Eswatini Water Services Corporation

Annual Report
2019/20

Senator Peter N. Bhembe
Honourable Minister for Natural Resources and Energy.

Contents

Vision, Mission and Core Values

Our Vision

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

Our Mission Statement

"**To provide quality water** and wastewater services, **effectively meeting customer needs** in a growing market through sound management policies, strategies and **improving technology,** while **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 while treating all with respect.
- **Performance and continuous improvement:** We continually look for better ways of doing things.
- **Ownership and accountability:** We respect the business as if it were our own and deliver on our commitments.
- **Communication and transparency:** We continuously communicate with and through our people in an honest and fair manner.

“We do it through our people”

EWSC is the sole **provider of water services** in the urban areas (water supply, and sewage treatment and disposal) and **controls the abstraction of raw water from boreholes** in those areas for which we are responsible.

Organisational Background

Who We Are

Eswatini Water Services Corporation (EWSC or the "Corporation") 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 Enterprises (Control and Monitoring) Act, No. 8 of 1989 and is wholly **owned by the Government of the Kingdom of Eswatini** (the "Government").

What We Do

The **objectives** of the Corporation **are to abstract, purify, store, transport and supply water, and to collect, convey, treat and dispose sewage** in the following areas as specified in the schedule of the Water Services Corporation 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.

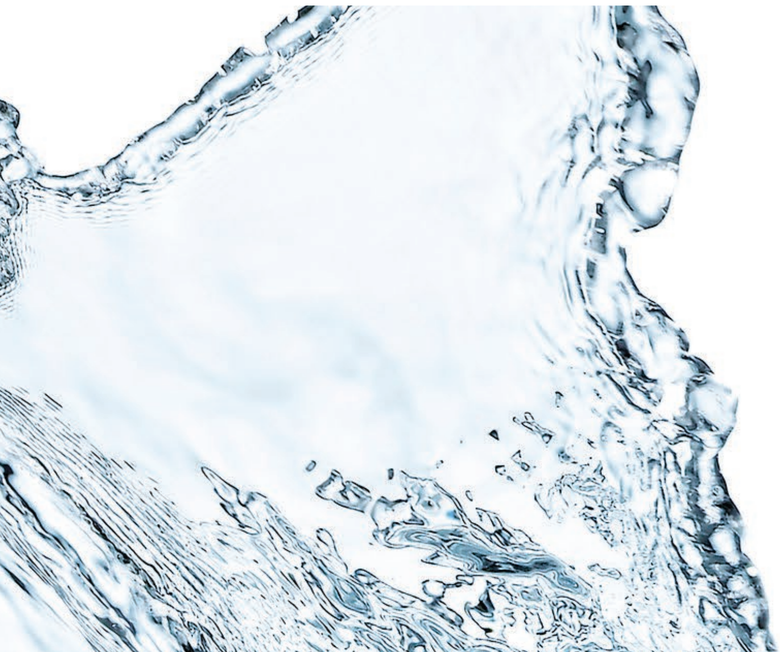
Social and Economic Considerations

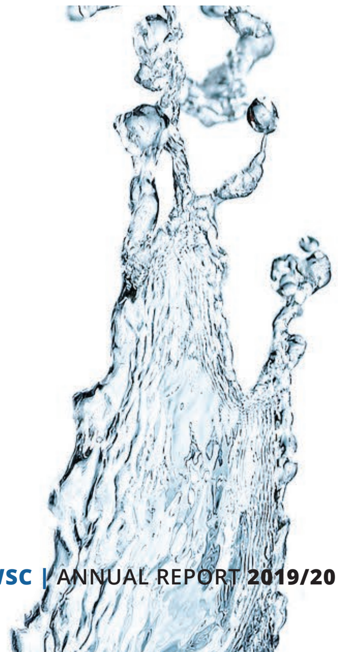
The Corporation acknowledges that water is both a social and economic good. In terms of the Water Services Corporation Act, No. 12 of 1992, the Corporation is expected to conduct its business on commercial principles so that revenue generated fully covers operating costs, including capital costs. In terms of the legislation, the Corporation is empowered to provide quality potable and wastewater services in 22 urban and peri-urban areas countrywide.

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 SDGs and the Vision 2022 Strategy.

The Corporation has an obligation to provide water and wastewater 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 as such shall be made good by the Government as provided for in the Performance Agreement between the Corporation and the Government.





The Corporation has also extended its services of providing water to the following areas:

North West Region

Ezulwini
Mahangeni
Motshane
Mpolonjeni
Nkoyoyo
Ntfonjeni

Central Region

Elwandle
Empholi
Kamkhweli
Ludzeludze
Malkerns
Mbikwakhe
Nhlambeni
Sidzakeni
Siphofaneni
Sithobela

East Region

Hlane
Makhewu
Mayaluka
Mhlumeni
Mlindazwe
Mncitsini
Ndzangu
Ngcamini
Ngcina
Shoba
Skhuphe

South West Region

Mabovini
Maseyisini
Matsanjeni
Mpolonjeni
Nkwalini
Sibetsamoya
Siphumelele
Somntongo

Regarding the areas of supply, the Corporation is mandated to:

- Prepare schemes for the development of water resources and for the supply of water, and to construct, maintain and operate such schemes.
- Constantly 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 sewage systems for the treatment of wastewater.
- Inspect and advise on the management, collection, production, transmission, treatment, storage, supply and distribution of water.

Governance and Organisational Structure

- Minister of Natural Resources and Energy
  - Board of Directors
    - Managing Director
      - Internal Audit
      - Public Affairs and Customer Service
      - Finance Director
        - Finance, Purchasing, Commercial, Business Analysis
      - Technical Services Director
        - Projects, Quality Assurance, Survey, GIS, Hydraulics, M&E, Water Loss
      - Strategic Services Director
        - Human Resources, IT, Corporate Services, Production and Marketing
      - Operations Director
        - Regional Operations

Message From Our Chairman

The COVID-19 scourge has plummeted countries into an unprecedented crisis, causing major shifts in environmental and economic conditions that impact on business landscapes, creating a high degree of uncertainty about the future. The situation we found ourselves in as a result of the pandemic underscores the fundamental importance of water as a precious resource that supports quality of life by bolstering the social and economic environment.

Our current operating environment is marred with social challenges and economic insecurity, which is weighing heavily against the Corporation. Though the organisation has shown great resilience throughout this tough period, it is evident that we need to do things differently to overcome any hurdles that may arise in the future. The outbreak of the pandemic and its devastating socio-economic impact is a clear indication that complacency is no longer an option. We need to conceptualise challenges differently and apply innovative solutions to the business if we are to survive the aftermath of the disease and keep the Corporation as a going concern. One takes solace in the resilience that the EWSC has shown when faced with related socio-economic challenges in the past and it is my belief that with the wealth of experience accumulated over the years we are ready to take the Corporation forward under the prevailing circumstances.

