ANNUAL REPORT 2018

Eswatini Water Services Corporation

SENATOR JABULILE MASHWAMA

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

CONTENTS

INTRODUCTION

WHO WE ARE

Swaziland Water Services Corporation (SWSC) is a body corporate duly established under the Water Services Corporation Act, No. 12 of 1992. The Corporation is a category 'A' Public Enterprise in terms of the Public Enterprise (Control and Monitoring) Act No.8 of 1989 and 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, Nhlangano, Nkoyoyo, Piggs Peak, Siphofaneni, Siteki and Vuvulane. The Corporation has also extended its services of providing water to the following areas:

NORTH WEST

- Ntfonjeni
- Ezulwini
- Mpolonjeni
- Mahangeni
- Nkoyoyo
- Motshane

CENTRAL

- Sithobela
- Nhlambeni
- Kamkhweli
- Mbikwakhe
- Ludzeludze
- Empholi
- Elwandle
- Sidzakeni

SOUTH WEST

- Maseyisini
- Matsanjeni
- Somntongo
- Mabovini
- Siphumelele
- Sibetsamoya

EAST

- Hlane
- Makhewu
- Mhlumeni
- Mayaluka
- Shoba
- Ngcina
- Ndzangu
- Mncitsini
- Ngcamini
- Skhuphe
- Mlindazwe

With regard to the areas of supply 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
- Develop sewer systems for the treatment of wastewater and
- Inspect and advise on the management, collection, production, transmission, treatment, storage, supply and distribution of water.

SOCIAL & 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. Most of the areas in which the Corporation supplies water and sewer services are commercially non-viable but SWSC has a social obligation to reduce the number of people without access to water and proper sanitation in line with the National Development Strategy (NDS), Sustainable Development Goals (SDGs) and Vision 2022.

The Corporation is expected to play a bigger national role in meeting targets for water and sanitation. SWSC's role of extending water supply beyond mandated areas has prompted a political desire to extend the mandate of the Corporation to rural areas to fast track the 100% coverage envisaged in the Vision 2022 Strategy.

WE DO IT THROUGH OUR PEOPLE

OUR DIFFERENTIATING SLOGAN

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"

OUR CORE VALUES

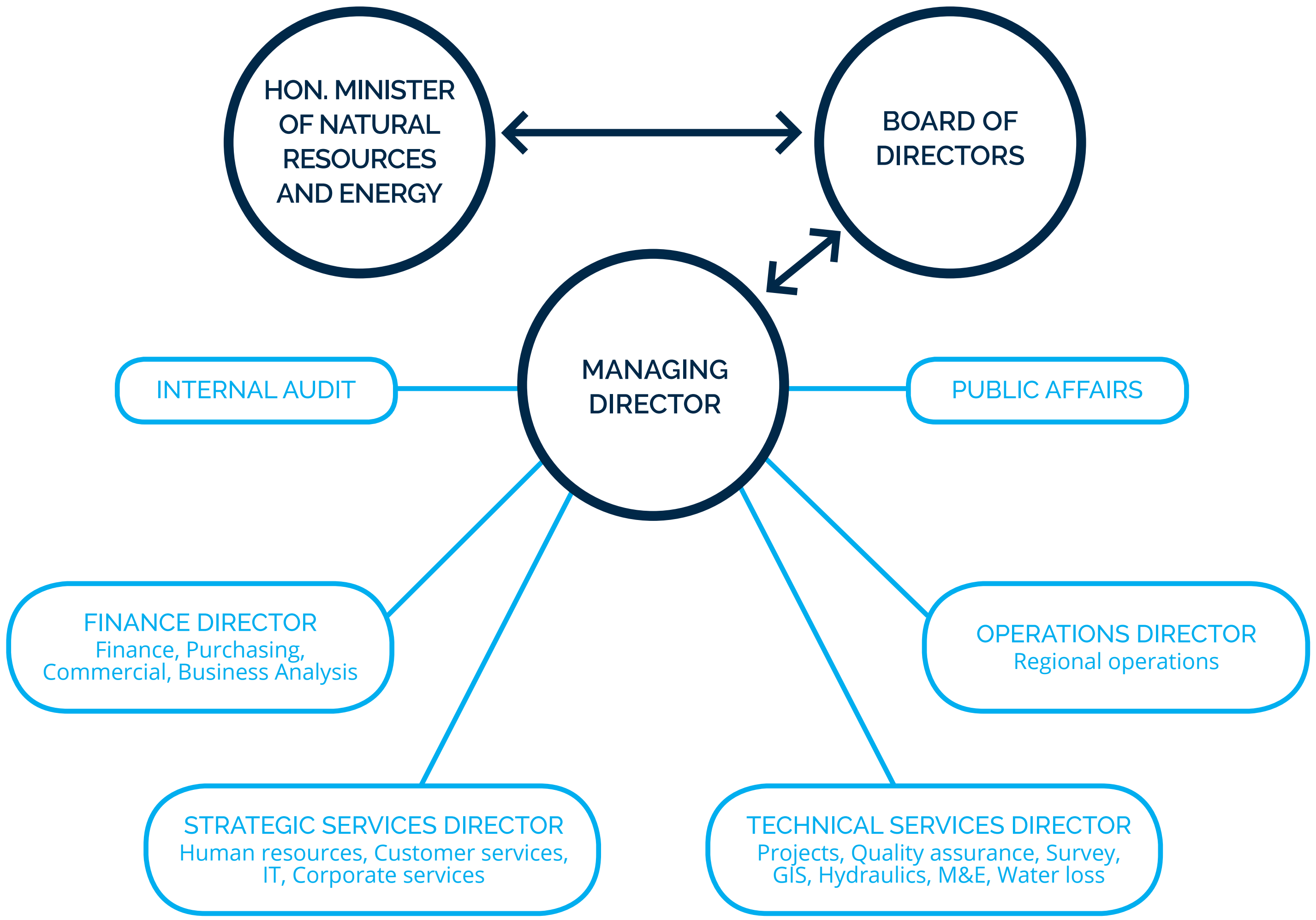
Good Governance:
We ensure that all our actions are morally and legally fair whilst treating all with respect.

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

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

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

GOVERNANCE & ORGANISATIONAL STRUCTURE



CHAIRMAN OF THE BOARD

Benedict N. Xaba

CHAIRMAN'S STATEMENT

Sustainable development and improvement on the quality of life strongly depends on having appropriate supporting infrastructure. As we sail through the 21st century, it is evident that the trend towards urbanisation and industrialization requires that we make available essential infrastructure that will enable us to deliver superior services to the populace. Working towards Vision 2022 requires commitment, cooperation and proper planning at national level. Water resources need to be harnessed to address the nation's current and future water and sanitation needs. We are alive to the fact that changes in climatic patterns are posing a greater challenge to the availability and/or sustainability of the supply of water.

The Corporation's major role in increasing water and sanitation coverage in the country as envisaged in Vision 2022 and Sustainable Development Goals (SDGs) has been marked by achievements in the delivery of major projects which include Nhlangano Water Supply, Siphofaneni, Somntongo and Matsanjeni (SISOMA) Water Supply, Ezulwini Water Supply and Sanitation Project and the Matsapha Wastewater Treatment Plant. Another project in the pipeline that will contribute to socio-economic development especially in the rural areas is the Manzini Integrated Water Supply Project. The project is being evaluated by the African Development Bank for possible financing. The project stands to benefit unserved Tinkhundla areas covering portions of Nhlambeni, Manzini South, Mtfongwaneni, and Mafutseni.

It was a great pleasure and honour to have His Majesty King Mswati III officially open the Nhlangano Regional Headquarters Building and the Siphofaneni Water Treatment Plant. The Nhlangano ceremony took place on the 11th of October 2017 in the town of Nhlangano whilst the Siphofaneni Treatment Plant was commissioned on the 28th of April 2018 at Siphofaneni. The decentralisation of the Headquarters is tangible evidence of the Country's commitment to the decentralisation programme and to balanced regional development, which brings substantial long-term benefits for the whole country, including industry in the surrounding communities. The building will serve as a reminder of what the Corporation stands for, which is the provision of water and sanitation services covering all four regions.

I would like to thank the Board, Management, Staff and Stakeholders for the commitment and support throughout the years and look forward to many more years of achievements and success. I pledge the Corporation's commitment to continue to be an active partner in national development for the benefit of the country.

Bxaba

B.N. Xaba
Chairman

CHIEF EXECUTIVE OFFICER

Peter N. Bhembe

MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

INTRODUCTION

In the past the Corporation has been operating in a relatively stable environment characterised by reasonable prospects of economic growth; a national budget almost adequately funded by the fiscus and favourable climatic conditions. The past years have seen major shifts in environmental conditions that have created a high degree of uncertainty about the future. The El Nino weather phenomenon that swept across Southern Africa made its disastrous impact in the country drying up water sources. The stagnant economic growth and the country's fiscal position resulted in some projects being stalled. The resultant shocks have also been felt by entities doing business with Government. Maintaining a healthy working capital cycle has been a challenge for the Corporation though a great degree of resilience has been shown despite testing times.

This year marks the end of the strategic plan cycle for 2015 to 2018. Our strategic plan period has been one of the most challenging since SWSC was corporatised in 1994. Our operating environment has been stained by unfavourable social, economic and physical factors such as a sluggish economic environment and an unrelenting drought, negatively affecting quality of life and economic performance. These conditions had a ripple effect on the business environment, affecting operating revenue, working capital and project implementation.

FINANCIAL OVERVIEW

The operating revenue increased from E298.7 million in 2017 to E335.1 million in 2018, representing a growth rate of 12%. The modest growth is due to the tariff increment of 7.2% and growth and operational efficiencies of 4.8%. On the other hand, the operating expenses for the same period increased from E296.3 million in 2017 to E354.9 million in 2018, reflecting a hike of 20%. The rise in expenditure is largely attributable to an increase in the prices of electricity and consumable materials. Total assets amounted to E2.38 billion (E2.2 billion in 2017) and total liabilities stood at E1.86 billion (E1.71 billion in 2017).

The Corporation continued to implement projects aimed at increasing access to water supply and sanitation. The project implementation rate this year has been slower due to the economic downturn and fiscal challenges.Progress was made in preparing for the implementation of two major projects which are to be funded by the AfDB and KfW through the SADC Water Fund.

MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER (CONTINUED)

DEVELOPMENT PROJECTS

MANZINI INTEGRATED WATER SUPPLY PROJECT:

The Government of Eswatini submitted a formal request for the funding of the proposed Manzini Region Integrated Water Supply and Sanitation Project to the African Development Bank (AfDB). The funds requested to finance this project amounted to an estimated E900 million. This project is aimed at increasing water access in the un-served areas covering portions of Nhlambeni, Manzini South, Mtfongwaneni, and Mafutseni Tinkhundla centres.

LOMAHASHA/NAMAACHA CROSS BORDER WATER SUPPLY PROJECT:

The two towns Lomahasha and Namaacha are located at the border between Mozambique and Eswatini on the top of a mountain range with no perennial river, which renders water supply difficult. The purpose of the project is to supply water to the population in the border region of Lomahasha (Eswatini) and Namaacha (Mozambique) border towns. In order to prepare for the project, a feasibility study was undertaken that investigated the different options for water supply in the area. Options were discussed among the two countries and it was agreed that supplying the region from the existing Simunye waterworks in Eswatini would be the most feasible. In addition, a future option for the construction of the Pinde Dam in Mozambique was envisaged in order to augment water supply to Lomahasha / Namaacha and to reduce dependency on a single water source. The Project beneficiaries will be in Eswatini and Mozambique, since the construction of the intended water supply pipelines will supply Lomahasha and the existing water network in Namaacha. The procurement process for the Project Consultants has started and significant progress has been made in the finalisation of the Project Implementation Agreement and Plan.

SAFETY, HEALTH & ENVIRONMENT

The Corporation continuously invests in the training and development of its staff to develop capabilities and competences to meet current and future needs. Our Education, Training and Development Policy is aligned to our Strategic Plan. We understand that our strategic plan objectives can only be achieved through our people hence the need to continuously support learning and development. Our policies are regularly updated to accommodate changes in the business environment so that new challenges and emergent issues affecting operations are appropriately dealt with.

PEOPLE

The Corporation continuously invests in the training and development of its staff to develop capabilities and competences to meet current and future needs. Our Education, Training and Development Policy is aligned to our Strategic Plan. We understand that our strategic plan objectives can only be achieved through our people hence the need to continuously support learning and development. Our policies are regularly updated to accommodate changes in the business environment so that new challenges and emergent issues affecting operations are appropriately dealt with.

MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER (CONTINUED)

WATER & SANITATION CHALLENGES

In carrying out its mandate of providing safe water and sanitation services the Corporation faces a number of challenges which impact on its ability to increase access and expand to new areas in line with NDS, SDGs and Vision 2022. Listed below are some of the major challenges.

TARIFFS

The sharp increases in prices of major inputs (which include electricity, consumable materials and chemicals) affect the unit cost of production and this has a direct bearing on the tariff in terms of the revenue requirement and sustainable operating profit margins.

ADVERSE ECONOMIC CONDITIONS

The prevailing adverse economic conditions, inadequate budgets and cash constraints continue to slow down the implementation of critical development projects. This in turn impacts on the ability to meet national strategic goals as envisaged in the NDS, SDGs and Vision 2022.

PROLIFERTION OF BOREHOLES

The proliferation of boreholes in SWSC areas of supply after customer disconnections for non-payment continues to affect our revenue base.

INCREASE IN TRADE DEBTORS

The increase in trade debtors is a cause for concern especially the escalating amounts due by Government. This in turn affects the Corporation's working capital cycle.

LACK OF WATER STORAGE

The lack of water storage infrastructure is an impediment to socio-economic development. The role of dams and reservoirs in sustainable development has already been acknowledged in the achievement of national and international goals and targets. The proposed Nondvo Dam is crucial for sustainability and security of water supply.

