



2016 ANNUAL REPORT



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**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, Nhlanganano, 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.

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.

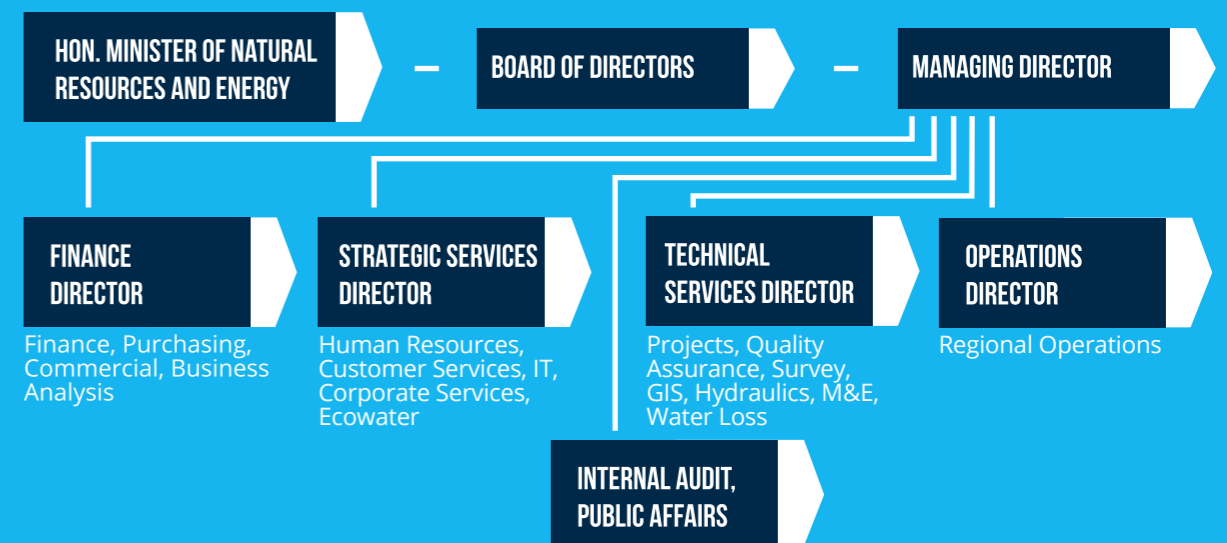
Communication and transparency:

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

OUR
DIFFERENTIATING
SLOGAN

WE DO IT
THROUGH
OUR PEOPLE

ORGANISATIONAL STRUCTURE





CHAIRMAN OF THE BOARD

Benedict N. Xaba

CHAIRMAN'S STATEMENT

The fiscal year 2015/16 has arguably been the most difficult year for the Corporation due to a mix of harsh climatic conditions and a sluggish economic environment. This has inevitably impacted negatively on the performance of the Corporation as guided by the strategy and the performance agreement.

The effect of the drought reached alarming levels this year, drying up water sources and significantly depleting dams to frightening levels. The whole country is deeply affected and the sustainability of water supply is under severe threat. The Corporation is facing major challenges in its areas of supply. The Hawane Dam reached its all time low affecting water supply to Mbabane and surrounding areas. This resulted in the Corporation implementing drought mitigation measures including carrying out water rationing in certain areas. Even the Lusushwana River which is the major source for Matsapha and Manzini and surrounding areas is affected and the situation can only be salvaged by receiving good rains.

The economic environment has not been vibrant enough and Government's fiscal position deteriorated resulting in reduced spending. This inadvertently affected the financing of development projects and the level of trading of companies doing business with Government.

Our mandate is to provide water and sanitation services and that is what we will continue doing even under tough times of constrained resources and uncertainties in the economic, physical, social and political environment. Let us leverage and make the best of our resources to survive and even exceed expectations under the current challenges. We have built a strong brand name which represents goodwill and cumulative efforts over the years. A brand name that represents a strong track record for delivering safe, reliable and quality water, whilst meeting customer expectations. We shall maintain our brand name, tap on our experience and fully explore our potential to carry the Corporation to the next level.

On Capital projects I am gratified to report that the Nhlanguano Water Treatment Plant (Masibini) and the Siphofaneni, Somntongo, Matsanjeni Water Supply (SISOMA) projects were officially commissioned and launched respectively. It was a great pleasure for the Corporation to have His Majesty King Mswati III officially open the Nhlanguano Water Treatment Plant at Masibini on the 15th of September 2015. The project cost around E250 million and has the potential to supply over 100,000 people with potable water. The SISOMA project was launched by His Excellency, the Right Hon. Prime Minister, Dr Sibusiso Barnabas Dlamini on the 10th of August 2015 at Matsanjeni. Construction is in progress and works are expected to be complete by 2017. An estimated 60,000 people are expected to benefit from the project.

We acknowledge that our stakeholders including Government, suppliers, financiers and customers are our strategic partners. The active involvement of such partners is important especially when building commitment for action and implementing frameworks for infrastructure development.

Despite what appears to be a gloomy future outlook, I have confidence that you will all put in your relentless effort to beat all odds so that we sustain or even record a better performance in the future years.

I would like to thank all of you for the commitment and support you have shown to the Corporation and our stakeholders during these tough times. I remain confident that we are now even in a stronger position to tackle the future and its challenges.

B.N. Xaba
Chairman



CHIEF EXECUTIVE OFFICER

Peter N. Bhembe

MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

INTRODUCTION

In the period under review the country was hit by another drought that is more severe compared to the one in 2005/6. In the latter phenomena, rains salvaged the situation such that the Hawane Dam was full at the end of February 2006 and as such was overflowing then. The situation is different now since the current El Nino weather phenomenon engulfing Southern Africa has been dubbed as one of the worst in 50 years. The devastating effects of the drought have affected all pillars of society from health to food availability and security. Water resources have been terrifyingly depleted, resulting in the Corporation effecting measures to prolong the availability of this scarce resource. Projects to augment water supply in deeply affected areas have been implemented whilst water rationing was introduced in Mbabane and surrounding areas.

FINANCIAL OVERVIEW

The Corporation's operating revenue for the year was E295 million (2015: E282.5 million) representing an increase of 4%. The marginal increase is mainly due to the delayed implementation of the tariff which was due in April 2015 but only effected in August 2015 without retrospection. Growth in terms of revenue was stagnant as most capital projects relating to new connections were put on hold due to the drought situation. The current ratio stood at 3.8:1 (2015: 3.1:1). A significant portion of cash resources represent funds reserved for and applied to ongoing capital projects hence the higher ratio. Total assets stood at E1.95 billion. (2015: E1.67 billion). Total projects commissioned amounted to E239 million (2015: E53.4 million).

TARIFF

This year the Corporation implemented a multiyear tariff (MYT) for the years 2016 to 2018 to address the problem of delayed tariff implementation resulting in loss of revenue. The main advantage of an MYT is that it informs medium term budgeting and also adequately prepare the end consumers for up-coming increases. The MYT results in more accurate forecasting and reduces the risk of uncertainty. Such benefits accrue to the industrial consumers in particular especially with regards to budgeting and corporate planning.

CUSTOMERS, BUSINESS AND THE ENVIRONMENT

It is our intention to operate in an environmentally sustainable manner whilst making a positive contribution to economic growth and development and giving back to communities through our corporate social responsibility programme. We shall continue with our social investment in helping young people to acquire the necessary education through our partnership with stakeholders especially the University of Swaziland Foundation.

The Corporation is committed to providing a fair, timely and professional response to customers who register complaints and to acknowledge suggestions and compliments. SWSC provides various channels through which customers may register their complaints, compliments and suggestions. We do understand that a customer complaint is not a just negative feedback, but an integral part in the continual improvement value chain which allows us to be accountable for our operations and activities while we identify ways to improve our service delivery and quality.

In committing to service excellence, the Corporation entered into a service contract with its customers through a customer service charter which has delivery targets. In the last three years since the official launch of the charter, our service delivery has excelled due to the feedback loop embracing complaints, compliments and suggestions.

CAPITAL PROJECTS



Our operations during the year were largely influenced by the prevailing challenges of adverse climatic conditions and a slow moving economy. Despite these setbacks, the implementation of some major and strategic projects continued unabated. Details of these projects are covered under the projects section of this report.

PEOPLE



Our employees play a vital role in creating value for the Corporation. To be prepared for the ever changing operating environment while remaining resilient we continue to train and develop our employees in line with our policies so that we produce a skilled, competent and motivated workforce.

INFORMATION TECHNOLOGY (IT)



The implementation of the Enterprise Asset Management System (EAMS) has been beneficial to the Corporation in terms of business efficiency. Equipment replacement costs have been reduced as more preventative maintenance works is done on plant and equipment. The implementation of EAMS has also seen three asset related systems being decommissioned resulting in cost savings in terms of annual license fees.

SAFETY, HEALTH AND ENVIRONMENT



The Corporation values its employees, customers and all other stakeholders affected by its operations and is committed to their health and safety. SWSC uses a Safety, Health and Environmental (SHE) audit tool to gauge SHE compliance. The results of the SHE audits are continuously logged on a monthly basis and action plans are formulated to address non conforming areas. The Corporation has continued to work closely with relevant stakeholders in addressing environmental impacts arising from its activities. These include the involvement of both affected and interested parties and capital projects planning. The Corporation successfully implemented several training programmes aimed at raising awareness to employees and other stakeholders on SHE risk management.

CHALLENGES FACING THE CORPORATION

The water sector is facing a wide range of huge and complex challenges. SWSC in particular has been affected by the under listed challenges in the course of fulfilling its mandate.

CLIMATIC CONDITIONS



Drought continues to be an adverse condition and the Corporation will continue to mitigate the effects through water rationing and consumer education on water conservation. Alternative measures include the implementation of capital programmes aimed at augmenting water supply in certain areas.

AVAILABILITY OF FUNDING FOR INFRASTRUCTURE DEVELOPMENT



Water infrastructure development projects require huge capital outlays. Even though a project may be economically viable with socio-economic benefits, the financial returns on such projects are usually low and sometimes negative. The payback periods are long and this often result in higher interest payments.

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.

INDUSTRIALISATION, RURAL-URBAN MIGRATION AND SOCIO-ECONOMIC MOBILITY



The effects of industrialisation and socio-economic mobility are putting more strain on an already very scarce resource. It is becoming increasingly difficult to meet water demand for sustainable socio-economic growth and development.

OLD AND AGING INFRASTRUCTURE



Aging infrastructure is the main cause for non-revenue water due to pipe bursts and leaks.

SECURITY OF WATER SUPPLY



Water harvesting and storage is critical for ensuring the security and sustainability of water supply. Strategic storage dams need to be constructed to prolong the supply of water especially during dry seasons.

PROLIFERATION OF BOREHOLES



Proliferation of boreholes in SWSC areas of supply after customer disconnections for non-payment.

OUTLOOK

The African Development Bank (AfDB)

approved grant funding (through the African Water Facility and the Middle Income Country Technical Assistance Fund) to finance the feasibility study for the proposed Mbabane ñ Manzini Corridor Nondvo Dam Project. The services included under this study are (i) an assessment of the water resources availability and existing demands with special emphasis to potable water supply and the optimisation of an appropriate dam infrastructure to harness the available water resources to meet the prevailing water demands at feasibility level, (ii) the preparation of the detailed design of the infrastructure.

