ESWATINI WATER SERVICES CORPORATION

ANNUAL REPORT

2019

Eswatini Water Services Corporation

HON. SENATOR PETER N. BHEMBE

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

CONTENTS

ORGANISATIONAL BACKGROUND

WHO WE ARE

Eswatini Water Services Corporation (EWSC) 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 are 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 on the next page.

NORTH WEST

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

CENTRAL

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

SOUTH WEST

- Maseyisini
- Matsanjeni
- Somntongo
- Mpolonjeni
- Mabovini
- Siphumelele
- Sibetsamoya
- Nkwalini

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 EWSC has a social obligation to reduce the number of people without access to water and proper sanitation irrespective of its commercial objective 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. EWSC'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 SDGs and Vision 2022 Strategy. The Corporation has an obligation to provide water and sewer services to stimulate economic development where there are socio-economic benefits however due consideration should be given to the fact that financial losses may occur and such shall be made good by Government as provided for in the Performance Agreement between EWSC and Government of Eswatini.

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

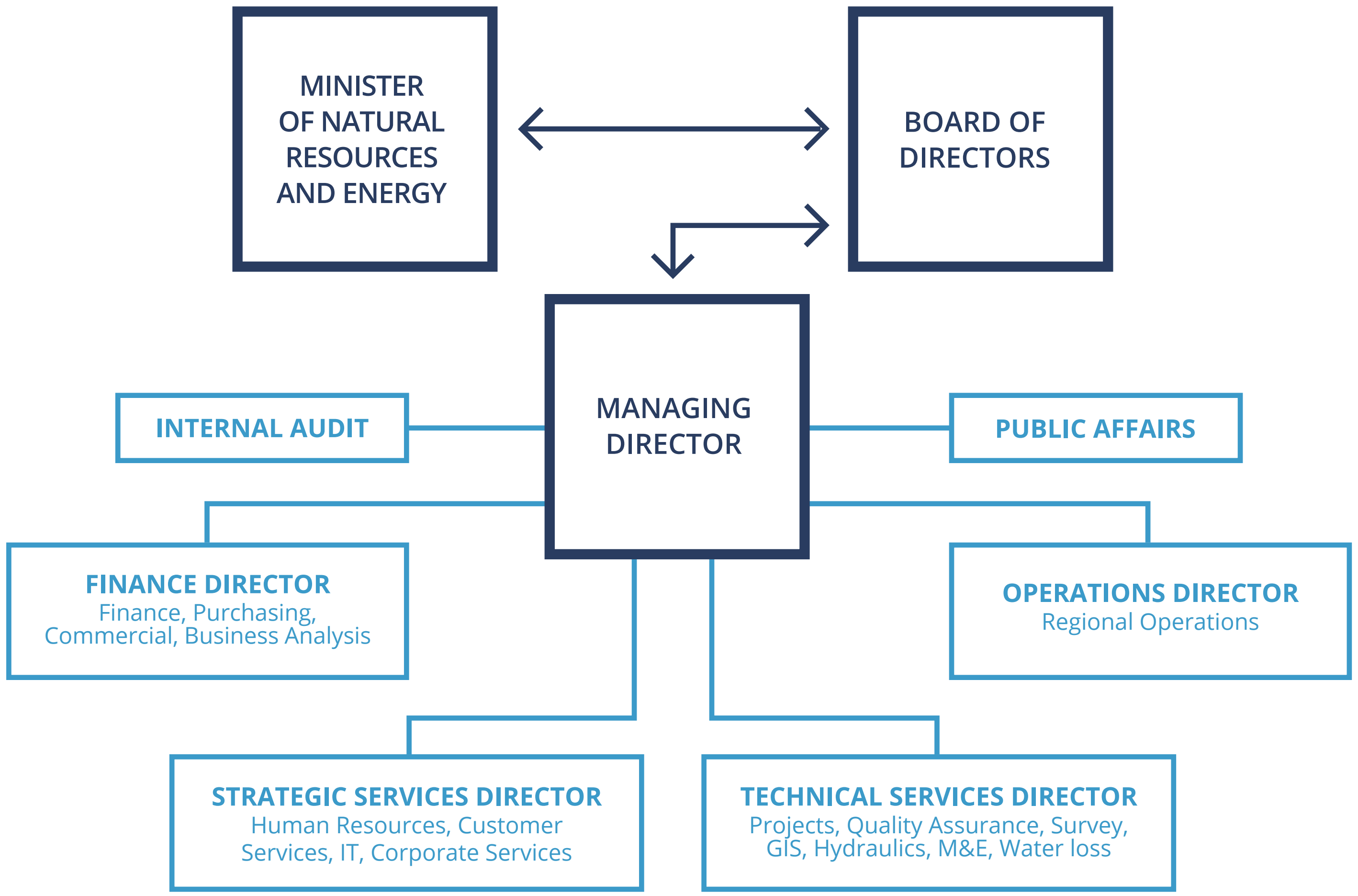
Good Governance:
We ensure that all our actions are morally and legally fair whilst treating all with respect.

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

MESSAGE FROM OUR CHAIRMAN

Water is at the heart of sustainable development and is critical for socio-economic development and improving the quality of life for all. As part of the Agenda for 2022 (Vision 2022), and 2030 (SDGs), water stakeholders have a key role to play in supporting Government and related entities in meeting related objectives and targets. As a major stakeholder in the water sector, the Corporation is expected to play a bigger national role in meeting national and international targets for water and sanitation.

Investment in infrastructure and technology remains critical for maintaining efficient water and sanitation systems thus ensuring secure and sustainable water supply and a cleaner environment. We do note that the rate of project implementation for the 2018/19 fiscal year has been slower due to the prevailing economic climate which has also impacted negatively on Government's fiscal position. With the implementation of Government's fiscal turnaround strategy, it is hoped that the situation will normalize and we will be back on track in the achievement of organizational and national strategic objectives.

The Corporation has stood the test of time despite environmental challenges and uncertainties. This is due to the fact that we are an established business that is supported by dedicated people who have vast knowledge and experience that has been accumulated over many years. Since the economic climate is still volatile, I appeal to all employees to commit to our strategic objectives so that we make remarkable achievements in the 2019 to 2021 business cycle.

On behalf of the Board, Management and Staff I would like to congratulate our former Managing Director, Mr Peter Bhembe on his appointment as a Senator and Minister for Natural Resources and Energy. We are grateful for his contribution, guidance, wisdom, support and unwavering commitment to the Corporation. The vision, stewardship and leadership he provided, has transformed the Corporation from a Government department into a world class utility and we take this opportunity to wish him well on his new appointment.

I am delighted to welcome Ms Zandile Nhleko, Mr Sipho Dlamini and Mr Mvuselelo Fakudze to the EWSC Board. They come at a critical time when the Corporation has just launched the 2018 -2021 Strategic Plan. We look forward to their valued contributions and the distinctive perspectives they bring to the Corporation.

I would like to take this opportunity to welcome Ms Jabulile Mashwama as the new Managing Director for Eswatini Water Services Corporation. Ms Mashwama is not new to the water sector as she was previously the Minister in charge of natural resources and energy including water affairs. She brings with her a wealth of experience from both the public and private sector. I humbly request the Board, Management, Staff and all stakeholders to give her all the necessary support as she steers the Corporation to the next level.

Bxaba

Benedict N. Xaba
Chairman of the Board

MANAGING DIRECTOR

Jabulile Mashwama

MESSAGE FROM OUR MANAGING DIRECTOR

INTRODUCTION

It is an honor for me to report on the Corporation's financial performance for the past fiscal year, which although challenging, was a success for Eswatini Water Services Corporation. The country was blessed with rains which have seen major dams almost full allaying fears of water shortages during the dry season period. Economically, growth in the medium to short-term is expected to be stagnant as the national fiscal situation remains constrained. Government's cashflow challenges continue to impact negatively on the business environment especially with the reduced capital expenditure and the accumulation of fiscal arrears. This has affected the implementation of capital projects (which are a key driver for meeting Sustainable Development Goals and business growth) and our working capital (which is critical for sustaining business operations).

Within this financial year a new Executive Government was sworn into office which immediately spelt out Government's fiscal turnaround strategy. The pronouncement of a tariff freeze for the 2019/20 financial year will exacerbate the constraints on our business environment particularly as the performance of our debtors' book shows little improvement. However we look forward to the positive spin-offs in the short to medium term of the implementation of the Government's fiscal turnaround strategy. There is no doubt that the prevailing situation will adversely affect the achievements of targets under the 2018-2021 Strategic Plan Cycle.

We remain confident that although the conditions we are currently working in are challenging, they are temporal, and with the nationwide focus on sustainable economic growth we will collectively overcome the hurdles. We at Eswatini Water Services Corporation have not lost focus of our mandate and strategic plan targets, knowing always that the Corporation's continued existence entirely depends on our employees and customers who remain our top priority.

FINANCIAL OVERVIEW

The operating revenue increased from E335.1 million in 2018 to E381.3 million, representing a growth rate of 13.7%. The increase is attributed to the tariff increment, operational efficiencies and growth in connections. On the other hand, the operating expenses amounted to E392.5 million (2018: E354.9 million), representing an increase of 10%. The increase in expenditure is largely attributable to the tariff hike in electricity (15%) and depreciation. Profit for the year amounted to E26.7 million (2018: E25.7 million). Total assets amounted to E2.51 billion (E2.38 billion in 2018) and total liabilities stood at E1.96 billion (E1.86 billion in 2018).

MESSAGE FROM OUR MANAGING DIRECTOR (CONTINUED)

DEVELOPMENT PROJECTS

Project implementation continued in the year under review, albeit at a slower rate due to the prevailing unconductive economic climate. Progress was made on the major proposed projects, i.e. the Manzini Region Water Supply and Sanitation Project and Lomahasha/Namaacha Water Supply Project.

In November 2018, the Government secured an AfDB loan amount of E720 million to finance the Manzini Region Water Supply and Sanitation Project to be implemented by EWSC. This project will improve the livelihoods of more than 76,000 people in four constituencies (Nhlambeni, Manzini South, Mthongwaneni and Mafutseni) and will contribute to social and economic development in the areas whilst reducing the risk of environmental pollution of the ground water through the provision of appropriate sanitation services.

With regard to the Lomahasha / Namaacha Cross Border Water Supply Project, the Project Implementation Agreement between Eswatini (represented by the Ministry of Natural Resources and Energy) and Mozambique (represented by the Ministry of Public Works, Housing and Water Resources) has been finalised and is due for signing. The project will supply water and promote socio-economic development in the two towns of Lomahasha and Namaacha located at the border between Mozambique and Eswatini. For water security and sustainability, a future option, which is the construction of the Pinde Dam in Mozambique, is envisaged in order to augment water supply to Lomahasha / Namaacha and to reduce dependency on a single water source.

SAFETY, HEALTH & ENVIRONMENT

The Corporation has continued to use ISO management systems as systematic tools towards creating a sustainable Safety, Health, Environment and Quality (SHEQ) Culture within the organisation. A transition has been made to ISO 9001:2015 and ISO 14001:2015. Both these new standards prompt for increased alignment and integration of the SHEQ management systems to the business processes and strategy. Through the new ISO standards, the Corporation has been able to review the needs and expectations of interested parties and further identified those that should be managed as compliance obligations. External surveillance audits were conducted for management systems. This stage is necessary to give confidence that EWSC meet the requirements for managements systems. The Corporation started processes to transit from OHSAS 18001:2007 to the new ISO 45001:2018, an ISO standard focusing on improving Occupational Health and Safety. Continual improvement and communication remain the common principles amongst all these three new management systems.

PEOPLE

The Corporation's mantra 'we do it through our people' is at the forefront of all our investments, and therefore the Corporation continues to invest in human capital in line with strategic plan objectives. In the year under review financial incentives for performance were put on hold due to financial limitations, however training and development continued to be implemented through a variety of workshops/workplace programs aimed at up-skilling employees and improving capability for performance and better service delivery. Training and development policies were reviewed and updated to ensure that the training budget had a wider-reach and also to ensure that it remains relevant to the prevailing business environment so that new challenges and emergent issues can be addressed accordingly.

MESSAGE FROM OUR MANAGING DIRECTOR (CONTINUED)

WATER AND SANITATION CHALLENGES

In fulfilling its mandate of providing sustainable water and sanitation services, the Corporation faces the following challenges which limit its ability to deliver efficient services in the existing areas of supply and also to increase access and expand to new areas of supply in line with NDS, SDGs and Vision 2022.

ECONOMIC DOWNTURN

The sluggish economic conditions continue to weigh negatively on growth and Government's fiscal challenges has resulted in the accumulation of domestic arrears (with EWSC amounts due from Government billings standing in excess of E40 million). The fiscal consolidation strategy which has resulted in cuts in recurrent and capital expenditure has slowed down the completion of critical water and sanitation infrastructure projects. This in essence has a direct bearing on the achievement of targets under EWSC's Strategic Plan, SDGs and Vision 2022.

FROZEN TARIFF INCREMENT

The frozen tariff increase for the financial year 2019/20 will affect the Corporation's working capital and this will create a funding gap in meeting financial short-term obligations, operating expenses, asset replacement and budgets for expansion projects. Maintaining and retaining a motivated workforce will be a challenge because financial incentives for performance (i.e. performance management system) had to be put on hold due to expected cashflow problems.

CLIMATE CHANGE

Water availability is becoming less predictable over time. Erratic climatic patterns including high temperatures and volatile weather conditions are projected to affect availability and distribution of rainfall. Stakeholders in the water sector need to enforce effective water resource management strategies to mitigate the disastrous effects of climate change. Investment in raw water harvesting systems is critical for the security and sustainability of water supply.

AGING INFRASTRUCTURE

Aging network and equipment require ongoing investment. As these systems and equipment age, availability and up-time is reduced and more maintenance is required with huge cost implications. The increasing cost of replacement material and upgrades hinges on the ability to charge a cost reflective tariff for sustainability of operations, which due to conflicting economic, social and political objectives may not be realised.

ENERGY COSTS

The nature of the Corporation's business operations is energy intensive due to pumping of both water and sewer. Energy is one of the major costs in the business's operating expenditure. With the ever-increasing energy costs, mitigation measures in the form of energy efficient machinery, need to be given due consideration going forward.

IMBALANCE OF WATER SUPPLY AND DEMAND

The increase in demand for water due to urbanisation and industrial growth is putting a strain on the existing water supply. The imbalance of water supply and demand due to limited water resources continues to affect the pace of socio-economic development and economic growth. Investment in water harvesting and storage facilities needs to be prioritized.

STRINGENT ENVIRONMENTAL REGULATIONS

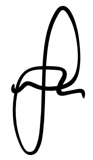
Full compliance with environmental regulations comes at a huge cost in the form of investments in appropriate technologies and innovation. Striking a balance between infrastructure development and compliance directly influences the return on investment hence the optimal economic cost of compliance should not be overlooked.

OTHER FACTORS

The net increase in the value of debtors due to various reasons, the undesirable increase in non-revenue-water resulting from water-theft and the proliferation of boreholes in EWSC areas of supply after customer disconnections for non-payment continues to affect the revenue base.