REPLACEMENT OF AGING INFRASTRUCTURE

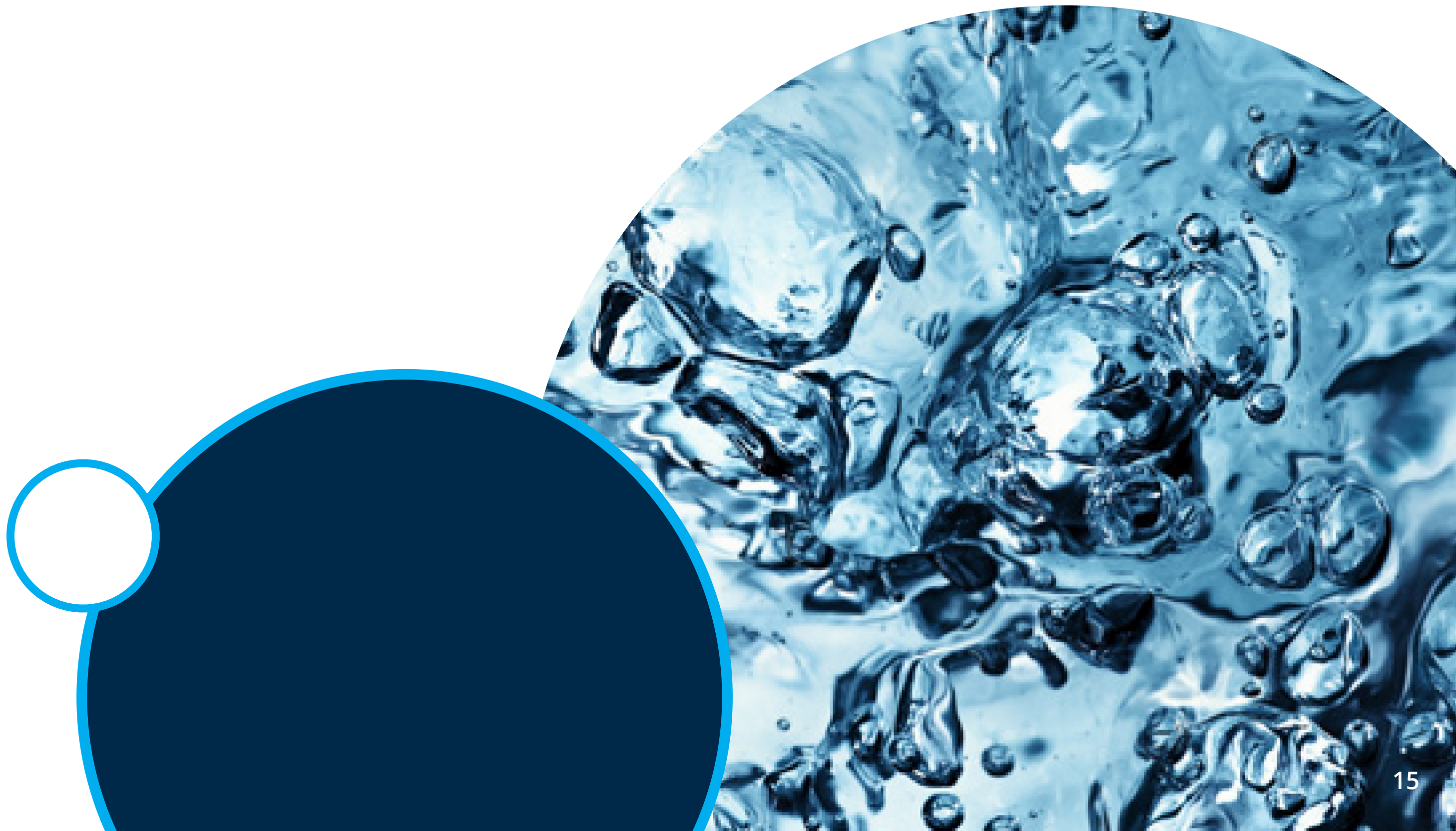
The needed infrastructure replacement (for the old and aging network assets) requires ongoing investments which are very costly. The increases in costs create challenges for the Corporation, which must balance investments in the systems with affordability of pricing for water and sewer services. When the need for infrastructure replacement is not balanced with investments because of concern over rates or the inability to raise capital, a funding "gap" is ultimately created.

ACKNOWLEDGEMENT

As we move into the new fiscal year let us appreciate that it will bring its own mix of successes and challenges. We need to remain focused on why we exist as an organisation as enshrined in our vision and mission statement. To mitigate the impact of the external environment, let us pledge to offer excellent customer service, manage our costs and minimise exposure in terms of risk. I would like to thank our Board for the support and guidance during the period. The contributions and effort of our employees has been extraordinary and I would also like to extend my sincere gratitude to them including our partners and stakeholders who have been instrumental in helping us pull through in yet another challenging year.

P.N. Bhembe
Chief Executive Officer

WATER SUPPLY AND SANITATION CHALLENGES



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 co-founded. 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.

MS THOBILE MAVUSO

Non Executive Director;
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.

MR JOHN HENWOOD

Non Executive Director;
B.A (Law); LLB

Mr John Henwood was appointed to the SWSC Board as a non-executive member in June 2017. He is an Associate Attorney – Litigation at Henwood and Company, formerly Cloete/Henwood – Associated. Previously he was a partner at Robinson Bertram Attorneys. Mr Henwood is an admitted Attorney in the High Court of Eswatini and a registered trade mark and patent agent. He is an experienced litigator and civil law practitioner. Mr Henwood is a past member of the Waterford KaMhlaba Trust (a Section 21 Company) and the Sifundzani High School Board. He has been a member of the Law Society of Swaziland since March 1996 and has held various positions in the Society including Member of the Council and Member of the Fees Committee. He is also a Director at Relief Financial Services. Mr Henwood has intensive experience in competition law and has been involved as lead Attorney on over 40 large mergers in the Kingdom of Eswatini.

MS NOMCEBO HADEBE

Non Executive Director;
BComm; Post Grad Dip; MPhil (Dev Econ)

Ms Nomcebo Hadebe was appointed to the SWSC Board in an ex-officio capacity (representing the Principal Secretary in the Ministry of Finance) in June 2017. She is the Principal Finance Officer (Fiscal and Monetary Affairs) at the Ministry of Finance, having joined the Ministry as a Finance Officer in 2007. A trained assessor on Anti-Money Laundering/Counter Financing of Terrorism, she has been working for 15 years in different roles in the financial services industry. She has been key in the promulgation of the Anti-Money Laundering/Counter Financing Legislations and the Consumer Credit Act. She was also involved in the drafting of the country's first Financial Inclusion Strategy, Micro-finance Policy and is currently assisting in the development of a Development Finance Framework for Eswatini.

MR JINNOH NKHAMBULE

Non Executive Director;
Post Grad Dip (Public policy); Post Grad Dip (Law); Mngt

Mr Jinnoh Nkambule joined the SWSC Board as a non-executive member in August 2017. Mr Nkambule served the Government of the Kingdom of Eswatini for 38 years as a civil servant. Between 2008 and 2016 he held the position of Principal Secretary in various Ministries (Ministry of Commerce Industry and Trade; Ministry of Justice and Constitutional Affairs; Ministry of Natural Resources and Energy and Ministry of Labour and Social Security). Over the years he represented the Government of Eswatini in many regional and international fora including the International Labour Conference, UNCHR, AU Commission, SADC and SACU where he played critical roles such as Delegate, Reporter and Chief Negotiator among others. He has also served in a number of statutory boards including public enterprises where he was representing Government.

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)

Ms. Nontombi Maphanga joined SWSC as Hydraulics Engineer in April 2006 and was appointed a member of the SWSC Strategy Implementation Team thereafter. In November 2008 she was appointed into the SWSC Executive Management Team as Technical Services Director. In her previous engagements she has held the posts of Chemist (Quality Assurance) at Coca Cola Swaziland and Project Coordinator for a water and sanitation NGO. She is a member of the Swaziland Association of Architects, Engineers and Surveyors and the International Water Association (IWA). She has served as a board member for Lidwala Insurance Company and currently serves as a member of the Town Planning Board.

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. In September 2006, he joined the Executive Management of the Corporation as Operations Director. Mr Dlamini has served in various SWSC working committees including the SWSC Pension Fund. He is member of the International Water Association (IWA) and the Institute of Directors (IoD) South Africa.

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, a position she still holds to date. 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, IEDP

Mr Tsabedze joined the SWSC Executive Team in 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 serves in various Boards.

SENIOR MANAGEMENT

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

Bongani Mdluli
Projects Manager: B.Tech (Civil Eng); Adv.dip (Project Mngt); Mngt.Dev.Prog.

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

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

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

Hlobsile Dlamini
Internal Audit Manager: BComm; ACCA

Nhlanhla Dlamini
Production Manager: BSc; MBA

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

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

Innocent Mkhombe
Information Technology Manager: BSc; Cisco Certified Networking Associate (CCNA); MDP

Musa Shongwe
Quality Assurance Manager: BSc; Hons BSc; MBA

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

Ntokozo Nxumalo
Hydraulics Engineer: BSc (Civil Eng)

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

SENIOR MANAGEMENT (CONTINUED)

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

Zanele Dlamini
Commercial Manager – ACIS; Mngt Dev.Prog; MBA

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

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

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

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

Nomahlubi Matiwane
Public Affairs Manager: Dip (Journ and Mass Comm); BSocSc (Media and Comm);MBA

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

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

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

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

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

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

OPERATING ENVIRONMENT

LEGAL AND REGULATORY ENVIRONMENT

SWSC was established by an Act of Parliament, The Water Services Act of 1992, which defines inter alia, the management, objects and functions of the Corporation. SWSC gained full autonomy through corporatisation in 1994. The Corporation is a public enterprise regulated by the Public Enterprises (Control and Monitoring) Act no.8 of 1989. The supervisory body is the Public Enterprises Unit (PEU), under the Ministry of Finance, which monitors the business and performance of public enterprises. SWSC submits performance reports to the PEU on a quarterly basis as required by statute. The portfolio or parent ministry 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 Eswatini's National Development Strategy, Vision 2022 and SDGs with regard to water and sanitation. Quarterly reports on outcome targets for water and sanitation are submitted by SWSC to Government and Parliament through MNRE. Tariffs are regulated by Government and have to be approved by both Government and Parliament before implementation.

The Corporation has a five year Performance Agreement (PA) with Government which sets out the relationship, duties and responsibilities of both parties as well as performance targets (financial and non-financial) for which SWSC's performance is measured against. The current performance agreement between SWSC and Government comes to an end in March 2019. According to the performance agreement, if a succeeding agreement is not concluded 15 days before 31 March 2019, the conditions of the current agreement will remain in force for a period of 6 more months and will terminate on 30 September 2019.

ECONOMIC AND PHYSICAL ENVIRONMENT

Countries across Southern Africa continue to recover from prolonged drought conditions associated with the 2015/2016 El Niño climatic event. Favorable rainfall during 2017/18 resulted in above average harvests of water in some areas. Regions in Zambia, Malawi, Mozambique, Namibia, Botswana, northern South Africa, and northwestern Angola were still experiencing less than 80 percent of their normal rainfall accumulation since late November.

March saw Eswatini receiving widespread rainfall which resulted in more than 100mm monthly rainfall totals reported in all stations. Both the Highveld, with the exception being Motshane, and Lowveld stations received precipitation far exceeding their Long Term Average Total (LTAT). This was the observed recordings in almost all of the rainfall stations in the country. (Source: Swaziland Meteorological Services).

The unpredictable climatic patterns, lower SACU revenues and the further tightening in budget financing due to the fiscal impasse still remain a challenge for the country. The budget deficit for 2018/19 is projected to stand at E4.3 billion, an equivalent of 6.7 per cent of GDP. SACU, the major source of Government revenue is set to decline by 18.3 per cent from E7.1 billion recorded in 2017/18 to reach E5.8 billion in 2018/19. Total expenditure is estimated to decline from E21.7 billion in 2017/18 to reach E21.6 billion in 2018/19 as a result of undertaking expenditure rationing to prioritize only the most pressing concerns (Source: Central Bank of Eswatini). The implementation rate of capital projects is expected to decline due to the resultant budget constraints. This may result in some targets on water and sanitation under SDGs, NDS and Vision 2022 not being achievable.

VALUE CREATION

Value creation is based on our vision of delighting customers in the provision of water and sanitation services. Our value creation chain begins with creating value for the business and then extends to our stakeholders. 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 economic and social 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); Employees; Suppliers; Customers; Financiers (e.g commercial banks; multi-lateral development agencies such as World Bank and African Development Bank); Corporate Social Responsibility partners (communities and institutions).

SWSC BUSINESS MODEL

INPUTS

FINANCIAL
- Budget linked to strategy
- Capital/Funds generated invested in infrastructure, technology, people
- Corporate Social Investment for value creation

ASSETS
- Capital investment programme
- Optimising efficiency to reduce real water losses
- Maintenance of plant and equipment

TECHNOLOGY
- IT infrastructure
- Remote operation and real time systems (Telemetry, AMR)
- Decision support systems (business intelligence and data warehouse)
- Administration and Transaction processing systems (HR System, Billing, Finance & Accounting)

HUMAN
- Train and develop people to reach their full potential
- Promote workplace health and well-being
- Performance incentives, recognition and retention

STAKEHOLDER & SOCIAL RELATIONSHIPS
- Meeting customer expectations
- Management of stakeholder relationships to deliver services
- Value creation

NATURAL
- Abstract and treat water
- Collect and treat wastewater
- Promote recycling
- Efficient use of natural resources (Energy, Water)

BUSINESS ACTIVITIES

- Abstract, treat and supply water
- Collect, treat and dispose sewage
- Design, construct, acquire, operate and maintain water works
- Develop sewer systems for the treatment of wastewater
- Laboratory services (quality assurance)
- Consultancy and engineering solutions
- Management consultancy

OUTCOMES

- Improved access to reliable and sustainable water supply
- Improved access to sanitation
- Improved quality of life and livelihood
- Poverty reduction through access to water and sanitation

OUTPUTS

FINANCIAL
- Increased asset value
- Financial benefits for stakeholders

ASSETS
- Treatment plants with increased production capacities
- Efficient and reliable treatment plants
- Property

TECHNOLOGY
- Improved communication
- Improved operational efficiencies
- Improved service delivery
- Informed decision making

HUMAN
- Competent staff
- Motivated employees
- Safe and healthy work place
- Employee wellness

STAKEHOLDER & SOCIAL RELATIONSHIPS
- Customer satisfaction
- Strategic partnerships with business and social institutions
- Cultural, Educational and Environmental programmes

NATURAL
- Potable water
- Treated wastewater
- Cleaner environment

SWSC VALUE CREATION FRAMEWORK

SWSC
- Water and sewer service sales
- Business growth
- Stakeholder relations
- Business reputation

CUSTOMERS
- Access to clean water
- Proper sewer disposal
- Excellent customer service

SUPPLIERS
- Trade and relationship
- Value chain

FINANCIERS
- Return on capital

HUMAN CAPITAL
- Skills development
- Training
- Job security
- Motivated employees

COMMUNITIES ENVIRONMENT
- Improved quality of life
- Corporate social responsibility
- Cleaner environment

ECONOMIC/ SOCIAL INSTITUTIONS
- Clean water and proper sanitation promotes socio-economic development and health

SHAREHOLDER
- Contribution to Vision 2022
- Appropriate return on investment

STRATEGY AND RESOURCES ALLOCATION

Our strategic goals supporting our vision are mapped 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 table below summarises our strategy framework.

STRATEGIC OBJECTIVES (FOCUS AREA)

CUSTOMER SERVICE AND QUALITY

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

Measures of success
- Potable 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 SYSTEMS

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 against targets is measured annually using the balanced score card 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 have been achieved may be carried forward to the following year's scorecard until they are achieved within the strategic plan period.

PERFORMANCE

OPERATIONS

The Northwest Region (Hhohho) realised a significant change in consumer behavior, towards the use of water. Such behavioural pattern change is greatly attributed to the vigorous customer sensitization programmes run by the Corporation on water use and conservation tips. The Region was successful in partnering with the Municipal Council of Mbabane in development matters. In the quest to improve road network infrastructure the municipal council upgraded Gwamile Street, Mantsholo and Ncoboza Roads. The Corporation took advantage of these projects by upgrading the pipe infrastructure network associated with these roads.

The Central Region's (Manzini) Manzini-Matsapha corridor needs a sustainable raw water source for the Matsapha Industrial Estate and the City of Manzini. Good progress was made in increasing sewer service coverage for the City of Manzini. The Ngwane Park sewer installation project was successfully carried out and house connections are in progress. The Corporation has plans for extension of sewer services to other areas within the municipality e.g Sterksroom. The Malkerns township developments are increasing water demand in the area and there is a need to secure raw water and increase production capacity for the Malkerns treatment plant.