The Corporation is a critical stakeholder in sustainable development and is expected to make great contributions to socio-economic development. Infrastructure development and technology are an integral part of improved water supply and sanitation. We are cognisant of the fact that the economic downturn, Government's weak fiscal position and most recently the outbreak of the COVID-19 pandemic continue to adversely affect the implementation of water and sanitation capital projects and limit the water sector's role in meeting targets for SDGs and Vision 2022. We are hopeful though that Government's efforts through the Strategic Roadmap 2022 and the management of the COVID-19 pandemic will bear fruits in the short to medium term.

Our employees and customers are of paramount importance, and they are the main reason why we are still in business. As we work on the attainment of corporate objectives, let us harness our stakeholder relations with strategic outputs and outcomes to create maximum shareholder value.

As we navigate our way through the current maze of challenges, let us bear in mind that we are an essential service provider. Therefore I call on all employees to rise to the challenge and commit to delivering a service that meets or even exceeds our stakeholders' expectations.

Benedict Xaba
Chairman of the Board

Though the organisation has shown great resilience throughout this tough period, it is evident that we need to do things differently to overcome any hurdles that may arise in the future.

Message
From Our Managing Director

It is my pleasure to report on the performance of the Corporation for the financial year ended 31 March 2020. In the last quarter of the financial year we saw the outbreak of the COVID-19 pandemic, which poses a serious economic risk to global economies. The World Health Organization declared COVID-19 a pandemic due to its spread and severity.

Like other affected countries, the Kingdom of Eswatini declared a state of emergency and introduced a partial lockdown to mitigate the health and socio-economic effects of the virus. In a bid to ensure that the virus was well managed in the workplace, without disrupting services offered by the Corporation, we established a COVID-19 Emergency Response Team (ERT) whose responsibilities include developing a workplace response plan to the COVID-19 pandemic; identifying key risk areas and installing necessary equipment and measures to minimise the possible spread of the disease and/or infections; and advising on business continuity programmes and processes during the life of this pandemic. The ERT has meticulously executed on its mandate and ensured that the entire Corporation has been kept well informed; it is also the official link between the staff and the Ministry of Health officials who are leading the nation's effort in this regard.

Financial Overview

Due to the prevalent adverse economic conditions and fiscal challenges in the 2019/20 fiscal year, the Government halted tariff increments for utilities for the year. The objective of freezing the tariff increase was to cushion the effect of increased inflation-related costs on consumers during the period of the economic downturn. This resulted in the Corporation having to operate on a limited budget and cash position while trying to sustain operations.

> This year the Eswatini Water Supply and Sanitation Access Project reached the final approval stage, a collaboration between the World Bank and the Government of Eswatini.

A number of capital projects (which include extension of water and sewerage infrastructure) had to be stalled, and this inevitably had a bearing on the Corporation's ability to meet its objectives and targets under the EWSC Strategic Plan 2021, Vision 2022 and the SDGs.

However, I am glad to report that despite the many challenges, this year's financial position still confirms that the Corporation remains a going concern. In this reporting period, EWSC's operating revenue increased from E381.3 million last year to E397.7 million, representing a growth of 4.3%. The lacklustre performance is attributable to the freeze in tariff increment for the financial year 2019/20. Operating expenditure amounted to E390.9 million (E392.5 million in 2019), representing a decrease of 0.4%. The decline in expenditure is attributable to cost control and efficiency measures, including energy-management initiatives piloted by the Corporation. Operating profit stood at E6.7 million (compared to a loss of E11.1 million in the previous year). Profit for the year amounted to E52.8 million (E26.7 million in 2019). Total assets amounted to E2.7 billion (E2.5 billion in 2019) and total liabilities stood at E2.1 billion (E1.9 billion in 2019).

This year, the journey to fulfil our customers' needs and expectations began with the development of a comprehensive Customer Experience Strategy.

Development Projects

This year the Eswatini Water Supply and Sanitation Access Project reached the final approval stage, a collaboration between the World Bank and the Government of Eswatini. The project, with an estimated cost of US$45 million, is expected to improve water supply in the Shiselweni Region, especially the Nhlangano-Sphambanweni area which is a rural and low-income area.

The project will serve as a catalyst for local development, economic activity, reduction in poverty and promotion of quality of life and shared prosperity. The development will also augment water supply to Matsanjeni, which currently relies on water sourced across the border from Jozini Dam in the Republic of South Africa. It will also create an opportunity to improve women's empowerment by reducing the time spent collecting drinking water, a role which is predominantly undertaken by women.

The project has a sanitation component aimed at reducing the incidence of water-related diseases and improving the quality of life of the beneficiaries in the project area, including (a) expanding access to domestic sanitation services in the project area; (b) assessing and piloting the use of appropriate technologies for on-site sanitation in informal settlements, health centres, and schools; and (c) providing support to strengthen institutions, policies, data collection and planning, and long-term sustainability of sanitation services. Lastly, the project entails potentially significant climate adaptation benefits given the impact it could have on improving the management of increasingly scarce water.

Safety, Health and Environment

The last quarter of the year has been challenging on employee health and safety due to the emergence of the COVID-19 pandemic, however, our ERT was able to mitigate the impact by putting in place preventative measures aimed at easing the COVID-19 occupational hazard pressure on our employees. The overall Safety, Health, Environment and Quality (SHEQ) performance of the organisation (based on the SHEQ audit tool) was evaluated at 87%, indicating an increase from the 84% baseline, however, still 11% short of the 95% target set in the strategic plan.

In this financial year, a culture change initiative was launched across the Corporation, with its primary aim being to improve employee engagement.

On ISO management systems, the Corporation was able to successfully transit its OHSAS 18001 standard to the newer ISO 45001 standard that aims to further enhance employee health and safety in the workplace. The Corporation continued to manage its environmental aspects using the ISO 14001 management system and was successful in mitigating environmental impacts for its capital projects and routine activities. In light of the COVID-19 pandemic, the Corporation successfully conducted its first remote audit on ISO 9001, a change that provided us with an opportunity to review the approach towards conducting external ISO audits going forward.

The overall SHEQ culture within the Corporation is steadily maturing, with some of the benefits of implementing SHEQ management systems already evident on the ground.

Our People

In our endeavour to deliver on our statutory mandate and strategic objectives, the Corporation has always recognised that putting people first is key for organisational performance, hence the slogan, "We do it through our people".

In this financial year, a culture change initiative was launched across the Corporation, with its primary aim being to improve employee engagement. The goal of the initiative is to improve employee ownership and to place emphasis on unleashing every employee's potential and shifting from limited mindsets towards those that are liberated to contribute towards the growth of the organisation. The initiative is dubbed #WearBlue, in line with the Corporation's corporate colours, and the rollout has resulted in increased energy across the organisation which is being recognised even by external stakeholders.