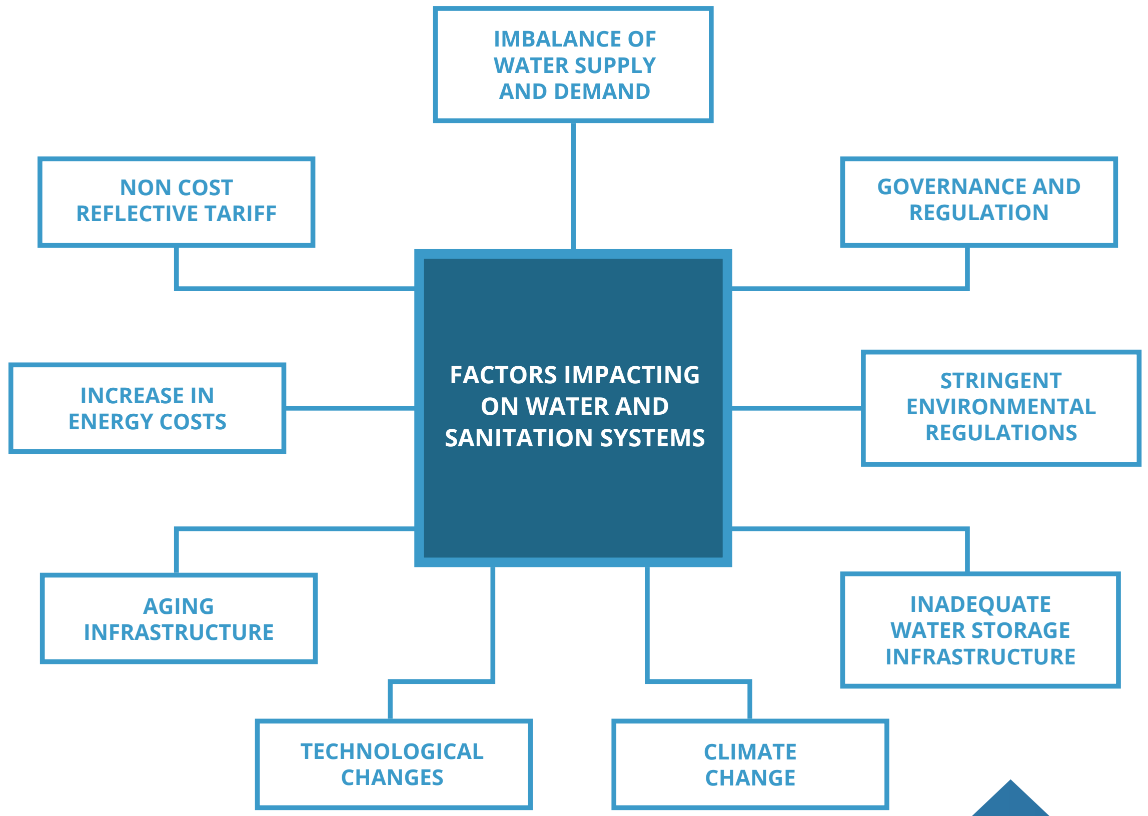
ACKNOWLEDGEMENT

My appreciation goes to the entire EWSC family, our employees, who have remained committed to our strategic objectives in spite of the uncertainties in our operating environment, and have relentlessly supported all performance improvement initiatives proposed by the Corporation. Our stakeholders remain our key strategic partners and we thank them for the support rendered over the years.



Jabulile Mashwama
Managing Director

WATER SUPPLY & SANITATION CHALLENGES



BOARD OF DIRECTORS

MR BENEDICT XABA

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

Mr Benedict Xaba joined the EWSC Board as Chairman and non-executive member in June 2014. Mr Xaba served the Government of Eswatini 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 was a Director at NATICC which he cofounded. He has worked in the Ministry of Health and served as a board member for Stop TB in Geneva, Switzerland. He has also held the position of Senior Public Health Advisor for Africa at Otsuka Holdings in Geneva and has been Special Envoy for TB and Mining in Southern Africa. He has also served as an alternate board member of the Global Fund representing East and Southern Africa. Mr Xaba is currently employed by AMICAALL-Eswatini as a National Director.

MS JABULILE MASHWAMA

Managing Director;
BSc; MBA

Ms Jabulile Mashwama joined EWSC as Managing Director in December 2018. She is the executive member of the EWSC Board. Prior to joining the Corporation, she served as a Minister for Commerce, Industry and Trade as well as Minister for Natural Resources and Energy during her 10 years as Senator in the Parliament of the Kingdom of Eswatini. In her role as a minister she piloted various legislation nationally to support Government's reform strategies. As Minister for Natural Resources and Energy, she was responsible for the development of water and energy policies in line with the United Nations Sustainable Development goals, with a special focus on SDG 6 & 7; providing clean water and sanitation for all and providing affordable and clean energy. She has been a member of many international initiatives focused on regional and global development agenda including the African Ministers Council on Water (AMCOW), The Common Market for East and Southern Africa (COMESA), Sanitation and Water for all (SWA) amongst others. During her 10 years as a minister she had political oversight of several state owned enterprises including the national electricity and water utility companies, the energy regulator and investment promotion agencies. This role included reviewing and approving the strategic plans of these state owned enterprises and importantly overseeing their corporate performance. Ms Mashwama has previously worked in the private sector for a leading global FMCG company as Human Capital Development Director, where she was responsible for developing and implementing policies, strategies and tools for performance management and organisational culture improvement.

MS THOBILE MAVUSO

Non Executive Director;
B.A (Social Science); M.A (Economics)

Ms Thobile Mavuso joined the EWSC 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 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 EWSC 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 Eswatini 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 EWSC 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 of Terrorism Legislations and the Consumer Credit Act. She was also involved in the drafting of the country's first Financial Inclusion Strategy, Microfinance Policy and is currently assisting in the development of a Development Finance Framework for Eswatini. Her passion lies with ensuring that the Government of Eswatini develops financial policies that will impact the livelihoods of the poor.

MR JINNOH NKHAMBULE

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

Mr Jinnoh Nkambule joined the EWSC 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.

MR MVUSELELO FAKUDZE

Non Executive Director;
BComm; PGDip; ACCA; CA (SD)

Mr Fakudze joined the EWSC Board as a non-executive member in May 2018. Mr Fakudze is currently the Chief Executive of Standard Bank of Eswatini, a position he took up in December 2016. Prior to that Mr Fakudze spent fourteen years at PricewaterhouseCoopers in Eswatini, six of which he was a partner. He also spent four years at Absa/Barclays Africa where he was based in Johannesburg. Mr Fakudze qualified as a Chartered Accountant (through ACCA) in January 2001 after finishing his articles at PwC. He completed a post graduate diploma in accounting at the University of Strathclyde in Glasgow. Mr Fakudze has served on various boards both in Eswatini and South Africa. Some of them include Tibiyo Taka Ngwane, Eswatini Charitable Trust, ALLPAY, and some securitisation vehicles whilst at Absa to name but a few.

MS ZANDILE NHLEKO

Non Executive Director;
MPH (Maternal & Child Health); BNSc (Community Health Nursing)

Mrs. Zandile Nhleko joined the EWSC Board as a non executive member in May 2018. She is an accomplished public health practitioner with over 15 years' experience working with Not For Profit organizations on various community based health initiatives. She has worked extensively with the Ministry of Health and international organizations, participating in various technical working groups, curriculum development for health care workers in pediatric HIV care and adolescent sexual and reproductive health. She is currently employed by the Baylor College of Medicine Children's Foundation – Eswatini where she serves as the Programs Manager responsible for the management, expansion and development of various projects aimed at improving paediatric and adolescent health.

MR SIPHO DLAMINI

Non Executive Director;
Dip (Criminology / Police Studies)

Mr Sipho Dlamini joined the EWSC Board as a non executive member in May 2018. He is a retired police officer, his last rank being that of National Deputy Commissioner of the Royal Eswatini Police. During his tenure as a police officer he served in a number of key strategic departments. Some of the ranks he held include, Station Commander (various police stations); Commandant (Police Academy) and Officer In Charge in the faculty of Management and Leadership (Police Academy). Mr Dlamini has also worked with local, regional and international organisations such as the Southern African Regional Police Chiefs Cooperation Organisation (SARPCCO), Interpol and NGOs.

EXECUTIVE MANAGEMENT

MS JABULILE MASHWAMA

Managing Director; BSc; MBA

Ms Jabulile Mashwama joined EWSC as Managing Director in December 2018. She is the executive member of the EWSC Board. Prior to joining the Corporation, she served as a Minister for Commerce, Industry and Trade as well as Minister for Natural Resources and Energy during her 10 years as Senator in the Parliament of the Kingdom of Eswatini. In her role as a minister she piloted various legislation nationally to support Government's reform strategies. As Minister for Natural Resources and Energy, she was responsible for the development of water and energy policies in line with the United Nations Sustainable Development goals, with a special focus on SDG 6 & 7; providing clean water and sanitation for all and providing affordable and clean energy. She has been a member of many international initiatives focused on regional and global development agenda including the African Ministers Council on Water (AMCOW), The Common Market for East and Southern Africa (COMESA), Sanitation and Water for all (SWA) amongst others. During her 10 years as a minister she had political oversight of several state owned enterprises including the national electricity and water utility companies, the energy regulator and investment promotion agencies. This role included reviewing and approving the strategic plans of these state owned enterprises and importantly overseeing their corporate performance. Ms Mashwama has previously worked in the private sector for a leading global FMCG company as Human Capital Development Director, where she was responsible for developing and implementing policies, strategies and tools for performance management and organisational culture improvement.

MS SUSAN NKUMANE

Finance Director; BComm, FCCA, FCIA

Ms Susan Nkumane joined EWSC 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 EWSC 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).

MS NONTOMBI MAPHANGA

Technical Services Director; B.Sc; BSc (Civil Eng); GDE (Civil Eng)

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

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 Eswatini 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 EWSC working committees including the EWSC Pension Fund. He is member of the International Water Association (IWA) and the Institute of Directors (IoD) South Africa.

MR S'KHUMBUZO TSABEDZE

Strategic Services Director; B.Sc; PGD; MA LLB; MBL, IEDP

Mr Tsabedze joined the EWSC 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 General Manager Customers Services at EEC. He is a Chartered Marketer (SA) and serves in various Boards.

SENIOR MANAGEMENT

Lindiwe Madau
Finance Manager - BComm; MBA; Mngt. Dev.Prog.

Zanele Dlamini
Commerical Manager - ACIS; Mngt.Dev. Prog; MBA

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

Sikelele Fakudze
Regional Manager - Central: BSc; Hons BSc; MDP

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

Bongani Mdluli
Projects Manager - B.Tech (Civil Eng); Advanced Dip (Project Mngt); Mngt.Dev. Prog

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

Sabelo Kunene
Process Engineer - BSc (Civil Eng); Adv. Dip (Project Mngt); MBA; Pr P.C

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

Mcebo A. G. Sigudla
Survey Engineer - BSc (Survey and Geodetic Engineering), MEngMngt (Urban Management)

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

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

Angeline Matsenjwa
Human Resources Manager - BSc; MBA; Cert. HRM; Mngt.Dev.Prog; Cert. Advanced Labour Law

Sipho Simelane
B.Sc (Civil Eng), Cert. Project Mngt

SENIOR MANAGEMENT (CONTINUED)

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

Hlobsile Dlamini
Internal Audit Manager: BComm; ACCA, CA (SD)

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

Nhlanhla Dlamini
Production Manager - BSc; MBA

Zandile Ndlovu-Mamba
Projects Engineer - BSc (Civil Eng.); MSc (Project Mngt)

Musa Shongwe
Laboratory Manager - BSc; BSc Hons; MBA

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

Nomahlubi Matiwane
Public Affairs Manager - BSocSc (Media and Communication); MBA

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

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

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

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

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

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

OPERATING ENVIRONMENT

LEGAL AND REGULATORY ENVIRONMENT

EWSC is a public enterprise, established by an Act of Parliament, the Water Services Act No. 12 of 1992. The Ministry of Natural Resources and Energy (MNRE) is responsible for national water affairs and as such is the parent ministry of EWSC. The Corporation is regulated through the Public Enterprises (Control and Monitoring) Act no.8 of 1989. The supervisory body is the Public Enterprises Unit (PEU), in the Ministry of Finance, which monitors the business and performance of public enterprises. EWSC submits annual and quarterly performance reports to the PEU as required by statute. The Corporation plays a pivotal role in the Government of Eswatini's National Development Strategy, NDS and Vision 2022 Strategy with regard to improving access to safe water and sanitation. Periodic reports on performance and targets for water and sanitation are submitted by EWSC to Government and Parliament through MNRE. Tariffs are regulated by Government and have to be approved by both Government and Parliament before implementation as required by law. 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 EWSC's performance is measured against. The current performance agreement between EWSC and Government effectively comes to an end in September 2019, and a new agreement will be implemented thereafter.

ECONOMIC AND PHYSICAL ENVIRONMENT

The last quarter of the year experienced above-average rainfall in Eswatini which has been experiencing high precipitation deficits. This is important for the country because the period was at the core of the rainy season and resulted in compensating for water deficits which became evident as major dams became full and even overflowed. The affected dams were; the Hawane Dam which supplies the capital city, Luphohlo Dam which is mainly used for generating electricity, Lubovane and Maguga dams.

Growth is estimated to have averaged 0.5 percent in 2018 from 1.9 per-cent in 2017, as a constrained fiscus weighed on the economy (Source: World Bank reports). Government's intention to reduce domestic arrears will ease pressure on private sector and public enterprises especially utilities and construction businesses who rely to a large extent from payments from the State. Economic growth is projected to recover slightly to 1.1 percent in 2019, driven by both export growth and recovery in industrial production. The impact of fiscal consolidation measures are expected to constrain demand in 2019, limiting strong economic recovery. The suspension of funding for capital projects has delayed the completion of critical development projects including water and sanitation infrastructure. The introduction of 15% VAT on electricity consumption will adversely affect cost recovery since electricity is one of the Corporation's major cost drivers. Naturally the tax will have to be passed to the consumer through the tariff and this will have a negative impact on consumer welfare. It is envisaged that the benefits of fiscal consolidation measures and the Strategic Road Map 2018-2023, will yield positive economic growth, reduce budget deficit and restore fiscal discipline.

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; value for customers through the provision of safe and reliable water and sanitation services, value for employees through training and development, coaching and mentoring and promotion of general welfare, whilst value for other stakeholders is 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 Customers, Employees, Government (shareholder); Suppliers; Financiers (e.g commercial banks; multi-lateral development agencies) and Corporate Social Responsibility partners (communities and institutions).

EWSC 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
- Safer environment

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

EWSC VALUE CREATION FRAMEWORK

EWSC	CUSTOMERS	SUPPLIERS	FINANCIERS
• Water and sewer service sales • Business growth • Stakeholder relations • Business reputation	• Access to clean water • Proper sewer disposal • Excellent customer service	• Trade and relationship • Value chain	• Return on capital
HUMAN CAPITAL	**COMMUNITIES ENVIRONMENT**	**ECONOMIC/ SOCIAL INSTITUTIONS**	**SHAREHOLDER**
• Skills development • Training • Job security • Welfare • Motivated employees	• Improved quality of life • Corporate social responsibility • Cleaner environment	• Clean water and proper sanitation promotes socio-economic development and health	• Contribution to NDS, SDGs and Vision 2022 Strategy • 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 and employees. This translates into measurable milestones towards the achievement of performance targets under the strategic plan and the performance agreement with Government.

EWSC STRATEGY FRAMEWORK 2018 TO 2021

CUSTOMER EXPERIENCE

Promote world class products and services that meet and exceed expectations.

Measures of success
Customer satisfaction index, Quality and availability, Engagement and communication, Customer image index, Customer relationship management program.

INFRASTRUCTURE AND TECHNOLOGY

To improve business efficiencies through infrastructure management and the adoption of appropriate technology systems.

Measures of success
Reliable and sustainable raw water sources and storage, Business efficiency, Online quality monitoring, Integration of water supply system, National Water Master Plan, Non Revenue Water, System capacity, Highly efficient plant and equipment, Establishment of up to 10MW renewable energy generation plant, Construction of East region offices, Upgrade of Ezulwini WWTP to 10ML and Development of Emergency response plan.

FINANCIAL PERFORMANCE

To efficiently manage resources in order to remain viable.

Measures of success
Turnover, Discrepancies, Growth in billed volumes, Business model and cashflow management.

QUALITY

To achieve and maintain international quality standards and guidelines.