The effects of the drought remained evident in the Southwest Region (Shiselweni), with dam feeder streams drying up between July to October 2017. This affected the water levels at the Hlatikhulu Dam which at some point reached 5%. The Dam currently supplies water to Hlathikhulu Town and surrounding areas with an estimated population of 4,500. As a mitigation measure, two boreholes were drilled in close proximity to the Water Treatment Plant. This was supported by MNRE, the National Disaster Management Agency (NDMA) and Hlathikhulu Town Board. The CBD was not affected during that period but some residential areas were supplied with tankered water.
The Lavumisa area also faced serious water shortages during the period as the raw water supply holding dam at times ran dry due to low levels at Pongolarport dam. This led to frequent interruptions of potable water supply to the town and the new growth areas at Somntongo and Matsanjeni.

The 2017/18 dry season had a little effect on the East Region (Lubombo) except for Lomahasha which had been sustained by tankered water. Cooperation with stakeholders such as RSSC and MNRE was instrumental in the mitigation of low flow effects. The main dams supplying the region (Mnjoli and Maguga) had normal towards full levels at the end of the year.

POTABLE WATER

SWSC recognizes the significance of supplying good quality drinking water and also discharging treated effluent that will not adversely affect the environment. Therefore, in line with national and international health and environmental standards, the quality of drinking water and wastewater discharge is one of SWSC's key performance measures and hence emphasis is on achieving high standards whilst ensuring that products and services remain affordable to customers.

To ensure that tap water is safe to drink, SWSC employs conventional water treatment processes which include chemical coagulation & flocculation, pH correction, clarification, filtration and disinfection to ensure removal of microbiological organisms and the compounds responsible for causing the presence of colour and turbidity. Once treated, the drinking water is distributed to customers through a network of mains and strategic service reservoirs.

Following the annual external audit conducted by SADCAS in September 2017, the SWSC Laboratory maintained its ISO 17025:2005 accreditation status. Currently the laboratory has 15 of its methods under the scope of accreditation and these are COD, pH, turbidity, electrical conductivity, colour, total suspended solids, alkalinity, nitrate, ammonia, orthophosphate, sulphate, fluoride, total coliform, Escherichia coli and Enterococci. In addition the laboratory was able to retain its 6 technical signatories, which helps to manage risk of loss of technical signatories for both chemistry and microbiology. The accreditation of the laboratory is an integral part of quality management in all of SWSC's treatment plants and it is also one of the cornerstones for the implementation of quality management systems at SWSC's Waterworks.

During the period, SWSC implemented a Water Safety Plan (WSP) for the Woodlands water supply system. The implementation of the Matsapha & Woodlands WSPs has helped in the identification and rating of all the risks associated with the systems. This in turn, informs stakeholders on areas that require attention in order to ensure that the system is able to meet current and future demands by addressing the identified risks.

DRINKING WATER COMPLIANCE

The overall 2017-18 microbiological and physico-chemical compliance for potable water based on WHO Guidelines for Drinking Water (2011) was 95%, which reflects a 2% improvement compared to 2016-17. The better performance is mainly attributed to the improved process monitoring at some plants and the capacity development of operators.

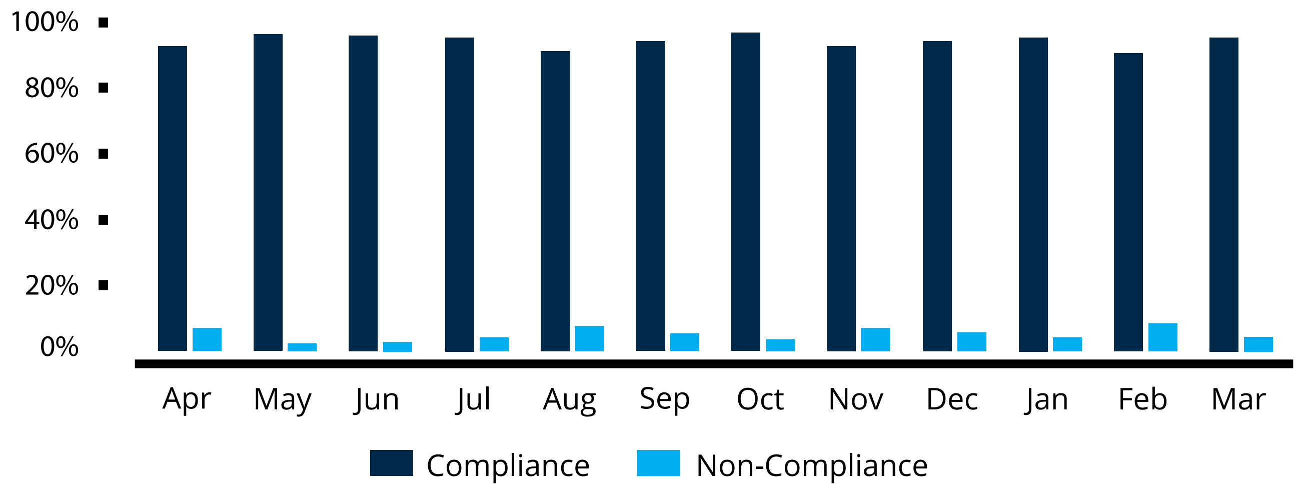


Figure 1: Treated Water Quality Compliance

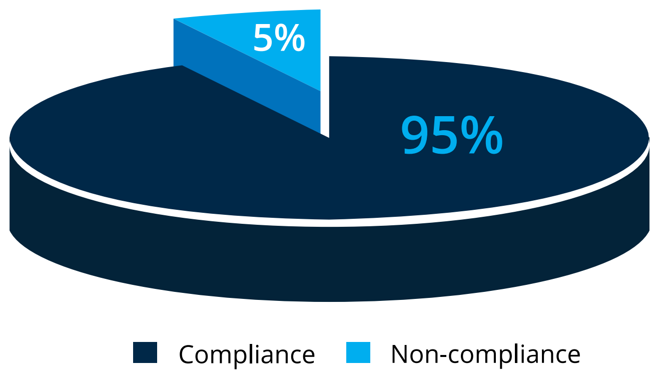


Figure 2: Drinking Water Quality Compliance - Treatment Plants

WASTEWATER AND TRADE EFFLUENT

The 2017/18 overall compliance of SWSC's effluent improved to 77% reflecting a 3% increase compared to the previous year (74%). The improvement is mainly due to awareness sessions conducted for treatment plant staff, process optimizations, and maintenance activities on plants, e.g. desludging of ponds and improved management of industrial effluent through the SWSC-Industry meetings. A stakeholder awareness workshop was conducted on the industrial effluent and sewerage regulations. The purpose of the workshop was to advise customers on their responsibilities on the use of the SWSC sewerage system. The completion of the new Matsapha WWTP and the incorporation of one major industrial customer into the Effluent Monitoring Program also helped to improve effluent compliance.

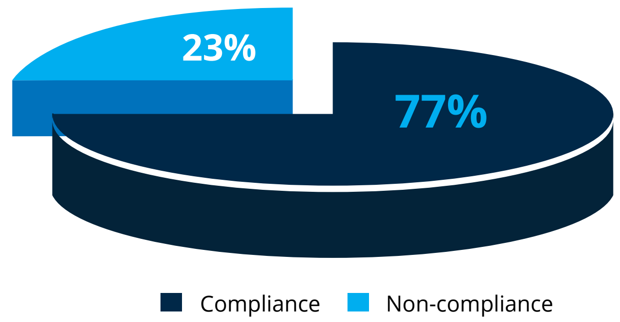


Figure 3: SWSC WWTP Effluent Quality Compliance

WATER LOSS MANAGEMENT

The Corporation is making progress towards the reduction of Non-Revenue Water through the implementation of various technologies including District Metered Areas, Automatic Meter Reading and Advanced Pressure Management. The Corporation acknowledges the crucial role of metering hence new technologies are continually being investigated to improve efficiencies in billing and revenue generation. The Corporation has therefore been involved in a pilot of AMR technology at domestic meter level. This is aimed at mitigating the negative impacts of the recurrent stuck meters and improving accurate reading and billing.

SAFETY, HEALTH AND ENVIRONMENT AND QUALITY MANAGEMENT SYSTEMS

SHEQ performance continues to be an integral part of the Corporation as it plays a central role in both capital projects and routine activities. This year was marked by the addition of two plants (Simunye and Nhlangano Water Treatment Plants) to the ISO 9001:2015 certification scope. The management systems are gradually coming to fruition as the Corporation is already realising some major benefits of implementing the ISO management systems which inter alia include a major decline in incidents and insurance claims. The Corporation successfully implemented a transition from ISO 9001:2008 to ISO 9001:2015 and one notable change was that the Corporation is now expected to identify its enterprise wide risks and opportunities as part of the new ISO 9001 standard requirements. This change requirement came at the right time when the Corporation is developing its Enterprise Wide Risk Framework.

Capacity building and awareness programmes have been successfully implemented as a total of 287 employees were trained on various SHEQ courses including first aid, safe chlorine handling, fire fighting and ISO standards.

SURVEY ENGINEERING

The Survey office scrutinised 135 building applications from the Ministry of Housing and Urban Development, 74 applications from Matsapha Town Board and a further 324 applications from the Mbabane Municipality. As built network surveys and map updates were done in areas including Hlathikhulu, Hluthi, Lavumisa, Lubuli, Mananga, Mankayane, Manyisa pumping main, Matsapha (New industrial site), Mbabane sewer (Checkers, Golf Course, Mbabane Chapel and Mountain Inn), New village outfall sewer, Ngwane Park, Sikhuphe and Two sticks sewer networks. Production of relocation estimates was achieved for the MR3 construction and water network extension, covering Dvokodvweni, Lugongolweni, Lubulini, and Mphilo Clinic area. A new works survey was done for the Sidvokodvo water infrastructure for incorporating the area into the SWSC schedule.

MECHANICAL, ELECTRICAL AND INSTRUMENTATION

The energy usage for the year (compared to the previous two years) is shown in the table below:

Area	2016 / 2017	2017 / 2018	% Change (2016 / 2017 & 2017 / 2018)
CENTRAL	9 983 858.00	12 042 657.00	21%
NORTHWEST	9 156 210.00	8 567 525.00	-6%
SOUTH	2 457 437.55	2 877 730.00	17%
EAST	4 706 631.07	5 391 349.00	15%
HEAD OFFICE	346 133.00	339 949.00	-2%
TOTAL	**26 650 269.62**	**29 219 210.00**	**10%**

Power usage in KWh increased by 10% compared to the previous year. The increase is mostly evident in the Central, South and East regions. The increase in usage is due to the addition of the Matsapha WWTP (which increased usage by about 2 Million KWh) and the upgrade of the Lavumisa WTP which now supplies two additional elevated reservoirs. Consequently the Central Region which houses the Matsapha WWTP increased consumption by 21% with the South West region recording an increase of 17% as reflected on the table.

POWER USAGE BY REGION

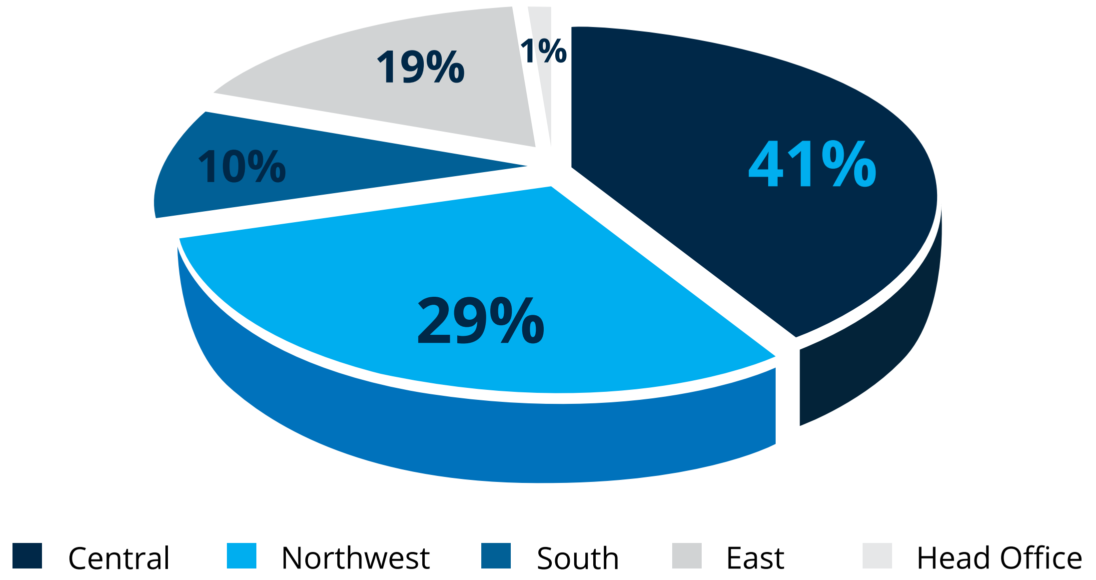


Figure 4: 2017 / 2018 Distribution By Region

Water supply systems are monitored for efficiency (measured in KWh/m3). Based on the baseline established in the 2015/2016 financial year, systems are expected to improve by at least 3% each year.

HUMAN RESOURCE MANAGEMENT

The total staff complement of SWSC has slightly increased from 536 in 2014 to 543 in 2018. Furthermore, the staff performance also improved steadily from 12 employees per 1000 connections in 2014 to 9 employees per 1000 connections in 2018. The composition of the work force by qualification has also improved. The utility is able to attract and retain more qualified staff, and as a result the proportion of the qualified staff is increasing, while the proportion of the less qualified and untrained staff has decreased. In terms of gender distribution, SWSC has 90 women employees, representing about 17% of total staff, occupying more than 30% of managerial position. A significant number of these women are in management and professional positions. The utility applies a human resources policy which promotes recruitment and retention of qualified staff and equal opportunities. The Corporation invests in staff training and development in order to remain competent to address the challenges of the developments in the sector. The objectives of the training programmes are to enhance the performance and capability of staff, as well as to satisfy future skill requirements of the utility.

PROJECTS

Projects continued to be implemented in line with SWSC's strategic plan, Government's Vision 2022 programme and SDGs. An update of the implementation status of some of the projects during the reporting period is presented below:

SIPHOFANENI, SOMNTONGO AND MATSANJENI WATER SUPPLY SCHEMES

Construction of Siphofaneni, Somntongo and Matsanjeni water supply schemes.

ESTIMATED COST: Euros 19 Million
FINANCED BY: European Union
STATUS: The works have been completed and the project has been commissioned and is now operational. There were however outstanding allocations of funds from previous years on the project resulting in outstanding certificates. The project is also intended to service extensions to surrounding communities subject to availability of funds. As a result currently there have been reported cases of vandalism on the network.

LOMAHASHA WATER SUPPLY

Construction of Lomahasha Water supply.

COST: Estimated at E200 Million
FINANCED BY: Project sponsors are GIZ, SADC and Eswatini Government (contribution of E15 Million). Project finance to be sourced from DBSA.
STATUS: The Lomahasha/Naamacha Project (LoNa) Financing Agreement has been finalized and signed. The Project Implementation Agreement is being reviewed and will be finalized in the following fiscal year. Work related to the review of the feasibility designs to initiate the procurement for the start of construction is also due for finalization.
EXPECTED DATE OF COMPLETION: The funding conditions limit the completion date to 2021.

NHLANGANO SEWER TREATMENT PLANT

The construction of the new sewer treatment plant for Nhlangano Town.

