage facility to provide for the Matsapha and the city of Manzini potable water requirements. All the water supplied to this city is directly abstracted from the Lusushwana River which increases the risk of shortage in times of low river flows. The proposed Nondvo Dam will avail water for domestic and industrial purposes to support the expanding socio-economic activities in the Mbabane and Manzini corridor. National development projects such as the proposed Technology Park will face serious challenges if the issue of raw water storage is not urgently addressed.

Dividend policy: The Government of Swaziland has introduced a Dividend Policy for Public Enterprises. Since the Dividend is a cash payment based on profits (which are not all cash), cash allocated for operations, maintenance, debt interest and capital projects will be affected. This in essence, means that the tariff should also cover dividends in addition to operating and capital expenditure and taxation if the Corporation is to fulfill its statutory mandate.

P.N. Bhembe
Chief Executive Officer

ACKNOWLEDGEMENT

To our employees, customers and stakeholders, you have all been instrumental in ensuring that the business of the Corporation remained afloat in a sluggish environment. Let us all be guided by our strategy and leverage our resources for the attainment of corporate goals. Let us live the culture of ownership and accountability as enshrined in our values charter.



BOARD OF DIRECTORS

MR BENEDICT XABA

Chairman; Dipl (Nursing); BA (Hons) (Healthcare Mngt); MDS (Health and Development).

Mr Benedict Xaba joined the SWSC Board as Chairman and non-executive member in June 2014. Mr Xaba served the Government of Swaziland as a Minister for Health from 2008 to 2013 and was also an elected Member of Parliament for the Shiselweni 11 constituency for the same period. Prior to his political appointment, he served as a Director for NATICC which he cofounded. He has also worked in the Ministry of Health and served as a board member for Stop TB in Geneva, Switzerland. Mr Xaba is currently employed by Otsuka Holdings in Geneva as a Senior Public Health Advisor for Africa and is a Special Envoy for TB and Mining in Southern Africa. He serves as an alternate board member of the Global Fund representing East and Southern Africa.

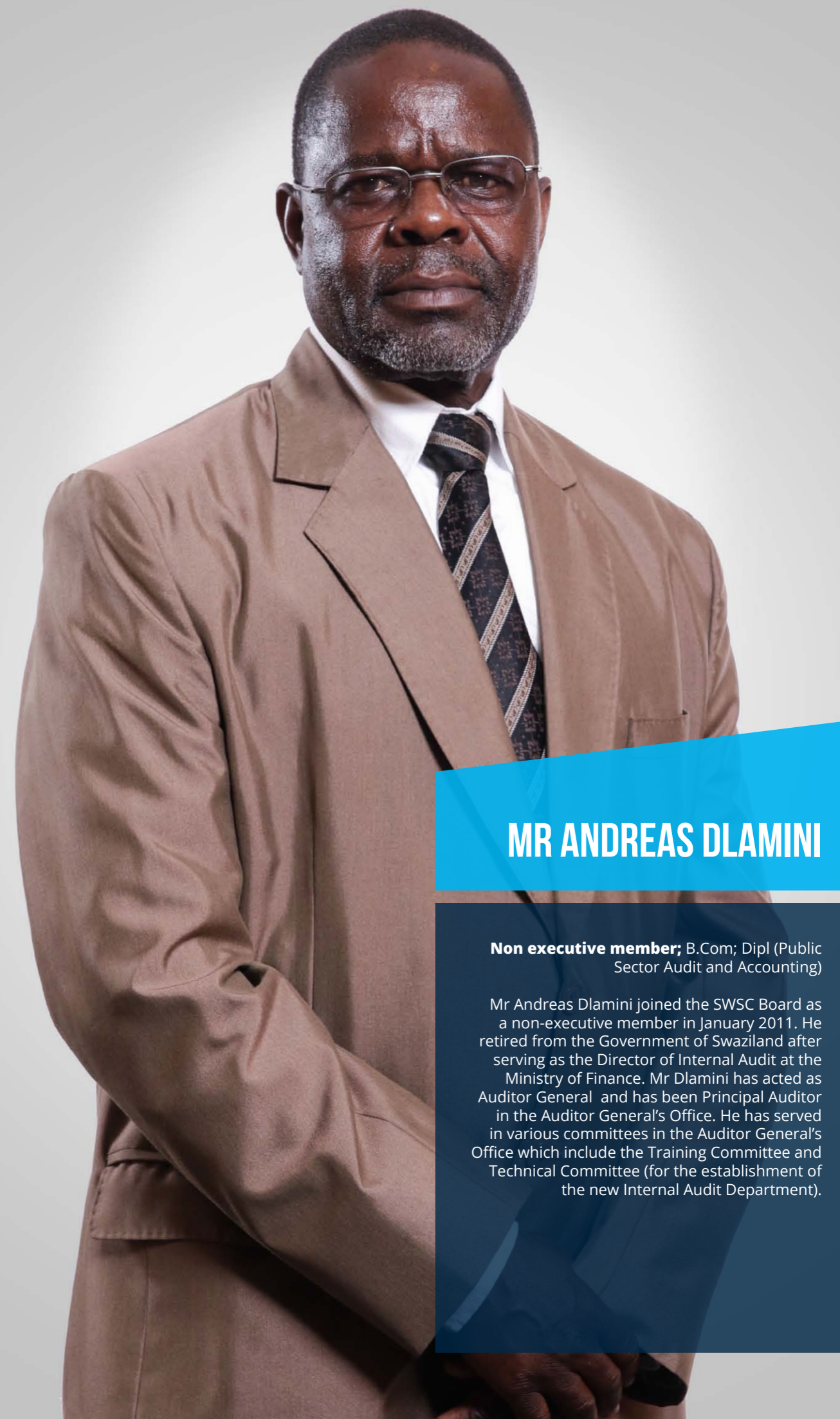




MR PETER BHEMBE

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

Non executive member; B.Com; Dipl (Public Sector Audit and Accounting)

Mr Andreas Dlamini joined the SWSC Board as a non-executive member in January 2011. He retired from the Government of Swaziland after serving as 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).



MS THOBILE MAVUSO

Non executive member; B.A (Social Science);
M.A (Economics)

Ms Thobile Mavuso joined the SWSC Board in October 2013 in an ex-officio capacity (representing the Principal Secretary in the Ministry of Natural Resources and Energy) as per section 4 (1) of the Water Services Corporation Act of 1992. Ms Mavuso is currently the Principal Planning Officer at the Ministry of Natural Resources and Energy. She has worked as an Economist in various Government Ministries including the Ministry of Economic Planning and Development, Ministry of Tourism, Environment and Communications, Ministry of Regional Development and Youth Affairs and Ministry of Information, Communication and Technology.



MS THOBILE KHUMALO

Non executive member; B.Sc; M.Sc; Grad. Dip
in Bus Admin.

Ms Thobile Khumalo joined the SWSC Board as a non-executive member in February 2015. She is currently the Managing Director of MTK Sustainable Technologies. She has previously held the positions of Environmental Health Inspector and Environmental Engineer at the Swaziland Environmental Authority. She has also participated in a number of national and international fora including water sector initiatives and policies. Ms Khumalo is a member of the Swaziland Indigenous Construction Consultants (Imvukuzane).



MR SIFISO KHUMALO

Non executive member; 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 CLINTON SIMELANE

Non executive member; Dipl (Accounting and Bus Mng); BComm; Msc (Leadership/Change Mngt); Registered Accountant (SD)
Mr Clinton Simelane was appointed a non-executive director on the 1st of November 2012. He is the Director, Finance and Compliance at ICAP Swaziland. Prior he was Finance and Administration Director at Baylor College of Medicine. He has also held the position of Finance and Administration Director at AMICAALL Swaziland and that of Internal Auditor at World Vision. Mr Simelane serves in the Boards of Family Life Association of Swaziland, Swaziland Bible College and Swaziland Regulatory Authority where he is Chairman.



MR MANQOBA NTSHANGASE

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

Mr Manqoba Ntshangase 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.



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 is a Senior Protocol Officer at the Ministry of Foreign Affairs and International Cooperation. Mr Dlamini has held a Supervisory position at Tisuka TakaNgwane and was Financial Manager at Malunge Transport.

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. 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 NONTOMBI MAPHANGA

Technical Services Director; B.Sc; B.Sc (Civil Eng); GDE (Civil Eng); Adv.Cert in Dispute Resolution

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 Project Coordinator for an NGO. She is a member of; the Swaziland Association of Architects, Engineers and Surveyors; the International Water Association (IWA); the Institute of Directors and the Town Planning Board under Ministry of Housing.



MR SANDILE DLAMINI

Operations Director; B.Sc + 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 and has held the position of Operations Director 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).



MS SUSAN NKUMANE

Finance Director; BComm, FCCA, FCIA

Ms Susan Nkumane joined SWSC in September 1999 as Internal Auditor and became Internal Audit Manager in 2003. In July 2014 she was appointed Finance Director. Before joining SWSC she worked for Ernst and Young, a Firm of Auditors as an Audit Senior. She has also served as a Board Member for Swazi Bank and the Motor Vehicle Accident Fund (MVA).



MR S'KHUMBUZO TSABEDZE

Strategic Services Director; B.Sc; LLB; MBL, IEPD (Wits); Chartered Marketer (SA)

Mr Tsabedze joined the SWSC Executive Team on 1 May 2014 as Strategic Services Director. Prior to that, he spent 13 years in various senior management positions as Marketing Manager, General Manager Human Resources, Corporate Services Manager and GM Customers Services at SEC. He is a Chartered Marketer (SA) and participates in a number of Boards.

SENIOR MANAGEMENT



Angeline Matsenjwa
Human Resources Manager: B.Sc; MBA; Cert. HRM;
Mngt.Dev.Prog



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



Thobile Simelane
Regional Manager – South West: B.Comm; R.A (SD); Mngt.
Dev.Prog.



Sikelele Fakudze
Regional Manager – Central: B.Sc; Hons B.Sc



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



Bongani Thusi
Mechanical and Electrical Engineer: Dip (Mechanical Eng.),
B Tech (Mechanical Eng.), B.Sc. Hons (Energy Studies).



Mcebo A. G. Sigudla
Survey Engineer: B.Sc (Survey and Geodetic Engineering),
MEngMngt (Urban Management)



Malusi Dlamini
Water Loss Engineer: B.Sc (Civil Eng)



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



Bongani Mdluli
Projects Manager (EU Projects): Dip (Civil Eng), B.Tech
(Civil Eng)



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



Sabelo Kunene
Process Engineer: Dip (Civil Eng); B.Sc (Civil Eng)



Musa Shongwe
Quality Assurance Manager: B.Sc (Hons B.Sc)



Dumisa Dlamini
GIS Manager: BA; MSc (Bus Info Tech)

SENIOR MANAGEMENT

CONTINUED



Ranganai Zizhou
Acting Projects Engineer – B.Eng (Civil Eng)



Nhlanhla Dlamini
Production Manager: B.Sc; MBA



Ntokozi Nxumalo
Hydraulics Engineer: B.Sc (Civil Eng)



Mandla Masina
Projects Engineer: B.Sc; BSc (Civil Eng)



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



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



Welcome Shabangu
Customer Services Manager: BA; Dip (Marketing)



Sithembile Majola
Sales and Marketing Manager; Dip (Commerce) BComm; Mngt.Dev.Prog; Chartered Marketer (SA)



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



Zanele Dlamini
Commercial Manager: ACIS; Mngt Dev.Prog



Sicelo Mashwama
Environmental, Health and Safety Manager: B.Sc (Environmental Science); Mngt. Dev. Prog



Hlobile Dlamini
Internal Audit Manager: BComm; ACCA



Innocent Mkhombe
Information Technology Manager: B.Sc; Cisco Certified Networking Associate (CCNA)

OPERATIONS REVIEW

INTRODUCTION

One of SWSC's 2018 strategic goals is to "achieve and maintain world class quality standards, exceeding customer service expectation" so that the Corporation becomes a recognized world class benchmark in Quality and Customer Service. It is for these reasons that SWSC is working towards providing world class products and services with regards to water quality and sanitation services whilst ensuring that operations do not adversely affect the environment. Continuous investment in infrastructure is of paramount importance. The Corporation's business model embraces operational efficiencies, quality, cleaner environment and best service to customers.