The project will be managed by the Department of Water Affairs (DWA) within the Ministry of Natural Resources and Energy and will be implemented over a period of 24 months after contract signature.

ACKNOWLEDGEMENT

The sustainability and security of water supply remains a major concern. The resilience we have shown over the years is a sign that we will continue to meet customer and stakeholder expectations in the foreseeable future. I would like to thank all our stakeholders especially our staff for the commitment and dedication shown through this tough and challenging times. I urge all interested parties to embrace our 2016-2018 strategic plan and look forward to its successful implementation.

P.N. Bhembe
Chief Executive Officer

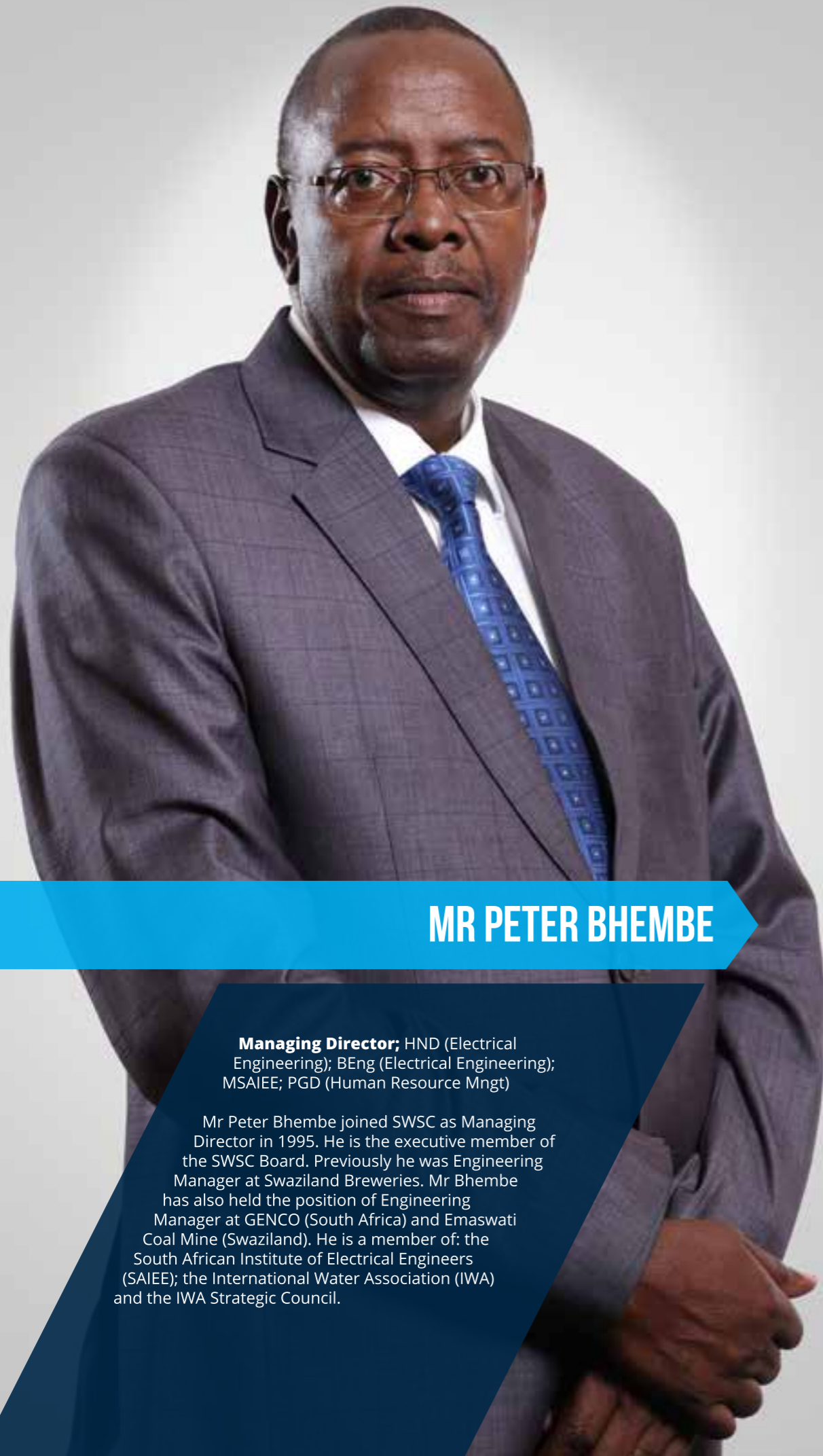
BOARD OF DIRECTORS

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.

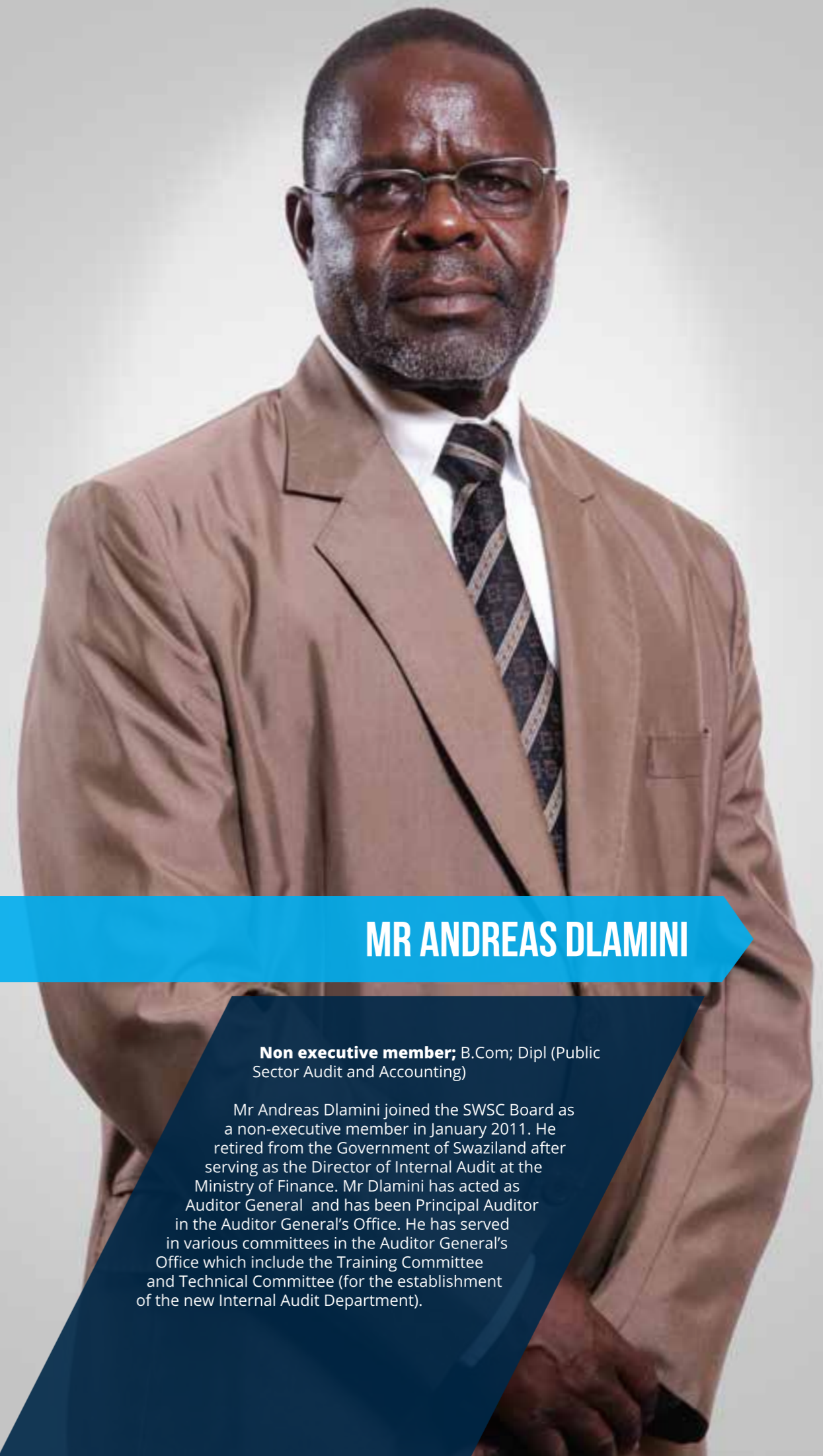




MR PETER BHEMBE

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

Non executive member; 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

Non executive member; 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; MBA



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

SENIOR MANAGEMENT

CONTINUED



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



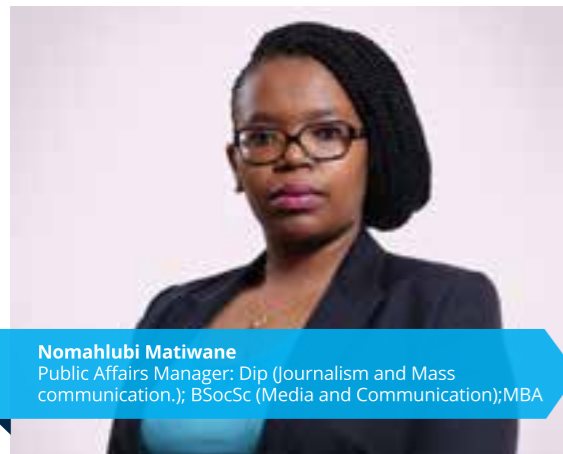
Nhlanhla Dlamini
Production Manager: B.Sc; MBA



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



Siculo 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)

OPERATING ENVIRONMENT

LEGAL AND REGULATORY ENVIRONMENT

SWSC is a public enterprise regulated under the Public Enterprises (Control and Monitoring) Act no.8 of 1989. The supervisory body is the Public Enterprises Unit (PEU) which monitors the business and performance of public enterprises. The PEU is under the Ministry of Finance. SWSC submit performance reports to the PEU on a quarterly basis as required by statute. The portfolio in which SWSC falls under in Government is the Ministry of Natural Resources and Energy (MNRE). SWSC plays an active role in the Government of Swaziland's Vision 2022 Strategy on the part of water and sanitation. Quarterly performance reports on water and sanitation are submitted by SWSC to Government and Parliament through MNRE.

SWSC has a performance agreement with Government and the parties involved are MNRE and the PEU. The Agreement is a control framework for the regular monitoring and controlling of the performance of the Corporation. This control framework seeks to maintain a balance between the major interrelated and interactive variables of:

(1) Quality of Service - to establish the quality of the water services which SWSC will supply to consumers, and the responsiveness of SWSC to customers' requirements;

Costs - to identify the controllable and uncontrollable costs which SWSC must manage;

Performance - to determine what measurable actions which are fundamental to the development of SWSC can be achieved within the period of this contract;

Structure and Return on Capital - to advise the Government on what it should expect as a "return" on its capital and

Price - to determine the tariff rates which may be applied to customers and the subsequent effect on the revenue of SWSC. Key Performance Indicators (KPI's) and targets are defined in the agreement and are reviewed on a quarterly and annual basis.