Continuously investing in staff training and development has positive spin-offs and is a top priority for EWSC, albeit under trying conditions. With the advent of COVID-19 and our limited budget, the Corporation is encouraging the use of online training platforms such as online courses and distance learning as well as on-the-job training opportunities.

Our Customers

Our obligation to our customers is to manage the sustainable and efficient supply of safe and reliable water and sewer services. The way we deliver this essential service is constantly evolving as we seek better ways to deliver services, respond to changing customer needs and plan sustainable solutions for future challenges. To ensure that our service delivery meets our customers' expectations, we continually track customer satisfaction and align our training, policies, processes and systems to drive improvement. This year, the journey to fulfil our customers' needs and expectations began with the development of a comprehensive Customer Experience Strategy, which focuses on enriching our customers' experiences through various initiatives that include promoting online payment platforms, receiving bills through emails and mobile devices, using various platforms to interact with our customers and installing customer care screens in service centres to provide critical service information to our customers.
We do acknowledge the importance of building strong customer service relationships hence our investment in customer relationship management (CRM) systems. A key accounts management programme was implemented for our corporate customers, which aims to ensure a closer interaction with these customers to better understand their needs.

Water and Sanitation Challenges

In fulfilling the Corporation's mandate to provide sustainable water and sanitation services, we face the following challenges which limit our 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 the NDS, SDGs and Vision 2022.

a. Economic and Social Impact of COVID-19

The outbreak of the coronavirus disease impacts negatively on the economy and the business environment. Safe drinking water and proper sanitation are key for human health and quality of life, especially in such unfortunate and unexpected circumstances. Economic growth is expected to decline due to the lockdown which impacts negatively on our business, especially our operating revenue and cash resources. As an essential service provider, the Corporation is still expected to deliver efficient water and sanitation services despite financial resources being stretched.

b. Inability to Effectively Collect Revenue

The stagnant economic climate has negative consequences, including job losses, which have affected the Corporation's ability to collect revenue, especially from our residential customers. Consequent to the COVID-19 scourge there have been expectations from customers for free water from the Corporation to address economic and health challenges, which unfortunately is not tenable as the Corporation depends entirely on customers servicing their bills to provide the service. Other factors that limit the Corporation's ability to collect revenue include outdated customer information; limited access (and use) of technology by customers to settle bills particularly in areas without revenue centres; and the required systems upgrade to give real-time payment information.

c. High Product Input Costs

Electricity remains a major cost given the fact that the Corporation's operations are energy intensive. Alternative forms of energy need to be explored for possible savings on operational costs and the promotion of a cleaner environment.

d
Ageing Infrastructure
The replacement of old infrastructure is costly and has to be carried out in stages. Maintenance costs continue to be on the higher side given the state of the network infrastructure. As the system ages, leakages and bursts increase, which contribute to higher costs of maintenance.

e
Climate Change
Climate change continues to affect weather patterns, impacting the frequency and scale of floods and droughts. The demand on water resources from agriculture, human consumption, ecosystems and industries is putting a strain on this finite resource. To mitigate the impact of climate change, effective water resources management strategies and investment in water infrastructure, especially water storage facilities, are key to promoting a sustainable and secure water supply.

f
Environmental Laws and Compliance Costs
Compliance with environmental laws and regulations promotes a healthy environment and improves water and sanitation quality, which has a direct bearing on the ecosystem and the quality of life. While full compliance comes at a huge financial cost with less financial returns, the economic benefits of a cleaner environment are enormous.

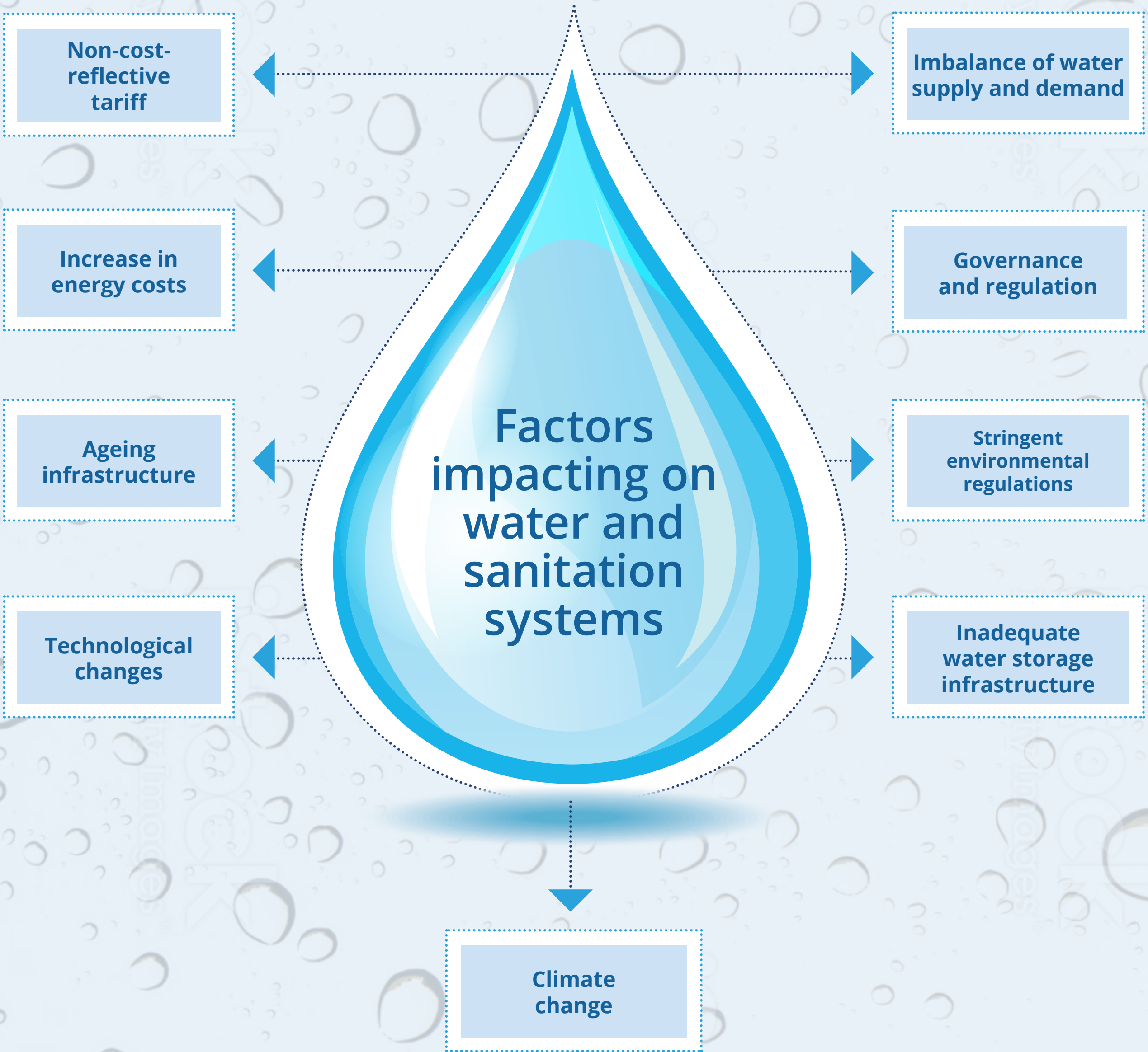
g
Other Factors
The proliferation of boreholes in EWSC areas of supply, after customer disconnections for non-payment, continues to adversely affect our operating revenue.