Measures of success
Potable water compliance, Effluent quality compliance, ISO 9001:2015, Certification for Lavumisa WTP, ISO 45001 & ISO 14001:2015, Certification for Matsapha & Nhlangano WWTP, ISO 9001:2015, Implementation – all plants, ISO 9001:2015 – all regional offices, Compliance with internal audit (SHE), Supplier development plan for QMS conformity and HACCP certification for Ecowater.

PRODUCT AND MARKET DEVELOPMENT

To explore alternative revenue sources, exploiting new business opportunities and promoting a culture of innovation.

Measures of success
Profitable Ecowater business, At least one more additional profitable business and Turnover from other business

EMPLOYER OF CHOICE

To create a corporate culture that attracts, develops and retains competent and productive people.

Measures of success
Harmonious Industrial relations climate, Effective people management and empowerment, Effective employee wellness programs, Staff retention, Employee satisfaction, Performance management system, Development of Competency model, Overtime and Policies.

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.

PERFORMANCE

OPERATIONS

Due to the volatile weather conditions, the **Northwest Region** continued to encourage customers to exercise voluntary water conservation, raising awareness levels of water users. Though water supply extension remained a huge challenge due to budgetary constraints, the region was successful in extending water supply to a new area in Mahhangeni at Ngwenya. This project is ongoing and will be completed in the next financial year. The fast development of the Ezulwini Town brings hope to the region in terms of growth and performance stability.

During the 2018/2019 year the **Central Region** had no major supply network expansion. However, there has been growth in terms of water and wastewater connections in the existing network. This can be attributed to ongoing real estate developments in the city of Manzini and the town of Matsapha including the peri-urban areas. The aforementioned areas are supplied by the Matsapha Water Treatment Plant which is also due for an upgrade in terms of capacity in order to meet the growing demand. Siphofaneni water connections are ongoing after the conclusion of the SISOMA project. The Nhlambeni water supply extension project is ongoing with connections in progress. A project to upgrade the Sithobela Water Treatment Plant and storage capacity was commissioned and it is expected to increase the number of connections in the area. A sewer network installation project is planned for Sterkstroom Township in Manzini.

In the **South West Region**, the Lavumisa area continued to be faced with serious water shortages due to low levels at the Lavumisa balancing/holding dam, which receives raw water supply from the Pongolarport dam in the Republic of South Africa. This was as a result of electricity load shedding measures effected by RSA which culminate from the effects of the drought conditions. This has led to frequent interruptions of potable water supply to the town and the new growth areas at Somntongo and Matsanjeni constituencies under the SISOMA - EU-grant funded project. As part of its mandate to provide clean water, the Corporation has signed an MOU with World Vision for a water supply extension project for some areas under Shiselweni 1 Inkhundla. Phase 1 of the project will commence in the next fiscal year for the Nsongweni to Mbangweni area, with about 800 homesteads expected to benefit. The Maseyisini Inkhundla water supply project Phase 2 is about to be completed as house connections are in progress. Phase 3 will also begin in the new fiscal year.

The **East Region** experienced growth in their potable water network coverage, which extended to areas such as, Lubhuku, Mkhweli and Endlovini in the Mpolonjeni Inkhundla and Mayaluka in the Dvokodvweni inkhundla. This achievement was made possible by the EWSC and World Vision Partnership. There were further extensions made in Mhlumeni and Makhewu in the outskirts of Siteki also made possible by the partnership between EWSC and Micro projects. The sewer network in Siteki town has been extended to cover the Goba and Abattoir roads.

POTABLE WATER

One of EWSC's strategic goals is to be a recognized world class benchmark in quality and customer service and for that reason the Corporation is determined to provide world class products and services with regards to water quality and sanitation services whilst ensuring that our operations do not have an adverse effect on the environment. Through the guidance from drinking water guidelines such as the World Health Organization Drinking Water Guidelines (2011), Drinking Water National Standard (SZNS SANS 241:2015) and our extensive monitoring program, safeguards are in place to ensure that the water supply is of a high quality whilst ensuring sustainability.

The accreditation of the laboratory is a very important pillar for quality management at all of EWSC's treatment plants and it is also one of the cornerstones for the implementation of quality management systems at EWSC's waterworks. Following the annual external audit conducted by SADCAS in September 2018, the EWSC Laboratory maintained its ISO 17025:2005 accreditation status. The laboratory has also started to work on the migration from the ISO 17025:2005 to the new ISO 17025:2017 for the fiscal year 2019/20. Five parameters were added to the laboratory's accreditation schedule bringing them up to 20. The parameters under the scope of accreditation are Calcium, Magnesium, Potassium, Sodium, COD, pH, turbidity, electrical conductivity, colour, total suspended solids, alkalinity, nitrate, ammonia, orthophosphate, sulphate, fluoride, total colony count, total coliform, Escherichia coli and Enterococci. In addition the laboratory was also able to add one technical signatory for microbiology which brings the total number of signatories to seven. This helps to manage risk of loss of technical signatories for both chemistry and microbiology.

The level of treatment needed to ensure that high quality drinking water is supplied varies depending upon the raw water quality. Currently most of the water supplied by EWSC is sourced from surface water, either directly from the rivers, Black Mbuluzi, Usushwana, Great Usuthu, Mkhondvo, Phophonyane, Sibhowe, Mhlambanyatsi, Komati, Ngwempisi, Ngwavuma, Mayoloza, Umhlathuzana and Mbabane or from dams such as Hlathikhulu, Maguga and Hawane. Lomahasha, Hluthi and Hlathi are the only supply areas where EWSC abstracts ground water although the groundwater is augmented by surface water at Hluthi. As water travels over the surface of the land or through the ground, it dissolves naturally-occurring minerals and can pick up substances resulting from the presence of animals and/or human activity. Contaminants that may be present in source water may include; **Microbial contaminants** such as viruses and bacteria, which may come from sewage treatment plants, septic tank systems, agricultural livestock operations and wildlife; **Inorganic contaminants** such as salts and metals that can be naturally occurring or result from urban storm water runoff, industrial or domestic wastewater discharges, mining or farming; **Pesticides and herbicides** which may come from a variety of sources such as agriculture, urban storm water runoff and residential uses and **Organic chemical contaminants** including synthetic and volatile organic compounds that are by-products of industrial processes and can also come from urban storm water runoff, agricultural applications and septic tank systems.

DRINKING WATER COMPLIANCE

The overall 2018/19 microbiological and physico-chemical compliance for potable water based on WHO Guidelines for Drinking Water (2011) was 94%, which reflects a 0.6% decline compared to 2017/18. The contributing factors to the decline include capacity and/or process challenges at the Matsapha WTP, Ngwenya WTP, Sithobela WTP and Mananga WTP. A gap analysis was conducted at several of the plants that require process rehabilitations and upgrades. Works have begun in addressing some of these challenges and it is envisaged that the identified capacity/process upgrades will be completed within the 2018 to 2021 strategic plan cycle.

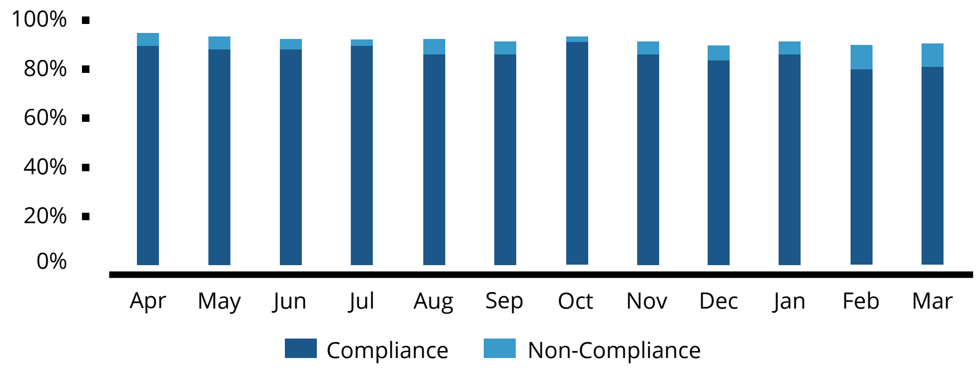


Figure 1: Treated Water Quality Compliance 2018 - 2019

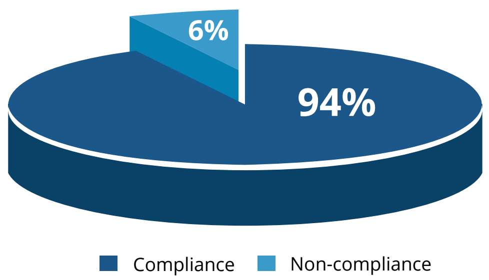


Figure 2: Drinking Water Quality Compliance - Treatment Plants

WASTEWATER AND TRADE EFFLUENT

The 2018/19 overall compliance of EWSC's effluent declined to 77.4% representing a 0.2% decrease compared to the previous year (77.6%), hence the target of 95% was not met. The contributing factors to the decline in performance include the process challenges in Nhlambeni, Nhlangano, Pigg's Peak and Matsapha WWTPs. The poor effluent received from industries continues to pose a challenge to EWSC's WWTPs which makes it arduous for the Corporation to meet the effluent discharge limits as indicated in the WPCR (2010). The planned rehabilitation for Nhlambeni WWTP (2019-20), completion of the Nhlangano WWTP (2020-21), de-sludging of the Pigg's Peak ponds, resolution of process challenges at Matsapha WWTP and the engagement of stakeholders on industrial effluent are the initiatives which the Corporation is currently undertaking in order to improve the performance of the wastewater treatment plants. The high electrical conductivity content in the effluent of textile companies is also posing a serious threat to the Matsapha WWTP's process hence the plant has not performed to expectation. A de-silting of the ponds is planned in order to restore their original capacity thereby enhancing process performance. It is worth noting that electrical conductivity was added to the industrial effluent tariff to discourage industries from releasing effluent with excessive EC content into the EWSC sewerage system.

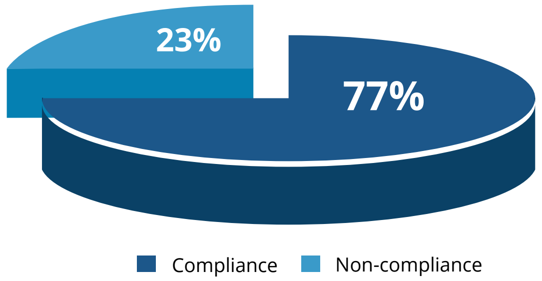


Figure 3:
EWSC WWTP Effluent Quality Compliance

WATER LOSS MANAGEMENT

The Corporation continues to address the problems of Non-Revenue Water (NRW) through various interventions. These include defining new discrete areas on the distribution network along with the use of technology to monitor demand and performance of the District Meter Areas (DMAs). Newly defined DMAs are Somntongo and Matsanjeni. Other initiatives include dilapidated pipe replacement, distribution network optimization, and implementation of an advanced pressure management system.

The Corporation acknowledges the crucial role of accurate metering and continues to engage in metering efficiency methodologies. The results of such studies and the outcome of the pilot project for the Automatic Meter Reading (AMR) technology at domestic meter level has seen the Corporation improving metering efficiencies, thus accurately reflecting billed volumes.

SAFETY, HEALTH AND ENVIRONMENT AND QUALITY MANAGEMENT SYSTEMS

The financial year 2018/2019 ended with an overall SHEQ compliance score of 84% based on monthly and quarterly audits undertaken for 41 sites within the Corporation. Environmental issues have proved to be a threat, more especially those relating to non complying effluent and sewer spillages. The root cause for non-complying sewer has been identified as failure by industries to pre-treat industrial effluent, an action that does not only result in non-complying effluent from our plants, but has also impacted negatively on the process control at our waste water treatment plants. With the effluent regulations underway, there is hope that the Corporation will finally find remedy through enforcing pre-treatment of industrial effluent. Foreign ingress into wastewater treatment networks have also proven to be a major problem that led to regular blockages. Relevant stakeholders including municipalities and regulatory authorities have been engaged to discuss the problem with a view to finding a long lasting solution.

This year realized positive outcome on occupational health and safety as no major incidents have been encountered. Risk assessments coupled with ongoing employee and stakeholder awareness continued to be the major control towards preventing occupational incidents. The transition to the new Occupational Health and Safety Standard, ISO 45001:2018 will further strengthen employee wellbeing since it emphasises involvement and engagement of employees during planning, implementation and evaluation of the OHS management system.

A Quality Management System (ISO 9001:2015) Surveillance audit conducted for this year picked four minor non conformities, an indication that the Corporation is on the right track in meeting customer quality requirements. Management review meetings have been consistently used by the Corporation's leadership to evaluate the effectiveness and adequacy of our management systems.

SURVEY ENGINEERING

The Survey office scrutinised 484 building applications from Matsapha (72), Mbabane (291) Ministry of Housing and Urban Development (117) and Ezulwini (4). New sites surveyed to increase water network information include Gobholo, Lugongolweni, Makhewu, Maseyisini, Matsapha New Industrial, Msunduza and Tubungu. Network information on Computer Aided Design (CAD) increased by 8% to 1,687Km in terms of pipe length. Pipeline sizes and installation dates were also added for purpose of analysis. Boundaries were determined for Lugongolweni sewer site and Sikhuphe EWSC regional offices for fencing purposes. Four Housing Settlement Authority applications were scrutinised covering developments at Mhlambanyatsi, Mbabane Lifestyle Centre, Sibonelo Township and Mbabane Bridge Apartments. Surveys measuring 58.4km were conducted (for relocations and extensions) for Echibini Royal Residence Sewer, Enjabulweni School Sewer, Lobamba Flats Sewer, Manzini Flametree sewer, Manzini Sterkstroom Sewer, Mbangweni Water Extension, Mlindazwe (EEC) Water connection and SWACAA Sewer. Extensions surveyed, set out and built include Malkerns water extension, Ngwane Park sewer extension and Sandla sewer extension.

MECHANICAL, ELECTRICAL AND INSTRUMENTATION

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

Area	2017 / 2018	2018 / 2019	% Change
CENTRAL	12 042 657.00	12 944 611.00	7%
NORTHWEST	8 567 525.00	7 601 103.00	-11%
EAST	5 391 349.00	5 493 067.00	2%
SOUTH WEST	2 877 730.00	2 835 168.20	-1%
HEAD OFFICE	339 949.00	365 739.00	8%
TOTAL	**29 219 210.00**	**29 239 688.20**	**0.1%**

Power usage in KWh increased by 0.1% compared to the previous year. This represented an overall low increase. There was a significant reduction in the Northwest power usage which is attributed to the use of the gravity main from the Hawane Dam to the Woodlands Water Treatment Works and the minimum pumping at Mbuluzi Raw Water Pumping Station. The commissioning of the Matsapha Waste Water Treatment Works contributed to the increase in KWh in the Central Region.

POWER USAGE BY REGION

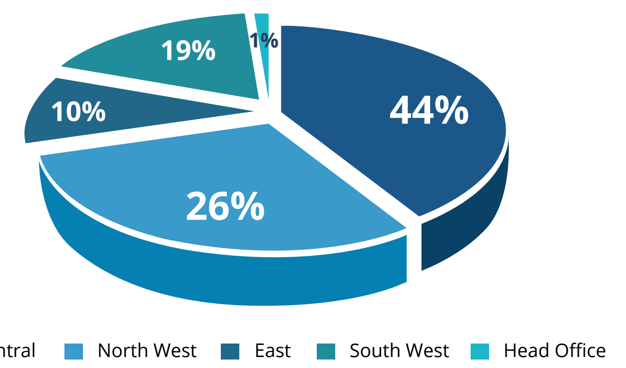


Figure 4: Power Usage By Region

Water supply systems are monitored for efficiency (measured in KWh/m3). Based on the 2017/2018 financial year baseline, there was a 9% reduction in this ratio.