ECONOMIC AND PHYSICAL ENVIRONMENT

Southern Africa is suffering from the effects of a drought from El Nino. Countries affected include Swaziland, Zimbabwe, Lesotho, Malawi and Mozambique and have all declared national drought disasters and called for urgent international assistance. The region normally receives rain between October and April, but this season rains didn't fall until late February. The drought has had devastating effects on the livelihoods of people especially in rural areas and has not spared livestock and crops. In February 2016, the Government of Swaziland declared a national state of emergency and initiated the National Emergency Response, Mitigation and Adaptation Plan (2016-17).

Swaziland's economic growth is expected to remain below 2% in the medium term due to the persistent drought conditions and the anticipated fiscal challenges. Reduced Government spending has affected the rate of implementation of capital projects which include water and sanitation infrastructure. The dwindling receipts from SACU also impinge on Government's cash flow position and this inevitably has a ripple effect on companies trading or providing a service to Government. For SWSC, the direct effect is on working capital and the debtors book.

VALUE CREATION

The Corporation creates value for itself through revenue receipts from the supply of potable water and the provision of sanitation services and value for others through trade and social relationships. The provision of water and sanitation affects all social and economic sectors and supports economic development and growth whilst improving the quality of life and promoting a cleaner environment. The Corporation's main stakeholders include Government (shareholder); Suppliers; Customers; Financiers (e.g commercial banks; multi-lateral development agencies i.e. World Bank and African Development Bank); Corporate Social Responsibility partners (communities and institutions). Value creation for the Corporation and others is summarized in the following table.

SWSC VALUE CREATION FRAMEWORK

VALUE CREATION FOR SWSC

Water and sewer service sales
Stakeholder relations
Business reputation

SHAREHOLDER (GOVERNMENT)

Contribution to National Vision 2022 Strategy
Appropriate return on investment

VALUE CREATION FOR OTHERS

CUSTOMERS

Access to clean water
Proper sewer disposal
Excellent customer service

SUPPLIERS

Trade
Value chain
Strategic partnership

FINANCIERS

Return on capital

HUMAN CAPITAL

Motivated employees
Job security

COMMUNITIES AND ENVIRONMENT

Improved quality of life
Corporate Social Responsibility Programmes
Cleaner environment

ECONOMIC AND SOCIAL ENVIRONMENT

Clean water and proper sanitation services promotes socio-economic development and growth

STRATEGY AND RESOURCE ALLOCATION

As stated in the SWSC's vision, our ultimate objective is to delight customers in the provision of safe drinking water and quality sanitation services. This vision has been translated into short to medium term business objectives. The budget to support the strategy is determined by annual goals under the business score card. The business scorecard framework allows us to measure how our strategic focus areas create value for business and stakeholders particularly and most importantly our customers. This translates into measurable milestones towards the achievement of performance targets under the strategic plan and the performance agreement with Government. The diagram below summarises our strategy framework.

SWSC STRATEGY FRAMEWORK

STRATEGIC OBJECTIVES (FOCUS AREA)

CUSTOMER SERVICE AND QUALITY

Achieving and maintaining world class quality standards, exceeding customer service expectations.

Measures of success

Portable water quality
Effluent quality
KPI's for ISO management systems
Customer service charter

NEW BUSINESS AND GROWTH

Develop business opportunities, supplementing core business revenue and enduring long term sustainability.

Measures of success

Operating revenue
Revenue from advisory services
Revenue from related business

INFRASTRUCTURE AND TECHNOLOGY

Utilizing integrated technology systems to attain business efficiencies.

Measures of success

Automated systems
Online quality monitoring
Automated Meter Reading (AMR) for key accounts

PEOPLE

Develop and retain competent people to meet changing needs for the Corporation and advance vision.

Measures of success

Performance management
Skills audit
Retention
Succession plan

Performance is measured annually using the balanced score card targets as defined by the measures of success. The milestones are then compared with the overall objectives of the strategic plan so that targets that have not been achieved may be carried forward to the following year's scorecard until they are achieved within the strategic plan period.

PERFORMANCE

INTRODUCTION

The Corporation's focus is on continuous improvement and the review of work processes to achieve delivery of superior customer service and improved operational efficiencies. The balanced score card is used to measure annual performance and new targets are pronounced for each year in line with the strategic plan to 2018.

WATER SAFETY PLAN

The first Water Safety Plan (WSP) for the Corporation was implemented in the Matsapha water supply system. The implementation of this project helped to identify and rate all the risks associated with the system. This in turn informs stakeholders on areas that require attention in order to ensure that the system is able to meet current and future demand by addressing the risks. The organization will continue to implement WSPs at other supply systems to improve water supply risk management countrywide.

MONITORING PROGRAM

SWSC's monitoring program currently covers 212 sampling points which represents a 3.4% increase compared to the previous year (205 sampling points). The additional points are due to the incorporation of extra points for the Simunye water supply system, drought mitigation systems extension, trade effluent monitoring program etc. The sampling points are distributed as follows:

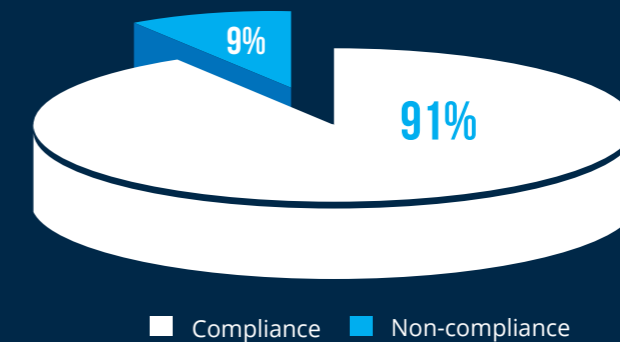
- Raw water: 27
- Treated Water: 27
- Distribution water: 78
- Waste water: 48
- River monitoring (upstream & downstream wastewater plant): 20
- Trade Effluent: 12

The commissioning of the new Nhlanguano Water Treatment Plant (WTP) and extension of the Ngwenya potable water distribution network resulted in the addition of extra sampling points to the existing ones and it is anticipated that the continuing extension of the Nhlanguano network towards Mahamba will add more sampling points in the near future. In addition and in the light of the prevailing drought situation, the Corporation has had to source water from the Mbabane River to augment the Mbuluzi River source resulting in an increase in the number of sampling points. The new plant (Mbabane) sampling point includes the new STBC Reservoir and Mbabane Police Station. The Mpolonjeni Inkhundla (Siteki) sampling point was added to the Simunye water supply system.

POTABLE WATER

The overall microbiological and physico-chemical compliance for potable water based on WHO Guidelines for Drinking Water (2011) was 91%, which reflects a 1.3% improvement compared to 2014/15. Overall, the compliance fell short by 8.6% to the expected target of 100% hence more effort is required in process monitoring, optimization and plant upgrades in order to ensure that SWSC's plants continuously produce water that meet standards. The commissioning of the new Nhlanguano WTP, improved process monitoring at some plants and the water safety plan implemented in Matsapha on process improvements are some of the reasons for the observed product quality compliance improvement. It is envisaged that the completion of the process upgrade at Simunye WTP will also help to improve product quality. Disinfection also remains a strategic objective in most of the smaller plants (e.g. Sithobela & Lubuli, Mananga, etc.) which still apply chlorine by drip-feeding.

Figure 1: SWSC Drinking Water Compliance - Treatment Plants

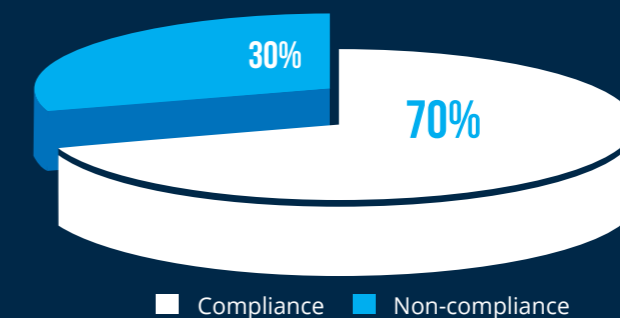


WASTEWATER & TRADE EFFLUENT

The Environment Management Act of 2002, requires the Corporation to monitor its effluent and fully comply with the regulations. Therefore, discharges emanating from SWSC's wastewater treatment plants (WWTPs) are monitored on a regular basis to evaluate compliance with the Swaziland Environment Authority's Water Pollution Control Regulations of 2010. A total of 820 wastewater samples were collected and analyzed during 2015-16, and the total number of tests conducted thereof was 25, 877 which reflects a 11.4% and 2.8% decline respectively when compared to the previous year. The decline is attributed to low inflows at Vuvulane WWTP and the closure of some firms in the Matsapha industrial estate. Tests done on wastewater samples are as per Schedule 2 of the Water Pollution Control Regulations (2010) and these include physical-chemical, organic pollutants, trace metals and microbiological determinants.

Effluent improved to 69.6% which shows a 7.4% increase compared to the previous year (62.2%). The significant improvement is resultant from awareness sessions conducted for treatment plant staff, process optimizations, maintenance activities on plants such as desludging of ponds and improved management of industrial effluent through the SWSC-Industry meetings.

Figure 2: SWSC WWTP Effluent Quality Compliance



PERFORMANCE

CONTINUED

WATER LOSS MANAGEMENT

Non Revenue Water (NRW) stood at 28% for the year to March 2016. The increase in NRW was affected by the commissioning of the Logoba Reservoir due an initial increase in pressure resulting in water losses. The pressure management has since been addressed and an improvement is expected in the next financial year. An initiative was also carried out to stop all reservoir overflows, by the installation of ball float valves at reservoirs which were found to be overflowing in the Central and North West regions. Pipe replacement was completed in limited areas of the Central region, North West region and East region for sections of pipeline from which the Corporation was losing over 5 000 m³ per month due to leakages. These were mainly pipelines which were of lower class material inherited by the Corporation and from systems.

The speed of pipe repairs improved in the third quarter by the restoration of the AMR (automatic meter reading) system. The system was affected in the second quarter due to problems with the carrier system from the mobile service provider. The system assists in the early detection of pipe leakages, pipe bursts and stopped meters.

GEOGRAPHIC INFORMATION SYSTEMS

During the year under review the Corporation successfully integrated the newly implemented Enterprise Asset Management System (Maximo) and the Geographic Information System (GIS) under the EsriGeodatabase Project. The project involved the upgrading of the existing GIS and the improvement of data integrity and reliability. All missing segments were identified and data obtained from different formats was converted to one common and usable GIS format.

As a result of this project, the spatial visualisation of assets in the new Enterprise Asset Management System is now possible. This ability to give a visual presentation/ interpretation of the location of the Corporation's assets is valuable to non-technical employees, particularly those in the commercial and customer service departments.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY MANAGEMENT SYSTEMS

In its endeavour to implement and continually improve its SHEQ management systems, the Corporation has developed Key Performance Indicators (KPIs) for all its management systems. These KPIs are quantitative and qualitative measures that will be used to review the Corporation's progress against its SHEQ goals. The KPIs are broken down and set as targets for achievement by departments and individuals. The achievement of these targets will be reviewed during the management review meetings and other available forums.