COST: Estimated at E225 Million
FINANCED BY: Eswatini Government
STATUS: Works are underway with progress approximately at 50%. Due to funding constraints and in order to mitigate the Corporation's financial exposure to penalties and claims, the Corporation took the proactive role of terminating the project when the project funds were depleted. Subsequent to the transfer of funds by Government, the Corporation engaged the Contractor in negotiations to resume the works. The reengagement negotiations are complete and the contractor is back on site. The Consultant for the works also failed to diligently supervise and administer the works and thus the Consultants services were terminated.

EZULWINI WATER AND SANITATION PROJECT

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

COST: USD 27 Million
FINANCED BY: African Development Bank / Eswatini Government
STATUS: The Ezulwini Sewerage System is operational with attention being on the defects. The water component project was divided into two Packages. Package A being the reservoir construction and gravity main to connect to the existing water network system and Package B being a main gravity pipeline from Mbabane to feed the new reservoir. Package A is at construction stage and Package B is at pre-contract award negotiation stage.

Challenges were encountered with funding for the project which could not be availed in the 2017/18 financial year. This led to delays as the risk of unpaid interim payment certificates could jeopardize project implementation. There were also outstanding certificates from the sewer project which continue to attract penalties in the form of interest.

MATSAPHA SEWER TREATMENT PLANT

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

COST: E265 Million
FINANCED BY: Eswatini Government
STATUS: The civil works contract is complete. The mechanical and electrical works are being commissioned. Due to the need to seed the reactor and the adverse influent received from the industries, the commissioning of works is slower than planned for. The ponds will be decommissioned once the waste water treatment plant is fully operational and commissioning concluded.

HAWANE TO WOODLANDS PIPELINE

The project scope includes the construction of a 500mm diameter ductile iron pipe. The pipeline spanning 10 km feeds the SWSC Woodlands treatment plant in Mbabane from the Hawane Dam. The pipeline, being a gravity mains, reduces the Corporation's pumping costs (Electricity).

COST: E30 Million
STATUS: The pipeline is currently operational while defects are being attended to.

MBABANE EMERGENCY WATER SUPPLY (LUPHOHLO)

Construction of 20 ML/day drinking water treatment plant; 3ML reservoir and pipeline totaling 8.5 km to supplement the Woodlands WTP water supply system.

COST: E100 Million
STATUS: The project scope excluding the reservoir is approximately 90% complete. The reservoir was delayed by land issues for the proposed site. The project has still not received the funding expected from Government and thus the project remains suspended and incomplete since 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.

COST: E15.9 Million
FINANCED BY: SWSC
STATUS: The works are 100% complete for the respective portion being financed this year which covers 600 connections, at a cost of E1.8 Million.

NHLAMBENI WATER PHASE 3

Construction of new reservoir and water reticulation extension for Mpofana, Jutiya and Njelu.

COST: E4.2 million
FINANCED BY: SWSC and Micro-projects
STATUS: The works are complete and 400 connections are envisaged.

MPOLONJENI WATER SUPPLY (SITEKI) PHASE 2

Construction of water reticulation extension for Mpolonjeni (Shoba, Ndzangu, Mpolonjeni, Ngcina, And Langa).

COST: E1.1 million
FINANCED BY: SWSC and Micro-projects, Community contributing labour
STATUS: Connections to the area of Mpolonjeni are ongoing on sections of the commissioned reticulation. A total number of 85 connections were completed during the period.

MAYALUKA WATER SUPPLY PHASE 1

Construction of main pipeline and water reticulation to Mayaluka.

COST: E1.32 million
FINANCED BY: SWSC and Micro-projects
STATUS: Connections to the area of Mayaluka have started after commissioning. A total number of 51 connections were made during the period.

MAKHEWU WATER SUPPLY PHASE 2

Construction of main pipeline and water reticulation to Makhewu.

COST: E1.5 million
FINANCED BY: SWSC and Micro-projects, Community contributing labour.
STATUS: Connections to the area of Makhewu have started after commissioning. A total number of 41 connections were made during the period.

MHLUMENI WATER SUPPLY

Construction of main pipeline and reticulation to supply Mhlumeni area.

COST: E1.5 million
FINANCED BY: SWSC and Micro-projects. Community contributing labour.
STATUS: The project is 85% complete and at least 60 connections are expected.

MASEYISINI WATER SUPPLY

Construction of water reticulation extension for Maseyisini.

COST: E3.6Million
FINANCED BY: SWSC and Micro-projects
STATUS: The works are complete and 400 connections are envisaged.

MANYISA WATER SUPPLY PHASE 1

Construction of Pump Station, pumping main and Reservoir.

COST: E4 Million
FINANCED BY: SWSC and Micro-projects with the community contributing labour.
STATUS: The works are complete. Connections will be realised in phase 2 of the project.

PROJECTS

ISSUES FOR CONSIDERATION IN THE SHORT TO MEDIUM TERM

With the sustainability and security of water supply being a top concern, medium and long-term development plans should include budgets for upgrading and expanding water and sanitation infrastructure. The following projects have been identified as crucial for maintaining reliability of water supply and social and economic development.

NONDVO DAM

The water scarcity, coupled with the impact of climate change are critical risks facing water supply. Unstable hydrological patterns as a result of climate change dictate that more investment is required in water storage infrastructure. The proposed Nondvo dam project is a key part of the infrastructure development plan which will support the Government of Eswatini's National Development Strategy (NDS) and the attainment of Sustainable Development Goals (SDG's). The Dam is expected to provide great relief in water supply for the Mbabane – Manzini corridor and beyond. A feasibility study of the Dam (partly funded by the AfDB) has been commissioned and is expected to be completed by December 2019. This project seeks to enhance sustainability in the entire Mbabane-Manzini corridor. Currently the Matsapha-Manzini corridor has no raw water resources and is threatened by fluctuations in stream flows.

MANZINI REGION WATER SUPPLY AND SANITATION PROJECT

The proposed Manzini Region Water Supply and Sanitation Project is at project appraisal stage and is expected to be considered by the AfDB Board for funding in the second quarter of the 2018/19 financial year. The project, which will cover Nhlambeni, Manzini South, Mtfongwaneni and Mafutseni tinkhudla will spur economic growth and improve the livelihood of the people especially women and children who bear the burden of providing water at household level. These areas were identified as having serious shortages in water supply and sanitation. The project which is estimated to cost USD 61.71 million (SZL 807.53 million), is to be financed by AfDB, AGTF and the Government of the Kingdom of Eswatini (GOE)/Swaziland Water Services Corporation (SWSC). It will be implemented over a period of four years. The project area has an estimated population of 76,467 (2017), of which 52% are women, projected to grow to a total of 106,172 by 2047.

MANZINI CITY WIDE WATER SUPPLY

The water treatment supply system for Manzini and Matsapha industrial estates and surrounding areas needs to be upgraded to increase security of service provision 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 are required by constructing additional clarifiers and filters on the present site. These extensions would raise the production capacity of the plant from the present 400 litres per second to 800 litres per second.

TREATED WATER PUMP STATION

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

DUPLICATE PIPELINE FORM MATSAPHA TO NAZARENE RESERVOIR

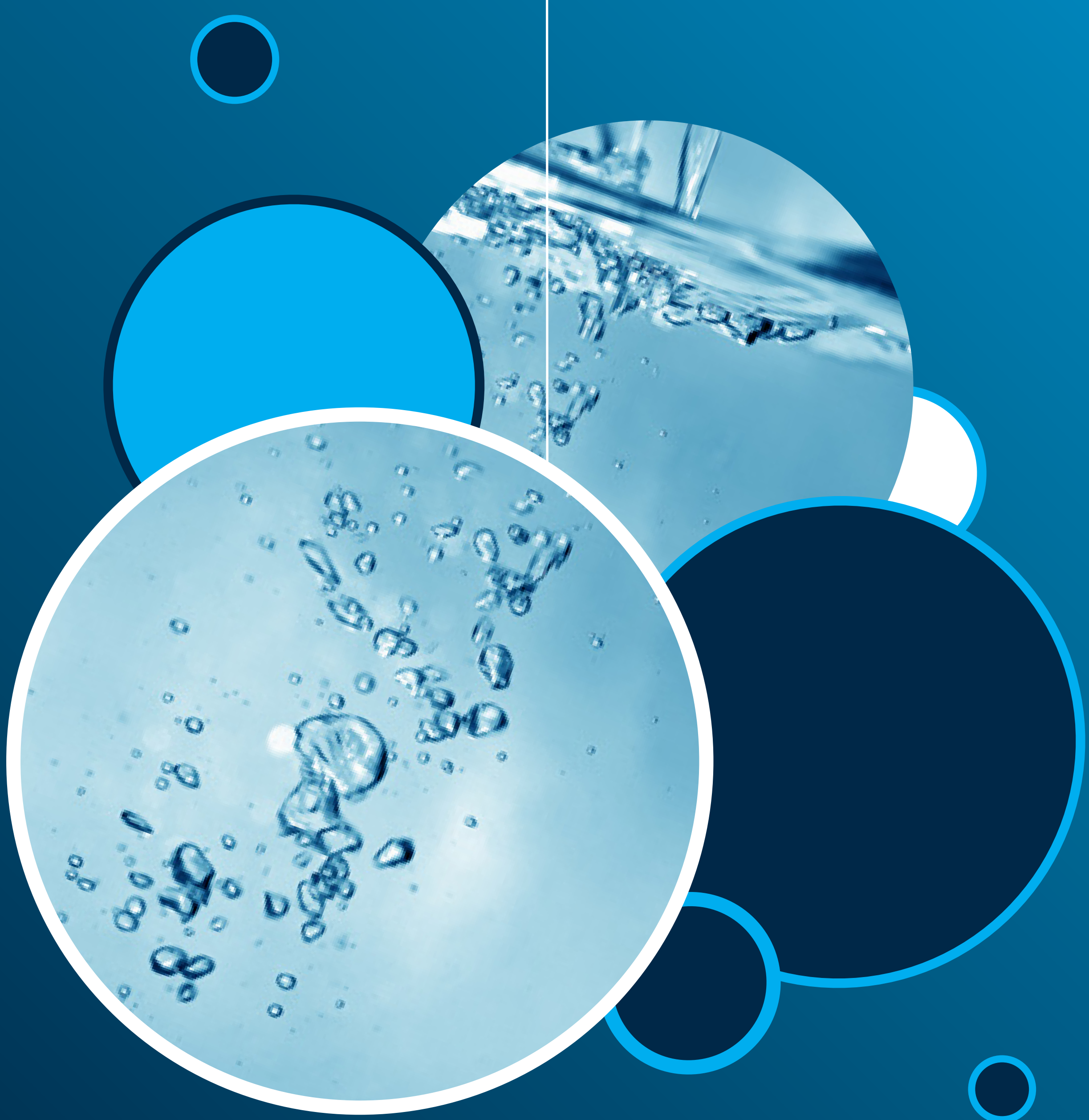
Manzini is totally dependant for its water supply on a single 375mm diameter pipeline, 3300m in length that transfers water to the Nazarene reservoir by gravity from the Airport reservoirs. With the ever increasing water demand in Manzini, the capacity of this pipeline is soon to be exceeded if not already.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

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

STORAGE RESERVOIRS

Additional storage is required and reservoirs are envisaged at suitably high points at Logoba, Nhlambeni, Lozitha, Sidvokodvo etc. The Corporation at present, cannot meet its standard buffer required for servicing reservoirs. The estimated total cost for this project is E400 million.

CORPORATE SUSTAINABILITY STATEMENT



PEOPLE

Our business model puts more emphasis on value creation for stakeholders (including employees, customers, shareholders, suppliers, financiers) and the environment. 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". We invest in skills development and training so that our employees are better equipped to meet stakeholder expectations and stay innovative. Attracting and retaining competent people with the right talent adds value to SWSC by enhancing business reputation and brand recognition. SWSC will continue to build strategic partnerships with social institutions such as the University of Eswatini (UNESWA) foundation to transform lives and prepare future generations for sustainable development.

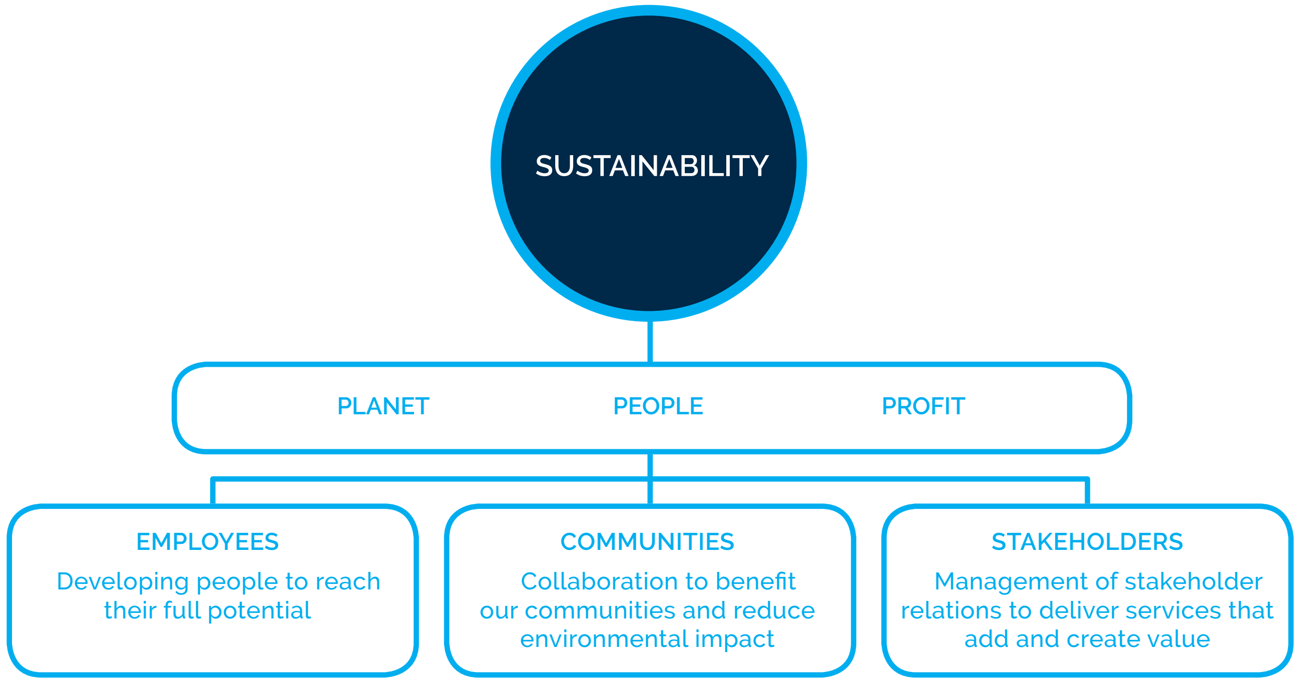
PLANET

SWSC recognizes that a sustainable business embraces an environmentally friendly approach in executing its activities to ensure that all processes and products adequately address current environmental concerns while maintaining a profit. 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.

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 continue to gain recognition for excellence from other African Utilities who take time to visit on fact finding and learning missions. 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.