QUALITY ASSURANCE

The Laboratory department merged with the Process Engineering unit resulting in the formation of the Quality Assurance department, whose scope goes beyond monitoring and reporting but now also includes process optimization and upgrades.

The Process Engineering's responsibilities include process monitoring, process optimizations, process upgrades, training & technical support to treatment plant personnel and introduction of novel and effective treatment technologies that will suit the dynamic water/effluent that is treated across all SWSC treatment plants. During the period under review, projects/activities undertaken by the Process Engineering section included the following:

- Installation of influent screens at Gobholo WWTP
- Phophonyane water treatment plant (WTP) Upgrade
- Woodlands WTP Coagulant Change – ongoing
- Online Quality Monitoring – ongoing
- Hlathikulu Dam rehabilitation – ongoing
- Lonhlopheko Pressure Filters
- Training of attendants/supervisors on water quality monitoring; use and maintenance of testing equipment; treatment plant operation and jar tests

The treatment processes needed to ensure that high quality drinking water is supplied vary and depend upon the raw water quality. The source of water supplied by SWSC is mostly surface water, either directly from the rivers; Black Mbuluzi, Usushwana, Great Usuthu, Mkhondvo, Phophonyane, Sibhowe, Mhlambanyatsi, Komati, Ngwempisi, Ngwavuma, Mayoloza and

Umhlathuzana or from dams such as Hlatsi, Maguga and Hawane. Lomahasha is the only supply area where the Corporation abstracts ground water. As water travels over the surface of the land or through the ground, it may dissolve naturally-occurring minerals and can pick residue from the presence of animals or from human activity. Contaminants that may be present in source water may include; microbial contaminants, inorganic and organic chemical compounds etc.

To ensure that tap water is safe to drink, SWSC employs conventional water treatment processes whereby the unit processes include chemical coagulation & flocculation, pH control, clarification, filtration and disinfection.

WATER AND WASTEWATER QUALITY MANAGEMENT

In the pursuit of improved quality and customer service, the Corporation obtained certification for the Woodlands Water Treatment Plant for ISO 9001:2008. This adds on to earlier certifications received for the Matsapha Waterworks and the Head Office in the previous year. The implementation of the Quality Management Systems (QMS) at these plants enhance the sustained delivery of quality potable water for customers whilst the certification of the Head Office will also help to ensure that internal customers get excellent and consistent service from the Head Office. The main laboratory also maintained its ISO 17025:2005 accreditation status for its 12 accredited methods (COD, nitrates, phosphates, ammonia, sulphates, colour, pH, turbidity, electrical conductivity, Escherichia coli, Enterococci and Total coliforms). Four new technical signatories were added to the laboratory's accreditation scope and this was done to manage the risk of staff turnover.

Figure 1: Average sample frequency for 2014/2015

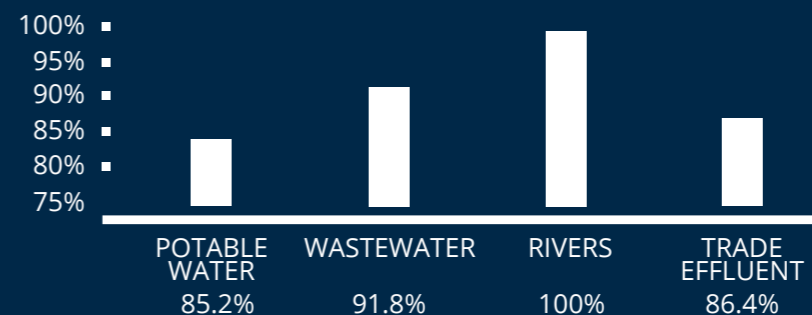


Figure 2: Monthly sampling frequency for 2014/2015

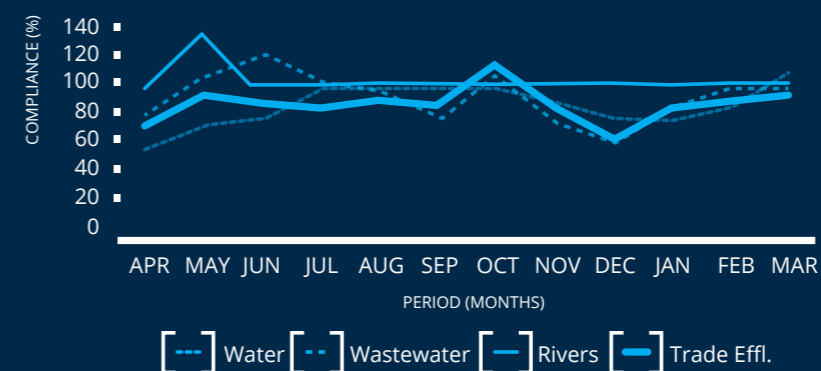
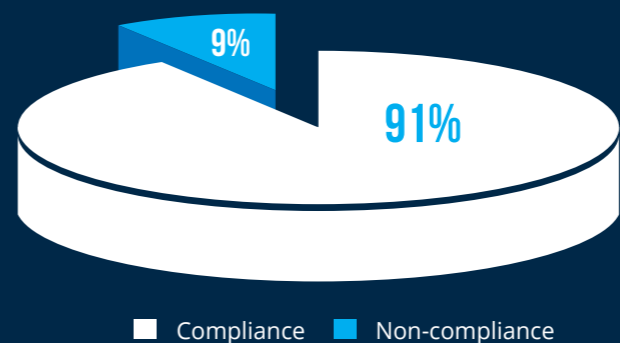


Figure 3: Overall Annual Drinking Water Quality Compliance with WHO Drinking Water Guidelines (2011)



The minimum sampling frequency is prescribed by the Performance Agreement with Government. The average sampling frequency for the year is represented by figure 1. The overall weighted sampling compliance for the 2014/15 fiscal year stood at 87.1%, which reflects a 7.4% increase compared to the previous year (Figure 2). The improvement is attributed to effective management of the sampling program which included setting of sampling frequency targets for Quality Inspectors through the Performance Management System.

POTABLE WATER

A total of 3, 853 potable water samples were collected and analysed from all of SWSC service areas. The number of samples collected is less by 5.1% compared to the 2013/14 fiscal year and this is largely due to the extended closure of some of the SWSC plants for maintenance purposes, e.g. Phophonyane and LaMgabhi. On average approximately 321 potable water samples were collected & analysed monthly over the period.

The 2014/15 annual microbiological and physico-chemical compliance for potable water based on WHO Guidelines for Drinking Water (2011) was 91% (Figure 3).

MONITORING PROGRAM

Due to extension of water supply to new areas such as Hlane, Makhewu and Mpolonjeni, extra sampling points were added to the Simunye supply system and other companies were added to the effluent monitoring program. With the addition of the new Ngwenya wastewater treatment plant sampling points increased by 5.7%. Re-arrangements of routes to address long route challenges were also done as part of efficiency improvements.

WASTEWATER

A total of 925 wastewater samples were collected and analyzed over the 12-month period, which reflects a 11.5% decline compared to the previous year. This is attributable to the low flows at the Vuvulane wastewater treatment plant and the desludging of the Nhlangoeni wastewater treatment plant. The total number of tests conducted were 26, 612.

The overall compliance of SWSC's effluent increased to 62.2%, which shows a 14.2% improvement from the previous year. The significant improvement is attributed to: awareness sessions conducted for operational staff; process optimizations, maintenance activities on plants, e.g. de-sludging of ponds and improved management of industrial effluent through the SWSC-Industry meetings.

TRADE EFFLUENT

A total of 1, 263 trade effluent samples were collected during the year and 5, 471 tests were conducted thereon. The total number of samples collected reflects an increase of 18.6% compared to last year. The overall average annual Carbon Oxygen Demand (COD) for all the monitored industries' effluent stood at 4, 062.8mg/L, which is lower by 18.1% compared to last year. This is still a high COD average and it explains the pressure that the Matsapha wastewater treatment plant (WWTP) is experiencing.

PLANT AUDITS

A total of 259 water treatment plant audits were conducted during the period, which represents a 2.4% increase compared to the previous year. Most of the plants were within the acceptable 5NTU (as per WHO Guidelines).

RESERVOIRS

The Performance Agreement with Government sets out that each of the Corporation's 85 reservoirs should be cleansed at least once

in 24 months in order to ensure good quality of water stored. The 2014/2016 cycle commenced in July 2014 and during the past year, 28 reservoirs were cleansed which brought the rate for the new cleansing cycle to 32.9%.

WATER LOSSES

Pressure management

SWSC effectively manages its water system pressure and has set the maximum and minimum allowable residual pressures at 60m and 10m respectively. Four pressure reducing valves were installed at strategic points on the water network in the East Region (1), North West Region (2) and Central Region (1). The installation of these valves has realized an estimated saving of 80 000 m³ per month. Pressure management not only assists in the reduction of leakage rates, but also improves customer service; reduces pipe bursts and related costs and extends asset life span. The Corporation has identified six sites to be fitted with advanced pressure management systems. It is expected that once the installation of the advanced pressure modules is complete, total saving of over 120 000m³ per month will be realised. Installation has commenced, with one site at 80% completion.

Leakage detection

Pro-active leakage detection is still an integral part of the Corporation's strategy towards achieving economic leakage rates and therefore reduced Non Revenue Water (NRW). Leakage detection has been enhanced by the installation of Automated Meter Reading devices (AMR). The District Meter Areas (DMA) data is monitored daily for discrepancies which are sorted out timeously. There is however a requirement to embed the AMR system in the daily routine of regional operational staff for more efficient and improved response times.

Meter reading audits

Meter reading audits are done to ascertain the accuracy of meter readings as well as to determine the source of the discrepancies. The audits are generally carried out annually or when the need arises. Meter reading audits were carried out for the Central Region in July 2014; South West and East Regions - December 2014 and North West Region - January 2015.

Survey Engineering

The Survey Office at SWSC scrutinised 201 Building applications from the Ministry of Housing and Urban Development and a further 260 applications from the Mbabane Municipality. Pipeline and property encroachment

OPERATIONS REVIEW

CONTINUED

investigations were done for ten areas and where pipelines encroached, corrections to network were done.

Network relocations estimates were approved for Evelyn Baring, Lozitha Palace, Ngwenya Swaziland National Housing Board, ICC and Pine Valley Road.

Water and sewer extension estimates were made for the following areas: Majotane, Makhewu, Mayaluka, Mbotjeni Mncitsini, Northcliff, Sitsatsaweni. In addition, minor pipeline relocations were carried out for Mantenga by pass road, Spintex Village extension and Mahwalala township. Sewer extensions were done to provide a new route at Mbabane Chapel and Mbabane Government Hospital.

There were also surveying and alignment projects for the SISOMA project and Hlane pipeline route and also the mapping of existing main water lines to establish servitudes in Matsapha and Malindza areas.