This year, the Corporation achieved another milestone by expanding its ISO 14001 and OHSAS 18001 certification scope to cover the headoffice. The aim of these two standards is to safeguard both the environment and safety of employees within the workplace. The Headoffice will now play a more central and supportive role to the already certified sites. The Corporation also invested on emergency preparedness infrastructure for three of its ISO certified plants (Simunye, Woodlands and Matsapha Potable Water Treatment Plants). This infrastructure will play a very significant role in fire detection, chlorine leakage detection and other emergencies that may occur at the plants. Overall, the Corporation is starting to realise the value of implementing the ISO standards through reduced incidents, better management of environmental impacts and improved employee performance.

ALTERNATIVE ENERGY

Energy is one of the highest cost drivers of the Corporation's operations. The Corporation is exploring ways to reduce energy costs. One option currently being implemented is the use of solar energy for lighting purposes. A pilot project on solar lighting installations has been carried out at the Matsapha Potable Water Treatment Plant, Matsapha Regional Offices and Matsapha Raw Water Pump Station. The performance of the system installed is being monitored with a view to rolling it out to other sites.

SURVEY ENGINEERING

The Survey office scrutinised 243 Building applications from the Ministry of Housing and Urban Development; 60 from Matsapha Town Board and 290 from the Mbabane Municipality. Pipeline and property encroachment investigations were done for nine (9) areas and proposed corrections to the network were done. Network relocations were surveyed for both water and sewer systems and works facilitated for Mvangati Road, Pine Valley Road, Public Service Pension Fund Hotel and Sikhuphe SWACAA Village projects to name but a few.

Water and sewer extension estimates were produced for the following areas: Hlane, Lubulini, Manyeveni, Mbangweni, Mhlabuyadvuma, Mzika, Nginamadolo, Njojane, Nsongweni, Nsulutane, Sibovini, Siteki CBD Sewer, Vusweni, and Zheng Yong.

Works to de-silt the Hawane dam was carried out with the assistance of the Government of Swaziland. A total volume of 30,000m³ of silt was removed from the dam. Emergency survey works were also undertaken for augmenting water supply to Mbabane due to the drought. The works include the Mbabane - Pholinjane river and the Lumphohlo dam project.

Ongoing survey works cover the SISOMA project and the Ezulwini sewer project.

PROJECTS

In line with the Corporation's strategic plan and the Government of Swaziland's Vision 2022 programme of action, water and sanitation projects continued to be implemented to increase access to safe drinking water and proper sanitation. Below is a summary of the status of some of the projects undertaken during the reporting period.

SIPHOFANENI, SOMNTONGO AND MATSANJENI WATER SUPPLY SCHEMES

Construction of Siphofaneni, Somntongo and Matsanjeni water supply schemes.

COST: Euros 19 Million
FINANCED BY: European Union
STATUS: The project is ongoing and works are 40% complete.
EXPECTED DATE OF COMPLETION: December 2017

NHLANGANO WATER TREATMENT PLANT

Construction of the Nhlanguano water treatment plant.

COST: E180 Million
FINANCED BY: Swaziland Government
STATUS: The water treatment has been commissioned and is now operational, save for the sludge handling unit.
EXPECTED DATE OF COMPLETION: 2016

LOMAHASHA WATER SUPPLY

Construction of Lomahasha Water supply.

COST: Estimated to be above E200 Million
FINANCED BY: Project sponsors are GIZ, SADCC and Swaziland Government (contribution of E15 Million). Project finance to be sourced from DBSA.
STATUS: The feasibility study reports (including designs) have been completed and the application for funding from the SADC/GIZ Fund for rural water supply is being considered by GIZ.
EXPECTED DATE OF COMPLETION: To be known once the application for funding has been approved.

HLANE WATER SUPPLY

Construction of pipeline and reservoir to supply Hlane.

COST: E25 Million
FINANCED BY: Swaziland Government
EXPECTED DATE OF COMPLETION: The pipeline is complete and commissioned and operational. The reservoir was completed in March 2016.

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 connected to an outfall sewer that runs from Ezulwini to the Matsapha waste water treatment plant.

COST: USD 27 Million
FINANCED BY: African Development Bank/Swaziland Government
STATUS: The Ezulwini Sewerage System is at 55% completion. The Drinking water system is at final design stage.
EXPECTED DATE OF COMPLETION: December 2018

MATSAPHA SEWER TREATMENT PLANT

Construction of Matsapha sewer treatment plant and decommissioning of the existing ponds system.

COST: E140 Million
FINANCED BY: Swaziland Government
STATUS: The civil works are complete and the mechanical works are 90% complete with the clarifier bridge being the dominant outstanding component. The electrical component is approximately 5% complete with major work being the design of the electrical and instrumentation works. Only one Motor Control Center (MCC) of the five MCC's has been ordered and this presents a completion risk to the overall works.
EXPECTED DATE OF COMPLETION: November 2016

NHLANGANO SEWER TREATMENT PLANT

Construction of the new sewer treatment plant for Nhlanguano Town.

COST: Estimated at E160 Million
FINANCED BY: Swaziland Government
STATUS: The tender period has closed and the next stage is the appointment of the civil works contractor after conducting the respective due diligence process.
EXPECTED DATE OF COMPLETION: October 2016

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
FINANCED BY: SWSC
STATUS: The commission phase of the pipeline has been halted due to the need to conserve the scarce raw water resources in light of the current drought.
EXPECTED DATE OF COMPLETION: 15 June 2016

NGWANE PARK SEWERAGE RETICULATION

The project scope includes the construction of a sewerage reticulation in the Ngwane Park area. The works are being funded by the Corporation and a phased approach has been adopted due to financial constraints. Due to the need to conserve funds in the face of the current drought, the project has been rescope and about 25% of the works had been completed at the end of the reporting period.

COST: E2.5 Million
FINANCED BY: SWSC

MATSETSA WATER SUPPLY

Construction of water reticulation extension for Matsetsa.

COST: E500 000
FINANCED BY: SWSC and Micro-projects. Community contributing labour.
STATUS: 37% complete
EXPECTED DATE OF COMPLETION: October 2016

MHLUMENI WATER SUPPLY

Construction of pipeline to supply Mhlumeni.

COST: E1 million
FINANCED BY: SWSC and Micro-projects. Community contributing labour.
STATUS: 97% complete
EXPECTED DATE OF COMPLETION: September 2016

NHLAMBENI WATER SUPPLY

Construction of water reticulation extension for Nhlambeni.

COST: E1.7 million
FINANCED BY: SWSC and Micro-projects
STATUS: 80% complete
EXPECTED DATE OF COMPLETION: October 2016

MABOVINI WATER SUPPLY

Construction of water reticulation extension for Mabovini.

COST: E1.2 million
FINANCED BY: SWSC and Micro-projects
EXPECTED DATE OF COMPLETION: October 2016

MPOLONJENI WATER SUPPLY (SITEKI)

Construction of water reticulation extension for Mpolonjeni.

COST: E1.2 million
FINANCED BY: SWSC and World Vision
STATUS: Ongoing.
EXPECTED DATE OF COMPLETION: Further connections envisaged

PROJECTS

CONTINUED

ISSUES FOR CONSIDERATION IN THE MEDIUM TO LONG TERM

The current dry weather conditions threatening the country has resulted in very low water levels, poor harvest, deteriorated livestock and nutrition conditions causing greater humanitarian needs. The situation is further exacerbated by other factors such as population growth and industrialization which put more pressure on the already limited water resource. To sustain security and reliability of water supply, water infrastructure needs to be developed/upgraded to reduce poverty and support economic development. 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

Given the prevailing climatic conditions and unpredictable hydrological cycles, the need to have the proposed Nondvo dam is no longer an option. The grant funding from AfDB for the dam feasibility study is a positive step towards the project. The security and sustainability of water supply in the Mbabane – Manzini corridor and surrounding areas will be significantly enhanced.

SIDVOKODVO – NHLAMBENI WATER SUPPLY

The planned development between Sidvokodvo and Nhlambeni requires an extension of the Matsapha/Manzini water infrastructure. Developments in the pipeline include an industrial park at Sidvokodvo and a residential housing project by the National Housing Board in the area of Mhobodleni between the Nazarene reservoir and the Nhlangano Road. These areas

will need water and a pipeline will need to be constructed from the Matsapha reservoir to follow the Nhlangano road past Nhlambeni up to Sidvokodvo, a distance of about 20km.

The project scope would include design and construction works whose total costs are estimated at about E60 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 following work components also need to be undertaken to improve the capacity of the system:

Raw water intake works

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

Matsapha Treatment Plant extensions

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

Treated Water Pump Station

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

Duplicate pipeline 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.

The total cost for this project is estimated at **E400 million.**

CORPORATE SUSTAINABILITY REPORT



PEOPLE

Enforcing mutual beneficial relationships with employees, customers and the community is part of our business. We support cultural, educational and environmental programs and initiatives that meet stakeholder needs and benefit society. We treat our employees and the communities we operate in with fairness and respect. Human capital is a key factor in our business as our slogan goes "we do it through our people". Attracting and retaining competent people with the right talent adds value to SWSC by enhancing business reputation and brand recognition. Our partnership with social institutions such as the UNISWA foundation will continue to change many lives of the previously disadvantaged populace of Swazi people.

PROFIT

The Corporation thrives to contribute to the prosperity of our employees, stakeholders and customers. Our activities, interactions and relationships with stakeholders maximize value for all. Making a difference in the communities we operate in enables us to create a better world for tomorrow. The quality of the Corporation's services and its advancement to technology is what has made us sustainable in the last 20 years. We have gained recognition for excellence from a number of African Utilities who have also taken time to visit on a fact finding and learning mission. Our service, business model and quality standards have been used as a benchmark by other utilities in the region. We are extremely proud of our employees and the support from our customers and stakeholders.

PLANET

The Corporation recognizes the importance of preserving and protecting the natural environment. Our 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. Designing sustainable infrastructure, operating plants efficiently, reducing energy usage, minimizing water losses and reducing waste contribute to effective environmental sustainability. Our philosophy is to continuously explore ways to minimize environmental degradation by reducing, reusing or recycling the natural resources we consume.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Swaziland Water Services Corporation (SWSC) is a public enterprise mandated by the Water Services Corporation Act No. 12 of 1992 to provide water and sanitation services in urban and peri-urban areas. The Corporation's participation in the country's social and development agendas has resulted in the water and sanitation services being extended to areas outside the designated urban and peri-urban boundaries. SWSC is regulated by the Government of Swaziland through the Ministry of Natural Resources and Energy (MNRE) and the Public Enterprises Unit (PEU) under the Ministry of Finance. The Corporation is committed to complying with best practice in Corporate Governance as prescribed by King III and other international codes of conduct. SWSC fully complies with the requirements of the Public Enterprises (Control and Monitoring) Act No. 8 of 1989 and the Water Services Act No. 12 of 1992. The Board is conscious that there are continuous changes in the political, economic, social, technological and legal environments which may cause corporate governance practices to evolve and therefore undertakes to respond accordingly to such changes.