ECOWATER BUSINESS UNIT

The bottling plant upgrade at Nkamanzi was finalized during the year. Following the extension of the facility, the upgraded production line was duly installed which comprised of a high speed line with a capacity of 12 000 bottles per hour to produce still, sparkling and flavoured product in 500ml and 1.5L together with an online bottle blower. The capacity of the plant has been greatly increased to be able to meet local market demand . It is envisaged that the excess capacity will be utilised towards contract bottling as well as servicing the export market. A comprehensive market survey is being undertaken for the purpose of understanding the bottled water market landscape in Eswatini and also to shed light on the appropriate business model and commercial strategy to be employed in order to realize a fair return on investment.

HUMAN RESOURCE MANAGEMENT

The Corporation continues to invest in staff training and development to equip employees with skills necessary to take the Corporation to the next level. Key programs introduced include Culture Change Programs aimed at supporting and enabling the business to achieve its strategic objectives whilst accommodating/tackling changes or challenges poised by the environment.

The total staff complement of EWSC has slightly decreased from 543 in 2018 to 534 March 2019 reflecting a 1.7% decrease. The variation in total staff complement is mainly due to natural attrition. The staff performance indicator (employees per 1000 connections) was maintained at 9 employees per 1000 connections (exceeding the target of 10 per 1000 connections). The Corporation is able to attract and retain more qualified staff, increasing the proportion of the qualified staff to ensure superior service delivery. In terms of gender distribution, EWSC has 85 women employees, representing about 16% of total staff. Twenty (20) out of 85 women employees (representing a proportion of 24%) are in managerial and professional positions.

PROJECTS

The Corporation continued to implement capital projects in line with the 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:

MANZINI REGION WATER SUPPLY AND SANITATION PROJECT

The project comprises the construction of a scheme to provide potable water and sanitation services to the greater Manzini areas covering Nhlambeni, Mtfongwaneni, Manzini South and Mafutseni and their surrounding areas. The scope of the works includes but is not limited to the following: potable water treatment plant, pump station to new reservoir, transmission mains, distribution mains from reservoir to the consumers and construction of water reticulation systems, construction of a sewer treatment plant, construction of sewer collectors, mains and outfall sewers to sewer treatment plant and sanitation facilities.

COST: Estimated at SZL 825 Million

FINANCED BY: A loan from the African Development Bank of E720 million and Government of Eswatini to provide counterpart funding for the balance.

STATUS: The consultant for the water supply contract has been selected and an AfDB no objection has been received to appoint the best evaluated bidder. The Sanitation component is currently at consultant procurement stage with the AfDB's no objection awaited in order to proceed to direct bids to the shortlisted bidders.

EZULWINI WATER AND SANITATION PROJECT

The water component of the project is divided into two Packages (A and B). Package A is the construction of a 15ML reservoir and installation of a 1.8 km by 500mm diameter gravity pipeline to connect to the existing water network system. Package B is the installation of a 16 km by 500mm diameter ductile iron gravity pipeline from Mbabane to feed the new 15ML reservoir [the reservoir is under package A] and a complementary access road along the pipeline route. The Ezulwini sewerage system comprises of a 60 km sewer reticulation system connected to a 19 km 400mm outfall sewer that runs from Ezulwini to the new Matsapha waste water treatment plant.

COST: USD 27 Million

FINANCED BY: African Development Bank / Government of Eswatini.

STATUS: The Ezulwini Sewerage System was commissioned and is operational and the Defects Liability Period has elapsed.
For the potable water component, both Package A and B, have been awarded and are at construction stage.

Package A is 40% complete with the completion of bulk earthworks, embankment support and the access road earthworks and 1km of the 1.8 km pipeline having been laid. **Package B** is 75% complete with the access road along the pipeline complete. The ductile iron pipes with long lead times have been delivered and pipe laying is at 12 km of the 16 km.

EZULWINI WATER AND SANITATION PROJECT CONTINUED

Challenges encountered in the implementation of this project are;

1. The Corporation requires funding from Government mainly to cover the cost of all taxes in the project of which the respective funding was not availed in the 2017/18 fiscal year thus constraining the expedition of the works for both Packages.
2. There has been scope changes due to unforeseen ground conditions at the reservoir (under package A) and pipeline routes (for both Packages) to mitigate access challenges. This has resulted in scope creep, delays and disruptions in the progress of the works.
3. The Package A contractor experienced cash flow challenges and has had to undergo a business rescue process.
4. The Corporation continues to monitor the challenges and risk in an endeavour to effectively and efficiently deliver the projects.

EXPECTED DATE OF COMPLETION: March 2020.

NHLANGANO SEWER TREATMENT PLANT

The project scope includes **civil works** (a 3.6 km 400mm outfall sewer, inlet works with screens, various reactor / tanks with pumping, sludge drying beds, staff houses and a 6 km potable water pipeline to the plant), **mechanical works** (Screens, Pumps and pumpage, and associated ancillaries) and **electrical works** (Site lighting, Motor Control Centers, Electrical Cabling and Reticulation, Transformers and Instrumentation).

COST: Estimated at E280 Million

FINANCED BY: Government of Eswatini.

STATUS: The works are underway with progress at 78%. The progress is disaggregated as follows; **civil works** are 92% complete, **mechanical works** are 65% complete and the **electrical works** are 40% complete.

The major challenges encountered on the project are as follows;

1. 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 in December 2017. Subsequent to the transfer of funds by Government, the Corporation engaged the Contractor in negotiations to resume the works. The reengagement negotiations were completed and the contractor resumed site operations in March 2018.
2. Poor performance of the Consultant resulting in the

NHLANGANO SEWER TREATMENT PLANT CONTINUED

consultant's contract being terminated and the construction contract modified to a design and build contract in order to avert risk of Consultant non-performance.

3. Further errors in the previous consultant's design have been unearthed and in order to produce a facility that is fit for purpose, the variations to the works have had to be initiated. The respective variations require additional funding and time with consequential costs.
4. Adverse weather conditions during the summer period wherein appreciable rainfall has been received at site [Nhlangano].

EXPECTED DATE OF COMPLETION: December 2019.

MBABANE EMERGENCY WATER SUPPLY (LUPHOHLO)

The project involves the construction of a 20 ML/day drinking water treatment plant (intake structure with pumping station, 80m pipeline to filter pump sump, filtration battery, 1ML high lift pump station sump, High lift station, Chlorine room and site pipelines, electrical and mechanical works), delivery pipeline from Luphohlo to Mbabane (totaling 8.5 km) to a 3ML reservoir and a 1.2 km pipeline to connect the 3ML reservoir to the Mbabane network. The plant will supplement the Woodlands WTP water supply system.

COST: Estimated at E100 Million

FINANCED BY: Government of Eswatini.

STATUS: The project is currently suspended due to funding constraints to complete the works. Progress to date is 85% with the treatment plant 85% complete and the 8.5km pipeline 95% complete. The 3ML reservoir and the 1.2km delivery line had not commenced when the project was suspended.

The following challenges are presented;

1. The suspension of the project for a long time will result in substantial rework. The Corporation continues to provide security to protect the assets.
2. Funding constraints.

EXPECTED DATE OF COMPLETION: Nine Months from receipt of funding.

LOMAHASHA/NAMAACHA (LoNa) WATER SUPPLY

The LoNa Phase 1 Water Supply Project comprises; the upgrade of existing water supply infrastructure comprising intake works, treatment, storage, pumping mains and distributions. It is anticipated that the target population of 46,500 will be supplied with clean water by 2024 as follows: 18,400 inhabitants in Lomahasha, Eswatini; 23,000 inhabitants in Namaacha, Mozambique; and 5,000 inhabitants along the pipeline route.

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) Project Implementation Agreement has been finalized and has been endorsement by the Mozambique Government and DBSA. The no objection for the procurement of the investment consultant has been received by DBSA from GIZ.

EXPECTED DATE OF COMPLETION: The funding conditions limit the completion date to 2021.

MPOLONJENI WATER SUPPLY (SITEKI) PHASE 2

The project scope includes construction of water reticulation extension for Mpolonjeni (Shoba, Ndzangu, Mpolonjeni, Ngcina, And Langa).

COST: E1.1 Million

FINANCED BY: EWSC and Micro-projects and community contributing labour.

STATUS: Connections to the area of Mpolonjeni are ongoing on sections of the commissioned reticulation. Portions of the works are currently being tested to enable connection to proceed.

MAKHEWU WATER SUPPLY PHASE 2

The project scope includes the construction of a main pipeline and water reticulation to Makhewu.

COST: E1.5 Million

FINANCED BY: EWSC and Micro-projects and community contributing labour.

STATUS: Connections to the area of Makhewu have started after commissioning.

MHLUMENI WATER SUPPLY

The project involves the construction of a main pipeline from Magadzavane to Mhlumeni, reticulation network in Mhlumeni inclusive of pipelines, fittings and manholes.

COST: E1.5 Million

FINANCED BY: EWSC and Micro-projects. Community contributing labour.

STATUS: The project is 90% complete and at least 60 connections are expected.

MASEYISINI WATER SUPPLY

The project comprises the construction of water reticulation extension for Maseyisini, specifically; Vusweni, Mahamba, Marikop and Hilltop area. The water supply network is inclusive of pipelines, fittings and manholes.

COST: E3.6 Million

FINANCED BY: EWSC and Micro-projects.

STATUS: The works are complete and connections are being undertaken by the region as the applicants come through.

MANYISA WATER SUPPLY PHASE 1

The project scope involves the construction of a pump house, a 1 ML reservoir and the pumping main to the reservoir.

COST: E4 million

FINANCED BY: EWSC and Micro-projects. Community contributing labour.

STATUS: The works are complete. Connections will be realized in phase 2 of the project.

ISSUES FOR CONSIDERATION IN THE SHORT TO MEDIUM TERM

Achieving the security and sustenance of water supply requires sizeable investments in 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 proposed Nondvo dam project is key for the security and sustainability of water supply in the Mbabane – Manzini corridor and beyond as water supply is already exploited at full capacity. The feasibility study of the Dam was still in progress at year end with the draft report expected to be produced for stakeholder consultations in the first quarter of the fiscal year 2019 / 2020.

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 required for the national growth objective 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 a new weir providing diversion of the river into the canal. The existing canal intake structure may need to 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.

In addition the new pipeline would provide security of supply to Manzini, by providing backup 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 **E600 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 EWSC by enhancing business reputation and brand recognition. EWSC 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

EWSC 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.

EWSC SUSTAINABILITY FRAMEWORK

SUSTAINABILITY

PLANET | PEOPLE | PROFIT

EMPLOYEES
Developing people to reach their full potential

COMMUNITIES
Collaboration to benefit our communities and reduce environmental impact

STAKEHOLDERS
Management of stakeholder relations to deliver services that add and create value

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

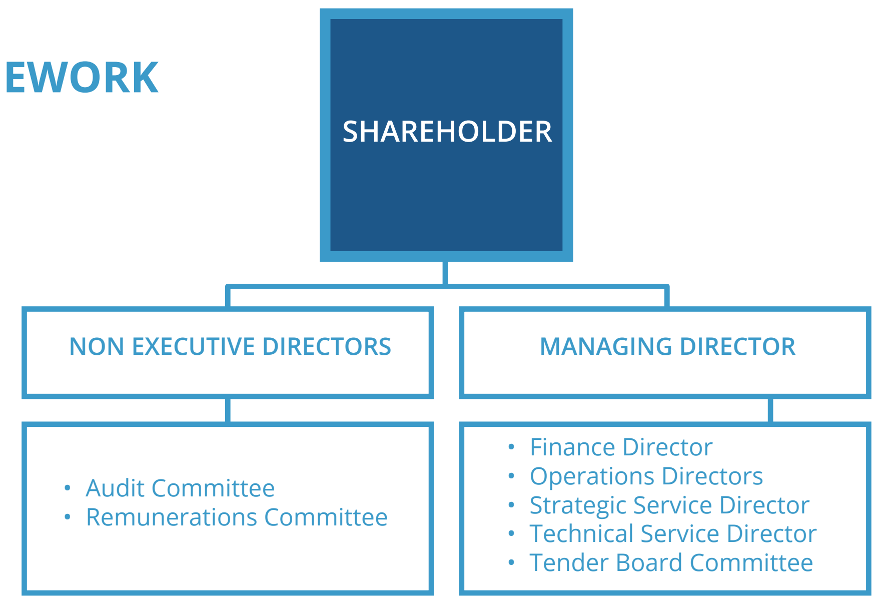
Eswatini Water Services Corporation (EWSC) is a public enterprise mandated by the Water Services Corporation Act No. 12 of 1992 to provide water and sanitation services in urban and peri-urban areas. The Corporation's participation in the country's social and development agendas has resulted in the water and sanitation services being extended to areas outside the designated urban and peri-urban boundaries. EWSC 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. EWSC fully complies with the requirements of the Public Enterprises (Control and Monitoring) Act No. 8 of 1989 and the Water Services Corporation 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 managing director 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 managing director, 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 and stakeholders about foregoing matters. The diagram below depicts a summary of the Corporation's governance framework.

EWSC 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 Corporation has nine Board members in line with 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 five non-executive directors.

BOARD COMMITTEES

To carry out its duties effectively, the Board operates two Committees which are the Audit Committee and the Remunerations 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

EWSC 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 four 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 2019.

Name	Title	No. of normal Board meetings convened	No. of normal Board meetings attended	Percentage Attendance (normal meetings)
Mr. B.N. Xaba	Chairman	4	4	100%
Ms. T. Mavuso	Member	4	4	100%
Mr. S. Dlamini	Member	4	4	100%
Mr. P.N. Bhembe	Member	4	2	50%
Mr. J. E. Henwood	Member	4	4	100%
Ms. N. Hadebe	Member	4	4	100%
Mr. J. Nkambule	Member	4	4	100%
Mr. M. Fakudze	Member	4	3	75%
Ms. Z. Nhleko	Member	4	4	100%

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.