PROJECTS

The Corporation continued with the implementation of capital projects aimed at increasing access to safe drinking water and proper sanitation. These projects are in line with the National Development Strategy (NDS), Poverty Reduction Strategy and Action Plan (PRSAP), Millennium Development Goals (MDG) and the Vision 2022 Programme of Action.

GOVERNMENT FUNDED PROJECTS REPORT AS AT 31ST MARCH 2015

SIPHOFANENI, SOMNTONGO AND MATSANJENI WATER SUPPLY SCHEMES

SIPHOFANENI

The project scope includes: Upgrading the capacity of the existing water treatment plant from 75m³/hr to 150m³/hr; installation of a 300mm diameter pumping main; construction of a 3.2ML reservoir; installation of gravity supply mains and the construction of four water kiosks.

SOMNTONGO AND MATSANJENI

The project components include: the construction of a new 200m³/hr water treatment plant in Lavumisa near the existing small water treatment plant; installation of a 300mm diameter pumping main; construction of two 3.2ML reservoir (one in Somntongo and one in Matsanjani); construction of a booster pump station; installation of gravity supply mains; construction of eight water kiosks (four in Somntongo and four in Matsanjani) and the construction of three staff houses.

For Somntongo and Matsanjani, the raw water will be taken from the Jozini Dam on the South African side through an existing balancing dam. Water will be provided to customers through house connection or water kiosks in all these areas.

ESTIMATED COST: Euros 19 Million

FINANCED BY: European Union

STATUS: Contractor appointed and Contract signed.

EXPECTED DATE OF COMPLETION: December 2017

NHLANGANO WATER TREATMENT PLANT

Construction of the Nhlanguano water treatment plant, pipelines to Nhlanguano and Mahamba and a 10ML reinforced concrete reservoir.

COST: E180 Million

STATUS: The Nhlanguano water treatment plant was 99% complete. Pending, largely, was the sludge lagoon system testing and commissioning of the works.

EXPECTED DATE OF COMPLETION: June 2015

LOMAHASHA WATER SUPPLY

Construction of Lomahasha Water supply scheme the scope of which entails pipelines and reservoirs either from Namaacha to Lomahasha or Lomahasha to Namaacha.

COST: Estimated to be above E200 Million

FINANCED BY: Project sponsors are GIZ, SADCC and Swaziland Government.

STATUS: Draft feasibility study report (including designs) were completed. Consultant has revised the document and scheduled plenary meetings for June 2015.

EXPECTED DATE OF COMPLETION: To be known after finalization of feasibility report.

EZULWINI WATER AND SANITATION PROJECT

Construction of new water treatment plant to supply the Ezulwini Valley and surrounding areas taking raw water from Usushwana river and construction of Ezulwini sewerage system that involves the sewer reticulation system collected to an outfall sewer that runs from Ezulwini to the new Matsapha waste water treatment plant.

COST: USD 27 Million

FINANCED BY: African Development Bank/Swaziland Government

STATUS: The Ezulwini Sewerage System was awarded to the Contractor to execute the works which were set to commence by the 30th of June 2015. The Drinking water system was at the final stages of consultant procurement stage and negotiations with the Consultants were due to start.

EXPECTED DATE OF COMPLETION: December 2018

MATSAPHA SEWER TREATMENT PLANT

Construction of Matsapha sewer treatment plant and decommissioning of the existing ponds system. The Matsapha treatment plant comprises a 10ML wastewater treatment plant and a 7kilometer outfall sewer.

COST: E140 Million

FINANCED BY: Swaziland Government

STATUS: The civil works contract is complete.

The Mechanical and electrical contracts were in progress. Delivery for the mechanical contract for site installation was expected in July 2015.

EXPECTED DATE OF COMPLETION: Earliest is November 2015, but the Contractor has given a schedule for up to May 2016.

NHLANGANO SEWER TREATMENT PLANT

The construction of the new sewer treatment plant for Nhlanguano Town. The scope of works entail a new 400mm, 3 kilometer outfall sewer, a 5ML attached growth media sewer treatment plant, and a potable water mains from Mathendele to the Plant.

COST: Estimated at E180 Million

FINANCED BY: Swaziland Government

STATUS: The Nhlanguano Sewer Treatment Plant is due for appointment of Contractor. Due to funding constraints works shall be implemented in a phased approach.

EXPECTED DATE OF COMPLETION: The works are to be completed in a year from the date of Contractor appointment but the phased nature of the works may result in additional time to complete the works.

HLANE WATER SUPPLY

Construction of a 20 km pipeline and reservoir to supply Hlane.

COST: E25 Million

EXPECTED DATE OF COMPLETION: The pipeline is complete and commissioned. The reservoir is expected to be complete by June 2015.

INTERNALLY FUNDED PROJECTS

HAWANE TO WOODLANDS PIPELINE

The project scope includes the construction of a 500mm diameter ductile iron pipe. The pipeline is to be 10kilometers long. The line shall feed the SWSC Woodlands treatment plant in Mbabane from the Hawane Dam. The pipeline being gravity mains shall reduce the Corporation's pumping costs (Electricity).

COST: E29 Million

STATUS: Pipe laying was over 99% complete. The installation of river crossings is complete.

Construction of Manholes was 98% complete. Overall the works were 97% complete.

EXPECTED DATE OF COMPLETION: July 2015

NGWANE PARK SEWERAGE RETICULATION

The project scope includes the construction of a sewerage reticulation in the Ngwane Park area in Manzini. The works are being funded by the Corporation and a phased approach has been adopted due to financial constraints. At year end the works were at tender stage.

COST: E2.5 Million

STATUS: The portion of works for the 2015 / 16 financial year were at contractor procurement stage.

EXPECTED DATE OF COMPLETION: March 2016

PROJECTS

CONTINUED

ISSUES FOR CONSIDERATION IN THE MEDIUM TO LONG TERM

Since water is a finite resource, population and economic growth are putting more pressure on water availability. Improved water access significantly increase social, economic and environmental benefits. Thus to sustain reliability of water supply, investments are required in water infrastructure including storage. The following projects have been identified as crucial for the positive contribution to social and economic development. If funding becomes available they may be undertaken in the short to medium term.

NONDVO DAM

The proposed Nondvo dam project is part of infrastructure development which is envisaged in the Government of Swaziland Vision 2022 Action Programme. Construction of this Dam will guarantee security of water supply in the Mbabane – Manzini corridor and surrounding areas. The concept note for this project was developed through consultation between the Corporation, Ministry of Economic Planning and Development, Ministry of Natural Resources and Energy and Ministry of Finance. Other stakeholders that have been consulted in developing the project include the Swaziland Railway Company and some of the Municipal Councils of the towns within the project area.

SIDVOKODVO – NHLAMBENI WATER SUPPLY

The planned development between Sidvokodvo and Nhlambeni requires an extension of the Matsapha/Manzini water infrastructure. Developments envisaged 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 Nhlanguano Road. These areas will need water and a pipeline will need to be constructed from the Matsapha reservoir to follow the Nhlanguano 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 E40 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 98% 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 total cost for this project is estimated at E400 million.

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.

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 from Matsapha to Nazarene reservoir

Manzini is totally dependant for its water supply on a single 375mm diameter pipeline, 3300m in length that gravitates water to the Nazarene reservoir from the Airport reservoirs. With the ever increasing water demand in Manzini, the demand on this pipeline has reached critical stage. 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.

CORPORATE SUSTAINABILITY REPORT

PEOPLE

The way we treat our employees and the communities we operate in reflects how we conduct our business, with fairness and respect. The Corporation strives to create a conducive work environment so that it is a preferred employer in terms of career and personal development. Our people are our greatest assets. However, our influence extends outside our office walls, our philanthropy reaches and has impacted on many lives in and around the Kingdom. In the education area, we are particularly proud of our partnership with the UNISWA foundation. We are proud to have sponsored nine students who graduated for their Master's degree during the 2007-2012 periods. The Corporation's pledge for undergraduate scholarships was renewed for another period of seven years to 2020. The Partnership continues to change many lives of the previously disadvantaged populace of Swazi people.

PLANET

The Corporation is committed to protecting and caring for the environment. This commitment is demonstrated by the continuous development and implementation of practical and effective corporate policies and programs that support the more efficient use of natural resources and reduce the impact of our business on the environment. Our philosophy is to look for ways that we can reduce, reuse or recycle the natural resources we consume. The Corporation has implemented innovative systems to address non-revenue water and preserve the precious water resource. These include the introduction of network zoning and monitoring programs to minimize water losses. The Corporation observes environmentalism in all water treatment process. In treatment plants, every effort is made to save energy and a study is being piloted on the generation of electricity from biogas.

PROFIT

The Corporation is concerned about how well we contribute to the prosperity of our employees, stakeholders and customers. We have committed ourselves to conducting business with the highest level of integrity. We have adopted a corporate vision which aims at delighting customers in the supply of potable water, wastewater treatment and other services. In this regard, our valued customers are empowered with information regarding our service and we have made it easy and convenient for them to do business with us. Ethical business practices are our way of life at SWSC. Perhaps, one of the most important charters is our code of business ethics. This governs the behaviour of all our employees and includes ethical business practices, confidentiality, fair dealings among other issues.

The quality of the Corporation services and its advancement to technology is what has made us successful and profitable in the last 20 years. We have been recognised as one of the leading utilities in the southern hemisphere and in Africa at large. We have been acknowledged by a number of other utilities from different countries in Africa who have used our service and quality standards as a benchmark. We are extremely proud of our employees and the support from our customers and stakeholders.

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, budgets, annual financial reports and managing strategic risk.

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.

STRUCTURE AND OPERATION OF THE BOARD

The Corporation has nine Board members and this complies with the requirements of both the Public Enterprises (Control and Monitoring) Act No.8 of 1989 and the Water Services Corporation Act No.12 of 1992 (which both prescribe a maximum number of nine members). The Board is unitary and is made up of an Independent Non Executive Chairman, the Chief Executive Officer, a representative from Government (Ministry of Natural Resources and Energy) and six non-executive directors. 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.

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.

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 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 Internal Audit Department carries out an independent review of the internal control systems. The Corporation performs a risk assessment exercise every three years.

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.

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 2015.

Name	Title	No. of normal Board meetings convened	No. of normal Board meetings attended	Percentage Attendance (normal meetings)
Mr. B.N. Xaba	Chairman	3	3	100%
Ms. T. Mavuso	Member	3	3	100%
Mr. C. Simelane	Member	3	3	100%
Mr. P.N. Bhembe	Member	3	3	100%
Ms. Gugulethu Dlamini*	Member	3	1	33%
Ms. Thobile Khumalo**	Member	3	1	33%
Mr. S. Khumalo	Member	3	1	33%
Mr. A. Dlamini	Member	3	3	100%
Mr. M.B.C. Dlamini	Member	3	2	66%
Mr. M.J. Ntshangase	Member	3	3	100%

* Resigned October 2014 | ** Appointed 12 February 2015

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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 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.

- 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.