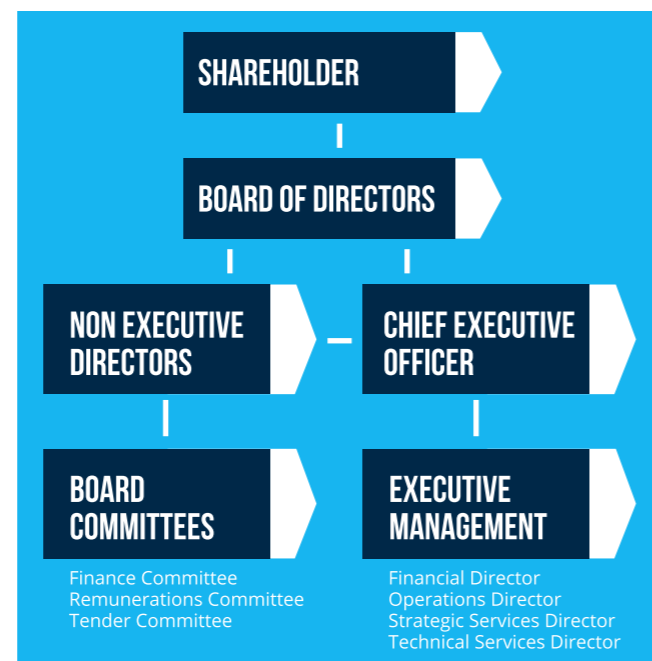
THE ROLES AND RESPONSIBILITIES OF THE BOARD

The Board has adopted a formal Board Charter that sets out its roles and responsibilities. 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. The diagram below depicts a summary of the Corporation's governance framework.

SWSC CORPORATE GOVERNANCE FRAMEWORK



BOARD APPOINTMENT AND TERM OF OFFICE

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

STRUCTURE AND OPERATION OF THE BOARD

The Corporation has nine Board members as prescribed by both the Public Enterprises (Control and Monitoring) Act No.8 of 1989 and the Water Services Corporation Act No.12 of 1992. 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 CEO and/or Board Chairman.

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.

BOARD MEETING ATTENDANCE

The Board held three scheduled meetings during the year and additional meetings were held as and when required. The table below shows the number of scheduled meetings attended by each member of the Board for the year ended 31 March 2016.

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. 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 31 January 2016

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 COMMITTEES

To carry out its duties effectively, the Board operates 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.

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.

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.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

ENVIRONMENT, HEALTH AND SAFETY

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

BUSINESS ETHICS AND TRANSPARENCY

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

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

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.

WE CARE

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.

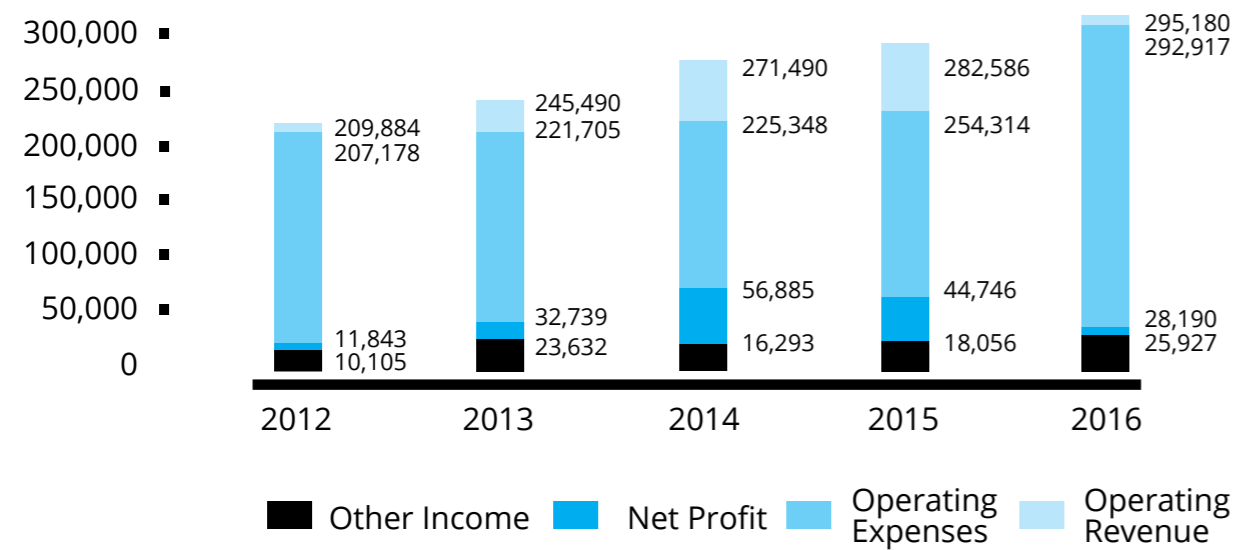
SWSC undertakes to contribute to the communities' quality of life by supporting innovative programs in health, HIV/AIDS, education, social services and the environment, as well as youth, cultural and civic projects.

SWSC will strive to provide employment and economic opportunities in communities within its operating environment.

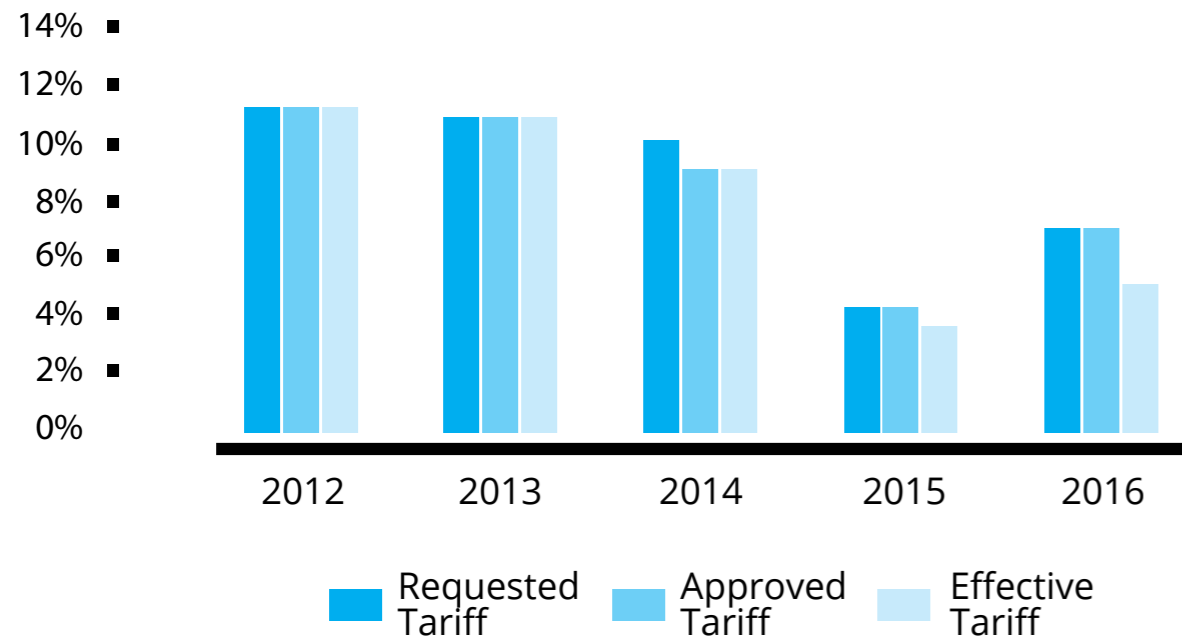


FINANCIAL AND OPERATING STATISTICS

FIVE YEAR PERFORMANCE AT A GLANCE (E000)

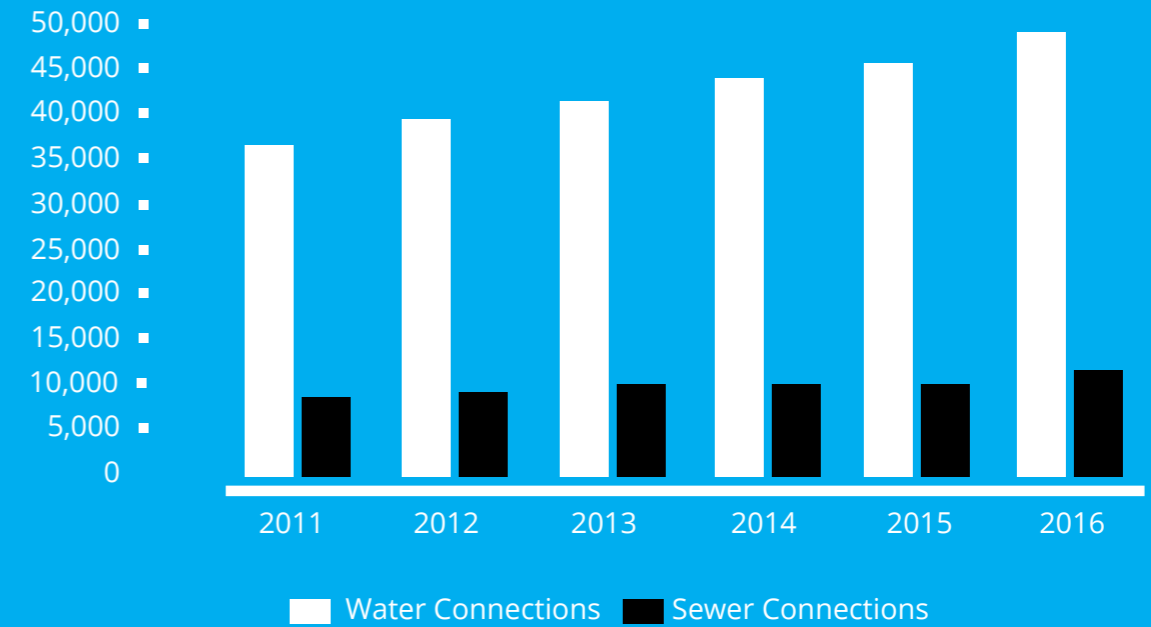


APPROVED AND EFFECTIVE TARIFFS (PERCENTAGE)



* The effective tariff takes into account lost revenue due to delayed tariff approval / implementation.