SWSC SUSTAINABILITY FRAMEWORK



CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

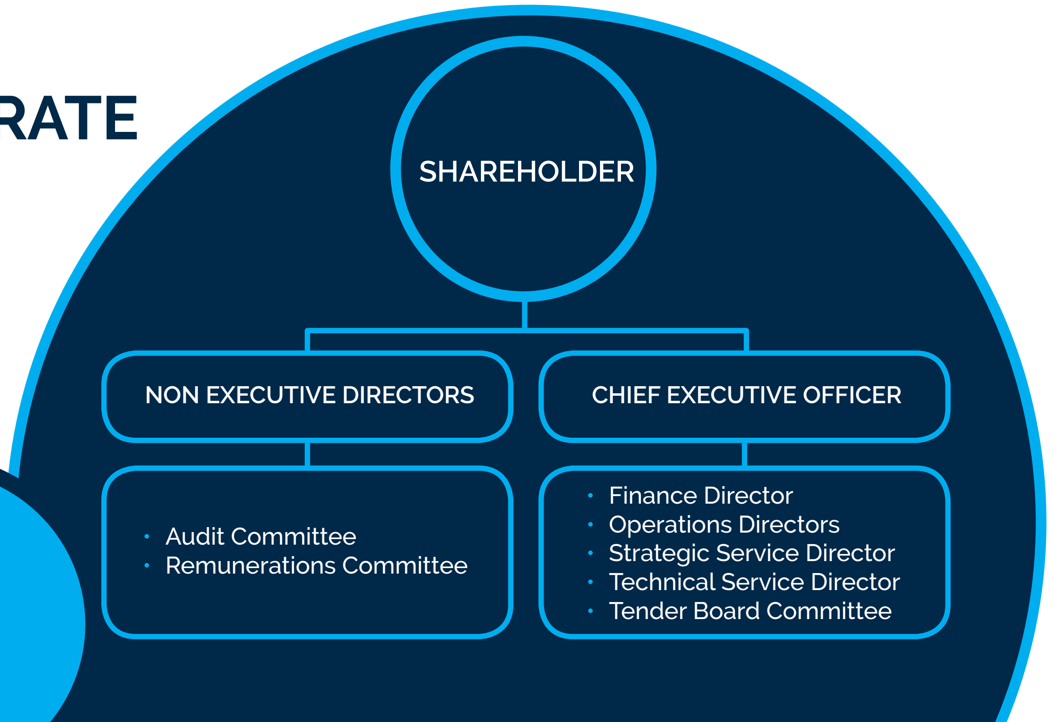
Swaziland Water Services Corporation (SWSC) is a public enterprise mandated by the Water Services Corporation Act No. 12 of 1992 to provide water and sanitation services in urban and peri-urban areas. The Corporation's participation in the country's social and development agendas has resulted in the water and sanitation services being extended to areas outside the designated urban and peri-urban boundaries. SWSC is regulated by the Government of Eswatini 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 IV 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 COMPOSITION OF THE BOARD

The Corporations Board memberhip is governed by the Public Enterprises (Control and Monitoring) Act No.8 of 1989 and the Water Services Corporation Act No.12 of 1992, both which prescribe a maximum of nine members. The Board is unitary and is made up of an Independent Non Executive Chairman, the Chief Executive Officer, two representatives from Government (Ministry of Natural Resources and Energy and Ministry of Finance) and four non-executive directors.

BOARD COMMITTEES

To carry out its duties effectively, the Board operates two Committees which are the Audit Committee and the Renumerations Committee. The Committees assist the Board in performing its duties. Each Committee reports to the Board on the results of each Committee meeting.

INTERNAL AUDIT

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

RISK MANAGEMENT

The Board has overall responsibility over risk management and Management is accountable to the Board for developing, implementing and monitoring risk management processes. The Internal Audit Department carries out an independent review of the internal control systems. The Corporation performs a risk assessment exercise every three years.

REPORTING

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

BOARD MEETING ATTENDANCE

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 2018.

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. P.N. Bhembe	Member	3	2	66.67%
Mr. J. E. Henwood	Member	3	3	100%
Ms. N. Hadebe	Member	3	3	100%
*Mr. J. Nkambule	Member	3	*1	33.3%

**Appointed January 2018*

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.

SWSC RISK MANAGEMENT STRATEGY

GOVERNANCE ACTIVITIES

SWSC BOARD OF DIRECTORS

- Responsibilities
- Policy & progress against plan
- Material risk profile
- Risk management effectiveness
- Control effectiveness
- Approved combined assurance plan
- Disclosure statements information

AUDIT COMMITTEE

- Responsibilities
- Progress against IA plan
- Material & Emerging risk register
- Record of incidents and losses

SENIOR MANAGEMENT

Detailed risk submission for each department

- Support business functions
- Finance & purchasing
- Human resource management
- Internal audit etc.

- Core business functions
- Operations
- Technical

ERM PROCESS

- Enterprise risk management - infrastructure & processes
- Risk management policy
- Risk management framework
- Risk management guidelines
- Risk management implementation plan etc.

Control effectiveness for process risks & standards

External / outsourced assurance providers

- Responsibilities to AC
- Risk management effectiveness
- Internal control effectiveness

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

BUSINESS ETHICS AND TRANSPARENCY

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

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

ENVIRONMENT, HEALTH AND SAFETY

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

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

COMMUNITY INVESTMENT

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

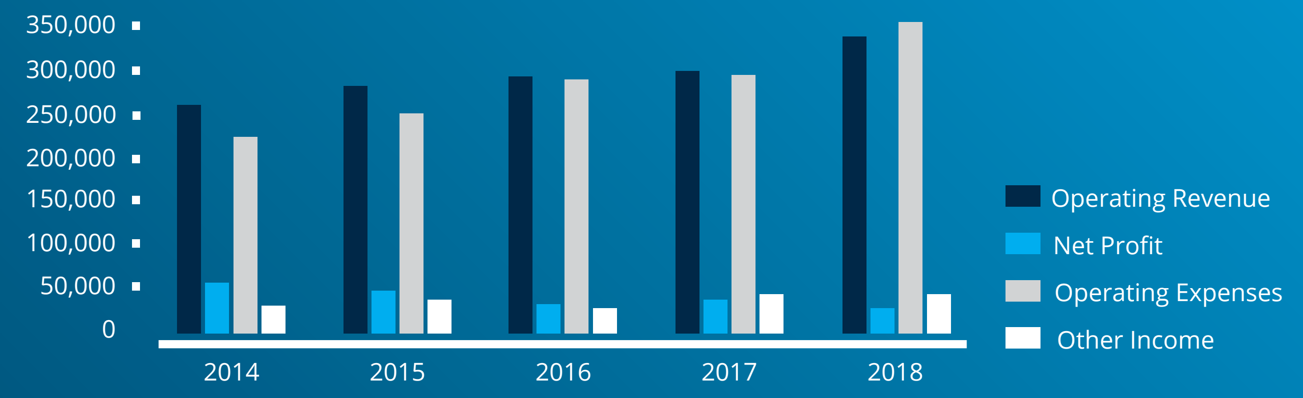
SWSC will integrate community investment considerations into decision-making processes and business practices, and will assist in local capacity building to develop mutually beneficial relationships with communities.

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

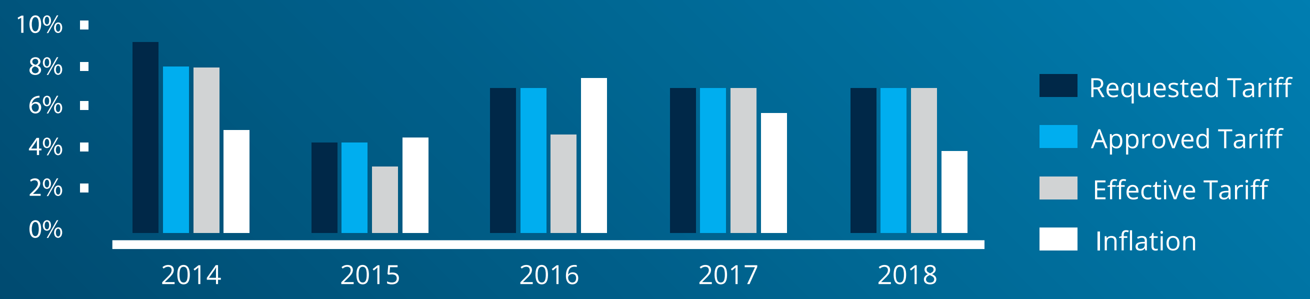
SWSC will strive to provide employment and economic opportunities in communities within its operating environment.

FINANCIAL AND OPERATING STATISTICS

FIVE YEAR PERFORMANCE AT A GLANCE (E000)

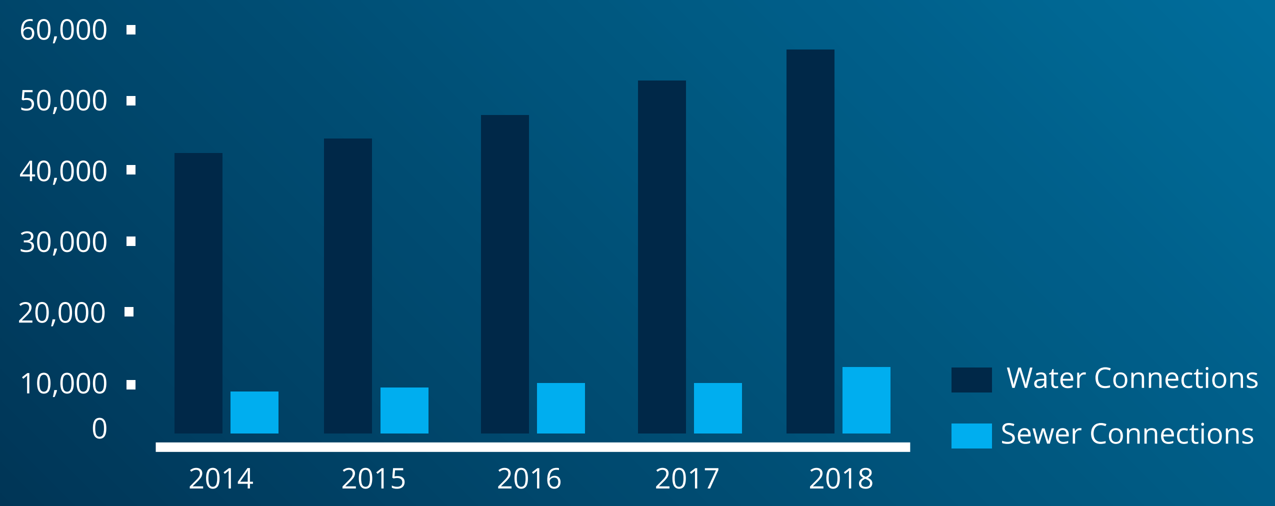


APPROVED AND EFFECTIVE TARIFFS AND INFLATION



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

NUMBER OF CONNECTIONS



NUMBER OF CONNECTIONS AND WATER CONSUMPTION

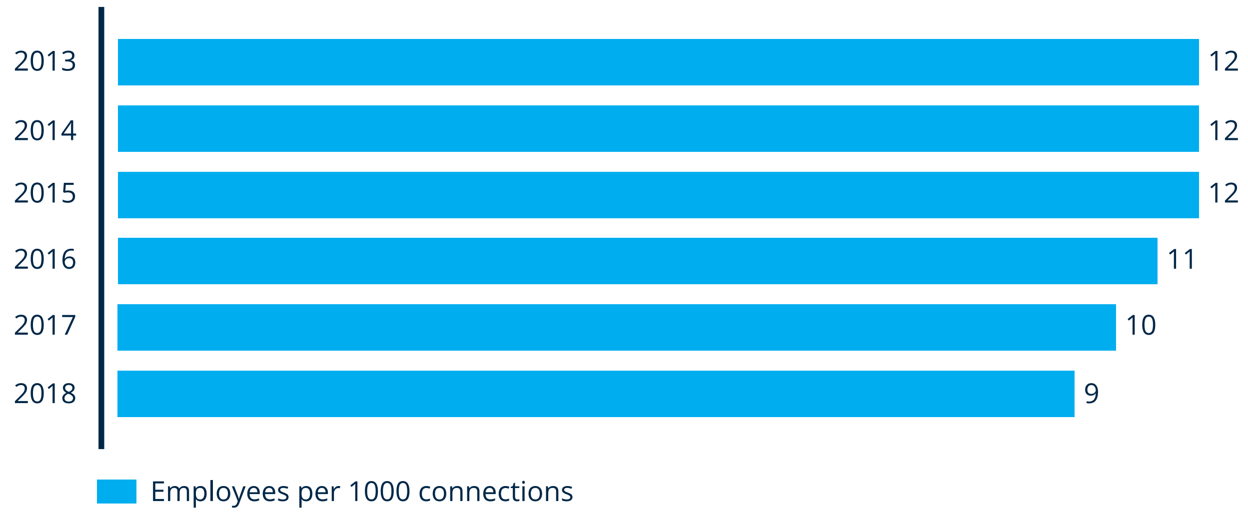
	2014	2015	2016	2017	2018
Water connections	42,784	45,578	49,494	53,081	57,634
Sewer connections	9,908	9,948	10,845	10,840	12,820
Total water consumption (m³)	13,805,111	14,190,834	13,748,179	11,899,115	13,697,672

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

EMPLOYEE PRODUCTIVITY

	2014	2015	2016	2017	2018
Number of employees	536	525	532	527	543
Sales turnover per employee (E000)	507	538	555	567	617
Net profit per employee (E000)	106	36	52	68	47
Average cost per employee (E000)	420	484	550	562	653
Employees per 1000 connections	12	12	11	10	9

EMPLOYEES PER 1000 CONNECTIONS



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

SWSC

CONTENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 MARCH 2018

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and the related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared 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 the Corporation's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability to the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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

The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. PricewaterhouseCoopers' audit report is presented on page 56 - 57.

The annual financial statements which appear on pages 61 to 96 have been approved by the board of directors on 19 July 2018 and are signed on its behalf by:

CHAIRMAN

MANAGING DIRECTOR

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF SWAZILAND WATER SERVICES CORPORATION

Our Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Swaziland Water Services Corporation (the Corporation) as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Water Services Corporation Act No.12 of 1992.

What we have audited:
Swaziland Water Services Corporation's financial statements set out on pages 7 to 45 comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- 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.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the requirements of the Swaziland Institute of Accountants (SIA) Code of Ethics for Professional Accountants and other independence requirements applicable to performing audits of financial statements in Swaziland. We have fulfilled our other ethical responsibilities in accordance with the SIA Code and in accordance with other ethical requirements applicable to performing audits in Swaziland.

Other Information
The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Water Services Corporation Act No.12 of 1992 and the Statement of Directors Responsibility. Other information does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of 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.

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

Auditor's Responsibilities of the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

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

Pricewaterhouse Coopers

PricewaterhouseCoopers
Partner: Theo Mason
Registered Auditor
P.O. Box 569
Mbabane
Date: 30 July 2018

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report, which forms part of the audited financial statements of the Corporation for the year ended 31 March 2018.