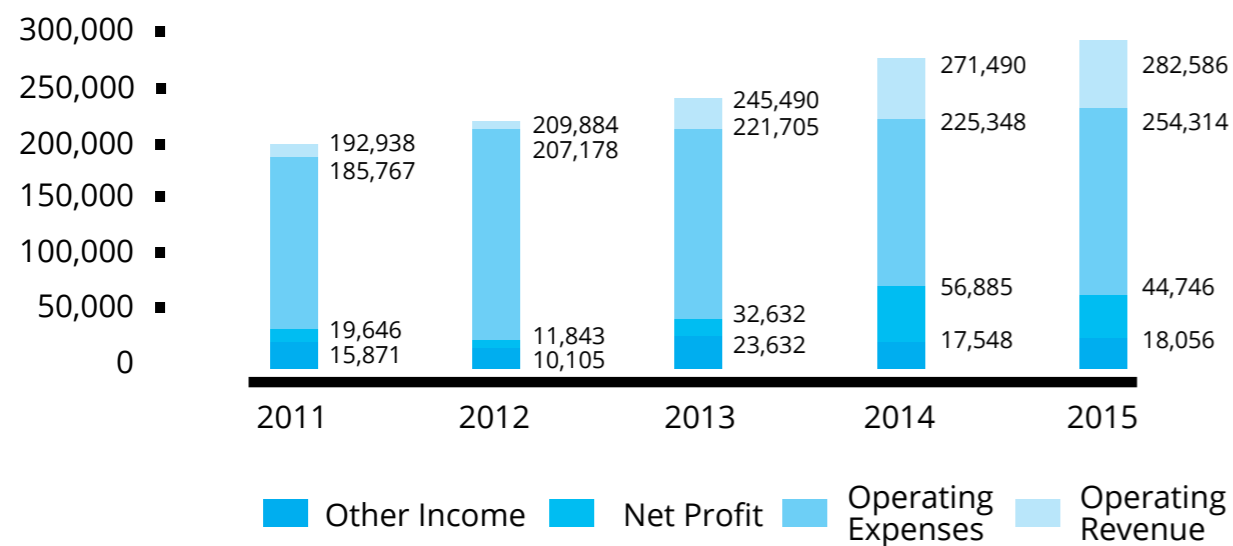
SWSC undertakes to contribute to the communities' quality of life by supporting innovative programs in health, HIV/AIDS, education, social services and the environment, as well as youth, cultural and civic projects.

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

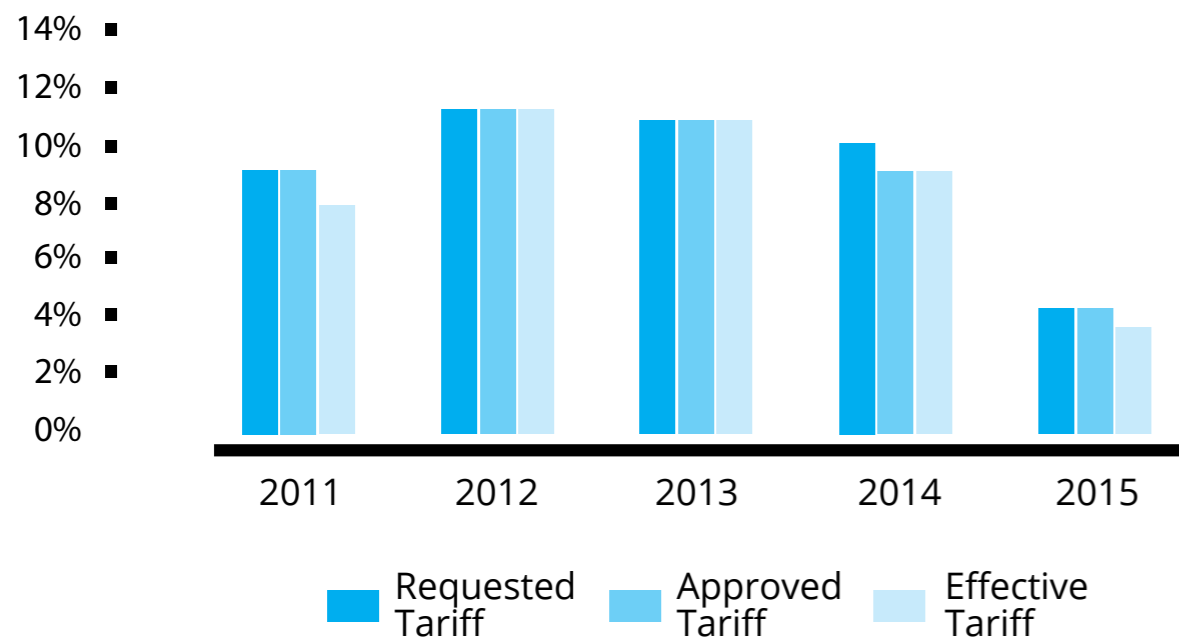
WE CARE

FINANCIAL AND OPERATING STATISTICS

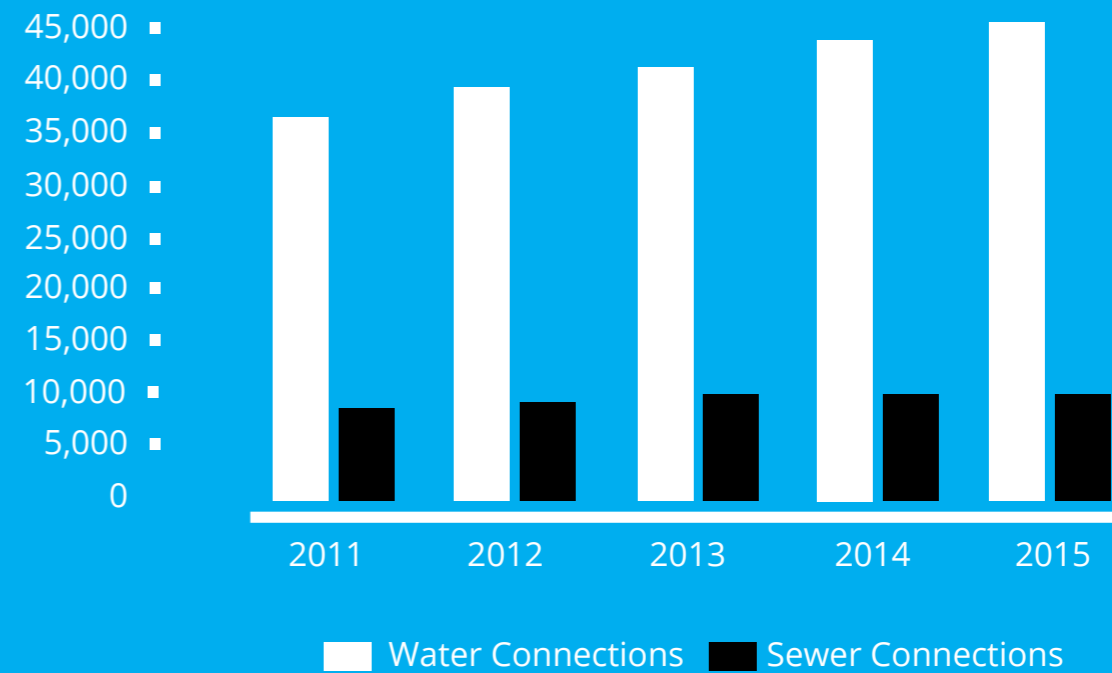
FIVE YEAR PERFORMANCE AT A GLANCE (E000)



TARIFFS AND INFLATION (PERCENTAGE)



NUMBER OF CONNECTIONS



NUMBER OF CONNECTIONS AND WATER CONSUMPTION

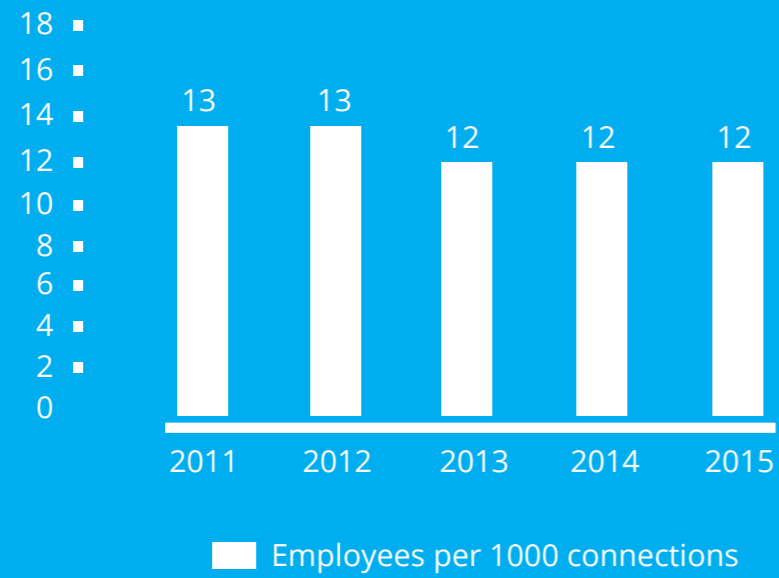
	2011	2012	2013	2014	2015
Water connections	36,895*	38,923	40,540	42,784	45,578
Sewer connections	9,356*	9,453	9,710	9,908	9,948
Total water consumption (m³)	12,630,000	12,885,000	13,228,000	13,805,111	14,190,834

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

EMPLOYEE PRODUCTIVITY

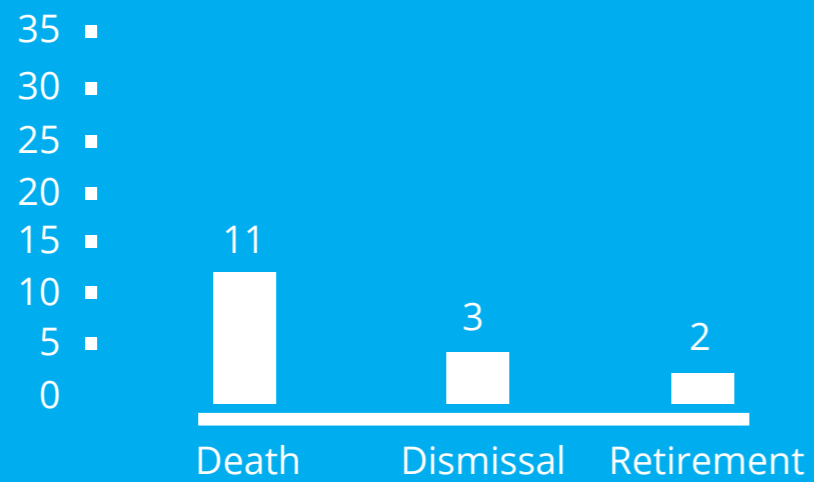
	2011	2012	2013	2014	2015
Number of employees	495	495	492	536	525
Sales turnover per employee (E000)	389	424	499	507	538
Net profit per employee (E000)	39	20	67	106	85
Average cost per employee (E000)	375	419	450	420	484
Employees per 1000 connections	13	13	12	12	12