EWSC RISK MANAGEMENT STRATEGY

GOVERNANCE ACTIVITIES

EWSC 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

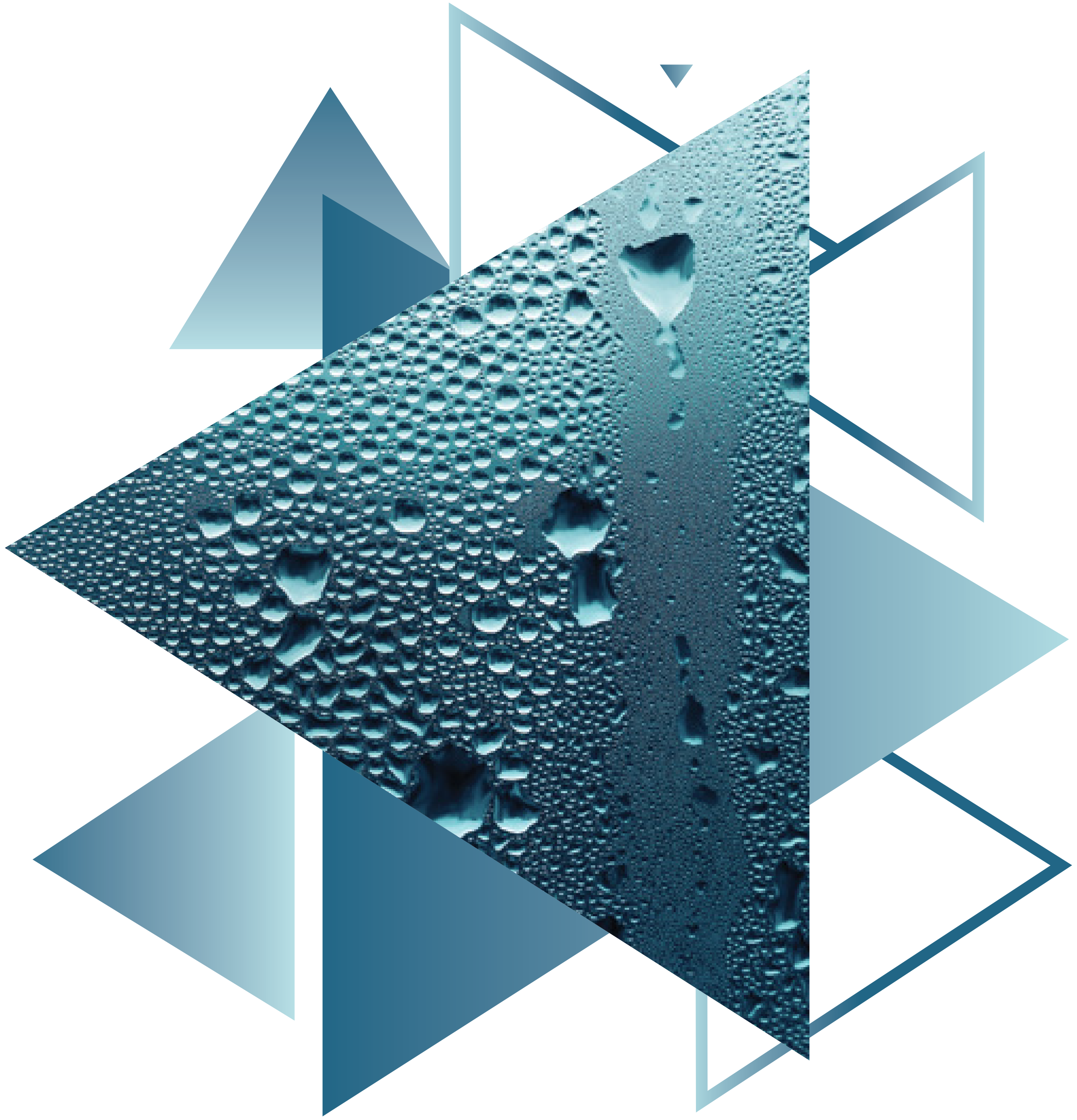
ERM PROCESS

- 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

The Corporation seeks to ensure that Corporate Social Responsibility and Investment furthers corporate and national objectives by leveraging business strength to pursue distinctive, programs that will benefit stakeholders and the business. The Corporation's business as a going concern is dependent on its commitment to sustainable development, health, the environment, and adding value to the communities in which it operates. Support will be based on a thorough assessment of the program/projects to ensure that they are viable, sustainable and address identified needs.

POLICY STATEMENT

EWSC is committed to act and operate as a good corporate citizen. The Corporation recognises the legal and ethical obligations it has towards the Country's development agenda, its stakeholders, and the communities in which it operates. EWSC is committed to understanding, monitoring, and managing its activities to enable the Corporation to contribute to society's wider goal of sustainable development.

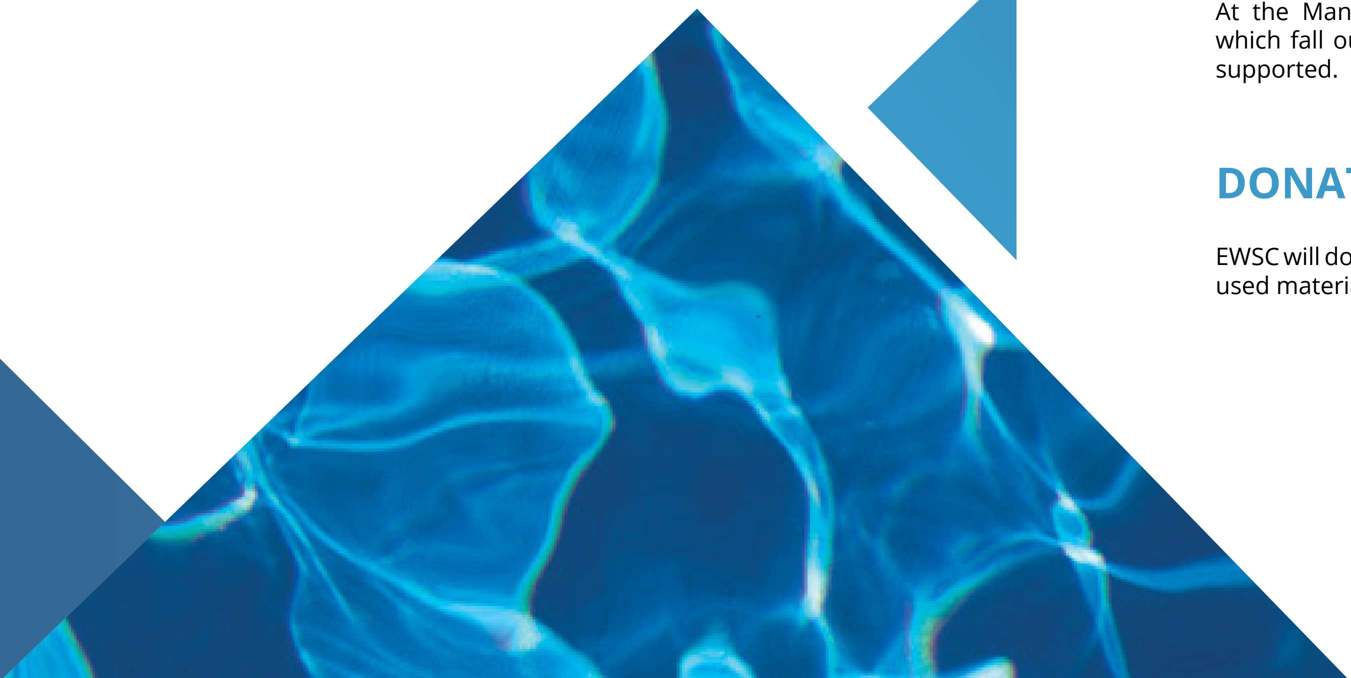
OBJECTIVES

To integrate our business values and operations to meet the expectations of our stakeholders who include customers, employees, regulators, investors, suppliers, and the community by:

- Conducting business in a socially, ethically and acceptable manner.
- Engaging, learning from, respecting and supporting the community and culture within which the Corporation operates.
- Contributing to communities in a manner that empowers them for sustainable future development.

To positively influence the socio-economic environment and bring about significant impact and sustainability in improving the quality of life of identified communities at the point of intervention by;

- Aligning EWSC socio-economic development initiatives to corporate strategy.
- Creating sustainable partnerships with Government, Communities, EWSC employees and other companies in the water and sanitation sector.
- Constant and ongoing monitoring and evaluation of the programs and initiatives supported by EWSC.
- Regular interactions, engagement and consultations with all key stakeholders and partners.



CORPORATE SOCIAL INVESTMENTS (CSI) AND CORPORATE SOCIAL RESPONSIBILITY (CSR) FOCAL AREAS

Through its CSR and CSI programs EWSC renders support in the following key areas:

Education and Training;

The Corporation may offer Scholarships for specific tertiary programs, attachment of students for on-site learning, learning facilities construction and/or renovation, provision of desks, chairs and equipment and school libraries and other services to enhance the quality of education.

National cultural events;

The Corporation may support national and cultural events through the provision of bottled water and other support that may be deemed appropriate by Executive management.

Health and wellness;

The Corporation may also support initiatives that address health issues including communicable and non-communicable diseases.

Employment, Entrepreneurships and economic empowerment;

The Corporation may offer financial and technical support for Youth Entrepreneurship Programs and economic empowerment drives.

MANAGING DIRECTOR'S DISCRETIONARY INTERVENTIONS

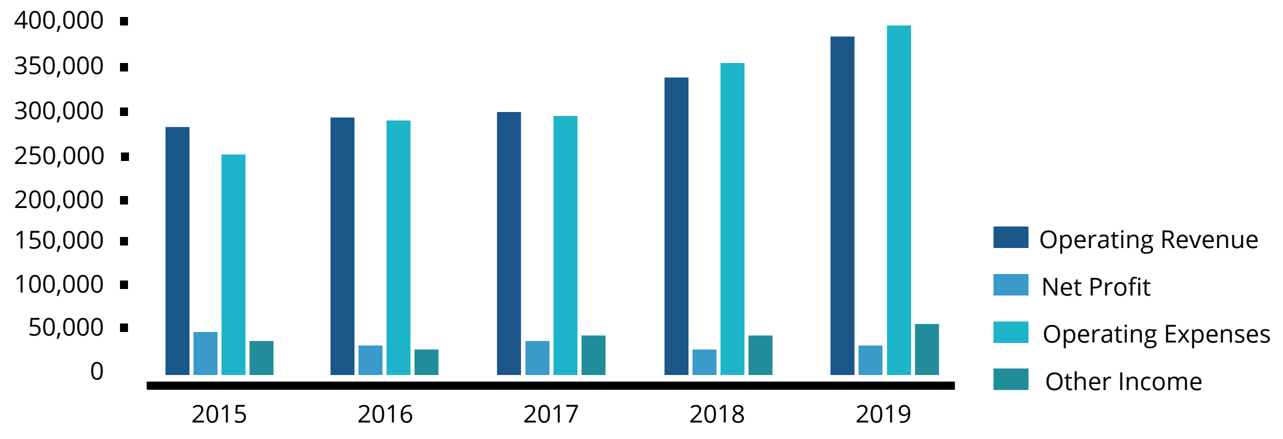
At the Managing Director's discretion other deserving initiatives which fall outside of the priority areas of the Corporation may be supported.

DONATION OF USED MATERIAL

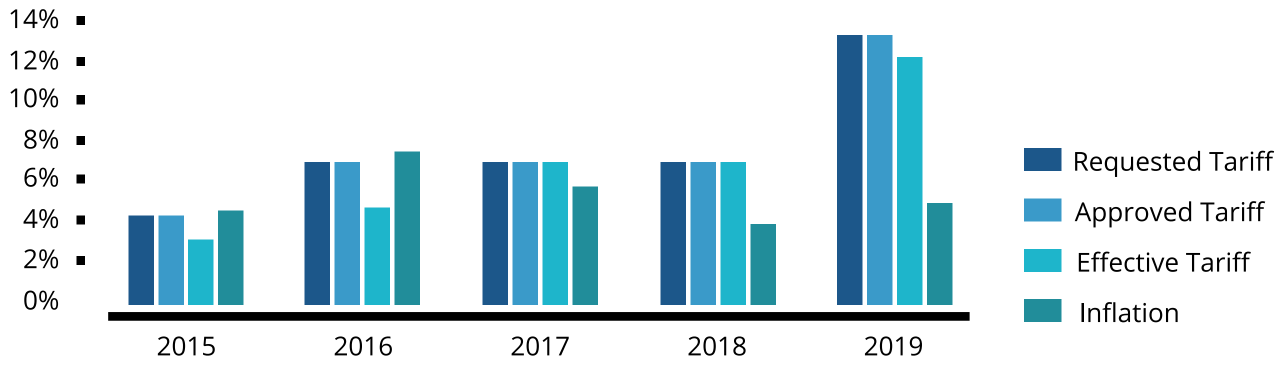
EWSC will donate to approved institutions or communities /recipients used material and equipment.

FINANCIAL AND OPERATING STATISTICS

FIVE YEAR PERFORMANCE AT A GLANCE (E000)

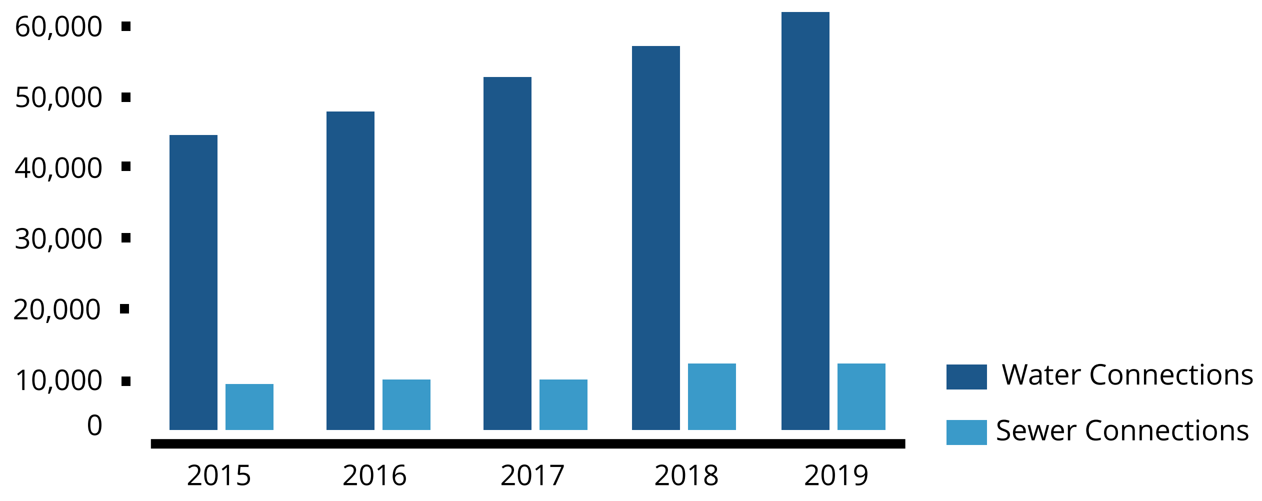


APPROVED AND EFFECTIVE TARIFFS AND INFLATION



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

NUMBER OF CONNECTIONS



NUMBER OF CONNECTIONS AND WATER CONSUMPTION

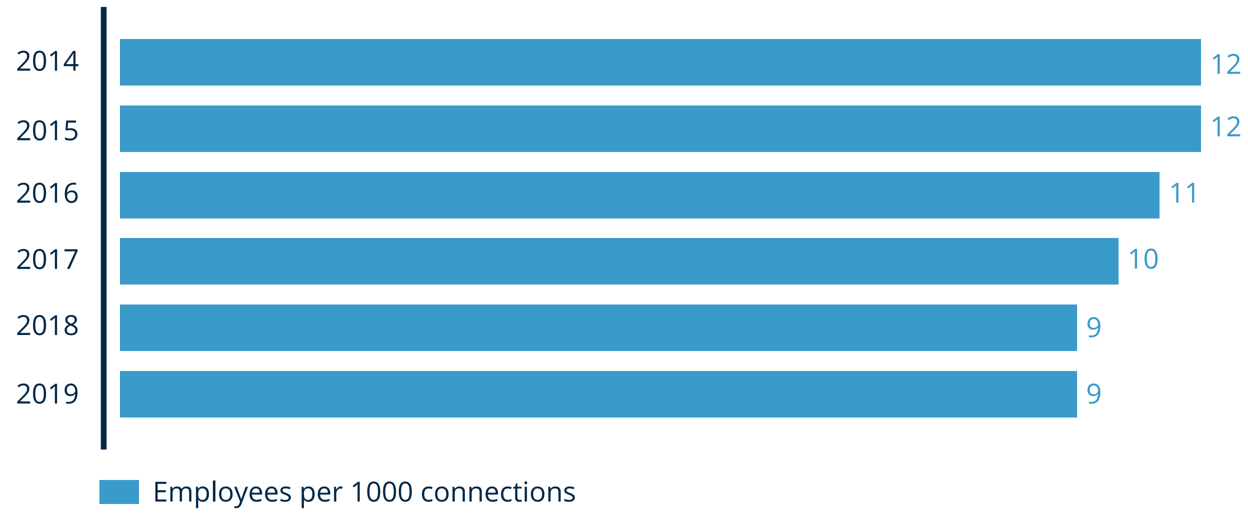
	2015	2016	2017	2018	2019
Water connections	45,578	49,494	53,081	57,634	61,263
Sewer connections	9,948	10,845	10,840	12,820	12,770
Total water consumption (m³)	14,190,834	13,748,179	11,899,115	13,697,672	14,031,201

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

EMPLOYEE PRODUCTIVITY

	2015	2016	2017	2018	2019
Number of employees	525	532	527	543	534
Sales turnover per employee (E000)	538	555	567	617	714
Net profit per employee (E000)	36	52	68	47	50
Average cost per employee (E000)	484	550	562	653	735
Employees per 1000 connections	12	11	10	9	9

EMPLOYEES PER 1000 CONNECTIONS



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 MARCH 2019

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 of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and 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 58 - 59.