Acknowledgements
I extend my sincere gratitude to the Board of Directors and the staff of EWSC for their support throughout the years, and I continue to encourage their commitment as we execute our day-to-day duties. Let us demonstrate to our stakeholders that we are an outstanding example of how we steward the gift of water as a natural resource, providing health and wellbeing to the nation. And in our true-blue spirit we will also be innovative, coming up with ideas on how we can best maximise business performance during these challenging times, understanding that we live in the legacy space and that what we do today impacts the lives of generations to come.

I look forward to recording even better success in the coming year.

Jabulile Mashwama
Managing Director

Our commitment is demonstrated by the continuous development and implementation of practical and effective corporate policies and programmes that support the more efficient use of natural resources and reduce the impact of our business on the environment.



Board
of Directors


Mr Benedict Xaba
Chairman


Ms Jabulile Mashwama
Managing Director


Ms Thobile Mavuso
Non-Executive Director


Mr Mvuselelo Fakudze
Non-Executive Director


Ms Zandile Nhleko
Non-Executive Director


Mr Sipho Dlamini
Non-Executive Director

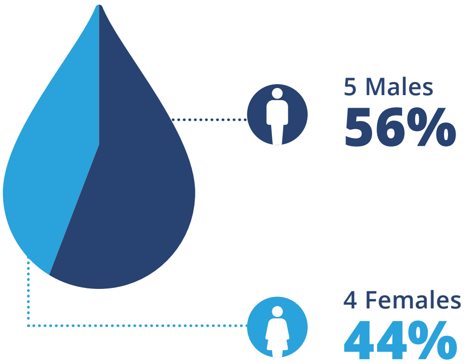
The Board of Directors has the overall responsibility of driving the Corporation's strategic plan, reviewing annual operating plans, budgets, annual financial reports, and managing strategic risk.

Mr John Henwood
Non-Executive Director

Ms Nomcebo Hadebe
Non-Executive Director

Mr Jinnoh Nkhambule
Non-Executive Director

Gender Diversity



Expertise

- Health
- Economics
- Law
- Strategy
- Accounting and finance
- Public policy

Tenure

Mr Benedict Xaba: Chairman

MDS (Health and Development); BA (Hons) (Healthcare Management); Diploma (Nursing)

Mr Benedict Xaba joined the EWSC Board as Chairman and non-executive member in June 2014. Reappointment June 2017. Mr Xaba served the Government of Eswatini as Minister of Health from 2008 to 2013 and was also an elected Member of Parliament for the Shiselweni 11 constituency for the same period. Prior to his political appointment, he served as a director for NATICC, an Aids training information and counselling centre, which he cofounded. He has also worked in the Ministry of Health and served as a board member for Stop TB in Geneva, Switzerland. Mr Xaba has worked for Otsuka Holdings in Geneva as a Senior Public Health Advisor for Africa and has also served as a Special Envoy for TB and Mining in southern Africa. He 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

MBA; BSc (Chemistry and Mathematics)

Ms Jabulile Mashwama joined EWSC as Managing Director in December 2018. She is the executive member of the EWSC Board. Prior to joining EWSC, Ms Mashwama had served as Minister of Commerce, Industry and Trade as well as Minister of 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 legislation nationally to support Government's reform strategies. As Minister for Natural Resources and Energy, she was responsible for developing water and energy policies in line with the United Nations Sustainable Development Goals, with a special focus on SDGs 6 and 7, providing clean water and sanitation for all and providing affordable and clean energy, respectively. Ms Mashwama has been a member of many international initiatives focused on regional and global development agendas, including the African Ministers' Council on Water (AMCOW), the Common Market for Eastern and Southern Africa (COMESA), Sanitation and Water for All (SWA), among 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 as well as investment promotion agencies. Her 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

MA (Economics); BA (Social Sciences)

Ms Thobile Mavuso joined the EWSC Board in October 2013 in an ex-officio capacity (representing the Principal Secretary of the Ministry of Natural Resources and Energy) as per section 4(1) of the Water Services Corporation Act of 1992. She is the Principal Planning Officer at the Ministry of Natural Resources and Energy. Ms Mavuso 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

LLB; BA (Law)

Mr John Henwood was appointed to the EWSC Board as a non-executive member in June 2017. He is an Associate Attorney at Henwood & Company. Previously, he was a partner at Robinson Bertram Attorneys. Mr Henwood is an admitted attorney in the High Court of Eswatini and a registered trademark 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 board of Sifundzani High School. 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 extensive experience in competition law and has been involved as lead attorney on more than 40 large mergers in the Kingdom of Eswatini.

Ms Nomcebo Hadebe: Non-Executive Director

MPhil (Development Economics); Postgraduate Diploma (Development Economics); BCom

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/combating the financing of terrorism, she has been working for 15 years in different roles in the financial services industry. Ms Hadebe has been key in the promulgation of the Anti-Money Laundering/Combating the Financing of Terrorism laws and the Consumer Credit Act. She was also involved in drafting the country's first Financial Inclusion Strategy and Microfinance Policy, and is currently assisting with the 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 sector of society.

Mr Jinnoh Nkhambule: Non-Executive Director

Masters in Management; Postgraduate Diploma (Public Policy); Postgraduate Diploma (Law)

Mr Jinnoh Nkhambule joined the EWSC Board as a non-executive member in August 2017. He 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 the 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, Mr Nkhambule 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 on a number of statutory boards, including public enterprises where he was representing Government.

Mr Mvuselelo Fakudze: Non-Executive Director

CA(SD); ACCA; Postgraduate Diploma (Accounting); BCom

Mr Mvuselelo Fakudze joined the EWSC Board as a non-executive member in May 2018. He is currently the Chief Executive of Standard Bank of Eswatini, a position he took up in December 2016. Prior to that Mr Fakudze spent 14 years at PricewaterhouseCoopers in Eswatini, six of which he was a partner and another four years at Absa/Barclays Africa where he was based in Johannesburg, South Africa. Mr Fakudze qualified as a Chartered Accountant (through ACCA) in January 2001 after finishing his articles at PwC. He completed a postgraduate 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 which included Tibiyo Taka Ngwane, Eswatini Charitable Trust, ALLPAY, and some securitisation vehicles while at Absa, to name but a few.