NUMBER OF CONNECTIONS



NUMBER OF CONNECTIONS AND WATER CONSUMPTION

	2012	2013	2014	2015	2016
Water connections	38,923	40,540	42,784	45,578	49,494
Sewer connections	9,453	9,710	9,908	9,948	10,845
Total water consumption (m ³)	12,885,000	13,228,000	13,805,111	14,190,834	13,748,179

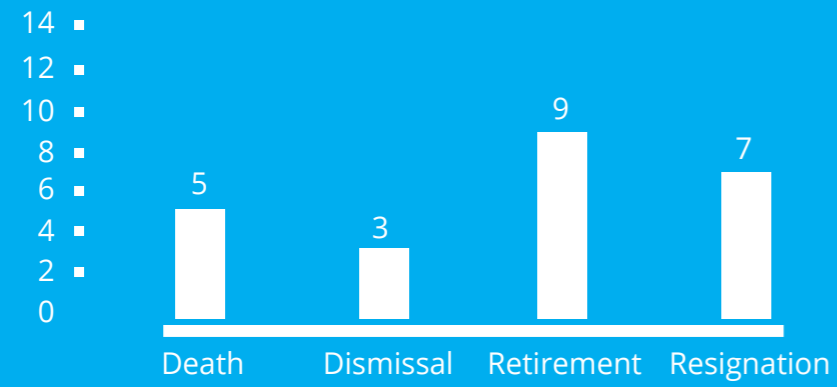
* Inactive connections were removed from the system in 2011 hence the decline in no. of connections

EMPLOYEE PRODUCTIVITY

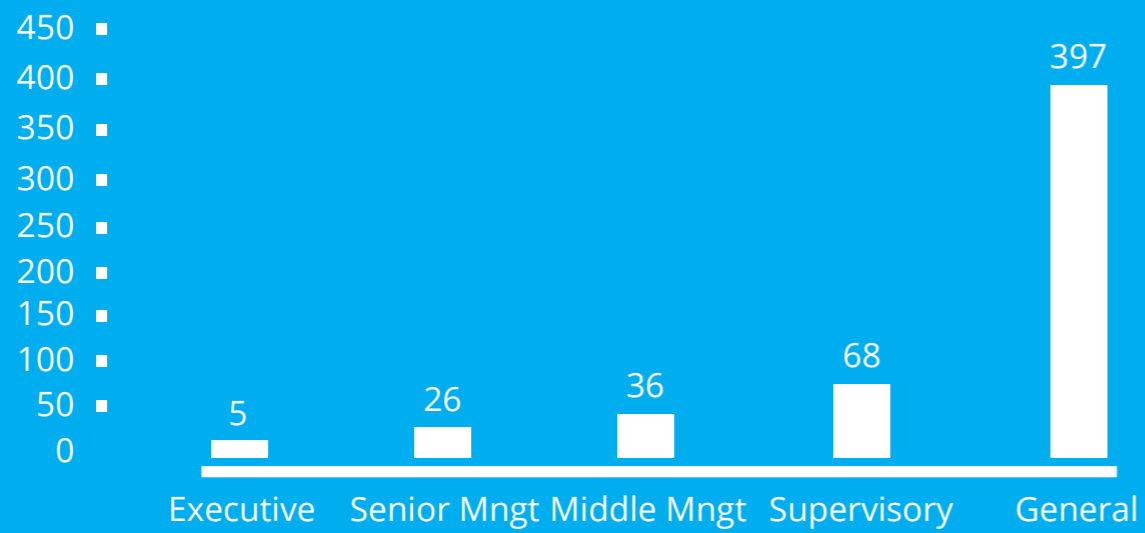
	2012	2013	2014	2015	2016
Number of employees	495	492	536	525	532
Sales turnover per employee (E000)	424	499	507	538	555
Net profit per employee (E000)	20	67	106	85	52
Average cost per employee (E000)	419	450	420	484	550
Employees per 1000 connections	13	12	12	12	11

STAFF COMPLEMENT AND TURNOVER AS AT 31 MARCH 2016

STAFF TURNOVER

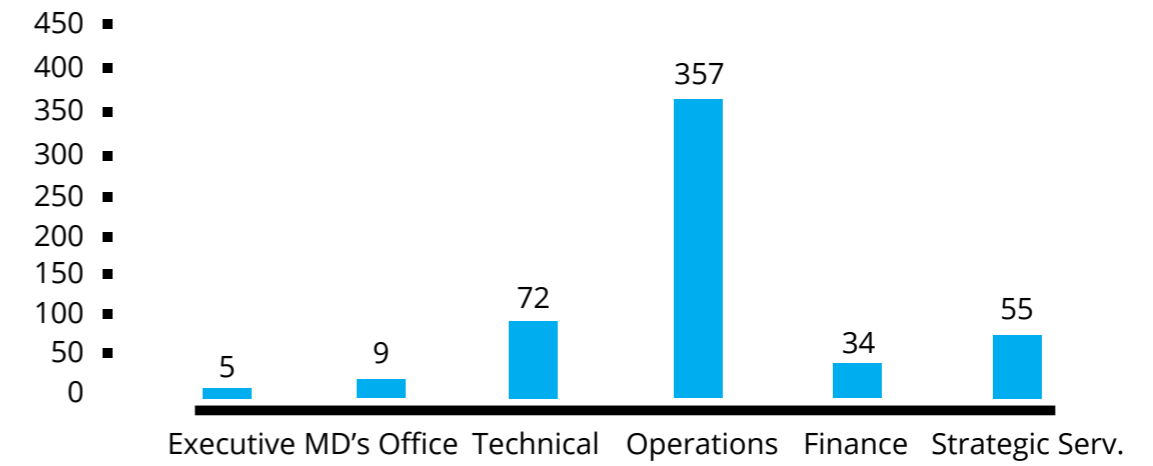


STAFF COMPLEMENT BY STRUCTURE

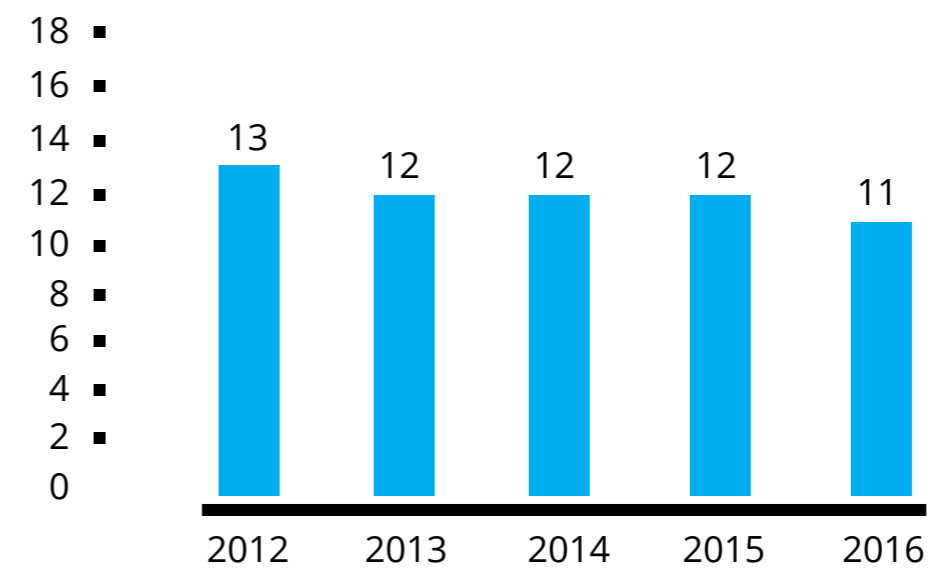


STAFF COMPLEMENT AND TURNOVER AS AT 31 MARCH 2016

STAFF COMPLEMENT BY FUNCTION



EMPLOYEES PER 1000 CONNECTIONS





FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2016



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62 Summary Of Significant Accounting Policies

70 Notes To The Financial Statements

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 2016, 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 28 June 2016 and are signed on its behalf by:



DIRECTOR



DIRECTOR

INDEPENDENT AUDITORS' REPORT

DIRECTORS' 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 2016, 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

The directors present their report, which forms part of the audited financial statements of the Corporation for the year ended 31 March 2016.

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:

	2016 E'000	2015 E'000
Financial position		
Total assets	1 957 394	1 673 004
Total liabilities	1 500 431	1 244 232
Operating results		
Revenue	295 180	282 587
Profit for the year	28 190	44 746

Directors

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

B N Xaba	(Chairman)
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	(Resigned, 31 January 2016)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 E	2015 E
Revenue	2	295 180 227	282 586 706
Cost of sales		(78 802 642)	(72 032 420)
Gross profit		216 377 585	210 554 289
Other income	6	18 896 097	18 056 555
Operating expenses		(214 114 143)	(184 334 680)
Results from operating activities		21 159 539	44 276 164
Finance income	3	18 364 952	16 773 522
Finance cost	3	(5 624 899)	(5 025 486)
Finance income – net		12 740 053	11 748 036
Profit before income tax	1	33 899 592	56 024 200
Income tax expense	5	(5 709 447)	(11 277 790)
Profit after tax		28 190 145	44 746 410

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

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.

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2016

	Notes E	2016 E	2015
Assets			
Non-current assets			
Property, plant and equipment	7	1 431 744 348	1 251 272 606
Deferred income tax asset	18	2 118 928	7 828 375
Available for sale financial assets	10	16 511 193	3 183 902
		<u>1 450 374 469</u>	<u>1 262 284 883</u>
Current assets			
Inventories	12	6 380 972	6 711 118
Trade and other receivables	13	149 796 546	78 699 825
Financial assets at fair value through profit and loss	11	84 945 190	21 007 777
Cash and cash equivalents	14	265 896 488	304 300 750
		<u>507 019 196</u>	<u>410 719 470</u>
Total assets		<u><u>1 957 393 665</u></u>	<u><u>1 673 004 353</u></u>
Equity			
Capital and reserves			
Swaziland Government Interest	15	30 222 580	30 222 580
Retained earnings		426 740 055	398 549 910
		<u>456 962 635</u>	<u>428 772 490</u>
Liabilities			
Non-current liabilities			
Deferred grant income	16	1 314 613 351	1 067 094 615
Borrowings	17	52 575 095	45 169 223
		<u>1 367 188 446</u>	<u>1 112 263 838</u>
Current liabilities			
Trade and other payables	19	108 669 454	113 249 258
Borrowings	17	21 835 415	16 772 543
Short term employee benefits	20	2 737 715	1 946 224
		<u>133 242 584</u>	<u>131 968 025</u>
Total liabilities		<u><u>1 500 431 030</u></u>	<u><u>1 244 231 863</u></u>
Total equity and liabilities		<u><u>1 957 393 665</u></u>	<u><u>1 673 004 353</u></u>

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Swaziland Government Interest E	Retained earnings E	Total E
Balance at 1 April 2015	30 222 580	398 549 910	428 772 490
Comprehensive income for the year	-	28 190 145	28 190 145
Balance at 31 March 2016	<u>30 222 580</u>	<u>426 740 055</u>	<u>456 962 635</u>
Balance at 1 April 2014	30 222 580	353 803 500	384 026 080
Comprehensive income for the year as restated	-	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>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 E	2015 E
Cash flows from operating activities			
Cash generated from operations	21.1	(32 589 977)	93 834 378
Interest received		18 364 952	16 773 522
Interest paid		(5 624 899)	(5 025 486)
Net cashflows from operating activities		<u>(19 849 924)</u>	<u>105 582 414</u>
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		937 750	2 164 366
Acquisition of property, plant and equipment	7	(216 508 747)	(246 241 013)
Increase in available for sale financial assets		(13 327 291)	(70 061)
Increase in financial assets at fair value through profit and loss		(63 937 413)	(2 857 675)
Net cash utilised in investing activities		<u>(292 835 701)</u>	<u>(247 004 383)</u>
Cash flows from financing activities			
Increase in long term borrowings		22 915 436	15 919 011
Repayments of long term borrowings		(10 446 692)	(3 450 262)
Swaziland Government capital grant received		261 812 619	136 339 756
Net cash flows from financing activities		<u>274 281 363</u>	<u>148 808 505</u>
Net increase in cash and cash equivalents		(38 404 262)	7 386 536
Cash and cash equivalents at beginning of the year		<u>304 300 750</u>	<u>296 914 214</u>
Cash and cash equivalents at the end of the year	21.2	<u><u>265 896 488</u></u>	<u><u>304 300 750</u></u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2016

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 2016, 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
IAS 7	Disclosure amendments 1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses 1 January 2017
IFRS 15	Revenue from contracts with customers 1 January 2018
IFRS 9	Financial Instruments 1 January 2018
IFRS 16	Leases 1 January 2019

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 and 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 2016

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.