EMPLOYEES PER 1000 CONNECTIONS



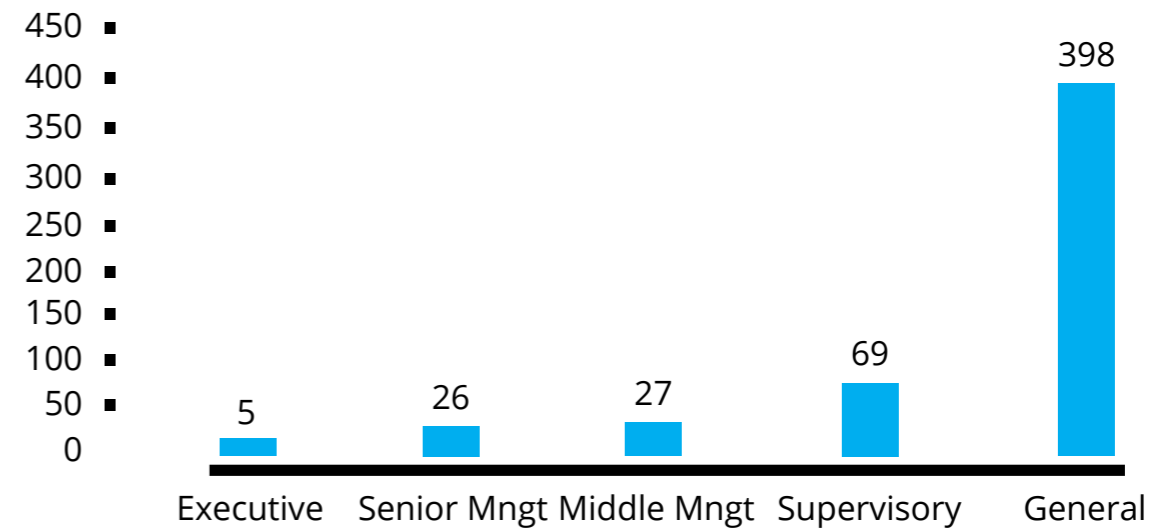
STAFF COMPLEMENT AND TURNOVER AS AT 31 MARCH 2015

STAFF TURNOVER

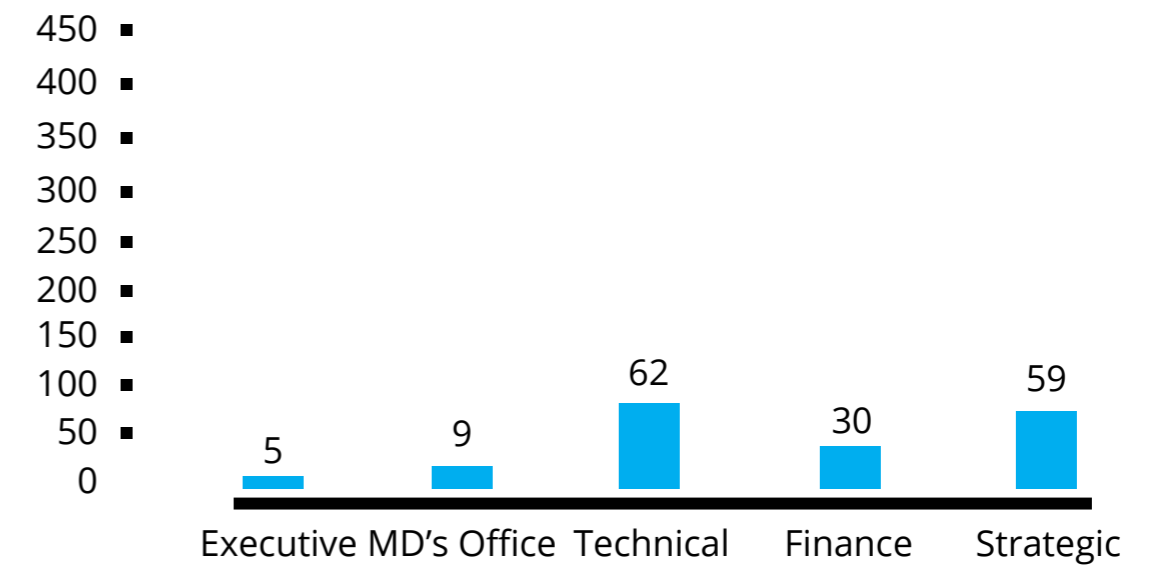


STAFF COMPLEMENT AND TURNOVER AS AT 31 MARCH 2014

STAFF COMPLEMENT BY STRUCTURE



STAFF COMPLEMENT BY FUNCTION





FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015



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DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

The directors of the Corporation are responsible for the preparation and fair presentation of the financial statements of Swaziland Water Services Corporation comprising the statement of financial position as at 31 March 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Water Services Corporation Act No. 12 of 1992.

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

The directors have made an assessment of the Corporation's ability to continue as a going concern and have no reason to believe the Corporation will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are presented fairly in accordance with the applicable financial reporting framework

Approval of the financial statements

The financial statements of Swaziland Water Services Corporation as identified in the first paragraph, and set out on pages 55 to 84, were approved by the board of directors on 16 July 2015 and are signed on its behalf by:

DIRECTOR

DIRECTOR

INDEPENDENT AUDITORS' REPORT

TO THE MINISTER RESPONSIBLE FOR NATURAL RESOURCES AND ENERGY

We have audited the financial statements of Swaziland Water Services Corporation, which comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 55 to 84.

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Swaziland Water Services Corporation as at 31 March 2015, and 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.

KPMG
Auditors

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2015

The directors present their report, which forms part of the audited financial statements of the Corporation for the year ended 31 March 2015.

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 features of the financial position and profit and loss for the period are set out in the table below:

	2015 E'000	2014 E'000
Financial position		
Total assets	1 673 004	1 458 149
Total liabilities	1 244 232	1 074 123
Operating results		
Revenue	282 587	271 490
Profit for the year	44 746	56 886

Directors

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

B N Xaba	(Chairman) (appointed 1 June 2014)
P N Bhembe	(Managing Director and Secretary to the Board)
A Dlamini	(Representative of the Ministry of Finance)
S Khumalo	
MB C Dlamini	
T Mavuso	(Representative of the Ministry of Natural Resources)
M Ntshangase	
C Simelane	
T Khumalo	(Appointed 12 February 2015)

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2015

CONTINUED

SECRETARY

Mr P N Bhembe
P O Box 20
Mbabane

AUDITORS

KPMG
Umkhiwa House
Lot 195 Kal 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 reporting date and the date of this report which have a material impact on these financial statements.

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 E	2014 E
Revenue	2	282 586 709	271 490 305
Cost of sales		(72 032 420)	(67 614 253)
Gross profit		210 554 289	203 876 052
Other income	6	18 056 555	17 548 818
Operating expenses		(184 334 680)	(162 495 152)
Results from operating activities		44 276 164	58 929 718
Finance income – net	3	11 748 036	14 583 027
Profit before income tax		56 024 200	73 512 745
Income tax expense	5	(11 277 790)	(16 627 231)
Profit after tax		44 746 410	56 885 514

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2015

	Notes E	2015 E	2014
Assets			
Non-current assets			
Property, plant and equipment	7	1 251 272 606	1 037 959 544
Deferred income tax asset	18	7 828 375	19 106 165
Available for sale financial assets	10	3 183 902	3 113 841
		<u>1 262 284 883</u>	<u>1 060 179 550</u>
Current assets			
Inventories	12	6 711 118	5 338 773
Trade and other receivables	13	78 699 825	77 566 279
Financial assets at fair value through profit and loss	11	21 007 777	18 150 102
Cash and cash equivalents	14	304 300 750	296 914 214
		<u>410 719 470</u>	<u>397 969 368</u>
Total assets		<u><u>1 673 004 353</u></u>	<u><u>1 458 148 918</u></u>
Equity			
Capital and reserves			
Swaziland Government Interest	15	30 222 580	30 222 580
Retained earnings		398 549 910	353 803 500
		<u>428 772 490</u>	<u>384 026 080</u>
Liabilities			
Non-current liabilities			
Deferred grant income	16	1 067 094 615	944 630 507
Borrowings	17	45 169 223	30 607 270
		<u>1 112 263 838</u>	<u>975 237 777</u>
Current liabilities			
Trade and other payables	19	113 249 258	78 496 418
Borrowings	17	16 772 543	18 865 747
Short term employee benefits	20	1 946 224	1 522 896
		<u>131 968 025</u>	<u>98 885 061</u>
Total liabilities		<u><u>1 244 231 863</u></u>	<u><u>1 074 122 838</u></u>
Total equity and liabilities		<u><u>1 673 004 353</u></u>	<u><u>1 458 148 918</u></u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Swaziland Government Interest E	Retained earnings E	Total E
Balance at 1 April 2014	30 222 580	353 803 500	384 026 080
Comprehensive income for the year	-	44 746 410	44 746 410
Balance at 31 March 2015	<u>30 222 580</u>	<u>398 549 910</u>	<u>428 772 490</u>
Balance at 1 April 2013	30 222 580	296 917 986	327 140 566
Comprehensive income for the year as restated	-	56 885 514	56 885 514
Balance at 31 March 2014	<u>30 222 580</u>	<u>353 803 500</u>	<u>384 026 080</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 E	2014 E
Cash flows from operating activities			
Cash generated from operations	21.1	90 976 703	82 906 670
Interest received		16 773 522	16 794 693
Interest paid		(5 025 486)	(2 211 666)
Net cash generated by operating activities		<u>102 724 739</u>	<u>97 489 697</u>
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		2 164 366	233 709
Acquisition of property, plant and equipment	7	(246 241 013)	(185 654 645)
Increase in available for sale financial assets		(70 061)	-
Net cash utilised in investing activities		<u>(244 146 708)</u>	<u>(185 420 936)</u>
Cash flows from financing activities			
Net proceeds from long term borrowings		12 468 749	6 863 602
Swaziland Government capital grant received		136 339 756	175 653 365
Net cash generated from financing activities		<u>148 808 505</u>	<u>182 516 967</u>
Net increase in cash and cash equivalents		7 386 536	94 585 728
Cash and cash equivalents at beginning of the year		296 914 214	202 328 486
Cash and cash equivalents at the end of the year ^{21.2}		<u><u>304 300 750</u></u>	<u><u>296 914 214</u></u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

01 / BASIS OF PREPARATION

The financial statements of Swaziland Water Services Corporation have been prepared in accordance with International Financial Reporting Standards and the provisions of the Water Services Corporation Act No.12 of 1992. They have been prepared on the historical cost basis, except for 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.

Information about judgements made in applying accounting policies, assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are included in significant accounting policies note 19.

The financial statements are presented in Emalangeni, which is the functional currency of the Corporation. All financial information presented in Emalangeni has been rounded to the nearest thousand, unless otherwise indicated.

The significant accounting policies adopted in the preparation of these financial statements are materially consistent with those adopted in the previous financial year.

New Standards and Interpretations not yet adopted

At the date of authorisation of the financial statements of Swaziland Water Services Corporation for the year ended 31 March 2015, the following Standards and Interpretations were in issue but had not yet been adopted by the Corporation:

Standard/Interpretation	Effective date Periods beginning on or after
IFRS 14 ⁱ	Regulatory Deferral Accounts 1 January 2016
IFRS 11 ⁱ	Accounting for Acquisitions of Interests in Joint Operations 1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation 1 January 2016
IFRS 15	Revenue from contracts with customers 1 January 2017
IFRS 9	Financial Instruments 1 January 2018
Amendments to 4 standards	Improvements to IFRSs 2012-2014 Cycle 1 January 2016
IAS 1	Disclosure Initiative 1 January 2016

ⁱ Standard not applicable to the Corporation.
No material impact is anticipated from these Standards and Interpretations.

02 / PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly of administrative offices. Buildings and all other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 that 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 profit loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost 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 machinery	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 reporting date.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

03 / IMPAIRMENT OF NON-FINANCIAL ASSETS

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).

04 / 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.

Financial assets carried at fair value through profit or loss are initially recognised at fair value. 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 the risks and rewards of ownership.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

CONTINUED

04 / FINANCIAL ASSETS

//Continued

(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 reporting date. These are classified as non-current assets.

Loans and receivables are carried out at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets 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 reporting 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.

Available-for-sale financial assets are subsequently carried at fair value.

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are 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.