Ms Zandile Nhleko: Non-Executive Director

MPH (Maternal and Child Health); BNSc (Community Health Nursing)

Ms 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 organisations on various community-based health initiatives. Ms Nhleko has worked extensively with the Ministry of Health and international organisations, participating in various technical working groups, curriculum development for healthcare workers in paediatric 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 Programmes Manager, responsible for the management, expansion and development of various projects aimed at improving paediatric and adolescent healthcare.

Mr Sipho Dlamini: Non-Executive Director

Diploma (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 included 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

MBA; BSc (Chemistry and Mathematics)

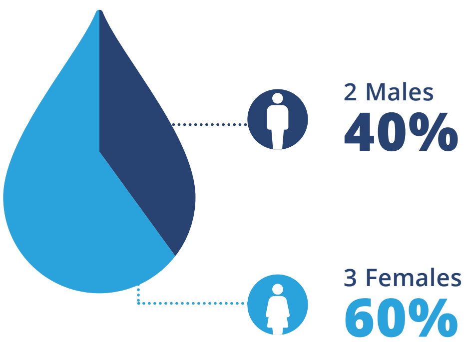
For Ms Jabulile Mashwama's abridged CV, see page 14.

Ms Susan Nkumane: Finance Director

FCIA; FCCA; BCom

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 & 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.

Gender Diversity



Expertise

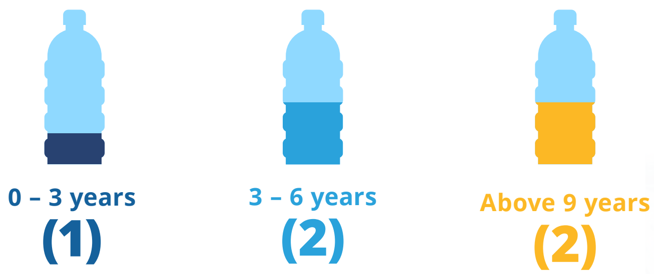
Strategy

Human capital and industrial relations

Accounting and finance

Engineering

Tenure



Ms Nontombi Maphanga: Technical Services Director

GDE (Civil Engineering); BSc (Civil Engineering); BSc

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 to 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. Ms Maphanga is a member of the Eswatini Association of Architects, Engineers and Surveyors and the International Water Association (IWA). She has served as a board member for Lidwala Insurance Company and currently serves as a member of the Town Planning Board.

Mr Sandile Dlamini: Operations Director

Postgraduate Diploma (Environmental Engineering); BSc; Concurrent Diploma in Education; Management Development Programme

Mr Sandile Dlamini joined the Water and Sewage Board (a Government department then) in 1990 as a Chemist. When the department was corporatised into EWSC, 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 in Southern Africa.

Mr S'khumbuzo Tsabedze: Strategic Services Director

IEPD; MBL; MA LLB; Postgraduate Diploma (Information Science); BSc

Mr S'khumbuzo 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 Swaziland Electricity Company. He is a Chartered Marketer (SA) and serves on various boards.

Senior Management

Aubrey Mkhonta –
Regional Manager – Central

Dip (Water Tech); HND (Civil Engineering); MBA; Adv. Dip (Project Management).

Nhlanhla Dlamini
Production Manager

MBA; BSc

Thobile Simelane
Regional Manager – South West

RA(SD); BCom; Management Development Programme

Sikelele Fakudze
Regional Manager – North West

BSc (Hons); BSc

Nomahlubi Matiwane
Public Affairs and Customer Services Manager

MBA; BSocSc (Media and Communication)

Bongani Mdluli
Projects Manager (EU Projects)

BTech (Civil Engineering); Advanced Diploma (Project Management); Management Development Programme

Angeline Matsenjwa
Human Resources Manager

MBA; BSc; Certificate in HR Management; Management Development Programme; Certificate in Advanced Labour Law

Elwyn Dlamini
Regional Manager – East

BSc (Agriculture); Diploma (Agriculture)

Hlobsile Dlamini
Internal Audit Manager

CA(SD); ACCA; BCom

Musa Shongwe
Quality Assurance Manager
MBA; BSc Hons; BSc

Mandla Masina
Projects Engineer
BSc (Civil Engineering); BSc

Celumusa Vilane
Hydraulics Engineer
BSc (Civil Engineering); Diploma (Civil Engineering)

Mcebo Sigudla
Survey Engineer
MEng (Urban Management); BSc (Survey and Geodetic Engineering)

Malusi Dlamini
Water Loss Engineer
BSc (Civil Engineering)

Innocent Mkhombe
Information Technology Manager
BSc (Computer Science); Cisco Certified Networking Associate (CCNA); Management Development Programme

Velile Dlamini
Electrical Engineer
BEng (Electrical); Government Competency Certificate

Tholwaphi Mkoko
Employee Relations Manager
LLB; Certificate in Retirement Funds

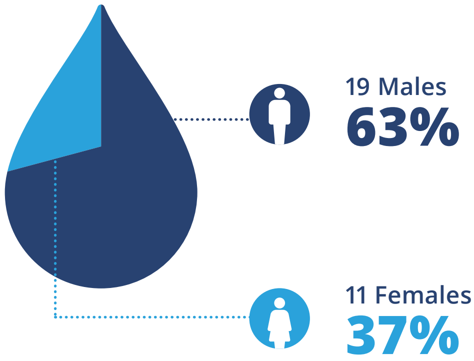
Maxwell Mangwe
Projects Engineer
BSc (Civil Engineering)

Lindiwe Madau
Financial Manager
MBA; BCom; Management Development Programme

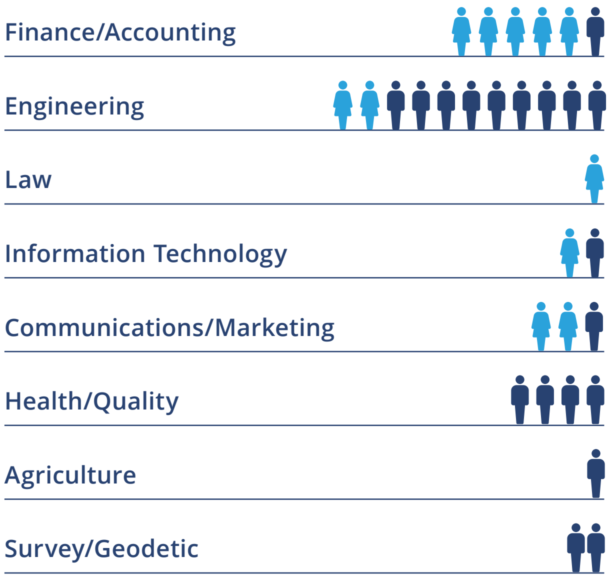
Zandile Ndlovu-Mamba
Projects Engineer
MSc (Project Management); BSc (Civil Engineering)