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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 2016

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 it 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 2016

	2016 E	2015 E
1. Profit for the year		
The following items have been included in arriving at profit for the year:		
Auditors' remuneration		
- Audit fees	520 000	487 000
Depreciation (Refer note 7)	31 759 657	29 385 949
Amortisation of grant - included in other income (Refer note 6)	(14 293 883)	(13 875 648)
Fees for services		
- Public Enterprise Unit management fees	2 707 787	2 758 893
Directors emoluments		
- For services as directors	284 155	293 023
Loss on disposal of property, plant and equipment	3 339 599	1 377 636
Trade receivables - impairment charge for bad and doubtful debts	1 736 739	748 593
Rentals in respect of operating leases		
- Land and buildings	2 833 901	2 522 522
Repairs and maintenance expenditure		
- Property, plant and equipment	2 612 083	2 459 892
2. Revenue		
Analysis of revenue		
Water charges - commercial and residential customers	195 534 142	193 169 449
Sewer charges	51 606 344	45 184 421
Basic charges	33 663 076	28 254 255
Penalty charges	1 082 769	1 157 978
Miscellaneous water supply services	2 408 401	2 263 815
Connection charges - new customers	2 926 569	2 482 069
Connection charges - reconnected customers	255 852	289 684
Trade effluent charges	7 703 074	9 785 038
	295 180 227	282 586 709

3. Finance income - net

	2016 E	2015 E
Interest income	18 364 952	16 773 522
Interest expense	(5 624 899)	(5 025 486)
	12 740 053	11 748 036

4. Employee benefits expenses

Salaries, wages and allowances	95 639 953	84 833 657
Provident fund contribution	636 100	588 303
Medical aid contribution	4 302 106	3 621 409
Contribution to pension scheme	8 072 141	6 504 287
	108 650 300	95 547 656

5. Income tax expense

	2016 E	2015 E
- Current tax	-	-
- Deferred tax (note 18)	5 709 447	11 277 790
	5 709 447	11 277 790

The tax on the Corporation's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to companies in Swaziland as follows:

Profit before income tax	33 899 592	56 024 200
Tax calculated at statutory tax rate of 27.5% (2015: 27.5%)	9 322 388	15 406 655

Tax effects of:

Expenses not deductible for tax purposes	1 309 519	472 833
Income not subject to tax	(4 922 460)	(4 601 698)

Tax charge

6. Other income

Amortisation of deferred grant income	14 293 883	13 875 648
Swaziland Government	14 074 569	13 820 865
European Union Financial Project	100 067	-
Swaziland National Housing Board Grants	31 897	31 897
Swaziland National Trust Commission	22 886	22 886
Micro Projects	64 464	-
Sales of Ecowater bottled water	908 641	725 068
Rental income	2 833 901	2 522 522
Sundry income	859 672	933 317
	18 896 097	18 056 555

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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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 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
Balance at 1 April 2015									
Balance at 1 April 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
Additions	-	-	-	-	-	-	-	216 508 747	216 508 747
Transfer from WIP	55 738 784	29 907 499	16 104 788	110 376 197	12 151 909	11 407 659	3 394 777	(239 081 613)	-
Disposals	(109 133)	-	-	-	-	(996 817)	(3 307 899)	(3 407 095)	(7 820 944)
Recategorisation	-	(407 121)	(3 430 147)	10 073	3 827 195	-	-	-	-
Balance at 31 March 2016	170 709 810	106 840 029	217 488 228	475 436 320	110 780 524	39 363 628	44 396 804	515 030 458	1 680 045 801
Depreciation and impairment losses									
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
Balance at 1 April 2015									
Balance at 1 April 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
Depreciation for the year	2 567 883	1 727 739	3 517 075	9 917 030	5 533 883	2 550 568	5 945 479	-	31 759 657
Disposals	(108 854)	-	-	-	-	(868 988)	(2 565 754)	-	(3 543 596)
Recategorisation	-	(153 718)	(952 786)	4 290	1 102 214	-	-	-	-
Balance at 31 March 2016	24 254 025	24 500 321	35 291 181	87 249 035	36 912 694	22 108 604	17 985 593	-	248 301 453
Carrying amounts									
At 1 April 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	64 524 823	8 525 762	29 704 058	541 010 419	1 251 272 606
At 31 March 2016	146 455 785	82 339 708	182 197 047	388 187 285	73 867 830	17 255 024	26 411 211	515 030 458	1 431 744 348

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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7. Property, plant and equipment

//Continued

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

	2016 E	2015 E
Cost	20 614 930	22 190 659
Accumulated depreciation	(6 177 959)	(4 186 917)
Net carrying amount	14 436 971	18 003 742

Land and buildings comprise:

	2016 E	2015 E
Portion 79 - Land adjacent to Ezulwini Headquarters	820 000	820 000
Erf No4 – Second street Nhlango	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
Portion 95 (a portion of portion 15) of Farm No 300 - Matsapha	10 046 288	-
Buildings at depreciated cost	121 092 197	77 970 980
	146 455 785	93 288 280

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

	2016 E	2015 E
Fencing	1 127 409	1 235 638
Mains and Reticulation	-	162 362
Motor vehicles	175 950	175 950
Furniture and equipment	4 731 356	4 956 301
Electrical plant and system	110 572	-
Mobile plant	78 496	78 496
	6 223 783	6 608 747

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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8. Capital projects in progress

	2016 E	2015 E
Internal projects (note 8.1)	36 288 419	88 453 463
Government Funded Projects (note 8.2)	313 332 806	452 556 956
European Union funded projects (note 8.3)	67 676 658	-
African Development Bank funded projects (note 8.4)	64 712 156	-
Nedbank/SWSC funded projects (note 8.5)	33 020 419	-
	<u>515 030 458</u>	<u>541 010 419</u>

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

Internal projects

	2016 E	2015 E
Opening net carrying amount	88 453 463	53 662 967
Additions	12 954 347	84 899 056
Commissioned – transfers to property, plant and equipment	(61 712 296)	(49 770 049)
Disposals / derecognised	(3 407 095)	(338 511)
	<u>36 288 419</u>	<u>88 453 463</u>

Government funded projects

	2016 E	2015 E
Opening net carrying amount	452 556 956	294 956 639
Additions	38 145 168	161 341 957
Commissioned - transfers to property, plant and equipment	(177 369 318)	(3 741 640)
	<u>313 332 806</u>	<u>452 556 956</u>

European Union funded projects

	2016 E	2015 E
Opening net carrying amount	-	-
Additions	67 676 658	-
	<u>67 676 658</u>	<u>-</u>

African Development Bank funded projects

	2016 E	2015 E
Opening net carrying amount	-	-
Additions	64 712 156	-
	<u>64 712 156</u>	<u>-</u>

Nedbank loan/SWSC funded projects

	2016 E	2015 E
Opening net carrying amount	-	-
Additions	33 020 419	-
	<u>33 020 419</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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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	Availables for sale E	Total E	Level 1 E	Level 2 E	Level 3 E	Total E
31 March 2016								
Assets as per statement of financial position								
Trade and other receivables	149 796 546	-	-	149 796 546	-	-	-	-
Available for sale financial assets	-	-	16 511 193	16 511 193	-	16 511 193	-	16 511 193
Financial assets at fair value through profit and loss	-	84 945 190	-	84 945 190	84 945 190	-	-	84 945 190
Cash and cash equivalents	265 896 488	-	-	265 896 488	-	-	-	-
	<u>415 693 034</u>	<u>84 945 190</u>	<u>16 511 193</u>	<u>517 149 417</u>	<u>84 945 190</u>	<u>16 511 193</u>	<u>-</u>	<u>101 456 383</u>
Liabilities as per statement of financial position								
Borrowings	74 410 510	-	-	74 410 510	-	74 410 510	-	74 410 510
Trade and other payables	108 669 454	-	-	108 669 454	-	-	-	-
	<u>183 079 964</u>	<u>-</u>	<u>-</u>	<u>183 079 964</u>	<u>-</u>	<u>74 410 510</u>	<u>-</u>	<u>74 410 510</u>
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
Other 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	-	-	-	-
	<u>383 000 575</u>	<u>21 007 777</u>	<u>3 183 902</u>	<u>407 192 254</u>	<u>21 007 777</u>	<u>3 183 902</u>	<u>-</u>	<u>24 191 679</u>
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	-	-	-	-
	<u>175 191 025</u>	<u>-</u>	<u>-</u>	<u>175 191 025</u>	<u>-</u>	<u>61 941 767</u>	<u>-</u>	<u>61 941 767</u>

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:

	2016 E	2015 E
Trade and other receivables	149 796 546	78 699 825
Financial asset at fair value through profit or loss	84 945 190	21 007 777
Available for sale financial assets	16 511 193	3 183 902
Cash and cash equivalents	265 896 488	304 300 750
	<u>517 149 417</u>	<u>407 192 254</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
2016					
Trade and other payables	108 669 454	108 669 454	108 669 454	-	-
2015					
Trade and other payables	113 249 258	113 249 258	113 249 258	-	-

Variable rate instruments

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

	2016 E	2015 E
Cash and cash equivalents	265 896 488	304 300 750
Long term liabilities	(74 410 510)	(45 169 223)

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 2016.

	2016		2015	
	100 bp Decrease	100 bp Increase	100 bp Decrease	100 bp Increase
Variable rate instruments - net	(1 914 860)	1 914 860	(1 047 930)	1 047 930

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:

	2016		2015	
	Carrying amount E	Fair value E	Carrying amount E	Fair value E
Trade and other receivables	149 796 546	149 796 546	78 699 825	78 699 825
Available for sale financial assets	16 511 193	16 511 193	3 183 902	3 183 902
Financial asset at fair value through profit and loss	84 945 190	84 945 190	21 007 777	21 007 777
Cash and cash equivalents	265 896 488	265 896 488	304 300 750	304 300 750
Trade and other payables	(108 669 454)	(108 669 454)	(113 249 258)	(113 249 258)
Borrowings	(74 410 510)	(74 410 510)	(61 941 767)	(61 941 767)
	<u>334 069 453</u>	<u>334 069 453</u>	<u>232 001 229</u>	<u>232 001 229</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.

	2016 E	2015 E
10. Available for sale financial assets		
Nedbank guarantee account	13 250 877	-
Swaziland Building Society Permanent Shares	3 260 316	3 183 902
	<u>16 511 193</u>	<u>3 183 902</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 *	22 318 934	21 007 777
African Alliance - Promissory note 1 **	31 250 000	-
African Alliance - Promissory note 2 ***	31 376 256	-
	<u>84 945 190</u>	<u>21 007 777</u>

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

** The Corporation invested an amount of E30 000 000 with African Alliance. The investment accrues interest of E250 000 per month. The investment will mature in October 2016, a maturity value of E33 000 000 is expected.