05 / LEASES

Leases of property, plant and equipment where the Corporation has assumed 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 asset 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 profit or loss 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 profit or loss on a straight-line basis over the period of the lease.

06 / 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 selling costs.

07 / 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 receivable. 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 profit or loss. 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 profit or loss.

08 / CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on 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 disclosed under current liabilities in the statement of financial position.

09 / SWAZILAND GOVERNMENT INTEREST

The Swaziland Government interest represents amounts advanced to the Corporation by the Swaziland Government which are not expected to be repaid.

10 / GOVERNMENT GRANTS RELATING TO PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and that the Corporation will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss 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 grant income 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 profit or loss 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 reporting date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

CONTINUED

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 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.

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 or service 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) Provision of services

Revenue comprises the billed value of water delivered, sewerage services rendered, and collections 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) Other income

Other income comprises amortisation of grants and rental income. Grants are amortised to match the depreciation expenses of the assets acquired using grant funding. Rental income is recognised on a straight-line basis.

(c) Interest income

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

15 / REVENUE RECOGNITION

//Continued

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

16 / STAKEHOLDER DISTRIBUTIONS

Distributions to the Corporation's stakeholders are recognised as a liability in the financial statements in the period in which the distributions are approved.

17 / INCOME TAX

The income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items directly recognised in equity or in comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences arise from depreciation of property, plant and equipment and provisions disallowed for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realised.

18 / FINANCIAL RISK MANAGEMENT

18.1 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 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 when future commercial transactions or, recognised assets and liabilities are denominated in a currency that is not the Corporation's functional currency.

(ii) Price risk

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

CONTINUED

18 / FINANCIAL RISK MANAGEMENT

18.1 FINANCIAL RISK FACTORS

//Continued

(iii) Cash flow and fair value interest rate risk

The Corporation has interest-bearing assets, the Corporation's income and operating cash flows are substantially dependent of changes in market interest rates. The Corporation's interest rate risk also 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 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 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. 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. Management does not expect any losses from non-performance by these counterparties.

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

The Corporation only uses recognised banking institutions with high credit ratings.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal conditions.

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, the Corporation's management aims to maintain flexibility in funding by keeping committed credit lines available.

18.2 CAPITAL RISK MANAGEMENT

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern in order to provide returns and benefits for 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.

18.3 FAIR VALUE ESTIMATION

The gross value less impairment provision of trade receivables and the carrying value of 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.

19 / 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.

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) 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.

(b) Review of depreciation rates and 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 estimate of the economic life of the assets. 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 recognized in profit or loss each year (refer to note 7).

(c) Fair value measurement

A number of the Corporation's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Corporation uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Corporation recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

20 / 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 2015

	2015 E	2014 E
1. Profit for the year		
The following items have been included in arriving at profit for the year:		
Auditors' remuneration		
- Audit fees	487 000	460 000
Depreciation (Refer note 7)	29 385 949	24 728 265
Amortisation of grant - included in other income (Refer note 6)	(13 875 648)	(13 256 847)
Fees for services		
- Public Enterprise Unit management fees	2 758 893	2 659 655
Directors emoluments		
- For services as directors	293 023	276 276
Loss/(Profit) on disposal of property, plant and equipment	1 377 636	467 859
Trade receivables - impairment charge for bad and doubtful debts	748 593	4 707 920
Rentals in respect of operating leases		
- Land and buildings	2 522 522	2 112 146
Repairs and maintenance expenditure		
- Property, plant and equipment	2 459 892	1 760 153
2. Revenue		
Analysis of revenue		
Water charges - commercial and residential customers	193 169 449	191 537 938
Sewer charges	45 184 421	47 051 975
Basic charges	28 254 255	19 869 020
Penalty charges	1 157 978	1 216 463
Miscellaneous water supply services	2 263 815	2 082 924
Connection charges - new customers	2 482 069	2 659 330
Connection charges - reconnected customers	289 684	191 787
Trade effluent charges	9 785 038	6 880 868
	282 586 709	271 490 305

3. Finance income - net

	2015 E	2014 E
Interest income	16 773 522	16 794 693
Interest expense	(5 025 486)	(2 211 666)
	11 748 036	14 583 027

4. Employee benefits expenses

	2015 E	2014 E
Salaries, wages and allowances	84 833 657	73 417 214
Provident fund contribution	588 303	543 968
Medical aid contribution	3 621 409	3 455 274
Contribution to pension scheme	6 504 287	6 040 852
	95 547 656	83 457 308

5. Income tax expense

	2015 E	2014 E
- Current tax	-	-
- Deferred tax (note 18)	11 277 790	16 627 231
	11 277 790	16 627 231

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:

	2015 E	2014 E
Profit before income tax	56 024 200	73 512 745
Tax calculated at statutory tax rate of 27.5% (2014: 27.5%)	15 406 655	20 216 005

Tax effects of:

	2015 E	2014 E
Expenses not deductible for tax purposes	472 833	593 748
Income not subject to tax	(4 601 698)	(4 413 531)
Other	-	231 009

Tax charge

	2015 E	2014 E
Tax charge	11 277 790	16 627 231
6. Other income		
Sales of Ecowater bottled water	725 068	1 170 013
Amortization of deferred grant income	13 875 648	13 256 847
Rental income	2 522 522	2 112 146
Sundry income	933 317	1 009 812
	18 056 555	17 548 818

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

CONTINUED

7. Property, plant and equipment

	Land and buildings E	Dams and reservoirs E	Treatment works E	Mains and reticulation E	Plant and machinery E	Furniture and equipment E	Motor vehicles E	Capital work in progress (CWIP) E	Total E
Cost									
Balance at 1 April 2013	109 610 048	64 034 425	190 843 796	303 377 647	82 877 257	25 971 280	32 835 711	246 057 180	1 055 607 344
Additions	-	-	-	-	-	-	-	185 654 645	185 654 645
Transfer from WIP	4 737 005	8 138 501	9 340 856	49 720 449	7 431 831	3 259 229	81 942	(83 092 219)	(382 406)
Disposals	(123 733)	-	-	-	(207 401)	-	(658 869)	-	(990 003)
Balance at 31 March 2014	114 223 320	72 172 926	200 184 652	353 098 096	90 101 687	29 230 509	32 258 784	348 619 606	1 239 889 580
Balance at 1 April 2014	114 223 320	72 172 926	200 184 652	353 098 096	90 101 687	29 230 509	32 258 784	348 619 606	1 239 889 580
Additions	-	-	-	-	-	-	-	246 241 013	246 241 013
Transfer from WIP	856 839	5 166 725	4 628 935	11 951 954	7 020 515	1 623 404	22 263 317	(53 511 689)	-
Disposals	-	-	-	-	(2 320 782)	(1 901 127)	(10 212 175)	(338 511)	(14 772 595)
Balance at 31 March 2015	115 080 159	77 339 651	204 813 587	365 050 050	94 801 420	28 952 786	44 309 926	541 010 419	1 471 357 998
Depreciation and impairment losses									
Balance at 1 April 2013	17 496 632	17 228 581	28 600 917	59 380 166	23 191 934	17 394 652	14 579 730	-	177 872 612
Depreciation for the year	2 160 828	1 564 994	3 189 514	8 445 830	4 230 882	2 399 817	2 736 400	-	24 728 265
Disposals	(123 735)	-	-	-	(158 144)	-	(388 962)	-	(670 841)
Balance at 31 March 2014	19 533 725	18 793 575	31 790 431	67 825 996	27 264 672	19 794 469	16 927 168	-	201 930 036
Balance at 1 April 2014	19 533 725	18 793 575	31 790 431	67 825 996	27 264 672	19 794 469	16 927 168	-	201 930 036
Depreciation for the year	2 261 271	4 132 725	936 461	9 501 719	4 804 669	2 031 653	5 717 451	-	29 385 949
Disposals	-	-	-	-	(1 792 744)	(1 399 098)	(8 038 751)	-	(11 230 593)
Balance at 31 March 2015	21 794 996	22 926 300	32 726 892	77 327 715	30 276 597	20 427 024	14 605 868	-	220 085 392
Carrying amounts									
At 1 April 2013	92 124 597	40 590 056	168 821 517	244 418 591	59 158 529	8 178 597	18 385 665	246 057 180	877 734 732
At 31 March 2014	94 689 595	53 379 351	168 394 221	285 272 100	62 837 015	9 436 040	15 331 616	348 619 606	1 037 959 544
At 31 March 2015	93 285 163	54 413 351	172 086 695	287 722 335	64 524 822	8 525 762	29 704 058	541 010 419	1 251 272 606

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

CONTINUED

7. Property, plant and equipment

//Continued

Leased assets (motor vehicles and trailers) included in property, plant and equipment are as follows:

	2015 E	2014 E
Cost	22 190 659	6 059 909
Accumulated depreciation	(4 186 917)	(2 187 108)
Net carrying amount	<u>18 003 742</u>	<u>3 872 801</u>

Land and buildings comprise:

Erf No4 – Second street Nhlanguano	550 000	550 000
Plot 237 – Matsapha	1 558 800	1 558 800
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	280 000
Buildings at depreciated cost	78 790 980	80 192 295
	<u>93 288 280</u>	<u>94 689 595</u>

The cost of assets which are fully depreciated but still in use are as follows:

Fencing	1 235 638	1 009 496
Mains and Reticulation	162 362	26 213
Motor vehicles	175 950	380 620
Furniture and equipment	4 956 301	4 985 628
Electrical plant and system	-	11 752
Mobile plant	78 496	78 497
	<u>6 608 747</u>	<u>6 492 206</u>

8. Capital projects in progress

Internal projects (note 8.1)	88 453 463	53 662 967
Government Funded Projects (note 8.2)	452 556 956	294 956 639
Total capital work in progress (note 7)	<u>541 010 419</u>	<u>348 619 606</u>