The annual financial statements which appear on pages 61 - 103 have been approved by the board of directors on 27 September 2019 and are signed on its behalf by:

Basa

CHAIRMAN

27 / 09 / 2019

DATE

MANAGING DIRECTOR

27 / 09 / 2019

DATE

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF ESWATINI WATER SERVICES CORPORATION

Our Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eswatini Water Services Corporation (the Corporation) as at 31 March 2019, 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:

Eswatini Water Services Corporation's financial statements set out on pages 61 to 99 comprise:

- the statement of financial position as at 31 March 2019;
- 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;
- summary of significant accounting policies; and
- the notes to the financial statements.

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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Eswatini. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Eswatini.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "Eswatini Water Services Corporation Financial Statements for the year ended 31 March 2019", which includes the Directors' Report as required by the Water Services Corporation Act no.12 of 1992. The 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, among 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Partner: Makhosazana Mhlanga
Registered Auditor
P.O. Box 569
Mbabane
Date: 08 October 2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The Directors present their report, which forms part of the audited financial statements of the Corporation for the year ended 31 March 2019.

NATURE OF THE CORPORATION'S BUSINESS

The Corporation is engaged in the supply of water and sewerage services in designated areas around Eswatini. 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:

	2019 E'000	2018 E'000
Financial position		
Total assets	2 511 788	2 383 930
Total liabilities	1 967 242	1 866 434
Operating results		
Revenue	381 378	335 115
Profit for the year	26 762	25 766

DIRECTORS

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

B. N. Xaba	(Chairman)
N. Hadebe	(Representative of the Ministry of Finance & Member)
J. Henwood	(Member)
T Mavuso	(Representative of the Ministry of Natural Resources & Member)
J. Nkhambule	(Member)
M. Fakudze	(Member) - Appointed July 2018
S. Dlamini	(Member) - Appointed July 2018
Z. Nhleko	(Member) - Appointed July 2018
J. Mashwama	(Managing Director and Secretary to the Board) - Appointed December 2018
P. N. Bhembe	(Managing Director and Secretary to the Board) - Resigned October 2018

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

Secretary
Ms J. Mashwama
P O Box 20
Mbabane
Eswatini

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

Registered Office
Emtfonjeni Building
Below Gables Shopping Complex
Above Usushwana Bridge (MR103)
Ezulwini
Eswatini

Bankers and investees
First National Bank Limited
Nedbank Eswatini Limited
Standard Bank Eswatini Limited
Eswatini Building Society
Eswatini Development and Savings Bank
African Alliance Eswatini
Stanlib (Eswatini) (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 2019

	Notes	2019 E	2018 E
Revenue	2	381 378 534	335 115 298
Other income	6	46 425 492	30 412 264
Raw materials & consumables used		(113 542 778)	(100 225 408)
Employee benefits expense	4	(128 644 629)	(123 874 143)
Depreciation expense	7	(57 524 858)	(45 294 870)
Other expenses	1	(92 811 366)	(84 601 425)
Finance income	3	14 325 614	14 175 247
Finance costs	3	(6 801 406)	(7 212 756)
Profit before income tax		42 804 603	18 494 207
Income tax expense	5	(16 043 021)	7 272 287
Profit for the year		26 761 582	25 766 494

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	Notes	2019 E	2018 E
Assets			
Non-current assets			
Property, plant and equipment	7	2 165 397 999	2 013 797 736
Deferred income tax asset	14	-	3 840 994
Investments	9.2	45 987 423	3 456 261
		2 211 385 422	2 021 094 991
Current assets			
Inventories	10	7 870 044	7 173 057
Trade and other receivables	9.1	120 596 795	117 647 455
Investments	9.2	25 800 231	63 115 213
Cash and cash equivalents	9.3	146 135 052	174 899 455
		300 402 122	362 835 180
Total assets		2 511 787 544	2 383 930 171
Equity			
Capital and reserves			
Share capital	11	30 222 580	30 222 580
Retained earnings		514 322 940	487 273 304
		544 545 520	517 495 884
Liabilities			
Non-current liabilities			
Deferred grants	13	1 761 182 553	1 647 417 469
Deferred income tax liability	14	12 194 091	-
Borrowings	9.5	49 289 123	57 029 247
		1 822 665 767	1 704 446 716
Current liabilities			
Trade and other payables	9.4	112 945 898	126 560 624
Borrowings	9.5	28 794 075	32 529 599
Provisions	12	2 836 284	2 897 348
		144 576 257	161 987 571
Total liabilities		1 967 242 024	1 866 434 287
Total equity and liabilities		2 511 787 544	2 383 930 171

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share Capital E	Retained Earnings E	Total E
Balance at 1 April 2018	30 222 580	487 273 304	517 495 884
Adjustment on initial application of IFRS 9 (Refer to accounting policy note 1 (a)(ii))	-	288 054	288 054
Restated balance at 1 April 2018	30 222 580	487 561 358	517 783 938
Net profit for the year	-	26 761 582	26 761 582
Balance at 31 March 2019	30 222 580	514 322 940	544 545 520
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
Dividends	-	(1 290 000)	(1 290 000)
Balance at 31 March 2018	30 222 580	487 273 304	517 495 884

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 E	2018 E
Cash flows from operating activities			
Cash generated from operations	15.1	36 701 760	44 893 369
Interest received	3	12 837 566	12 780 921
Interest paid	3	(6 801 406)	(7 212 756)
Net cash generated from operating activities		42 737 920	50 461 534
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		758 071	1 579 602
Acquisition of property, plant and equipment	7	(209 800 845)	(202 366 103)
Proceeds from maturity of investments		37 361 105	30 622 943
Acquisition of investments		(42 045 021)	-
Net cash utilised in investing activities		(213 726 690)	(170 163 558)
Cash flows from financing activities			
Proceeds from borrowings	15.2	3 457 291	11 809 162
Repayment of borrowings	15.2	(14 932 939)	(16 095 563)
Capital grant received		153 700 015	157 792 030
Net cash generated from financing activities		142 224 367	153 505 629
Net increase/(decrease) in cash and cash equivalents		(28 764 403)	33 803 605
Cash and cash equivalents at beginning of the year		174 899 455	141 095 850
Cash and cash equivalents at the end of the year	9.3	146 135 052	174 899 455

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2019

01 / BASIS OF PREPARATION

The Eswatini Water Services Corporation (EWSC) is a body corporate duly established under the Water Services Corporation Act No.12 of 1992 as the sole provider of water services in the urban areas (water supply, and sewage treatment and disposal) and to control the abstraction of raw water from boreholes in those areas for which it is responsible. EWSC is a category 'A' Public Enterprise in terms of the Public Enterprise (Control and Monitoring) Act No.8 of 1989 and therefore it is wholly owned by Government of Eswatini.

The financial statements of EWSC 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.

The financial statements have been approved and authorised for issue by the Board of Directors of the Corporation.

(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 2019:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

(i) Adoption of IFRS 15

EWSC has adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018 (replacing IAS 18 Revenue, IAS 11 Construction contracts and related interpretations) which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Corporation has adopted the new rules retrospectively and has not restated the comparative period.

IFRS 15 requires revenue to be recognised when a customer obtains control of the goods or services being supplied. The amount of revenue recognised is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.
EWSC has adopted IFRS 15 using the cumulative effect approach.

Under the cumulative effect approach:

- The comparative period data is presented, as previously reported under IAS 18 and related interpretations;
- IFRIS 15 has been applied to new and existing contracts that were not completed at the date of initial application;
- No cumulative adjustment was recognised in retained earnings as at 1 April 2018 as all contracts were considered completed as defined at 31 March 2018.

(i) Adoption of IFRS 15

//CONTINUED

The Corporation's principal revenue generating activities are as follows:

TYPE OF PRODUCT / SERVICE	NATURE TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS, SIGNIFICANT PAYMENT TERMS	NATURE OF CHANGE IN ACCOUNTING POLICY	IMPACT
Water Services	The performance obligation is to provide water services, installation of water pipes and maintenance of the pipes thereof. The performance obligation is settled when these services have been supplied to the customer.	Under IAS 18, revenue was recognized when the meter had been read and invoice issued for the month's reading. Following the adoption of IFRS 15, revenue meets the criteria to be recognized over time as the customer simultaneously receives the benefits of the water services as the Corporation performs and the Corporation has present right to payment for services performed to date.	The adoption of IFRS 15 will not have a significant impact on the Corporation. As revenue is recognized over time, an estimation of revenue for the last few days of March 2019 after meter readings had occurred is required, this will be offset by the reversal of readings for the last few days of March 2018 included in the current period, resulting in an immaterial impact.
Sewer Services	The performance obligation is to provide sewer services for an indefinite period, which is a distinct service from the supply of water services. The performance obligation is settled when these services have been supplied to the customer.	Under IAS 18, as sewer services are charged based on water consumption levels, revenue was recognized when the meter has been read and invoice issued for the month's reading. Following the adoption of IFRS 15, revenue meets the criteria to be recognized over time as the customer simultaneously receives the benefits of the sewer services as the Corporation performs and the Corporation has present right to payment for services performed to date.	The adoption of IFRS 15 will not have a significant impact on the Corporation. As revenue is recognized over time, an estimation of revenue for the last few days of March 2019 after meter readings had occurred is required, this will be offset by the reversal of readings for the last few days of March 2018 included in the current period, resulting in an immaterial impact.
Other	These are other services which are distinct from the supply of water and sewer services and includes services such as connection, reconnection, penalties, trade effluent, replacement of metres, etc.	Under IAS 18, revenue was recognized when the service has been provided. Following the adoption of IFRS 15, this revenue meets the criteria to be recognized at a point in time as the services are mostly once – off services which are billed once the service has been completed, where the customer does not receive the benefits of the services while the Corporation performs.	The adoption of IFRS 15 will have no impact on the Corporation. The recognition criteria under IAS 18 and IFRS 15 are consistent.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2019

(i) Adoption of IFRS 15
//CONTINUED
The impact of IFRS 15 on the Corporation's financial statements is considered immaterial, hence no restatements were made on 1 April 2018.

(ii) Adoption of IFRS 9
EWSC has applied IFRS 9 which replaces IAS 39 Financial instruments: recognition and measurement from 1 April 2018. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell nonfinancial items.

EWSC applied the IFRS 9 exemption allowing financial assets and liabilities to be classified and measured in terms of IAS 39 for the comparative periods ending 31 March 2018. IFRS 9 has been applied in the current period (beginning 1 April 2018) including:

- Updating accounting policies;
- Determining the business model within which financial assets are held on the basis of the facts and circumstances then existing;
- Determining the carrying amounts of financial assets and liabilities calculated in terms of IFRS 9 and IAS 39 and recognising differences and their related tax impacts in opening retained earnings balances.

CLASSIFICATION AND MEASUREMENT

FINANCIAL ASSETS
Assets at fair value through profit or loss (FVTPL) are initially measured at fair value. Assets at amortised cost are initially measured at fair value plus transaction costs directly attributable to their acquisition. Trade and other receivables without a significant financing component are initially measured at transaction price.

Financial assets are subsequently measured based on their IFRS 9 measurement classification (superseding the IAS 39 classifications). This classification is based on the business model in which the financial assets are managed and their contractual cash flow characteristics.

FINANCIAL LIABILITIES
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities and there was therefore no impact on the Corporation.

(ii) Adoption of IFRS 9
//CONTINUED

INSTRUMENT	MEASUREMENT CATEGORY		REASON FOR CLASSIFICATION
	IAS 39	**IFRS 9**	
Trade and other receivables	Loans and receivable	Amortised cost	They meet the strictly payments of principal and interest (SPPI) criterion.
Cash and cash equivalents	Loans and receivable	Amortised cost	They meet the strictly payments of principal and interest (SPPI) criterion.
Restricted cash	Loans and receivable	Amortised cost	They meet the strictly payments of principal and interest (SPPI) criterion.
SBS permanent shares	Held to maturity	Fair value through profit or loss	Investment in equity instrument.
Promissory notes	Held to maturity	Amortised cost	They meet the strictly payments of principal and interest (SPPI) criterion.
African Alliance Managed Fund	Fair value through profit or loss	Fair value through profit or loss	Investment in debt instrument which does not meet the strictly payments of principal and interest (SPPI) criterion.

IMPAIRMENT

Expected credit loss (ECL) models and methods

IAS 39's incurred loss model is replaced in IFRS 9 with an ECL model. The ECL model applies to financial assets measured at amortised cost and is a probability-weighted estimate of credit losses. Credit losses in terms of IFRS 9 are likely to be recognised earlier than previously in terms of IAS 39.
Loss allowances are measured on either of the following bases:

- 12-month ECLs result from possible default events within 12 months of the reporting date;
- Lifetime ECLs result from possible default events over the entire expected life of a financial instrument.

Before the adoption of IFRS 9 the Corporation calculated the allowance for credit losses using the incurred loss model. Under the incurred loss model, the Corporation assessed whether there was any objective evidence of impairment at the end of each reporting period. If such evidence existed the allowance for credit losses in respect of financial assets at amortised cost were calculated as the difference between the assets' carrying amount and its recoverable amount, being its present value of the estimated future cash flows discounted at the original effective interest rate (EIR).

Under IFRS 9 the Corporation calculates allowance for credit losses as expected credit losses (ECL's) for financial assets measured at amortised cost. ECL's are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive). ECLs are discounted at the original EIR of the financial asset.

The Corporation applies the simplified approach to determine the ECL for trade receivables. This results in calculating lifetime expected credit losses for these trade receivables. ECL for trade receivables is calculated using a provision matrix.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2019

(ii) Adoption of IFRS 9
//CONTINUED

FINANCIAL IMPACT OF ADOPTION OF IFRS 9

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 March 2018 E	IFRS 9 Adjustment E	1 April 2018 E
Statement of financial position (Extract)			
Assests			
Investments	38 803 029	(955 786)	37 847 243
Deferred tax asset	3 840 994	7 936	3 848 930
Trade and other receivables	117 647 455	1 235 904	118 883 359
Total assets	160 291 478	288 054	160 579 532
Retained earnings	517 495 884	288 054	517 783 938
Total equity movement	517 495 884	288 054	517 783 938

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2019 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 2019 the Corporation has recognised lease expenses of E 2.1 million (refer to note 1) and non-cancellable operating lease commitments (undiscounted) of E1.1 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. The Corporation will adopt the standard for the financial year ending 31 March 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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 derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Capital work in progress are assets under construction, that do not yet meet the capitalization criteria. Once assets included in capital work in progress are in a state ready for use as intended by management, they are capitalised into the different asset classes as appropriate.

Land and Capital Work in Progress 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	40 – 60	Years
Treatment works	40 – 60	Years
Mains and reticulation	5 – 40	Years
Mechanical, electrical plant and systems	20 – 25	Years
Furniture and equipment	5 – 20	Years
Motor vehicles and mobile plant	3 – 15	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 grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

04 / FINANCIAL ASSETS

Financial assets include;

- Investments;
- Cash and cash equivalents; and
- Trade and other receivables.

The Corporation classifies its financial assets in the following categories: at amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The classification depends on the basis of the Corporation's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets carried in the statement of financial position are classified as follows:

(a) Financial assets at amortized cost
Financial assets shall be carried at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at fair value through profit or loss
Financial assets shall be carried at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. No financial assets are designated at fair value through profit or loss at initial recognition.