Zanele Dlamini
Commercial Manager
ACIS; MBA; Management Development Programme

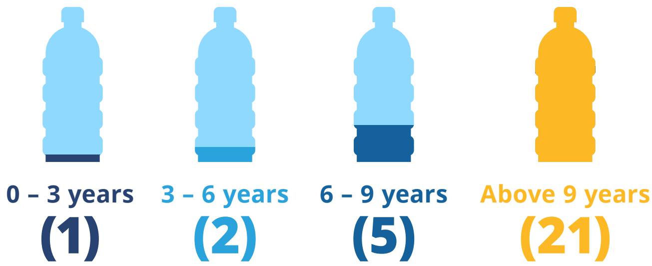
Gender Diversity



Expertise



Tenure



Bernard Dube
Business Analyst
FCIS; MBA; BCom; Certified Utility Management Specialist

Bongani Thusi
Mechanical Engineer
BSc Hons (Energy Studies); BTech (Mechanical Engineering); Diploma (Mechanical Engineering)

Sicelo Mashwama
Environmental, Health and Safety Manager
BSc (Environmental Science); Management Development Programme

Ranganai Zizhou
Projects Engineer
BEng (Civil Engineering)

Dumisa Dlamini
GIS Manager
MSc (Business Information Technology); BA (Social Science)

Sbili Simelane
Corporate Services Manager
MBA; BA (Comm. Sc); PG.Dip. (General. Management.); Diploma (Journalism and Mass Comm.); Mngt. Devt. Prog.

Phindile Nkomo
Purchasing Manager
ACCA; Management Development Programme

Sithembile Majola
Sales and Marketing Manager
Chartered Marketer (SA); BCom; Diploma (Commerce); Management Development Programme

Sabelo Kunene
Process Engineer
Professional Process Controller; MBA; BSc (Civil Engineering); Advanced Diploma (Project Management)

“We do it through our people.”

Operating Environment

Generous amounts of rain were recorded during the reporting period, dampening any chances of a drought in the dry season. Water stored in major dams remained plentiful.

Legal and Regulatory Environment

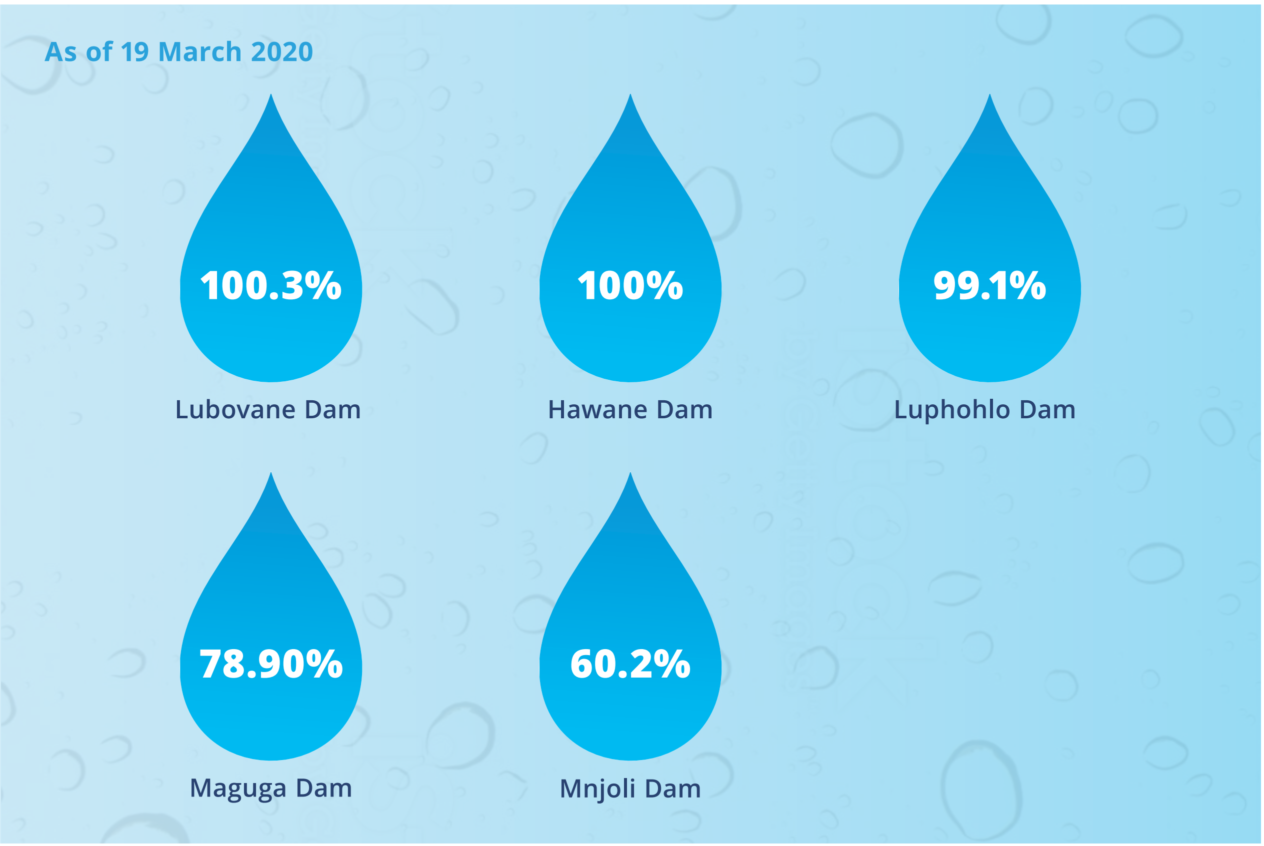
EWSC gained full autonomy through corporatisation in 1994. The Corporation is a public enterprise, established by an Act of Parliament, namely the Water Services Corporation Act, No. 12 of 1992. The Ministry of Natural Resources and Energy (MNRE) is responsible for water affairs including EWSC.

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 performance reports to the PEU on a quarterly basis as required by statute. The Corporation plays a pivotal role in the Government of Eswatini's National Development Strategy, Vision 2022 Strategy and SDGs with regard to improving access to safe water and sanitation. EWSC submits annual and quarterly reports on performance and targets for water and sanitation to Government and Parliament through the MNRE. Tariffs are regulated by Government and have to be approved by both Government and Parliament before implementation.

The Performance Agreement (PA) with Government came to an end in September 2019. A new PA, which sets out the relationship, duties and responsibilities of both parties as well as performance targets (financial and non-financial), has been drafted and is expected to be implemented at the beginning of the 2020/21 fiscal year.