Capital projects in progress

CONTINUED

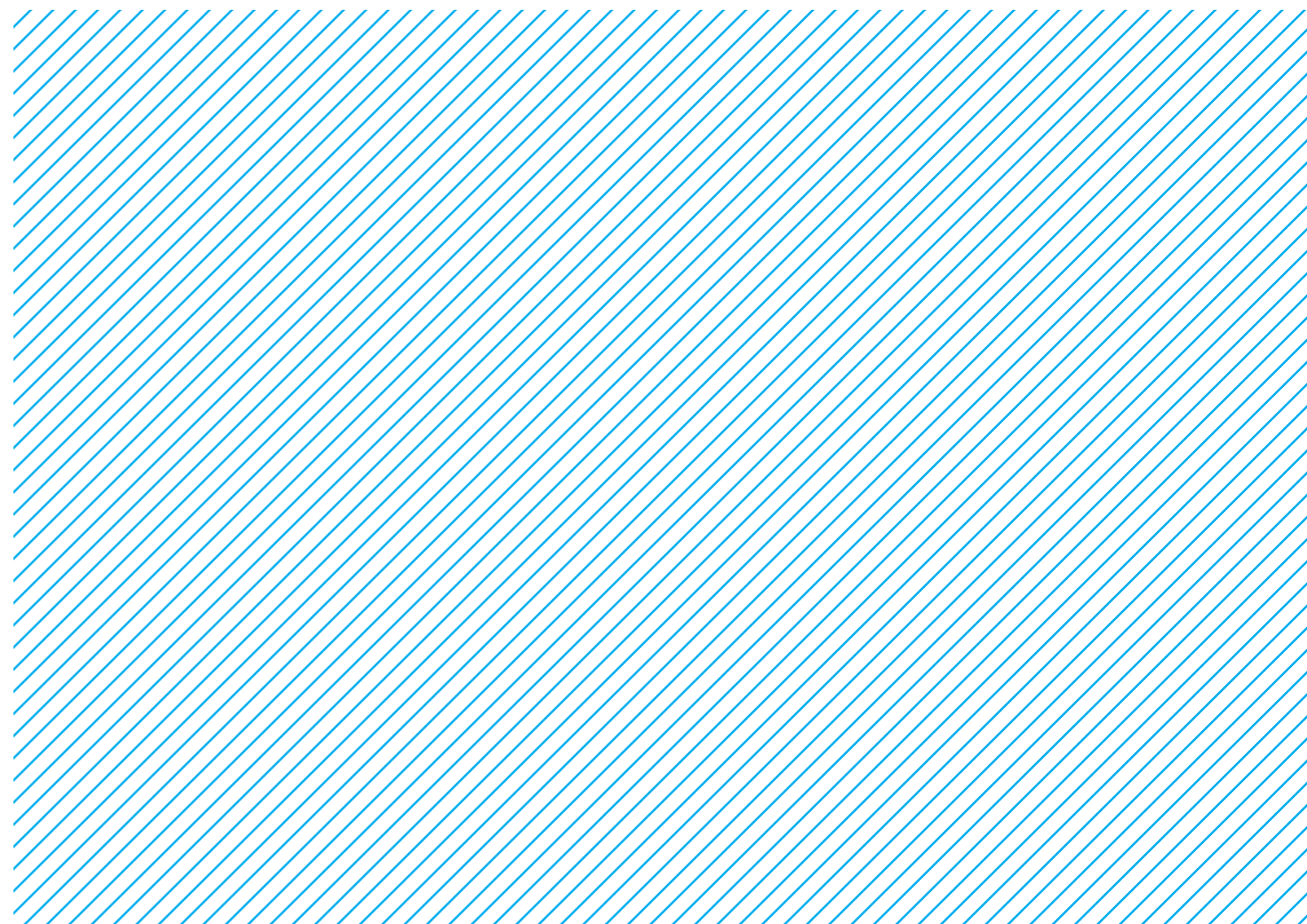
The movement in the capital projects in progress during the year is as follows:

Internal projects

	2014 E	2013 E
Opening net carrying amount	53 662 967	39 312 475
Additions	84 899 056	42 890 698
Commissioned – transfers to property, plant and equipment	(49 770 049)	(28 540 206)
Disposals / derecognised	(338 511)	-
Closing net carrying amount	<u>88 453 463</u>	<u>53 662 967</u>

Government funded projects

Opening net carrying amount	294 956 639	206 744 705
Additions	161 341 957	142 381 540
Commissioned - transfers to property, plant and equipment	(3 741 640)	(54 169 606)
Closing net carrying amount	<u>452 556 956</u>	<u>294 956 639</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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9. Financial instruments

Accounting classification and fair values

The following table shows the carrying amounts and the fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	CARRYING AMOUNT				FAIR VALUE			
	Loans and receivables E	Assets at fair value through profit and loss E	Available for sale E	Total E	Level 1 E	Level 2 E	Level 3 E	Total E
31 March 2015								
Assets as per statement of financial position								
Trade and other receivables	78 699 825	-	-	78 699 825	-	-	-	-
Available for sale financial assets	-	-	3 183 902	3 183 902	-	3 183 902	-	3 183 902
Financial assets at fair value through profit and loss	-	21 007 777	-	21 007 777	21 007 777	-	-	21 007 777
Cash and cash equivalents	304 300 750	-	-	304 300 750	-	-	-	-
	383 000 575	21 007 777	3 183 902	407 192 254	21 007 777	3 183 902	-	24 191 679
Liabilities as per statement of financial position								
Borrowings	61 941 767	-	-	61 941 767	-	61 941 767	-	61 941 767
Trade and other payables	113 249 258	-	-	113 249 258	-	-	-	-
	175 191 025	-	-	175 191 025	-	61 941 767	-	61 941 767
31 March 2014								
Assets as per statement of financial position								
Trade and other receivables	77 566 279	-	-	77 566 279	-	-	-	-
Available for sale financial assets	-	-	3 113 841	3 113 841	-	3 113 841	-	3 113 841
Other financial assets at fair value through profit and loss	-	18 150 102	-	18 150 102	18 150 102	-	-	18 150 102
Cash and cash equivalents	296 914 214	-	-	296 914 214	-	-	-	-
	374 480 493	18 150 102	3 113 841	395 744 436	18 150 102	3 113 841	-	21 263 943
Liabilities as per statement of financial position								
Borrowings	49 473 017	-	-	49 473 017	-	49 473 017	-	49 473 017
Trade and other payables	78 496 418	-	-	78 496 418	-	-	-	-
	127 969 435	-	-	127 969 435	-	49 473 017	-	49 473 017

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

CONTINUED

9. Financial instruments (continued)

//Continued

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015 E	2014 E
Trade and other receivables	78 699 825	77 566 279
Financial asset at fair value through profit or loss	21 007 777	18 150 102
Available for sale financial assets	3 183 902	3 113 841
Cash and cash equivalents	304 300 750	296 914 214
	<u>407 192 254</u>	<u>395 744 436</u>

Non derivative financial liabilities

The following are the contractual maturities of financial liabilities:

	Carrying amount E	Contractual cash flows E	6 months or less E	6 to 12 months E	1 to 2 years E
2015					
Trade and other payables	113 249 258	113 249 258	113 249 258	-	-
2014					
Trade and other payables	78 496 418	78 496 418	78 496 418	-	-

Variable rate instruments

At the reporting date the interest rate profile of the Corporation's interest bearing financial instruments was as follows:

	2015 E	2014 E
Cash and cash equivalents	304 300 750	296 914 214
Long term liabilities	(45 169 223)	(30 607 270)

A change of 100 basis points in interest rates would have increased/(reduced) income by the amounts shown below based on balances at year end for 12 months compounded monthly. The analysis is performed on the same basis for 2015.

	2015		2014	
	100 bp Decrease	100 bp Increase	100 bp Decrease	100 bp Increase
Variable rate instruments - net	(1 047 930)	1 047 930	(2 474 412)	2 474 412

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	2015		2014	
	Carrying amount E	Fair value E	Carrying amount E	Fair value E
Trade and other receivables	78 699 825	78 699 825	77 566 279	77 566 279
Available for sale financial assets	3 183 902	3 183 902	3 113 841	3 113 841
Financial asset at fair value through profit and loss	21 007 777	21 007 777	18 150 102	18 150 102
Cash and cash equivalents	304 300 750	304 300 750	296 914 214	296 914 214
Trade and other payables	(113 249 258)	(113 249 258)	(78 496 418)	(78 496 418)
Borrowings	(61 941 767)	(61 941 767)	(49 473 017)	(49 473 017)
	<u>232 001 229</u>	<u>232 001 229</u>	<u>267 775 001</u>	<u>267 775 001</u>

The fair values of cash resources, receivables, payables and accrued expenses approximate fair value due to the short term nature of these instruments. The fair values of long term financial liabilities are not significantly different to the carrying value as they are carried at amortised cost.

	2015 E	2014 E
10. Available for sale financial assets		
Swaziland Building Society Permanent Shares	3 183 902	3 113 841
	<u>3 183 902</u>	<u>3 113 841</u>

Swaziland Building Society Permanent Shares

The Corporation is holding the investment at the Swaziland Building Society as security for housing loans provided to the Corporation's staff by the Swaziland Building Society. The Corporation is therefore holding this investment as a noncurrent asset. The shares are measured at fair value.

11. Financial assets at fair value through profit and loss

African Alliance - Managed Fund	21 007 777	18 150 102
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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.

12. Inventories

Chemicals	757 414	597 271
Building materials	143 233	189 851
Petrol and diesel	357 797	320 014
Spares, fittings and pipes	5 150 977	3 817 024
Ecowater	301 697	414 613
	<u>6 711 118</u>	<u>5 338 773</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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	2015 E	2014 E
13. Trade and other receivables		
Trade receivables	100 336 916	94 086 029
Less: Allowance for impairment of receivables	(28 116 990)	(28 865 583)
Net trade accounts receivable	72 219 926	65 220 446
Staff receivables	1 983 712	1 144 299
Sundry receivables	4 496 187	11 539 945
Less: Allowance for impairment of other receivables	-	(338 411)
Net other receivables	6 479 899	12 345 833
	<u>78 699 825</u>	<u>77 566 279</u>
The ageing for the impairment of trade and other receivables is as follows:		
Up to 3 months	-	2 606 941
3 to 6 months	-	2 525 768
6 to 12 months	-	6 414 059
Over 12 months	28 116 990	17 318 815
	<u>28 116 990</u>	<u>28 865 583</u>
Movements in the Corporation's allowance for impairment of trade and other receivables is as follows:		
Opening balance	28 865 583	24 157 663
Allowance for receivables impairment raised	12 435 448	4 707 920
Impairment loss recognised/(reversed)	(13 184 041)	-
Closing balance	<u>28 116 990</u>	<u>28 865 583</u>
14. Cash and cash equivalents		
Bank balances	138 024 902	110 972 366
Cash on hand	20 511	25 748
Short term bank deposits (note 14.1)	166 255 337	185 916 100
Net cash and cash equivalents	<u>304 300 750</u>	<u>296 914 214</u>
14.1 Short term bank deposits:		
First National Bank (Swaziland) Limited – fixed deposit	53 413 499	50 576 986
Nedbank (Swaziland) Limited – fixed deposit	33 163 644	50 475 228
Swazi Bank - Fixed deposit	52 031 800	63 377 041
African Alliance – Lilangeni Fund	4 281 926	18 665 640
Swaziland Building Society – Gold savings account	3 052 824	2 821 205
Swaziland Building Society – Investment account	20 311 644	-
	<u>166 255 337</u>	<u>185 916 100</u>

15. Swaziland Government Interest

Equity contribution from Swaziland Government

	2015 E	2014 E
Equity contribution from Swaziland Government	30 222 580	30 222 580

These are amounts advanced to the Corporation by the Swaziland Government which are not expected to be repaid.