NATURE OF THE CORPORATION'S BUSINESS

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

OPERATING AND FINANCIAL REVIEW

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

	2018 E'000	2017 E'000
Financial position		
Total assets	2 383 930	2 207 079
Total liabilities	1 866 434	1 714 059
Operating results		
Revenue	335 115	298 708
Profit for the year	25 766	36 057

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)
N. Hadebe	(Representative of the Ministry of Finance & Member)
J. Henwood	(Member)
T Mavuso	(Representative of the Ministry of Natural Resources & Member)
J. Kkhambule	(Member)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Secretary
Mr P N Bhembe
P O Box 20
Mbabane

Auditors
PricewaterhouseCoopers
P O Box 569
Rhus Office Park
Kal Grant Street
Mbabane

REGISTERED OFFICE
Emtfonjeni Building
Below Gables Shopping Complex
Above Usushwana Bridge
(MR103)
Ezulwini

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

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 E	2017 E
Revenue	2	335 115 298	298 707 557
Other income	6	30 412 264	29 203 806
Raw materials & consumables used		(100 225 408)	(85 044 599)
Employee benefits expense	4	(123 874 143)	(106 962 889)
Depreciation expense	7	(45 294 870)	(41 488 135)
Other expenses	1	(84 601 425)	(62 829 957)
Finance income	3	14 175 247	18 428 244
Finance costs	3	(7 212 756)	(8 406 697)
Profit before income tax		18 494 207	41 607 330
Income tax expense	5	7 272 287	(5 550 221)
Profit for the year		25 766 494	36 057 109

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Notes	2018 E	2017 E
Assets			
Non-current assets			
Property, plant and equipment	7	2 013 797 736	1 860 249 781
Deferred income tax asset	14	3 840 994	-
Investments	9.2	3 456 261	38 202 964
		2 021 094 991	1 898 452 745
Current assets			
Inventories	10	7 173 057	7 950 201
Trade and other receivables	9.1	117 647 455	101 983 236
Investments	9.2	63 115 213	57 597 127
Cash and cash equivalents	9.3	174 899 455	141 095 850
		362 835 180	308 626 414
Total assets		2 383 930 171	2 207 079 159
Equity			
Capital and reserves			
Share capital	11	30 222 580	30 222 580
Retained earnings		487 273 304	462 796 810
		517 495 884	493 019 390
Liabilities			
Non-current liabilities			
Deferred grants	13	1 647 417 469	1 514 593 325
Borrowings	9.5	57 029 247	69 535 133
Deferred income tax liability	14	-	3 431 293
		1 704 446 716	1 587 559 751
Current liabilities			
Trade and other payables	9.4	126 560 624	99 989 587
Borrowings	9.5	32 529 599	24 310 114
Provisions	12	2 897 348	2 200 317
		161 987 571	126 500 018
Total liabilities		1 866 434 287	1 714 059 769
Total equity and liabilities		2 383 930 171	2 207 079 159

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital E	Retained Earnings E	Total E
Balance at 1 April 2017	30 222 580	462 796 810	493 019 390
Net profit for the year	-	25 766 494	25 766 494
Net profit for the year	-	(1 290 000)	(1 290 000)
Balance at 31 March 2018	30 222 580	487 273 304	517 495 884
Balance at 1 April 2016	30 222 580	426 739 701	456 962 281
Net profit for the year	-	36 057 109	36 057 109
Balance at 31 March 2017	30 222 580	462 796 810	493 019 390

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 E	2017 E
Cash flows from operating activities			
Cash generated from operations	15.1	44 893 369	99 615 360
Interest received	3	12 780 921	18 428 244
Interest paid	3	(7 212 756)	(8 406 697)
Net cash generated from operating activities		50 461 534	109 636 907
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		1 579 602	-
Acquisition of property, plant and equipment	7	(202 366 103)	(469 993 628)
Proceeds from maturity of held-to-maturity investments		30 622 943	5 656 352
Net cash utilised in investing activities		(170 163 558)	(464 337 276)
Cash flows from financing activities			
Proceeds from borrowings	15.2	11 809 162	19 105 714
Repayment of borrowings	15.2	(16 095 563)	(12 323 879)
Capital grant received		157 792 030	223 117 896
Net cash generated from financing activities		153 505 629	229 899 731
Net increase/(decrease) in cash and cash equivalents		33 803 605	(124 800 638)
Cash and cash equivalents at beginning of the year		141 095 850	265 896 488
Cash and cash equivalents at the end of the year	9.3	174 899 455	141 095 850

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2018

01 / BASIS OF PREPARATION

The financial statements of Swaziland Water Services Corporation have been prepared in accordance with International Financial Reporting Standards. They have been prepared under the historical cost convention.

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.

Amounts are not rounded, save for where indicated otherwise.

Presentation currency is Emalangeni ("E"), which is the corporation's functional currency.

(a) New standards, amendments and interpretations adopted by the Corporation

The following standards have been adopted by the corporation for the first time for the financial year ending 31 March 2018.

NUMBER	EFFECTIVE DATE	EFFECTIVE DATE	IMPACT
Amendment to IAS 7 – Cash flow statements Statement of cash flows on disclosure initiative	Annual periods beginning on or after 1 January 2017 (published Feb 2016)	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt.	The corporation has applied this standard in the preparation of the Financial Statements with all changes in liabilities arising from financing activities being incorporated in the presentation of the statement of cash flows (See note 15.2).
Amendment to IAS 12 – Income taxes Recognition of deferred tax assets for unrealised losses.	Annual periods beginning on or after 1 January 2017 (published Feb 2016)	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.	After assessment of the clarification, the corporation's recognition of deferred tax assets on unrealised losses is consistent with the standard's clarification. Deferred tax assets recognised on unrealised losses are mainly from tax losses incurred by the corporation, with a carrying amount of E3.8 million as at 31 March 2018. The other clarifications of the standard do not impact the corporation.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the Corporation. The Corporation's assessment of these new standards and interpretations is set out below:

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY AND IMPACT
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019	IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The corporation expects that the most significant impact of the new standard will result from its current property and network site operating leases. For the year ended 31 March 2018 the corporation has recognised lease expenses of E 1.6 million (refer to note 1) and non-cancellable operating lease commitments (undiscounted) of E2.1 million. On adoption of IFRS 16 operating lease costs will no longer be recognised as operating expenses. The extent of the reduction in lease expenses is dependent on the application of the practical expedients in IFRS 16 regarding the separation of lease and non-lease components, leases 1 year and below exemptions and the impact of the application of the low value asset exemption. The new standard will require the recognition of lease liabilities and corresponding right-of-use assets. The corporation will recognise depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss. The initial lease liabilities and right-of-use assets recognised upon transition to IFRS 16 would likely be representative of the non-cancellable lease commitments, discounted at an appropriate rate as applicable to the operation in which the lease arises, after taking into account the impact of the practical expedients and transitional elections applied by the corporation. It is anticipated that while the EBITDA and the related EBITDA margin will improve significantly, depreciation and finance charges will also increase significantly. Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods. Application of IFRS 16 will therefore also impact the EBITDA (net interest, net debt and net debt EBITDA ratios) significantly. IFRS 16 permits multiple transition methods, and the corporation is yet to determine which transition method would be the most appropriate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

01 / BASIS PREPARATION

//CONTINUED

(b) New standards and interpretations not yet adopted

// CONTINUED

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY AND IMPACT
IFRS 15 – Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. IFRS 15 also includes comprehensive disclosure requirements that will provide users with information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The corporation has performed a preliminary assessment of the impact of IFRS 15 and does not expect significant changes in the revenue recognition criteria currently being used. The requirements of IFRS 15 are consistent with the current accounting policies in recognition of revenue by the corporation.
IFRS 9 – Financial Instruments	Annual periods beginning on or after 1 January 2018	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The adoption of IFRS 9 will require a review of the current classification of financial assets and liabilities. The categories for financial assets changed from IAS 39 to IFRS 9. The IAS 39 held-to-maturity, loans and receivables and financial assets at fair value through profit or loss and categories have been replaced by fair value through other comprehensive income, fair value through profit or loss and measured at amortised cost. A preliminary assessment of SWSC business model indicates that items classified as loans and receivables are likely to be classified as measured at amortised cost. The remaining classification categories are still being finalised. The hedge accounting requirements are not expected to have a significant impact on the financial results of the corporation. The corporation has determined that the application of an expected credit loss model is likely to result in an earlier recognition of credit losses, in particular on individual customers. A preliminary impact assessment which is being finalised by management indicated that the application of the expected credit loss model is unlikely to result in material adjustments. The corporation has determined that retrospective restatement would require the application of hindsight. The corporation has therefore decided not to restate comparatives.

02 / PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings	5 – 50	Years
Dams and reservoirs	20 – 60	Years
Treatment works	20 – 60	Years
Mains and reticulation	5 – 100	Years
Plant and machinery	5 – 100	Years
Furniture and equipment	5 – 100	Years
Motor vehicles	3 – 100	Years

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

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

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

03 / IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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.

SUBSEQUENT MEASUREMENT

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

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

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

RECOGNITION AND MEASUREMENT

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

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

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

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

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

04 / FINANCIAL ASSETS
//CONTINUED

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset or 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.

DE-RECOGNITION OF FINANCIAL ASSESTS

A financial asset is de-recognised when the right to receive cash flows from the asset has expired or the Corporation has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either, has transferred substantially all the risks and rewards of the asset to another party, or the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained transferred asset to the extent of the Corporation's continuing involvement. In that case, the Corporation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

05 / LEASES

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

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

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

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 the costs of completion and selling expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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 receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 365 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

08 / CASH AND CASH EQUIVALENTS

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

09 / SHARE CAPITAL

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

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

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

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

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

11 / BORROWINGS

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

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

12 / TRADE PAYABLES

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

13 / EMPLOYEE BENEFITS

(a) Short-term employee benefits
The cost of short-term employee benefits, (those payable within 12 months after the service is rendered), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

14 / PROVISIONS

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

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

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

15 / REVENUE RECOGNITION

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

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

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

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

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

16 / DIVIDEND DISTRIBUTION

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

17 / FINANCIAL RISK MANAGEMENT

17.1 FINANCIAL RISK FACTORS

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

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk – foreign exchange	Future commercial transactions. Recognised financial assets and liabilities not denominated in Emalangeni.	Cash flow forecasting Sensitivity analysis	None. Corporation has no exposure to any foreign exchange risk
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	No formal mechanism
Market risk – security prices	Investments at FVPL	Sensitivity analysis	Portfolio diversion
Credit risk	Cash and cash equivalents Trade receivables, and Held-to-maturity investments	Aging analysis Credit ratings	Diversification of bank deposits Credit limits and letters of credit Investment guidelines for held-to-maturity investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

(a) Market risk

(i) Foreign exchange risk

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

As at 31 March 2018, the Corporation was not exposed to any foreign currency exchange risk.

(ii) Price risk

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

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

	2018 E	2017 E
Impact on post-tax profit		
Increase of 5% in unit prices	881 317	830 772
Decrease of 5% in unit prices	(881 317)	(830 772)

(iii) Cash flow and fair value interest rate risk

The corporation's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the corporation to cash flow interest-rate risk. Borrowings issued at fixed rates expose the corporation to fair value interest-rate risk. The corporation is not exposed to fair value interest rate risk because all the corporation's borrowings (note 9.5) 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.

The prevailing prime borrowing rate that the corporation's borrowings are linked to was 10.5% as at 31 March 2018 (2017: 10.75%). The ranges of the borrowings are as follow, per category:

	Range %	2018 E	2017 E
Bank loans	Prime less 0.5% -1.55%	55 175 427	54 549 788
Finance lease	Prime plus 1%	10 708 586	11 955 605
Swaziland government	2% above inflation	23 674 833	27 339 854

The Swaziland government loan is repriced semi-annually in January and July of each year.

(b) Credit risk

Credit risk arises from cash and cash equivalents, held-to-maturity investments, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

For banks and financial institutions, only high credit quality parties are accepted.

The Corporation does not do credit vetting for new customers since it is an essential service. Overdue accounts are disconnected for non-payment after 30 days from the statement due date as per the policies and procedures. No securities are held in relation to outstanding receivables.

Held-to-maturity investments consist of African Alliance promissory notes and Swaziland Building Society permanent shares, which are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

17 / FINANCIAL RISK MANAGEMENT

17.1 FINANCIAL RISK FACTORS

//CONTINUED

(ii) Credit quality

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

	2018 E	2017 E
Trade and other receivables		
Counter-parties without external credit ratings		
- Low risk: Government accounts	39 592 780	18 628 103
- Medium risk: Corporate clients and companies	10 640 188	17 175 408
- High risk: Mainly individual accounts	82 871 798	56 199 065
Total trade receivables	133 104 766	92 002 576
Cash at bank and short-term bank deposits		
Cash on hand	11 536	842 783
Stanlib	14 454 388	13 425 071
Standard Bank Swaziland Limited	33 477 765	7 109 633
Netbank Swaziland Limited	42 169 977	27 561 682
FNB Swaziland Limited	30 692 192	12 498 037
Swazi Bank	19 115 548	47 520 550
Swaziland Building Society	29 656 292	27 209 400
African Alliance	5 321 757	4 928 694
	174 899 455	141 095 850

	2018 E	2017 E
Held-to-maturity investments		
Counter-parties without external credit ratings		
- Swaziland Building Society permanent shares	3 456 261	3 346 714
- African Alliance promissory notes	38 803 029	69 535 520
Total held-to-maturity investments	42 259 290	72 882 234

(ii) Impaired trade receivables

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there objective evidence that an impairment has been incurred but not yet is been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

As of 31 March 2018, trade and other receivables of **E 42 362 669** (2017: E 28 109 303) were impaired and provided for. The individually impaired receivables mainly relate to residential accounts mostly disconnected for non-payment. The ageing analysis of these trade receivables impairment is as follows:

	2018 E	2017 E
1 to 3 months	3 982 978	1 675 306
3 to 6 months	3 744 844	8 108 227
6 to 12 months	8 291 615	9 120 207
Over 12 months	26 343 232	9 205 563
	42 362 669	28 109 303

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2018 E	2017 E
Opening balance	28 109 303	29 853 729
Provision for receivables impairment	18 407 168	10 871 305
Receivables written off during the year as uncollectable	(4 153 802)	(12 615 731)
Closing balance	42 362 669	28 109 303

The creation and release of provision for impaired receivables have been included in 'other expenses' in the statement of comprehensive income. The other classes within trade and other receivables do not contain impaired assets.

(c) Liquidity risk

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

(i) Maturity analysis

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

	Less than 1 year E	Between 1 and 5 years E	Over 5 years E
At 31 March 2018			
Borrowings	32 529 599	53 639 559	3 389 688
Trade and other payables	126 560 624	-	-
	159 090 223	53 639 559	3 389 688
At 31 March 2017			
Borrowings	24 310 114	69 535 133	-
Trade and other payables	99 989 587	-	-
	124 299 701	69 535 133	-

17 / FINANCIAL RISK MANAGEMENT
17.1 FINANCIAL RISK FACTORS
//CONTINUED

(ii) Financing arrangements
The corporation had access to the following undrawn facilities at the end of the reporting period:

	2018 E	2017 E
Floating rate		
Expiring within a year - (bank overdraft)	2 000 000	-

17.2 CAPITAL RISK MANAGEMENT

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

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

The gearing ratios at 31 March 2018 and 2017 were as follows:

	2018 E	2017 E
Total borrowings (note 9.5)	89 558 846	93 845 247
Less: cash and cash equivalents (note 9.3)	(174 899 455)	(141 095 850)
Net debt	(85 340 609)	(47 250 603)
Total equity	517 495 884	493 019 390
Total capital	432 155 275	445 768 787
Gearing ratio	0%	0%

Loan covenants

Under the terms of the major borrowing facilities, the corporation is required to comply with the following financial covenants:

- Interest cover ratio of not less than 3 times calculated as EBITDA/interest expense
- Debt to equity ratio of not more than 1.25 times

The corporation has complied with these covenants throughout the reporting period.

18 / CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Provision for impairment of trade receivables
The Corporation considers all trade receivable balances that have been outstanding for over one year as impaired. The Corporation applies this policy consistently and the Corporation's management is of the view that, even though this is an accounting estimate, it is the best estimate of the amount that may not be recovered from the Corporation's customers. Refer to note 9.1 for disclosure on the provision for impairment of trade receivables.