Economic and Physical Environment

As a result of the COVID-19 pandemic, the economy is forecast to contract by 6.16% in 2020 from a previous forecast of 2.8%. Growth in the short to medium term is expected to be a challenge due to the socio-economic effects of COVID-19. On a positive note, the economy is expected to recover and grow by 2.1% in 2021 (CBE, Monetary Policy Statement, 15 April 2020). Government's efforts are largely directed towards fighting the COVID-19 scourge. With the participation of all stakeholders, the country hopes to win the fight against this dreaded virus so that economic stability is restored and full economic recovery achieved.



Value Creation

Value creation is based on our vision of delighting our 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 received from the supply of potable water and the provision of sanitation services; value for employees includes remuneration, training and development, and job security; value for customers is through the provision of safe and reliable water and sanitation services; and value for other stakeholders is through trade and social relationships.

EWSC Business Model

INPUTS

FINANCIAL

- Budget linked to strategy
- Generated capital/funds invested in infrastructure, technology and 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)
- Decisions support systems (business intelligence and data warehouse)
- Administration and transaction processing systems (HR system, billing, finance and accounting)

HUMAN

- Train and develop employees to reach their full potential
- Promote health and wellbeing of employees
- Performance incentives – recognition and retention

STAKEHOLDERS AND SOCIAL RELATIONSHIPS

- Meeting customer expectations
- Management of stakeholder relationships to deliver services
- Value creation recognition and retention

NATURAL

- Abstract and treat water
- Collect and treat wastewater
- Promote recycling
- Efficient use of natural resources such as energy and water

BUSINESS ACTIVITIES

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

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

The provision of water and sanitation affects all economic and social sectors and supports economic development and growth while improving quality of life and promoting a cleaner environment. The Corporation's main stakeholders include Government (the shareholder), employees, suppliers, customers, financiers (e.g. commercial banks and multilateral development agencies) and corporate social responsibility partners (e.g. communities and institutions).

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 employees
- Motivated employees
- Safe and healthy workplace
- Employee wellness

STAKEHOLDERS AND SOCIAL RELATIONSHIPS

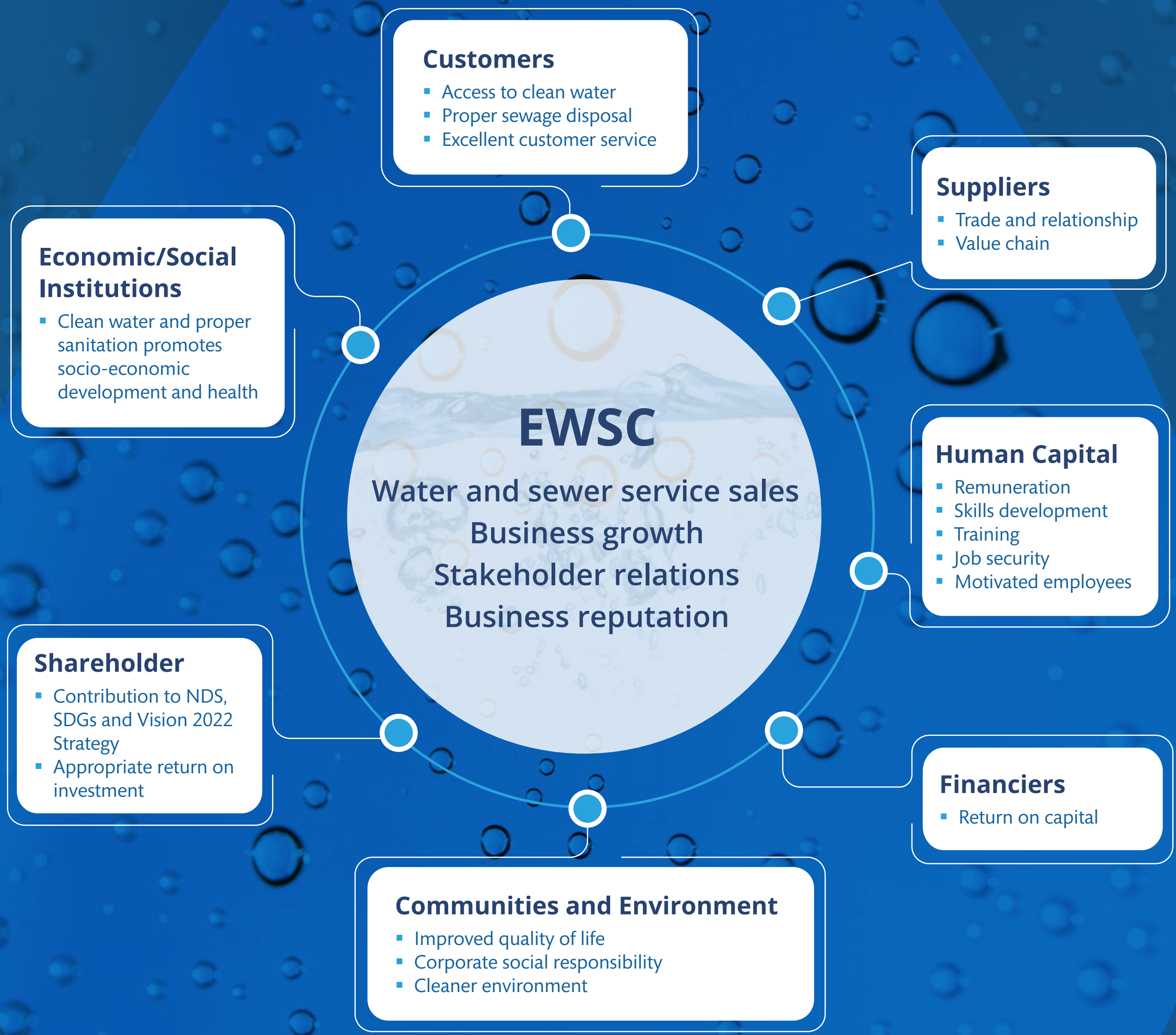
- Customer satisfaction
- Strategic partnerships with businesses and social institutions
- Cultural, educational and environmental programmes

NATURAL

- Potable water
- Treated wastewater
- Cleaner environment

The provision of water and sanitation affects all economic and social sectors and supports economic development and growth while improving quality of life and promoting a cleaner environment.

Figure 1: EWSC Value Creation Framework



A view of bioreactors at the Matsapha Wastewater Treatment Plant. The plant services Ezulwini and Matsapha municipalities as well as the Kwaluseni community.

Strategy and Resource 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 scorecard. The business scorecard framework allows us to measure how our strategic focus areas create value for business and stakeholders, particularly, and most importantly, our employees and customers. This translates into measurable milestones towards the achievement of performance targets under the strategic plan and the performance agreement with Government. The diagram below summarises our strategy framework.