16. Deferred grant income

Swaziland Government:

-Nhlengano – Water supply and treatment plant	314 093 571	223 217 863
- Urban Development Projects (Packages 6, 7, 8, 10, 18 A & B, and 20)	71 139 356	75 683 350
- Pigg's Peak Dam	3 277 085	3 488 904
- Hlatikhulu Treatment Works	2 289 460	2 456 469
- Siteki – Lomahasha water supply	163 914 904	158 657 556
- Ezulwini – Lobamba Water Supply	21 314 682	22 602 874
- Lukhaba Gravity Mains	3 962 014	4 229 926
- Mankayane Water Supply	9 872 603	10 484 942
- Enhlambeni Water Supply	11 855 001	12 554 681
- Government forex subvention	31 318 452	33 585 681
- Currency ratio subvention – Package 18	52 456 002	55 918 036
- Land transferred from the Government to SWSC	4 183 000	4 388 600
- Raw water for Tex Ray factory	5 532 523	5 891 882
- Sikhuphe Water Supply	80 874 974	84 003 983
- Matsapha Sewer treatment plan relocation	271 177 009	231 177 009
- Hlane Water Supply	25 000 000	25 000 000
- Impilo resevoir	1 091 676	1 157 839

European Union financed project

Siphofaneni, Somntongo and Matsanjeni Water Supply	1 935 501	-
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Swaziland National Housing Board Grants

Makholokholo Project	797 191	860 985
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Swaziland National Trust Commission

Mlawula Workstation	732 340	778 111
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Micro Projects Grants

Nhlambeni Water Supply	611 790	611 790
Makhewu Water Supply	566 604	436 027
Mbikwakhe Water Supply	2 578 658	700 846
Mhlumeni Water Supply	395 867	-

Grant amortisation to statement of comprehensive income (Refer note 1 and 6)

	(13 875 648)	(13 256 847)
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Total deferred grant income

	<u>1 067 094 615</u>	<u>944 630 507</u>
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

CONTINUED

	2015 E	2014 E
17. Borrowings		
Swaziland Government:		
- IBRD loan (note 17.1)	10 823 543	13 228 776
- Excess IBRD loan (note 17.1)	9 870 494	9 876 494
	<u>20 694 037</u>	<u>23 105 270</u>
Nedbank loan (note 17.2)	23 338 336	20 769 230
Standard Bank Vehicle Asset Finance (note 17.3)	15 615 094	2 265 189
Standard Bank loan (17.4)	2 294 299	3 333 328
	<u>61 941 766</u>	<u>49 473 017</u>
Due within one year		
- IBRD Loan	(3 607 852)	(3 607 852)
- Excess IBRD loan	(9 876 494)	(9 876 494)
- Standard Bank Vehicle Asset Finance	(1 267 181)	(1 781 779)
Nedbank loan	(1 823 177)	(2 547 283)
Standard Bank loan	(197 839)	(1 052 339)
	<u>(16 772 543)</u>	<u>(18 865 747)</u>
Total due within one year		
Total due after more than one year	<u>45 169 223</u>	<u>30 607 270</u>

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 E43 294 200 to be used in financing rehabilitation and expansion of water and sewerage services in certain designated urban areas.

The loan is unsecured, bears interest at inflation rate plus 2% per annum and is repayable in semi-annual instalments. The final instalment is due in July 2018.

17.2 Nedbank Loan

The Nedbank Loan relates to a facility of E23 775 808. The purpose of the facility is to meet the Corporation's obligations to procure guarantees for Hawane Gravity pipeline and ancillary works. It bears interest at prime rate less 1.55% per annum, is repayable in monthly instalments over 120 months. Nedbank has a bond over the Corporation's Portion 80 (a portion of portion 61) of Farm 51, Hhohho District (refer to note 7).

17.3 Standard Bank Vehicle Asset Finance

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.

	2015 E	2014 E
Total liability	15 615 094	2 265 189
Less due within 1 year	(4 721 697)	(1 753 833)
	<u>10 893 397</u>	<u>511 356</u>
Due after 12 months but not later than 5 years	10 893 397	511 356
Finance lease liabilities – minimum lease payments		
Not later than 1 year	4 721 697	1 753 833
Later than 1 year and not later than 5 years	11 774 540	638 548
	<u>16 496 237</u>	<u>2 392 381</u>
Future finance charges	(881 143)	(127 192)
Present value of future finance liabilities	<u>15 615 094</u>	<u>2 265 189</u>

The leased assets are included in note 7.

17.4 Standard Bank loan

The Standard Bank loan is for the purchase of land by the Corporation (Lot 237; Matsapha town, District of Manzini). The loan bears interest at prime less 0.5% on the outstanding balance per annum and interest is paid on a monthly basis. The loan is repayable over 60 months, with the first payment made in August 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:

	2015 E	2014 E
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	38 978 859	46 425 301
Deferred tax liabilities:		
- Deferred tax liability to be settled after more than 12 months	(31 150 484)	(27 319 136)
Deferred tax asset (net)	<u>7 828 375</u>	<u>19 106 165</u>

The gross movement on the deferred income tax account is as follows:

	2015 E	2014 E
Beginning of year	19 106 165	35 733 396
Statement of comprehensive income charge (note 5)	(11 277 790)	(16 627 231)
End of year	<u>7 828 375</u>	<u>19 106 165</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

CONTINUED

18. Deferred income tax

//Continued

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:

	Accelerated depreciation E	Provisions E	Tax losses E	Total E
At 31 March 2014	(27 319 136)	6 442 120	39 983 181	19 106 165
Charged to the statement of comprehensive income	(3 831 348)	(80 598)	(7 365 844)	(11 277 790)
At 31 March 2015	(31 150 484)	6 361 522	32 617 337	7 828 375
At 1 April 2013 as restated	(24 228 258)	5 521 196	54 440 458	35 733 396
Charged to the statement of comprehensive income	(3 090 878)	920 924	(14 457 277)	(16 627 231)
At 31 March 2014	(27 319 136)	6 442 120	39 983 181	19 106 165

19. Trade and other payables

	2015 E	2014 E
Trade accounts payable and accruals	31 582 238	15 989 199
Capital projects accruals	47 228 075	26 552 109
Contractors' retention (note 19.1)	1 693 964	1 190 000
Consumer deposits	14 371 560	12 429 451
IBRD loan interest accrual	18 373 421	22 335 659
	<u>113 249 258</u>	<u>78 496 418</u>

19.1 Contractors' retention

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

20. Short term employee benefits

Provision for leave pay

Balance at the beginning of the year	1 522 893	1 813 220
Raised during the year	423 331	-
Utilized during the year	-	(290 324)
Balance at year end	<u>1 946 224</u>	<u>1 522 896</u>

20.1 Provision for leave pay

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

	2015 E	2014 E
21. Notes to the statement of cash flows		
21.1 Cash generated from operations:		
Net profit for the year	56 024 200	70 584 819
Adjustment for items not involving cashflow:		
Grant amortisation	(13 875 648)	(13 256 847)
Depreciation (Refer note 7)	29 385 949	24 728 265
Loss on disposal of property, plant and equipment	1 377 636	467 859
Fair value gains on financial assets	(2 857 675)	(2 859 385)
Interest income	(16 773 522)	(16 794 693)
Interest expense	5 025 486	2 211 666
	<u>58 306 426</u>	<u>65 081 684</u>
Working capital changes:	32 670 277	17 824 986
Increase in inventories	(1 372 345)	(639 354)
(Increase)/decrease in trade and other receivables	(1 133 546)	186 571
Increase/(decrease) in trade and other payables	34 752 840	18 568 093
Increase/(decrease) in provisions	423 328	(290 324)
Cash generated from operations	<u>90 976 703</u>	<u>82 906 670</u>

21.2 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	<u>304 300 750</u>	<u>296 914 214</u>
22. Commitments		
Capital expenditure:		
Contracted	50 901 723	88 736 387
Authorised but not yet contracted	588 326 897	25 000 000
Total future capital expenditure	<u>639 228 620</u>	<u>113 736 387</u>

This expenditure is to be financed with internally generated funds, Government grants, African Development Bank grants and funding from the European Union.

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 Consultants (Pty) Ltd. Membership of the pension plan was optional for the former Public Service Pensions Fund members. As at 31 March 2015:5(2014:7) employees are still covered under the Public Service Pension Fund and 494(2014: 488) employees are members of the Swaziland Water Services Corporation Pension Fund. Claims paid to beneficiaries of the fund during the 2015 financial year amount to E17 210 341. The last actuarial valuation of the Public Service Pension Fund was performed in 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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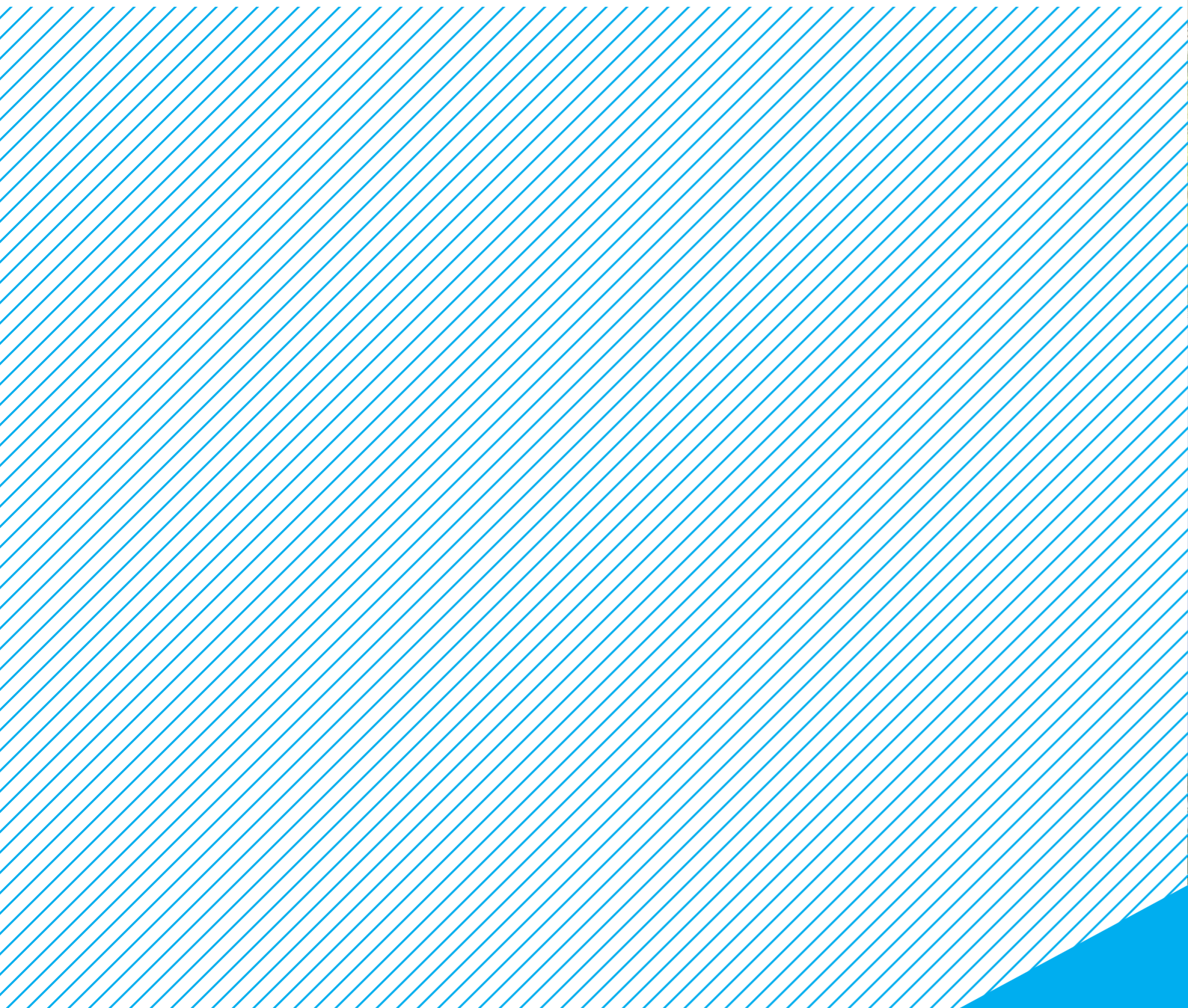
24. Contingent liabilities

There were no contingent liabilities identified during year.

25. Prior period error

The Corporation is owned by the Government of Swaziland. All companies owned by the Government of Swaziland are considered to be related parties as are the directors and key management personnel. The Corporation transacts with other government controlled entities in the normal cause of business. Amounts payable to the Government of Swaziland have been disclosed in note 8, 15 and 16 of these financial statements.

Key management personnel compensation amounted to E3 506 151 for the period ended 31 March 2015. Directors' emoluments for services rendered as directors amount to E293 023.





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ANNUAL REPORT 2015