(b) Review of useful lives
The Corporation depreciates items of property, plant and equipment based on the useful lives of these items. The useful lives of the items are management's best estimates. The useful lives are disclosed in accounting policy 2 and they are reasonable in management's view. These useful lives determine the amount of depreciation recognized in the statement of comprehensive income each year (refer to note 7).

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

19 / COMPARATIVES

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

1/ MATERIAL OTHER EXPENSE ITEMS

The corporation has identified the items below needing separate disclosure for better understanding of the performance of the corporation. These items are included in "other expenses" on the statement of comprehensive income.

	2018 E	2017 E
Auditors' remuneration		
- Audit fees	982 949	1 553 312
Fees for services		
- Public Enterprise Unit management fees	2 493 310	2 380 626
Directors emoluments		
- For services as directors	234 596	216 844
Operating lease expenses	1 688 045	1 629 428
Repairs and maintenance expenditure		
- Property, plant and equipment	3 502 919	2 823 990

2/ REVENUE

The corporation derives the following revenue from its activities:

Water charges	218 852 168	196 607 229
Sewer charges	59 912 640	53 866 245
Basic charges	44 268 119	38 880 124
Penalty charges	980 288	1 194 023
Miscellaneous water supply services	3 425 368	2 896 114
Connection charges – new customers	3 741 397	3 645 147
Trade effluent charges	3 935 318	1 618 675
	335 115 298	298 707 577

Revenue is recognised for the major business activities using the methods outlined below:

Water, sewer and basic charges – residential and commercial

Timing of recognition: The corporation supplies water to both commercial and residential customers, and provides sewage disposal services to the same. Revenue from water and sewer services is recognised based on usage of water by customers. Basic charges are charged per customer with an active connection without regard to usage on a monthly basis.

Measurement of revenue: Water and sewer usage charges are charged per gazetted rates on the usage of customers. Basic charges are also based on a flat rate gazetted charge per type of connection. Revenue is measured at the fair value receivable from the customers at time of billing.

Connection charges

Timing of recognition: Customers are charged a fee for new connections and reconnections to receive water and sewer services from the corporation. Revenue is recognised when the connection fee is payable by the customer (fees are usually payable when the service – connection – is rendered).

Measurement of revenue: The revenue is measured at the fair value receivable from the customer when the service is rendered.

Penalty charges

Timing of recognition: Penalties are charged to customers who have had their water and sewer services disconnected. The revenue is recognised when the customer pays the penalty for disconnection.

Measurement of revenue: The revenue is measured at the amount received from the customer when paying the penalty.

Trade effluent charges

Timing of recognition: Trade effluent disposal services are offered to commercial industrial customers that produce liquid waste from their processes. The charges are billed to customers based on amount of effluent disposed, and revenue is recognised when the service is rendered based on volumes of trade effluent disposed.

Measurement of revenue: The corporation measures revenue at the fair value receivable from the customer at the time of rendering of the trade effluent disposal services.

Miscellaneous water supply services

Timing of recognition: Other water supply services revenue is recognised when the corporation is entitled to receive payment from the rendering of those miscellaneous services or the supply of miscellaneous water related goods. This is when all rights and rewards related to the goods/services have been transferred to the customer.

Measurement of revenue: The corporation measures revenue at the fair value receivable from the customer at the time of supply of the goods and/or services.

3/ FINANCE INCOME AND COSTS

	2018 E	2017 E
Finance income	14 175 247	18 428 244
Interest from financial assets held to maturity	12 780 921	17 829 321
Fair value changes in financial assets held as investments	1 394 326	598 923
Finance costs	(7 212 756)	(8 406 697)
Interest from financial borrowings	(7 212 756)	(8 406 697)
Net finance income	6 962 491	10 021 547

Finance income

It is the corporation's policy to include fair value changes in financial assets measured at fair value through profit and loss, interest income from financial assets held to maturity, interest earned from financial assets that are held for cash management purposes as finance income.

Finance costs

Finance costs is interest charged on borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 MARCH 2018

4/ EMPLOYEE BENEFITS EXPENSES

	2018 E	2017 E
Salaries, wages and allowances	108 410 810	92 761 476
Provident fund contribution	768 358	686 743
Medical aid contribution	5 485 531	5 031 467
Retirement benefits	9 209 444	8 483 203
	123 874 143	106 962 889

5/ INCOME TAX EXPENSE

The Corporations income tax expense is as follows:

	2018 E	2017 E
- Current tax	-	-
- Deferred tax (credit)/charge (note 14)	(7 272 287)	5 550 221
	(7 272 287)	5 550 221
Numerical reconciliation of income tax expense		
Profit before income tax	18 494 207	41 607 330
Tax calculated at statutory tax rate of (27.5%)	5 085 907	11 442 016
Tax effects of:		
Expenses not deductible for tax purposes	674 668	471 134
Grant amortisation credited to the statement of comprehensive income	(6 866 169)	(6 362 929)
Prior period deferred tax adjustment	(6 166 693)	-
Tax charge	(7 272 287)	5 550 221

6/ OTHER INCOME

	2018 E	2017 E
Ecowater sales	912 417	746 542
Amortisation of deferred grant income	24 967 886	23 137 923
Rental income	2 733 344	3 109 255
Sundry income	1 798 617	2 210 086
Total	30 412 264	29 203 806

Other income to the corporation is classified as such on the following bases:

Ecowater sales
Sales of Ecowater bottled water is classified as other income by the corporation.

Rental income
Rent payable to the corporation by tenants renting out land and office space from the corporation. The office space rented out is insignificant to classify it as investment property in terms of IAS 40 – Investment Property.

Government grant amortization
Government grants amortized relate to developmental projects funded by the government and other funders through the government. There are no unfulfilled conditions or other contingencies attaching to these grants. The corporation has not benefited directly from any other forms of government assistance other than the funding of water development projects.

Deferral and presentation of grants
Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets

Sundry income
Sundry income includes other incidental income not in the main business activities of the corporation.

7/ PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2018

	Opening net Carrying amount E	Additions E	Disposals E	Transfers from Capital projects E	Depreciation Charge (note 1) E	Re-classification E	Closing net Carrying amount E
Land and buildings	144 409 152	-	-	74 326 877	(3 986 738)	-	214 749 291
Dams and reservoirs	80 599 852	-	(843 334)	30 249 549	(2 476 761)	(2 792 044)	104 737 262
Treatment works	211 281 553	-	-	196 770 494	(4 297 666)	2 792 044	406 546 425
Mains and reticulation	386 405 826	-	-	366 237 572	(12 864 650)	-	739 778 748
Plant and machinery	172 598 499	-	-	26 689 099	(11 020 814)	(35 733)	188 231 051
Furniture and equipment	16 256 446	-	(24 998)	5 353 561	(3 137 163)	(344 267)	18 103 579
Motor vehicles	24 419 403	-	(672 113)	7 203 974	(7 511 078)	380 000	23 820 186
Capital work in progress (note 8)	824 279 050	202 366 103	(1 982 833)	(706 831 126)	-	-	317 831 194
Total	1 860 249 781	202 366 103	(3 523 278)	-	(45 294 870)	-	2 013 797 736

Year ended 31 March 2018

	Cost E	Accumulated Depreciation E	2018 Net carrying amount E	2017 Net carrying amount E
Land and buildings	247 115 102	(32 365 811)	214 749 291	144 409 152
Dams and reservoirs	131 475 985	(26 738 723)	104 737 262	80 599 852
Treatment works	452 465 005	(45 918 580)	406 546 425	211 281 553
Mains and reticulation	852 553 910	(112 775 162)	739 778 748	386 405 826
Plant and machinery	245 211 629	(56 980 578)	188 231 051	172 598 499
Furniture and equipment	46 128 731	(28 025 152)	18 103 579	16 256 446
Motor vehicles	53 102 588	(29 282 402)	23 820 186	24 419 403
Capital work in progress	317 831 194	-	317 831 194	824 279 050
Total	2 345 884 144	(332 086 408)	2 013 797 736	1 860 249 781

Year ended 31 March 2017

	Opening net Carrying amount E	Additions E	Disposals E	Transfers from Capital projects E	Depreciation Charge (note 1) E	De-recognised E	Closing net Carrying amount E
Land and buildings	146 455 785	-	-	2 078 415	(4 125 754)	706	144 409 152
Dams and reservoirs	82 339 708	-	-	1 608 039	(2 571 990)	(775 905)	80 599 952
Treatment works	182 197 047	-	-	31 827 984	(3 652 218)	908 740	211 281 553
Mains and reticulation	388 187 285	-	-	10 880 016	(12 661 475)	-	386 405 826
Plant and machinery	73 867 830	-	-	107 686 071	(8 865 369)	(90 033)	172 598 499
Furniture and equipment	17 255 024	-	-	1 652 227	(3 026 002)	375 196	16 256 446
Motor vehicles	26 411 211	-	-	5 012 284	(6 585 327)	(418 765)	24 419 403
Capital work in progress (note 8)	515 030 458	469 993 628	-	(160 745 036)	-	-	824 279 050
Total	1 431 744 348	469 993 628	-	-	(41 488 135)	(61)	1 860 249 781

Year ended 31 March 2017

	Cost E	Accumulated Depreciation E	2017 Net carrying amount E	2016 Net carrying amount E
Land and buildings	172 788 225	(28 379 073)	144 409 152	146 455 785
Dams and reservoirs	107 402 940	(26 803 088)	80 599 852	82 339 708
Treatment works	250 361 340	(39 079 787)	211 281 553	182 197 047
Mains and reticulation	486 316 337	(99 910 511)	386 405 826	388 187 285
Plant and machinery	218 558 264	(45 959 765)	172 598 499	73 867 830
Furniture and equipment	41 360 123	(25 103 677)	16 256 446	17 255 024
Motor vehicles	49 029 026	(24 609 623)	24 419 403	26 411 211
Capital work in progress	824 279 050	-	824 279 050	515 030 458
Total	2 150 095 305	(289 845 524)	1 860 249 781	1 431 744 348

7/ PROPERTY, PLANT AND EQUIPMENT

//Continued

	2018 E	2017 E
Leased assets (motor vehicles and trailers) included in property, plant and equipment are as follows:		
Cost	29 581 132	24 851 523
Accumulated depreciation	(14 973 527)	(11 015 191)
Net carrying amount	14 607 605	13 836 332

	2018 E	2017 E
Land and buildings comprise:		
Portion 79 - Land adjacent to Ezulwini Headquarters	820 000	820 000
Erf No4 – Second street Nhlangano	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	500 000	500 000
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	10 046 288
Portion 56 (a portion of portion 46) of Farm 51, Hhohho	8 575 503	-
Portion 124 (a portion of portion 46) of Farm 57, Hhohho	4 850 000	-
Buildings at depreciated cost	176 780 199	119 865 564
	214 749 290	144 409 152

	2018 E	2017 E
The cost of assets which are fully depreciated but still in use are as follows:		
Fencing	1 195 563	1 603 523
Mains and Reticulation	476 734	850 531
Motor vehicles	209 950	337 792
Laboratory equipment	115 655	717 361
Furniture and equipment	868 224	865 513
Office equipment	333 766	3 795 819
Mobile plant	78 497	78 497
Computers	4 008 387	4 095 392
	7 286 776	12 344 428

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 MARCH 2018

8/ CAPITAL PROJECTS IN PROGRESS

	2018 E	2017 E
Internal projects (note 8.1)	50 456 039	48 723 672
Government Funded Projects (note 8.2)	231 730 188	336 186 080
European Union funded projects (note 8.4)	-	252 387 770
African Development Bank funded projects (note 8.3)	9 147 772	170 960 668
Nedbank/SWSC funded projects (note 8.5)	26 497 195	16 020 860
Total capital work in progress (note 7)	317 831 194	824 279 050

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

8.1/ INTERNAL PROJECTS

Opening net carrying amount	48 723 672	36 288 419
Additions	24 762 481	28 139 000
Transfers to external funded projects	-	(4 237 110)
Commissioned – transfers to property, plant and equipment	(22 620 132)	(11 466 637)
Disposal / de-recognised	(409 982)	-
Closing net carrying amount	50 456 039	48 723 672

8.2/ GOVERNMENT FUNDED PROJECTS

Opening net carrying amount	336 186 080	313 332 806
Additions	83 769 469	127 095 690
Transfers from internal projects	-	2 048 359
Commissioned - transfers to property, plant and equipment	(188 219 372)	(106 130 428)
De-recognised	(5 989)	(160 347)
Closing net carrying amount	231 730 188	336 186 080

8.3/ AFRICAN DEVELOPMENT BANK FUNDED PROJECTS

Opening net carrying amount	170 960 668	64 712 156
Additions	43 629 933	106 031 141
Transfer from internal projects	-	217 371
Commissioned - transfers to property, plant and equipment	(204 051 527)	-
Disposal / de-recognised	(1 391 302)	-
Closing net carrying amount	9 147 772	170 960 668

8.4/ EUROPEAN UNION FUNDED PROJECTS

Opening net carrying amount	252 387 770	67 676 658
Additions	33 549 568	184 711 112
Commissioned - transfers to property, plant and equipment	(285 727 730)	-
Disposal / de-recognised	(209 608)	-
Closing net carrying amount	-	252 387 770

8.5/ NEDBANK LOAN/SWSC FUNDED PROJECTS

Opening net carrying amount	16 020 860	33 020 419
Additions	10 476 335	19 085 570
Transfer from internal projects	-	1 971 380
Commissioned - transfers to property, plant and equipment	-	(38 056 509)
Closing net carrying amount	26 497 195	16 020 860

9/ FINANCIAL ASSETS AND LIABILITIES

This note provides information about the corporation's financial instruments, including:

- an overview of all financial instruments held by the corporation
- specific information about each type of financial instrument
- accounting policies, and;
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The corporation holds the following financial instruments:

	Assets at fair value through profit and loss E	Assets at amortised cost E	Total E
31 March 2018			
Assets as per statement of financial position			
Trade and other receivables	-	117 647 455	117 647 455
Investments	24 312 184	42 259 290	66 571 474
Cash and cash equivalents	-	174 899 455	174 899 455
	24 312 184	334 806 200	359 118 384
Liabilities as per statement of financial position			
Borrowings	-	89 558 846	89 558 846
Trade and other payables	-	126 560 624	126 560 624
	-	216 119 470	216 119 470
31 March 2017			
Assets as per statement of financial position			
Trade and other receivables	-	101 983 236	101 983 236
Investments	22 917 857	72 882 234	95 800 091
Cash and cash equivalents	-	141 095 850	141 095 850
	22 917 857	315 961 320	338 879 177
Liabilities as per statement of financial position			
Borrowings	-	93 845 247	93 845 247
Trade and other payables	-	99 989 587	99 989 587
	-	193 834 834	193 834 834

9/ FINANCIAL ASSETS AND LIABILITIES
9.1/ TRADE AND OTHER RECEIVABLES

	2018 E	2017 E
Trade receivables	133 104 766	92 002 576
Less: provision for impairment of receivables	(49 362 669)	(28 109 303)
Net trade accounts receivable	90 742 097	63 893 273
Staff receivables	3 205 582	2 965 581
UDP and Government advance payment	19 836 601	29 816 050
Contractor advance payment	-	1 525 527
Sundry receivables	3 863 175	3 782 805
Net other receivables	26 905 358	38 089 963
	117 647 455	101 983 236

Trade and other receivables are recognised and classified on the criteria below:

Classification as trade and other receivables
Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business. Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Advance payments
These are advance payments to contractors for projects undertaken by the corporation for construction works that have not been completed and/or invoiced by the contractor.