INITIAL MEASUREMENT

At initial recognition, the Corporation measures all financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement

(a) Financial assets at amortized cost
These financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. interest income, and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(b) Financial assets at fair value through profit or loss
These financial instruments are subsequently measured at fair value with changes in fair value recognised in profit or loss. The Corporation subsequently measures all equity instrument investments at fair value.

DE-RECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

04 / FINANCIAL ASSETS
//CONTINUED

IMPAIRMENT OF FINANCIAL ASSESTS

Under IFRS 9, the Corporation calculates its allowance for credit losses as expected credit losses (ECLs) for financial assets measured at amortised cost. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive). The three-stage ECL model was applied for investments at amortised cost, where 12 month or lifetime ECL is recognised depending on the assessment of the credit risk of the investment.

To calculate ECLs the Corporation segments/groups trade receivables by customer type i.e. government, corporate and individual. The Corporation applies the simplified approach to determine the ECL for trade receivables. This results in calculating lifetime expected credit losses for trade receivables. ECLs for trade receivables is calculated using a provision matrix.

Provision Matrix – ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write offs to the payment profile of the sales population. In instances where there was no evidence of historical write offs management used a proxy write off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward-looking information to determine the ECL for the portfolio of trade receivables at the reporting period to the extent that there is a strong correlation between the forward-looking information and the ECL.

The Corporation used 12 months sales data to determine the payment profile of the sales. Where the Corporation has information about actual historical write-offs, actual write-offs have been used to determine a historic loss ratio. Alternatively, management has used the proxy write-off based on management's best estimated. The Corporation has considered quantitative forward-looking information such as core inflation rate. Qualitative assessments have also been performed, of which the impact was found to be immaterial. For parastatal and government customers management rebutted the presumption that a customer is in default when 90 days past due and have determined default as 150 days past due. For individuals, the 90-day rule was maintained.

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 first-in-first-out (FIFO) 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.

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 receivables. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

11 / BORROWINGS

//CONTINUED

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 performance obligation stipulated in the contract with the customer is satisfied, when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and 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 measured 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. The specific accounting policies for the Corporation's main types of revenue are explained in note 2.

16 / DIVIDEND DISTRIBUTION

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

17 / FINANCIAL RISK MANAGEMENT

17.1 FINANCIAL RISK FACTORS

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

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 Investments in bonds	Sensitivity analysis	No formal mechanism for borrowings. Bond investments are at fixed rate.
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 2019, the Corporation was not exposed to any foreign currency exchange risk.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

(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 Eswatini 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 Eswatini Stock Exchange.

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

	2019 E	2018 E
Impact on post-tax profit		
Increase of 5% in unit prices	935 258	881 317
Decrease of 5% in unit prices	(935 258)	(881 317)

(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 10.25% as at 31 March 2019 (2018: 10.5%). The ranges of the borrowings are as follow, per category:

	Range %	2019 E	2018 E
Bank loans	Prime less 0.5% -1.55%	49 381 274	55 175 427
Finance lease	Prime plus 1%	9 393 384	10 708 586
Eswatini government	2% above inflation	19 308 540	23 674 833

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

The table below summarises the impact of increases/ decreases in interest rates on the Corporation's post-tax profit for the year, impacting cash and cash equivalents and borrowings. The analysis assumes that interest rates would change by 25 basis points with all other variables held constant:

Impact on post-tax profit	2019 E	2018 E
Interest rates - increase by 25 basis points	95 361	137 524
Interest rates - decrease by 25 basis points	(95 361)	(137 524)

(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.

Investments at amortized cost consist of African Alliance promissory notes which are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration. The credit rating for the promissory notes is currently B- measured at a proxy of one notch less than the Government of Eswatini's credit rating.

(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 counterparty. Where the counterparties do not have external credit ratings, the Corporation uses internal risk rating as described below:

	2019 E	2018 E
Trade and other receivables		
Counterparties without external credit ratings		
- Low risk: Government accounts	51 601 855	39 592 780
- Medium risk: Corporate clients and companies	8 861 790	10 640 188
- High risk: Mainly individual accounts	95 202 110	82 871 798
Total trade receivables	155 665 755	133 104 766
Cash at bank and short-term bank deposits		
Cash on hand	302 241	11 536
Stanlib	15 532 195	14 454 388
Standard Bank Eswatini Limited	29 154 459	34 370 658
Netbank Eswatini Limited	34 518 409	41 277 083
FNB Eswatini Limited	17 689 565	30 692 192
Eswatini Bank	11 062 316	19 115 548
Eswatini Building Society	32 138 607	29 656 293
African Alliance	5 737 260	5 321 757
	146 135 052	174 899 455

	2019 E	2018 E
Investments at amortized cost		
Counterparties without external credit ratings		
- Eswatini Building Society permanent shares	-	3 456 261
- African Alliance promissory notes	42 465 493	38 803 029
Total investments at amortized cost	42 465 493	42 259 290

(iii) Impairment of financial assests

The Corporation has the following type of financial asset that is subject to the expected credit loss model:

- Trade receivables
- Investment in promissory notes

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Corporation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Corporation has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 March 2019 or 1 April 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Corporation considers that there is evidence of impairment if any of the following indicators are present:

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation, and
- Default or delinquency in payments (more than 150 days overdue)

All of the Corporation's debt investments at amortized cost are considered to have low credit risk and there has been no significant increase in credit risk, the loss allowance recognized during the period was therefore limited to 12 months expected losses.

On that basis, the provision for impairment as at 31 March 2019 and 1 April 2018 (on adoption of IFRS 9) was determined as follows for the trade receivables:

31 March 2019	Current	30 days	60 days	Over 90 days	Total
Expected loss rate	7.8%	10.5%	13.8%	54.5%	
Government	200 215	182 487	182 639	7 906 654	8 471 995
Corporate	19 668	14 942	17 140	539 946	591 696
Individuals	2 039 821	1 781 915	1 645 199	46 047 083	51 514 018
Provision for impairment	2 259 704	1 979 344	1 844 978	54 493 683	60 577 709

1 April 2018					
Expected loss rate	7.2%	10.6%	12.7%	48.7%	
Government	162 135	158 903	191 325	2 275 157	2 787 520
Corporate	19 019	17 002	36 340	366 805	439 166
Individuals	1 727 939	1 865 807	1 691 449	32 614 885	37 900 080
Provision for impairment	1 909 093	2 041 712	1 919 114	35 256 847	41 126 766

As of 31 March 2018, trade and other receivables of **E 42 362 669** 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
1 to 3 months	3 982 978
3 to 6 months	3 744 844
6 to 12 months	8 291 615
Over 12 months	26 343 232
	42 362 669

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

	2019 E	2018 E
Opening balance	42 362 669	28 109 303
Adjustment on initial application of IFRS 9	(1 235 904)	-
Restated opening balance	41 126 765	28 109 303
Provision for impairment raised	22 669 702	18 407 168
Receivables written off during the year	(3 218 758)	(4 153 802)
Closing balance	60 577 709	42 362 669

The creation and release of provision for impaired receivables have been included in 'other expenses' in the statement of comprehensive income. The other classes other than trade and other receivables that are subject to credit risk and have an impairment recognised are:

- Other financial assets at amortized cost: promissory notes

The loss allowance for other financial assets at amortized cost as at 31 March 2019 is E 1 072 414.

(c) Liquidity risk

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

(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	Total E	Carrying amount E
At 31 March 2019					
Borrowings	34 015 363	47 661 095	15 510 215	97 186 673	78 083 198
Trade payables	112 945 898	-	-	112 945 898	112 945 898
	146 961 261	47 661 095	15 510 215	210 132 571	191 029 096
At 31 March 2018					
Borrowings	34 455 803	55 939 194	2 190 991	92 585 988	89 558 846
Trade payables	126 560 624	-	-	126 560 624	126 560 624
	161 016 427	55 939 194	2 190 991	219 146 612	216 119 470

(ii) Financing arrangements

The corporation had access to the following undrawn facilities at the end of the reporting period:

	2019 E	2018 E
Floating rate		
Guarantee letters	8 000 000	-
FEC derivative facility	2 000 000	-
Revolving credit facility	15 000 000	-
Expiring within a year - (bank overdraft)	2 000 000	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 2019 and 2018 were as follows:

	2019 E	2018 E
Total borrowings (note 9.5)	78 083 198	89 558 846
Less: cash and cash equivalents (note 9.3)	(146 135 052)	(174 899 455)
Net debt	(68 051 854)	(85 340 609)
Total equity	544 545 520	517 495 884
Total capital	476 493 666	432 155 275
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.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2019

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.

	2019 E	2018 E
Auditors' remuneration		
- Audit fees	1 147 644	982 949
Provision for impairment of financial assets	22 786 330	18 407 168
Fees for services	13 006 225	12 675 769
- Public Enterprise Unit management fees	2 597 547	2 493 310
- Other services	10 408 678	10 182 459
Directors emoluments for services as directors	455 160	234 596
Profit on disposal of property, plant and equipment	82 348	916 538
Operating lease expenses	2 063 496	1 688 045
Repairs and maintenance expenditure		
- Property, plant and equipment	4 600 604	3 502 919

2/ REVENUE

The Corporation derives the following revenue from its activities:

	2019	2018
Water charges	247 106 360	218 852 168
Sewer charges	65 184 610	59 912 640
Basic charges	55 198 085	44 268 119
Penalty charges	1 280 940	980 288
Miscellaneous water supply services	3 790 410	3 425 368
Connection charges – new customers	3 703 120	3 741 397
Trade effluent charges	5 115 009	3 935 318
	381 378 534	335 115 298

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 MARCH 2019

3/ FINANCE INCOME AND COSTS

	2019 E	2018 E
Finance income	14 325 614	14 175 247
Interest from financial assets at amortized cost	12 837 566	12 780 921
Fair value changes in financial assets held as investments	1 488 048	1 394 326
Finance costs	(6 801 406)	(7 212 756)
Interest from financial borrowings	(6 801 406)	(7 212 756)
Net finance income	7 524 208	6 962 491

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 at amortized cost, interest earned from financial assets that are held for cash management purposes as finance income.

FINANCE COSTS
Finance costs is interest charged on borrowings.

4/ EMPLOYEE BENEFITS EXPENSES

	2019 E	2018 E
Salaries, wages and allowances	111 826 946	108 410 810
Provident fund contribution	834 616	768 358
Medical aid contribution	5 815 800	5 485 531
Retirement benefits	10 167 267	9 209 444
	128 644 629	123 874 143

5/ INCOME TAX EXPENSE

The Corporation's income tax expense is as follows:

	2019 E	2018 E
- Current tax	-	-
- Deferred tax charge/(credit) (note 14)	16 043 021	(7 272 287)
	16 043 021	(7 272 287)
Numerical reconciliation of income tax expense		
Profit before income tax	42 804 603	18 494 207
Tax calculated at statutory tax rate of (27.5%)	11 771 266	5 085 907
Tax effects of:		
Expenses not deductible for tax purposes	324 736	674 668
Grant amortisation credited to the statement of comprehensive income	(10 982 106)	(6 866 169)
Prior period deferred tax adjustment	(226 051)	(6 166 693)
Prior year overstated tax loss	15 155 176	-
Tax charge	16 043 021	(7 272 287)

6/ OTHER INCOME

	2019 E	2018 E
Ecowater sales	899 736	912 417
Amortisation of deferred grant income	39 934 931	24 967 886
Rental income	3 641 892	2 733 344
Sundry income	1 948 933	1 798 617
Total	46 425 492	30 412 264

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 benefitted 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 2019

	Opening net Carrying amount E	Additions E	Disposals E	Transfers from Capital projects E	Depreciation Charge E	Re-classification and adjustments[1] E	Closing net Carrying amount E
Land and buildings	214 749 291	-	(23 489)	1 240 329	(5 830 730)	(1)	210 135 400
Dams and reservoirs	105 580 596	-	-	458 300	(3 209 195)	50 233	102 879 934
Treatment works	405 703 091	-	-	-	(7 585 979)	-	398 117 112
Mains and reticulation	739 778 748	-	-	10 479 311	(21 890 234)	3 495 312	731 863 137
Mechanical, electrical plant and systems	188 231 051	-	-	3 640 422	(12 118 926)	(3 492 305)	176 260 242
Furniture and equipment	18 103 579	-	(5 414)	4 441 017	(3 451 154)	-	19 088 028
Motor vehicles and mobile plant	23 820 186	-	(665 831)	3 585 411	(3 438 640)	-	23 301 126
Capital work in progress (note 8)	317 831 194	209 800 845	(34 229)	(23 844 790)	-	-	503 753 020
Total	2 013 797 736	209 800 845	(728 963)	-	(57 524 858)	53 239	2 165 397 999

[1] – Included in Re-classification and adjustments is an adjustment for an unreconciled difference in accumulated depreciation, written back to income statement, of E53, 239.

Year ended 31 March 2019

	Cost E	Accumulated Depreciation E	2019 Net carrying amount E	2018 Net carrying amount E
Land and buildings	248 226 200	(38 090 800)	210 135 400	214 749 291
Dams and reservoirs	132 827 853	(29 947 919)	102 879 934	105 580 596
Treatment works	451 621 670	(53 504 558)	398 117 112	405 703 091
Mains and reticulation	866 528 533	(134 665 396)	731 863 137	739 778 748
Mechanical, electrical plant and systems	245 306 506	(69 046 264)	176 260 242	188 231 051
Furniture and equipment	46 040 282	(26 952 254)	19 088 028	18 103 579
Motor vehicles and mobile plant	55 197 584	(31 896 458)	23 301 126	23 820 186
Capital work in progress	503 753 020	-	503 753 020	317 831 194
Total	2 549 501 648	(384 103 649)	2 165 397 999	2 013 797 736

Year ended 31 March 2018

	Opening net Carrying amount E	Additions E	Disposals E	Transfers from Capital projects E	Depreciation Charge 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)	105 580 596
Treatment works	211 281 553	-	-	196 770 494	(4 297 666)	2 792 044	405 703 091
Mains and reticulation	386 405 826	-	-	366 237 572	(12 864 650)	-	739 778 748
Mechanical, electrical plant and systems	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 and mobile plant	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	Cost E	Accumulated Depreciation E	2017 Net carrying amount E
Land and buildings	247 115 102	(32 365 811)	214 749 291	172 788 225	(28 379 073)	144 409 152
Dams and reservoirs	132 319 319	(26 738 723)	105 580 596	107 402 940	(26 803 088)	80 599 852
Treatment works	451 621 671	(45 918 580)	405 703 091	250 361 340	(39 079 787)	211 281 553
Mains and reticulation	852 553 910	(112 775 162)	739 778 748	486 316 337	(99 910 511)	386 405 826
Mechanical, electrical plant and systems	245 211 629	(56 980 578)	188 231 051	218 558 264	(45 959 765)	172 598 499
Furniture and equipment	46 128 731	(28 025 152)	18 103 579	41 360 123	(25 103 677)	16 256 446
Motor vehicles and mobile plant	53 102 588	(29 282 402)	23 820 186	49 029 026	(24 609 623)	24 419 403
Capital work in progress	317 831 194	-	317 831 194	824 279 050	-	824 279 050
Total	2 345 884 144	(332 086 408)	2 013 797 736	2 150 095 305	(289 845 524)	1 860 249 781

	2019 E	2018 E
Leased assets (motor vehicles and trailers) included in property, plant and equipment are as follows:		
Cost	67 428 901	29 581 132
Accumulated depreciation	(6 405 359)	(14 973 527)
Net carrying amount	61 023 542	14 607 605
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	8 575 503
Portion 124 (a portion of portion 49) of Farm 57, Hhohho	4 850 000	4 850 000
Buildings at depreciated cost	172 166 308	176 780 199
	210 135 400	214 749 290
The cost of assets which are fully depreciated but still in use are as follows:		
Fencing	1 742 771	1 195 563
Mains and Reticulation	3 441 198	476 734
Motor vehicles	778 764	209 950
Laboratory equipment	1 932 525	115 655
Furniture and equipment	1 285 559	868 224
Office equipment	3 907 885	333 766
Mobile plant	252 391	78 497
Computers	2 680 053	4 008 387
Electrical plant and system	133 089	-
Water tanker and trailer	763 171	-
Motorcycles	834 394	-
	17 751 800	7 286 776