*** The Corporation invested an amount of E30 000 000 with African Alliance. The investment accrues interest of E275 251 per month. The investment value on maturity In October 2016 is expected to be E34 954 521.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

CONTINUED

	2016 E	2015 E
12. Inventories		
Chemicals	756 902	757 414
Building materials	46 898	143 233
Petrol and diesel	293 992	357 797
Spares, fittings and pipes	4 994 925	5 150 977
Ecowater	288 255	301 697
	<u>6 380 972</u>	<u>6 711 118</u>

Inventories are stated at the lower of cost and net realisable value.

13. Trade and other receivables

Trade receivables	97 855 003	100 336 916
Less: Allowance for impairment of receivables	(29 853 729)	(28 116 990)
Net trade accounts receivable	<u>68 001 274</u>	<u>72 219 926</u>
Staff receivables	2 831 125	1 983 712
Sundry receivables	2 671 647	4 496 187
UDP and Government grant received in advance	2 801 000	-
Advance payment to Inyatsi	73 491 500	-
Net other receivables	<u>81 795 272</u>	<u>6 479 899</u>
	<u>149 796 546</u>	<u>78 699 825</u>

The ageing for the impairment of trade and other receivables is as follows:

Up to 3 months	-	-
3 to 6 months	-	-
6 to 12 months	-	-
Over 12 months	29 853 729	28 116 990
	<u>29 853 729</u>	<u>28 116 990</u>

Movements in the Corporation's allowance for impairment of trade and other receivables is as follows:

Opening balance	28 116 990	28 865 583
Allowance for receivables impairment raised	14 522 096	12 435 448
Impairment loss recognised/(reversed)	(12 785 357)	(13 184 041)
Closing balance	<u>29 853 729</u>	<u>28 116 990</u>

14. Cash and cash equivalents

Bank balances	197 505 092	142 306 828
Cash on hand	6 195	20 511
Short term bank deposits (note 14.1)	68 385 201	161 973 411

Net cash and cash equivalents	<u>265 896 488</u>	<u>304 300 750</u>
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14.1 Short term bank deposits:

First National Bank (Swaziland) Limited – fixed deposit	-	53 413 499
Nedbank (Swaziland) Limited – fixed deposit	-	33 163 644
Swazi Bank - Fixed deposit	43 322 783	52 031 800
Swaziland Building Society – Gold savings account	3 330 918	3 052 824
Swaziland Building Society – Investment account	21 731 500	20 311 644

	<u>68 385 201</u>	<u>161 973 411</u>
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15. Swaziland Government Interest

Equity contribution from Swaziland Government	<u>30 222 580</u>	<u>30 222 580</u>
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These are amounts advanced to the Corporation by the Swaziland Government which are not expected to be repaid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

CONTINUED

	2016 E	2015 E
16. Deferred grant income		
Swaziland Government:		
-Nhlangano – Water supply and treatment plant	350 217 863	314 093 571
- Urban Development Projects (Packages 6, 7, 8, 10, 18 A & B, and 20)	68 952 395	71 139 356
- Pigg's Peak Dam	3 171 175	3 277 085
- Hlatikhulu Treatment Works	2 205 955	2 289 460
- Siteki – Lomahasha water supply	159 063 591	163 914 904
- Ezulwini – Lobamba Water Supply	20 670 586	21 314 682
- Lukhaba Gravity Mains	3 828 058	3 962 014
- Mankayane Water Supply	9 566 523	9 872 603
- Enhlambeni Water Supply	11 505 161	11 855 001
- Government forex subvention	30 206 636	31 318 452
- Currency ratio subvention – Package 18	50 764 672	52 456 002
- Land transferred from the Government to SWSC	4 080 200	4 183 000
- Raw water for Tex Ray factory	5 359 429	5 532 523
- Sikhuphe Water Supply	94 148 831	80 874 974
- Matsapha Sewer treatment plan relocation	286 177 009	271 177 009
- Hlane Water Supply	24 573 136	25 000 000
- Impilo resevoir	1 058 595	1 091 676
European Union financed project		
Siphofaneni, Somntongo and Matsanjeni Water Supply	108 852 841	1 935 501
Swaziland National Housing Board Grants		
Makholokholo Project	765 295	797 191
Swaziland National Trust Commission		
Mlawula Workstation	709 454	732 340
Micro Projects Grants		
Nhlambeni Water Supply	909 778	611 790
Makhewu Water Supply	566 604	566 604
Mbikwakhe Water Supply	2 514 191	2 578 658
Mhlumeni Water Supply	395 867	395 867
African Development Bank/Swaziland Government financed grant		
Ezulwini Sanitation and Water Supply	74 349 506	-
Grant amortisation to statement of comprehensive income	-	(13 875 648)
Total deferred grant income	<u>1 314 613 351</u>	<u>1 067 094 615</u>

16.1 African Development Bank / Swaziland Government Grant

In 2014, an agreement was entered into between African Development Bank and the Swaziland Government in terms of which the Government was granted a loan of Twenty Three Million and Thirteen thousand United States dollars (USD23 013 000). The Government utilising the proceeds from the loan and its own resources agreed to grant the Corporation funding amounting to Twenty Seven Million, Eight Thousand and Fifty Six United States Dollars (USD27 008 056), being the total cost to finance the Ezulwini sustainable water supply and sanitation service delivery project.

Grant movements are as follows:

	2016 E	2015 E
Opening balance	-	-
Grants received	74 349 506	-
Swaziland Government Received directly from African Development Bank	42 200 000 29 149 506	- -
Capital work in progress incurred and paid	(46 740 802)	-
Total capital expenditure incurred	(64 712 156)	(2 434 273)
Opening balance capital expenditure accrued and not paid	2 434 273	-
Capital expenditure accrued and not paid during the year	15 537 081	2 434 273
Unutilised grant at year end	<u>27 608 704</u>	<u>-</u>

Capital projects financed by the grant were still in progress at 31 March 2016, hence amortisation of the grant had not commenced.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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	2016 E	2015 E
17. Borrowings		
Swaziland Government:		
- IBRD loan (note 17.1)	7 215 691	10 823 543
- Excess IBRD loan (note 17.1)	9 876 494	9 870 494
	<u>17 092 185</u>	<u>20 694 037</u>
Nedbank loan (note 17.2)	21 656 732	23 338 336
Nedbank loan (note 17.3)	21 153 540	-
Standard Bank Vehicle Asset Finance (note 17.4)	13 174 733	15 615 094
Standard Bank loan (17.5)	1 333 320	2 294 299
	<u>74 410 510</u>	<u>61 941 766</u>
Nedbank loan 2	(1 515 371)	-
Due within one year		
IBRD Loan	(2 405 235)	(3 607 852)
Excess IBRD loan	(9 876 494)	(9 876 494)
Standard Bank Vehicle Asset Finance	(5 361 263)	(1 267 181)
Nedbank loan	(1 747 413)	(1 823 177)
Standard Bank loan	(929 639)	(197 839)
	<u>(21 835 415)</u>	<u>(16 772 543)</u>
Total due within one year	<u>(21 835 415)</u>	<u>(16 772 543)</u>
Total due after more than one year	<u>52 575 095</u>	<u>45 169 223</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

This Nedbank loan relates to a facility of E22 915 436. The purpose of the facility is to meet the Corporation's obligation to upgrade Simunye Treatment Plant. It bears an interest of the Swaziland prime rate less 1.55% per annum and is repayable in monthly instalments over 120 months.

17.4 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.

	2016 E	2015 E
Total liability	13 174 733	15 615 094
Less due within 1 year	(5 361 263)	(4 721 697)
	<u>7 813 470</u>	<u>10 893 397</u>
Due after 12 months but not later than 5 years	7 813 470	10 893 397
Finance lease liabilities – minimum lease payments		
Not later than 1 year	5 361 263	4 721 697
Later than 1 year and not later than 5 years	13 230 493	11 774 540
	<u>18 591 756</u>	<u>16 496 237</u>
Future finance charges	(5 417 023)	(881 143)
Present value of future finance liabilities	<u>13 174 733</u>	<u>15 615 094</u>

The leased assets are included in note 7.

17.5 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:

	2016 E	2015 E
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	39 526 976	38 978 859
Deferred tax liabilities:		
- Deferred tax liability to be settled after more than 12 months	(37 408 048)	(31 150 484)
Deferred tax asset (net)	<u>2 118 928</u>	<u>7 828 375</u>

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

Beginning of year	7 828 375	19 106 165
Statement of comprehensive income charge (note 5)	(5 709 447)	(11 277 790)
End of year	<u>2 118 928</u>	<u>7 828 375</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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 2015	(31 150 484)	6 361 522	32 617 337	7 828 375
Charged to the statement of comprehensive income	(6 257 564)	(231 371)	779 488	(5 709 447)
At 31 March 2016	(37 408 048)	6 130 151	33 396 825	2 118 928
At 1 April 2014 as restated	(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

19. Trade and other payables

	2016 E	2015 E
Trade accounts payable and accruals	17 695 646	31 582 238
Capital projects accruals	55 074 208	47 228 075
Contractors' retention (note 19.1)	4 148 064	1 693 964
Consumer deposits	16 341 377	14 371 560
IBRD loan interest accrual	15 410 159	18 373 421
	<u>108 669 454</u>	<u>113 249 258</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	1 946 224	1 522 893
Raised during the year	791 491	423 331
Balance at year end	<u>2 737 715</u>	<u>1 946 224</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.

	2016 E	2015 E
21. Notes to the statement of cash flows		
21.1 Cash generated from operations:		
Net profit for the year	33 899 592	56 024 200
Adjustment for items not involving cashflow:		
Grant amortisation	(14 293 883)	(13 875 648)
Depreciation (Refer note 7)	31 759 657	29 385 949
Loss on disposal of property, plant and equipment	3 339 598	1 377 636
Interest income	(18 364 952)	(16 773 522)
Interest expense	5 624 896	5 025 486
	<u>41 964 911</u>	<u>64 164 101</u>
Working capital changes:	(74 554 888)	32 670 277
Decrease/ (increase) in inventories	330 146	(1 372 345)
(Increase) in trade and other receivables	(71 096 721)	(1 133 546)
(Decrease)/ increase in trade and other payables	(4 579 804)	34 752 840
Increase in provisions	791 491	423 328
Cash (utilised by)/ generated from operations	<u>(32 589 977)</u>	<u>93 834 378</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>265 896 488</u>	<u>304 300 750</u>
22. Commitments		
Capital expenditure:		
Contracted	394 397 070	50 901 723
Authorised but not yet contracted	381 032 677	588 326 897
Total future capital expenditure	<u>775 429 747</u>	<u>639 228 620</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 2016: 5(2015: 5) employees are still covered under the Public Service Pension Fund and 498 (2015: 494) employees are members of the Swaziland Water Services Corporation Pension Fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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24. Contingent liabilities

There were no contingent liabilities identified during year.

25. Related party transactions

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 2016. Directors' emoluments for services rendered as directors amount to E293 023.



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The background features a close-up of water droplets on a light blue surface. A large, dark blue, downward-pointing arrow shape is positioned on the right side of the image. A white horizontal band is located in the middle of the image, containing the text.

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