Sundry receivables
These amounts generally arise from transactions outside the main business operating activities of the corporation. Collateral is not normally obtained. All sundry receivables are due within 12 months and are classified as current.

Fair values of trade and other receivables
Due to the short-term nature of the current receivables, their carrying amount at amortized cost is considered to be the same as their fair value.

9.2/ INVESTMENTS

	2018 E	2017 E
Held-to-maturity investments (i)	42 259 290	72 882 234
Financial assests at fair value through profit or loss (ii)	24 312 184	22 917 857
	66 571 474	95 800 091

(i) Held-to-maturity investments

	2018 E	2017 E
Non-current assets	3 456 261	38 202 964
Promissory notes	-	34 856 250
SBS Permanent shares	3 456 261	3 346 714
Current assets	38 803 029	34 679 270
Promissory notes	38 803 029	34 679 270
	42 259 290	72 882 234

Promissory notes
The corporation is invested in promissory notes through African Alliance, which pay interest periodically at a floating rate linked to prime and mature at specified dates that are more than 12 months from the reporting date. The fair value of the promissory notes approximate its carrying amount at year end which is its amortised cost.

SBS Permanent shares
The Corporation is holding the investment at the Swaziland Building Society as security for housing loans taken out by the Corporation's staff from Swaziland Building Society. The Corporation is therefore holding this investment as a non-current asset.

Classification of financial assets as held-to-maturity
The corporation classifies investments as held-to-maturity if:
- they are non-derivative financial assets
- they have fixed or determinable payments and fixed maturities
- the corporation intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Impairment and risk exposure
None of the held-to-maturity investments are either past due or impaired. All held-to-maturity investments are denominated in Emalangeni. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

(ii) Financial assests at fair value through profit or loss

	2018 E	2017 E
Current assets	24 312 184	22 917 857
African Alliance Managed Fund	24 312 184	22 917 857

African Alliance Managed Fund
The corporation has invested funds with African Alliance for capital appreciation. African Alliance acts as the investment manager where it invests the funds on behalf of the corporation in equity, debt and other securities at the investment manager's professional discretion. The corporation has ready access to make withdrawals from this fund, as such the investment is classified as current.

Classification of financial assets at fair value through profit or loss
The corporation classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading/capital appreciation. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period or can readily be withdrawn; otherwise they are presented as non-current assets.

9.2/ INVESTMENTS
//CONTINUED

Amounts recognised in profit or loss
See note 3 for changes in fair value in financial assets that has been recognised in profit or loss.

Impairment and risk exposure
Information about the corporation's exposure to price risk is provided in accounting policy 17.

9.3/ CASH AND CASH EQUIVALENTS

	2018 E	2017 E
Cash at bank and in hand	140 017 255	62 190 658
Deposits at call	34 882 200	78 905 192
	174 899 455	141 095 850

Restricted cash
The cash and cash equivalents disclosed above and in the statement of cash flows include **E 5 225 908** (2017: E 4 997 151) which are subject to certain restrictions on usage by the corporation. The cash is held in a Nedbank call account as a guarantee for a construction project in favour of the contractor. The deposit will only be accessible to the bank upon completion of the project.

Classification as cash equivalents
Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

9.4/ TRADE AND OTHER PAYABLES

	2018 E	2017 E
Trade accounts payable and accruals	17 929 178	22 843 040
Capital projects accruals	73 989 762	40 291 926
Contractors' retention	12 492 334	18 281 414
Consumer deposits	20 859 350	18 573 207
Dividend accrual	1 290 000	-
	126 560 624	99 989 587

Trade accounts and other payables
Trade and other payables arise from the normal course of business. These are creditors due to be paid and normal accruals raised from dealings with suppliers. Normal terms with suppliers are usually unsecured and payable within 30 days.

Capital projects accruals
These are accruals relating to construction projects that the corporation has undertaken.

Contractors retention
The contractors' retention represents liabilities the corporation owes to contractors in respect of construction projects which are still within the defects period per the construction contract.

Consumer deposits
These are upfront deposits by customers that is paid at initial application of an account with the corporation. The amount is claimable by the customer when they close their account, if they so wish.

Dividend accrual
This is a dividend accrual for dividends declared but not paid in favour of the shareholder.

Fair values of trade and other payables
The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

9.5/ BORROWINGS

	2018			2017		
	Current E	Non-Current E	Total E	Current E	Non-Current E	Total E
Secured						
Bank loans	4 718 286	50 457 141	55 175 427	4 547 237	50 002 551	54 549 788
Lease liabilities	4 136 480	6 572 106	10 708 586	4 704 739	7 250 866	11 955 605
Total secured	8 854 766	57 029 247	65 884 013	9 251 976	57 253 417	66 505 393
Unsecured						
Swaziland Government	23 674 833	-	23 675 833	15 058 138	12 281 716	27 339 854
Total unsecured	23 674 833	-	23 675 833	15 058 138	12 281 716	27 339 854
Total borrowings	32 529 599	57 029 247	89 558 546	24 310 114	69 535 133	93 845 247

Secured liabilities and assets pledged as security
The entire **E 55 175 427** of the bank loans are secured in the following manner,
by the below listed assets:
- Two Mortgage bonds over portion 80 (a portion of portion 61) of farm 51 Hhohho District,
- Lien over a deposit call account balance with the loan provider of the entire amount in that account.
- Deed of hypothecation over a water treatment plant.
- All risks insurance policy over same water treatment plant.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

9.5/ BORROWINGS
//CONTINUED

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

The entire balance of **E 23 674 833** (2017: E 27 339 854) is unsecured.

Compliance with loan covenants
The corporation has complied with all financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods.

Finance leases
The corporation leases various plant and equipment as disclosed in note 7, under various finance lease agreements. Under the agreements, the ownership of the assets passes to the corporation at no significant additional cost at upon settlement of the amounts owed.

	2018 E	2017 E
Total liability	10 708 586	11 654 849
Less due within 1 year	(4 136 480)	(4 704 740)
Due after 12 months but not later than 5 years	6 572 106	6 950 109
Finance lease liabilities – minimum lease payments		
Not later than 1 year	4 581 152	4 704 740
Later than 1 year and not later than 5 years	7 686 526	13 900 215
Total lease payments	12 267 678	18 604 955
Future finance charges on finances	(1 559 092)	(6 649 351)
Present value of future finance liabilities	10 708 586	11 955 604

Fair value
The fair values of the borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Interest on these borrowings are linked to the prevailing prime borrowing rate.

9.6/ RECOGNISED FAIR VALUE MEASUREMENTS

	Level 1 E	Level 2 E	Level 3 E	Total E
Recurring fair value measurements				
31 March 2018				
Financial Assests				
Financial assets at FVPL	24 312 184	-	-	24 312 184
Total financial assets	24 312 184	-	-	24 312 184
31 March 2017				
Financial Assests				
Financial assets at FVPL	22 917 857	-	-	22 917 857
Total financial asset	22 917 857	-	-	22 917 857

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1
The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the corporation is the current bid price. These instruments are included in level 1.

Level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3
If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation technique used to value financial instruments recognised above is the use of quoted market prices or dealer quotes for similar instruments.

10. INVENTORIES

	2018 E	2017 E
Chemicals	628 387	808 093
Building materials	22 125	36 592
Petrol and diesel	115 504	81 011
Spares, fittings and pipes	5 927 321	6 566 896
Ecowater	479 720	457 609
	7 173 057	7 950 201

Assigning costs to inventories
Inventories are reported at the lower of cost or net realisable value, on the first-in, first-out model.

Amounts recognised in profit or loss
Inventories recognised as an expense during the year amounted to **E 38 515 394** (2017: E 31 635 745). These were included in "raw materials & consumables used" in profit or loss.

There was no inventory written down to net realizable value in the current or prior period.

11/ SHARE CAPITAL

	2018 E	2017 E
Issued and fully paid up		
30 222 580 ordinary shares of E1 each	30 222 580	30 222 580

All authorised ordinary shares have been issued and fully paid up.

12/ PROVISIONS

Provisions for leave pay (12.1)	2 479 348	2 200 318
Legal claim (12.2)	418 000	-
	2 897 348	2 200 318

12.1/ PROVISION FOR LEAVE PAY

Balances at the beginning of the year	2 200 317	2 737 714
Raised during the year	835 937	-
Utilized during the year	(556 906)	(537 397)
Balances at year end	2 479 348	2 200 317

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.

12.2/ LEGAL CLAIM

The corporation is a defendant in a legal claim for **E 418 000**. This claim was brought in the current year, and the directors are of the opinion that the chances of successfully defending this claim are remote. This conclusion was reached after appropriate consultation with legal counsel of the corporation. The recognised provision represents the best estimate of the most likely outcome.

13/ DEFERRED GRANTS

	2018 E	2017 E
Swaziland Government		
-Nhlangano – Water supply and treatment plant	422 876 569	341 749 261
- Urban Development Projects (Packages 6, 7, 8, 10, 18 A & B, and 20)	64 447 744	66 765 434
- Pigg's Peak Dam	2 959 356	3 065 266
- Hlatikhulu Treatment Works	2 038 946	2 122 450
- Siteki – Lomahasha water supply	149 360 964	154 212 277
- Ezulwini – Lobamba Water Supply	19 382 393	20 026 489
- Lukhaba Gravity Mains	3 560 147	3 694 102
- Mankayane Water Supply	8 954 244	9 260 383
- Enhlambeni Water Supply	10 805 481	11 155 321
- Government forex subvention	27 983 155	29 094 920
- Currency ratio subvention – Package 18	47 382 010	49 073 341
- Land transferred from the Government to SWSC	3 874 600	3 977 400
- Raw water for Tex Ray factory	5 013 239	5 186 334
- Sikhuphe Water Supply	89 978 114	92 114 579
- Matsapha Sewer treatment plant relocation	297 775 157	285 976 083
- Hlane Water Supply	23 364 560	24 146 260
- Impilo resevoir	992 433	1 025 514
- Mbabane Water Supply Augmentation	22 995 314	22 995 855
European Union financed project		
Siphofaneni, Somntongo and Matsanjeni Water Supply	260 575 750	248 806 907
Swaziland National Housing Board Grants		
Makholokholo Project	701 502	733 398
Swaziland National Trust Commission		
Mlawula Workstation	663 683	686 568
Micro Projects Grants		
Nhlambeni Water Supply	2 562 420	909 729
Makhewu Water Supply	538 274	552 439
Mbikwakhe Water Supply	2 385 258	2 449 725
Mhlumeni Water Supply	385 970	395 687
Maseyisini Water Supply	825 400	825 400
Mpolonjeni Water Supply	1 039 438	1 066 090
Mayaluka Water Supply	1 043 472	-
Matsetsa Water Supply	589 950	-
Mankayane Mabovini Water Supply	1 657 132	-
African Development Bank/Swaziland Government financed grant		
Ezulwini Sanitation and Water Supply	170 704 794	132 536 113
Total deferred grants	1 647 417 469	1 514 593 325

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 MARCH 2018

14/ 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:

	2018 E	2017 E
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	52 203 189	39 017 878
Deferred tax liabilities:		
- Deferred tax liability to be settled after more than 12 months	(48 362 195)	(41 696 431)
- Prior year adjustment to deferred tax liability	-	(752 740)
Deferred tax asset / (liabilities)(net)	3 840 994	(3 431 293)

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

	2018 E	2017 E
Beginning of year	(3 431 293)	2 118 928
Statement of comprehensive income charge (note 5)	7 272 287	(5 550 221)
End of year	3 840 994	(3 431 293)

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	Tax losses E	Provisions E	Total E
Deferred income tax asset				
At 31 March 2017	(42 449 171)	32 663 053	6 354 825	(3 431 293)
Charged / (credited) to the statement of comprehensive income	(5 913 024)	10 121 015	3 064 296	7 272 287
At 31 March 2018	(48 362 195)	42 784 068	9 419 121	3 840 994
Deferred income tax liability				
At 31 March 2016	(37 408 048)	33 396 825	6 130 151	2 118 928
Charged / (credited) to the statement of comprehensive income	(5 041 123)	(733 772)	224 674	(5 550 221)
At 31 March 2017	(42 449 171)	32 663 053	6 354 825	(3 431 293)

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

15/ NOTES TO THE STATEMENT OF CASH FLOWS

15.1/ CASH GENERATED FROM OPERATIONS

	2018 E	2017 E
Profit before tax	18 494 207	41 607 330
Adjustment for items not involving cashflow:		
Grant amortisation	(24 967 886)	(23 137 922)
Depreciation (Refer note 7)	45 294 870	41 488 135
Profit on disposal of property, plant and equipment	(916 538)	-
Interest income (Refer note 3)	(12 780 921)	(17 829 321)
Fair value gains on financial assets (Refer note 3)	1 394 326	(598 923)
Interest expense (Refer note 3)	7 212 756	8 406 697
	30 942 162	49 935 996
Working capital changes:	13 951 207	49 679 364
(Increase / (decrease) in inventories	777 144	(1 569 229)
(Increase) / decrease in trade and other receivables	(15 664 219)	47 812 956
Increase in trade and other payables (Refer note 15.3)	28 141 252	3 973 035
(Decrease) / increase in provisions	697 030	(537 398)
Cash generated from operations	44 893 369	99 615 360

15.2/ RECONCILIATION OF CASH FLOWS ARISING FROM FINANCING ACTIVITIES RELATED TO BORROWINGS

	2018 E	2017 E
Borrowings at the beginning of the year	93 845 247	87 063 412
- Current	24 310 113	24 612 123
- Non-current	69 535 134	62 451 289
Cash flows	(4 286 401)	6 781 835
- Proceeds from borrowings	11 809 162	19 105 714
- Repayment of borrowings	(16 095 563)	(12 323 879)
Borrowings at the end of the year	89 558 846	93 845 247
- Current	32 529 599	24 310 113
- Non-current	57 029 247	69 535 134

15.3/ MOVEMENT IN TRADE AND OTHER PAYABLES

	2018 E	2017 E
Opening trade and other payables	(99 989 587)	(96 016 552)
Dividends payable	(1 290 000)	-
Reversal of prior year PPE accruals	2 860 215	-
Closing trade and other payables	126 560 624	99 989 587
Net increase in trade and other payables	28 141 252	3 973 035

16/ COMMITMENTS

	2018 E	2017 E
Capital expenditure:		
Contracted	339 396 735	394 397 070
Authorised but not yet contracted	281 590 000	381 032 677
Total future capital expenditure	620 986 735	775 429 747

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 MARCH 2018

17/ RETIREMENT BENEFITS

The staff pension fund, the SWSC Pension Fund, which is a defined contribution plan, was established on 1 April 1999 and is administered by Negotiated Benefit Consultant Pty Ltd.

18/ CONTINGENT LIABILITIES

The Corporation has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liability will arise from the contingent liability.

19/ RELATED PARTY TRANSACTIONS

Key management personnel compensation

	2018 E	2017 E
Short-term employee benefits	4 266 854	3 645 996
Post-employment benefits	986 110	809 597
	5 252 964	4 455 593

Key management personnel are those people having authority and responsibility for planning, directing, and controlling the activities of the corporation. Members of the executive committee are considered key management personnel at the corporation.

ANNUAL REPORT 2018

SWSC

Eswatini Water Services Corporation

EMTFONJENI BUILDING,
CORNER MR103 & CULTURAL VILLAGE DRIVE,
EZULWINI, KINGDOM OF ESWATINI

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