8/ CAPITAL PROJECTS IN PROGRESS

	2019 E	2018 E
Internal projects (note 8.1)	83 249 252	50 456 039
Government Funded Projects (note 8.2)	310 754 108	231 730 188
European Union funded projects (note 8.4)	-	-
African Development Bank funded projects (note 8.3)	84 458 366	9 147 772
Nedbank/EWSC funded projects (note 8.5)	25 291 294	26 497 195
Total capital work in progress (note 7)	503 753 020	317 831 194

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

8.1/ INTERNAL PROJECTS

Opening net carrying amount	50 456 039	48 723 672
Additions	42 821 432	24 762 481
Transfers to external funded projects	2 991 018	-
Commissioned – transfers to property, plant and equipment	(13 019 237)	(22 620 132)
Disposal / de-recognised	-	(409 982)
Closing net carrying amount	83 249 252	50 456 039

8.2/ GOVERNMENT FUNDED PROJECTS

Opening net carrying amount	231 730 188	336 186 080
Additions	82 014 938	83 769 469
Transfers from internal projects	(2 991 018)	-
Commissioned - transfers to property, plant and equipment	-	(188 219 372)
De-recognised	-	(5 989)
Closing net carrying amount	310 754 108	231 730 188

8.3/ AFRICAN DEVELOPMENT BANK FUNDED PROJECTS

Opening net carrying amount	9 147 772	170 960 668
Additions	77 251 702	43 629 933
Transfer from internal projects	-	-
Commissioned - transfers to property, plant and equipment	(1 941 108)	(204 051 527)
Disposal / de-recognised	-	-
Closing net carrying amount	84 458 366	9 147 772

8.4/ EUROPEAN UNION FUNDED PROJECTS

Opening net carrying amount	-	252 387 770
Additions	3 290 796	33 549 568
Commissioned - transfers to property, plant and equipment	(3 290 796)	(285 727 730)
Disposal / de-recognised	-	(209 608)
Closing net carrying amount	-	-

8.5/ NEDBANK LOAN/EWSC FUNDED PROJECTS

Opening net carrying amount	26 497 195	16 020 860
Additions	562 307	10 476 335
Transfer from internal projects	-	-
Commissioned - transfers to property, plant and equipment	(1 733 979)	-
Disposal / derecognised	(34 229)	-
Closing net carrying amount	25 291 294	26 497 195

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 2019			
Assets as per statement of financial position			
Trade and other receivables	-	120 596 795	120 596 795
Investments	29 322 160	42 465 493	71 787 653
Cash and cash equivalents	-	146 135 052	146 135 052
	29 322 160	309 197 340	338 519 500
Liabilities as per statement of financial position			
Borrowings	-	78 083 198	78 083 198
Trade and other payables	-	112 945 898	112 945 898
	-	191 029 096	191 029 096
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

9.1/ TRADE AND OTHER RECEIVABLES

	2019 E	2018 E
Trade receivables	155 665 755	133 104 766
Less: provision for impairment of receivables	(60 577 709)	(49 362 669)
Net trade accounts receivable	95 088 046	90 742 097
Staff receivables	3 418 469	3 205 582
UDP and Government advance payment	17 481 350	19 836 601
Sundry receivables	4 608 930	3 863 175
Net other receivables	25 508 749	26 905 358
	120 596 795	117 647 455

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

	2019 E	2018 E
Financial assets at amortized cost (i)	42 465 493	42 259 290
Financial assets at fair value through profit or loss (ii)	29 322 160	24 312 184
	71 787 653	66 571 474

(i) Financial assets at amortized cost

	2019 E	2018 E
Non-current assets	42 465 493	3 456 261
SBS Permanent shares	-	3 456 261
Promissory notes	42 465 493	-
Current assets	-	38 803 029
Promissory notes	-	38 803 029
	42 465 493	42 259 290

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 approximates its carrying amount at year end which is its amortised cost.

Classification of financial assets at amortized cost
The Corporation classifies investments at amortized cost if:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost 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
An impairment on the promissory notes was recognized in the current year of 2019: E1 072 414, this is as a result of the B- credit rating on the promissory note. All investments at amortized cost are denominated in Emalangeni. As a result, there is no exposure to foreign currency risk.

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

	2019 E	2018 E
Non-current assets	3 521 929	-
SBS Permanent shares	3 521 929	-
Current assets	25 800 231	24 312 184
African Alliance Managed Fund	25 800 231	24 312 184

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 MARCH 2019

9.2/ INVESTMENTS
//CONTINUED

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.

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

	2019 E	2018 E
Cash at bank and in hand	108 549 532	140 017 255
Deposits at call	37 585 520	34 882 200
	146 135 052	174 899 455

RESTRICTED CASH
The cash and cash equivalents disclosed above and in the statement of cash flows include **E 5 446 912** (2018: E 5 225 908) which are subject to certain restrictions on usage by the Corporation. The cash is held in a call account as a guarantee for a certain construction project in favour of the contractor. The deposit will only be accessible to the Corporation 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

	2019 E	2018 E
Trade accounts payable and accruals	43 360 387	17 929 178
Capital projects accruals	35 128 198	73 989 762
Contractors' retention	9 911 932	12 492 334
Consumer deposits	23 255 381	20 859 350
Dividend accrual	1 290 000	1 290 000
	112 945 898	126 560 624

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

	2019			2018		
	Current E	Non-Current E	Total E	Current E	Non-Current E	Total E
Secured						
Bank loans	6 583 248	42 798 026	49 381 274	4 718 286	50 457 141	55 175 427
Lease liabilities	2 902 287	6 491 097	9 393 384	4 136 480	6 572 106	10 708 586
Total secured	9 485 535	49 289 123	58 774 658	8 854 766	57 029 247	65 884 013
Unsecured						
Eswatini Government	19 308 540	-	19 308 540	23 674 833	-	23 675 833
Total unsecured	19 308 540	-	19 308 540	23 674 833	-	23 675 833
Total borrowings	28 794 075	49 289 123	78 083 198	32 529 599	57 029 247	89 558 546

SECURED LIABILITIES AND ASSETS PLEDGED AS SECURITY
The entire **E 49 381 274** (2018: 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 Eswatini 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 **E19 308 540** (2018: E 23 674 833) is unsecured.

COMPLIANCE WITH LOAN COVENANTS
The Corporation has complied with all financial covenants of its borrowing facilities during the 2019 and 2018 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.

	2019 E	2018 E
Total liability	9 393 384	10 708 586
Less due within 1 year	(2 902 287)	(4 136 480)
Due after 12 months but not later than 5 years	6 491 097	6 572 106
Finance lease liabilities – minimum lease payments		
Not later than 1 year	3 679 097	4 581 152
Later than 1 year and not later than 5 years	7 457 349	7 686 526
Total lease payments	11 136 446	12 267 678
Future finance charges on finances	(1 743 062)	(1 559 092)
Present value of future finance liabilities	9 393 384	10 708 586

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 2019				
Financial Assets				
Financial assets at FVPL	29 322 160	-	-	29 322 160
Total financial assets	29 322 160	-	-	29 322 160
31 March 2018				
Financial Assets				
Financial assets at FVPL	24 312 184	-	-	24 312 184
Total financial assets	24 312 184	-	-	24 312 184

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

	2019 E	2018 E
Chemicals	417 488	628 387
Building materials	221 319	22 125
Petrol and diesel	326 826	115 504
Spares, fittings and pipes	6 630 674	5 927 321
Ecowater	273 737	479 720
	7 870 044	7 173 057

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 42 406 398** (2018: E 38 515 394). 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

	2019 E	2018 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)	2 836 284	2 479 348
Legal claim (12.2)	-	418 000
	2 836 284	2 897 348

12.1/ PROVISION FOR LEAVE PAY

Balances at the beginning of the year	2 479 348	2 200 317
Raised during the year	817 038	835 937
Utilized during the year	(460 102)	(556 906)
Balances at year end	2 836 284	2 479 348

The leave pay provision is related to vested leave pay to which employees are entitled. The provision 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.

Based on experience, the Corporation does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The Corporation is also unable to estimate the amount to be settled in the next 12 months due to the uncertainties associated with the leave provision and employee behaviour patterns.

12.2/ LEGAL CLAIM

The Corporation was a defendant in a legal claim for E 418 000. This claim was brought in the prior year, and this matter was settled in the current year. The Corporation had to pay damages to the plaintiff.

13/ DEFERRED GRANTS

	2019 E	2018 E
Eswatini Government		
- Nhlangano – Water supply and treatment plant	414 003 878	422 876 569
- Urban Development Projects (Packages 6, 7, 8, 10, 18 A & B, and 20)	62 220 720	64 447 744
- Pigg's Peak Dam	2 853 447	2 959 356
- Hlatikhulu Treatment Works	1 955 441	2 038 946
- Siteki – Lomahasha water supply	144 614 405	149 360 964
- Ezulwini – Lobamba Water Supply	18 738 297	19 382 393
- Lukhaba Gravity Mains	3 426 191	3 560 147
- Mankayane Water Supply	8 648 104	8 954 244
- Enhlambeni Water Supply	10 455 642	10 805 481
- Government forex subvention	26 871 389	27 983 155
- Currency ratio subvention – Package 18	45 690 679	47 382 010
- Land transferred from the Government to EWSC	3 739 800	3 874 600
- Raw water for Tex Ray factory	4 840 144	5 013 239
- Sikhuphe Water Supply	88 088 669	89 978 114
- Matsapha Sewer treatment plant relocation	294 107 945	297 775 157
- Hlane Water Supply	22 582 859	23 364 560
- Impilo resevoir	959 352	992 433
- Mbabane Water Supply Augmentation	22 720 422	22 995 314
- Luphohlo Mbabane Water Supply	31 000 000	-
European Union financed project		
Siphofaneni, Somntongo and Matsanjeni Water Supply	277 131 118	260 575 750
Eswatini National Housing Board Grants		
Makholokholo Project	669 605	701 502
Eswatini National Trust Commission		
Mlawula Workstation	640 798	663 683
Micro Projects Grants		
Nhlambeni Water Supply	2 562 420	2 562 420
Makhewu Water Supply	2 000 708	538 274
Mbikwakhe Water Supply	2 320 792	2 385 258
Mhlumeni Water Supply	1 954 945	385 970
Maseyisini Water Supply	1 915 200	825 400
Mpolonjeni Water Supply	4 996 046	1 039 438
Mayaluka Water Supply	1 091 772	1 043 472
Matsetsa Water Supply	1 719 046	589 950
Mankayane Mabovini Water Supply	1 615 704	1 657 132
Manyisa Mpolonjeni	2 308 524	-
African Development Bank/Eswatini Government financed grant		
Ezulwini Sanitation and Water Supply	252 738 491	170 704 794
Total deferred grants	1 761 182 553	1 647 417 469

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 MARCH 2019

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:

	2019 E	2018 E
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	43 892 182	52 203 189
Deferred tax liabilities:		
- Deferred tax liability to be settled after more than 12 months	(56 086 273)	(48 362 195)
Deferred tax asset / (liabilities)(net)	(12 194 091)	3 840 994

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

Prior period closing balance	3 840 994	(3 431 293)
Adjustment on adoption of IFRS 9 (accounting policy note 1(a)(ii))	7 936	-
Opening balance	3 848 930	(3 431 293)
Statement of comprehensive income charge (note 5)	(16 043 021)	7 272 287
End of year	(12 194 091)	3 840 994

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 liability				
At 31 March 2018	(48 362 195)	42 784 068	9 419 121	3 840 994
Adjustment on adoption of IFRS 9 (accounting policy note 1(a)(ii))	-	-	7 936	7 936
(Debited) / credited to the statement of comprehensive income (note 5)	(7 724 078)	(12 460 930)	4 141 987	(16 043 021)
At 31 March 2019	(56 086 273)	30 323 138	13 569 044	(12 194 091)
Deferred income tax asset				
At 31 March 2017	(42 449 171)	32 663 053	6 354 825	(3 431 293)
Debited / (credited) to the statement of comprehensive income (note 5)	(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 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

	2019 E	2018 E
Profit before tax	42 804 603	18 494 207
Adjustment for items not involving cashflow:		
Grant amortisation	(39 934 931)	(24 967 886)
Depreciation (Refer note 7)	57 524 858	45 294 870
Profit on disposal of property, plant and equipment	(82 348)	(916 538)
Interest income (Refer note 3)	(12 837 566)	(12 780 921)
Fair value gains on financial assets (Refer note 3)	(1 488 048)	1 394 326
Interest expense (Refer note 3)	6 801 406	7 212 756
	52 787 974	30 942 162
Working capital changes:	(16 086 214)	13 951 207
(Increase / decrease in inventories	(696 986)	777 144
Decrease / (increase) in trade and other receivables	(1 713 438)	(15 664 219)
(Decrease) / Increase in trade and other payables (Refer note 15.3)	(13 614 726)	28 141 252
(Decrease) / increase in provisions	(61 064)	697 030
Cash generated from operations	36 701 760	44 893 369

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 MARCH 2019

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

Borrowings at the beginning of the year	89 558 846	93 845 247
- Current	32 529 599	24 310 113
- Non-current	57 029 247	69 535 134
Cash flows	(11 475 648)	(4 286 401)
- Proceeds from borrowings	3 457 291	11 809 162
- Repayment of borrowings	(14 932 939)	(16 095 563)
Borrowings at the end of the year	78 083 198	89 558 846
- Current	28 969 400	32 529 599
- Non-current	49 113 798	57 029 247

15.3/ MOVEMENT IN TRADE AND OTHER PAYABLES

Opening trade and other payables	(126 560 624)	(99 989 587)
Dividends payable - closing balance	(1 290 000)	(1 290 000)
Dividends payable - prior year	1 290 000	-
Reversal of prior year PPE accruals	-	2 860 215
Closing trade and other payables	112 945 898	126 560 624
Net increase in trade and other payables	(13 614 726)	28 141 252

16/ UNRECOGNISED ITEMS

16.1/ CAPITAL EXPENDITURE COMMITMENTS:

Contracted	250 318 592	339 396 735
Authorised but not yet contracted	372 038 000	281 590 000
Total future capital expenditure	622 356 592	620 986 735

16.2/OPERATING LEASE COMMITMENTS

The Corporation has multiple lease agreements under non-cancellable operating leases expiring within two years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	2019 E	2018 E
Within one year	968 514	1 060 232
Later than one year but no later than five years	105 081	1 073 595
	1 073 595	2 133 827

16.2/LEASING ARRANGEMENTS

The Corporation has leased some of its space to third parties with rentals payable monthly. Minimum lease payments receivable on leases are as follows:

Minimum lease payments under non-cancellable operating leases not recognised in the financial statements are receivable as follows:	2019 E	2018 E
Within one year	1 028 404	1 268 404
Later than one year but no later than five years	703 027	1 731 431
	1 731 431	2 999 835

17/ RETIREMENT BENEFITS

The staff pension fund, the EWSC 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. The total claims against the Corporation are E 3.8 million, including estimated legal fees of defending the claims of E 442 000. The Corporation expects to successfully defend all these claims.

19/ RELATED PARTY TRANSACTIONS

Key management personnel compensation	2019 E	2018 E
Short-term employee benefits	5 272 948	5 311 937
Post-employment benefits	1 196 452	1 200 374
	6 469 400	6 512 311

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.

NOTES

NOTES

WE DO IT THROUGH OUR PEOPLE

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EWSC

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