EWSC Strategy Framework 2018 to 2021

	Strategic focus area	Strategic objectives	Measures of success
1	**Customer experience**	Promote world-class products and services that meet and exceed expectations	▪ Customer satisfaction index ▪ Quality and availability ▪ Engagement and communication ▪ Customer image index ▪ CRM programme
2	**Quality**	To achieve and maintain international quality standards and guidelines	▪ Potable water compliance ▪ Effluent quality compliance ▪ ISO 9001:2015 certification for Lavumisa WTP ▪ ISO 45001 and ISO 14001:2015 certification for Matsapha and 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 ▪ HACCP certification for ecowater
3	**Infrastructure and technology**	To improve business efficiencies through infrastructure management and the adoption of appropriate technology systems	▪ 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 ▪ Development of emergency response plan
4	**Product and market development**	To explore alternative revenue sources, exploiting new business opportunities and promoting a culture of innovation	▪ Profitable ecowater business ▪ At least one more additional profitable business ▪ Turnover from other business

	Strategic focus area	Strategic objectives	Measures of success
5	**Employer of choice**	To create a corporate culture that attracts, develops and retains competent and productive people	▪ Harmonious industrial relations climate ▪ Effective people management and empowerment ▪ Effective employee wellness programmes ▪ Staff retention ▪ Employee satisfaction ▪ Performance management system ▪ Development of competency model ▪ Overtime and policies
6	**Financial performance**	To efficiently manage resources in order to remain viable	▪ Turnover ▪ Discrepancies ▪ Growth in billed volumes ▪ Business model and cash flow management

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

We do it through our people – The EWSC exhibition stand at the 2019 Eswatini International Trade Fair.

Performance

Operations

The ***North West Region*** had no major water supply extension projects but realised organic growth in new water and wastewater connections on pre-existing infrastructure. The Ntfonjeni community, through the Ministry of Natural Resources and Energy, requested to operate and maintain its own water supply scheme. However, due to the challenges of having dual water supply schemes in gazetted areas of supply, the Ministry advised that Ntfonjeni would remain in the schedule of EWSC's supply areas as provided for in the Water Services Corporation Act of 1992.

The ***Central Region,*** undertook rehabilitation works on some major water treatment processes within the Matsapha Water Treatment Plant. The plant faced some challenges that necessitated the rehabilitation of clarifiers and filters. Though this project was completed at the end of December 2019, it did have a positive effect on the performance of the plant. To beef up the storage capacity and address the intermittent water supply in some parts of the Matsapha industrial area, the region constructed and successfully commissioned the Mhlane 3.2Ml storage reservoir. Organic growth was also realised in terms of water and wastewater connections despite budget constraints.

In the ***South West Region,*** Hlathikhulu had raw water challenges resulting in intermittent water supply due to the drying up of feeder streams. The Hlathikhulu Water Treatment Plant Dam rehabilitation project commenced during the financial year and is anticipated to be completed in July 2020. Network extensions were commissioned under the Shiselweni 2 Inkhundla at Nsongweni area resulting in 94 household meters being installed out of a target of 125. Network pipeline laying is currently being extended to Mbangweni and surrounding areas with a potential of 750 household connections. In the Maseyisini Inkhundla, 379 new water connections were installed at Holneck, Vusweni, Masibini and Mahlabatsini. These projects were as a result of the collaboration between EWSC and World Vision. Two additional new Kiosks, funded by World Vision, were constructed at Somntongo area under the SISOMA Project area.

During the reporting period, the ***East Region*** further commissioned network extensions at Ndlovini/Mkhweli (Mpolonjeni phase 3), Lubhuku, Mhlumeni (phase 3) and Makhewu (phase 2) where a total number of 487 connections is expected to bring water to about 2 500 residents of the Mpolonjeni, Malindza and Lugongolweni Tinkhundla. These projects are an outcome of the collaboration between EWSC, World Vision and Micro Projects Coordinating Unit. The Hlane reservoir was also completed and commissioned and the pipeline was relocated to make way for the road construction at Hlane.

The Coca-Cola Fund (Nazarene Compassionate and Water Aid being implementing agents) delivered a kiosk and boreholes in the EWSC supply areas (Mbalenhle and Njojane). Notwithstanding that there was no sewerage network extensions in the current year, the region executed 53 new connection requests made by the Siteki town residents. The region experienced a lot of challenges with sewer blockages caused by oils as a result of the lack of oil traps in restaurants. The Town Council was engaged regarding this matter.

Potable Water

In order to safeguard the integrity of water supplied, EWSC has a potable water quality monitoring programme covering raw water sources, treatment plants, service reservoirs and end-user points (selected customer taps). Water characteristics currently being monitored by EWSC's laboratory are divided into two, i.e. physico-chemical and microbiological parameters. A total of 4 319 potable water samples collected from all the EWSC service areas across the country were analysed during 2019/20. The number of samples collected during the period under review is higher by 1.5% compared to 2018/19, and this is largely attributable to optimisation of the sampling programme and water being mostly available in the distribution system compared to the previous year. On average, approximately 360 potable water samples were collected and analysed monthly over the period under review. The total number of tests conducted for potable water during 2019/20 is 171 435 which reflects a 1.3% increase compared to the previous year. The slight increase on tests done is attributable to adherence to the potable water testing compliance and the increase in the number of samples received.

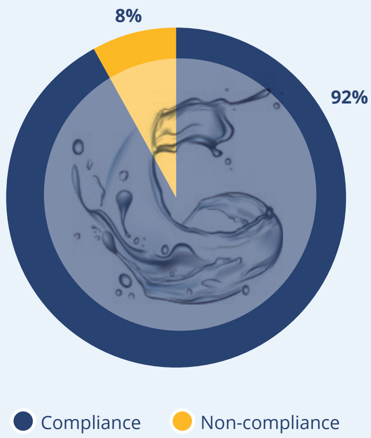
Drinking Water Compliance

The overall 2019/20 microbiological and physico-chemical compliance for potable water based on WHO Guidelines for Drinking Water (2011) stood at 92.2% (Figure 2), which reflects a 1.8% decline compared to 2018/19. The drop in compliance is attributed to outstanding plant rehabilitation projects due to limited financial resources. However, the Matsapha WWTP's process rehabilitation project was completed in December 2019, and the plant has been performing well since then. The Corporation's results are further expected to improve with the completion of major rehabilitation work at the Sithobela Water Treatment Plant. A comprehensive nationwide rehabilitation programme for

In total, 171 435 number of tests were conducted for potable water during 2019/20.

plants has been compiled and the water quality is expected to improve as funds are made available.

Figure 2: EWSC Treated Drinking Water Quality Compliance



Wastewater and Trade Effluent

An analysis of data on effluent quality reveals an improvement in the quality of the effluent released by EWSC's wastewater treatment plants during 2019/20 compared to the previous year. The overall compliance of effluent improved to 78.5% which reflects a 1.1% increase compared to the previous year (77.4%).

In the reporting period, EWSC has also been in constant contact with the industries that deposit effluent in an effort to promote collaboration in the handling of industrial discharges and ultimately environmental protection. During consultations, the industries were advised on pre-treating effluent prior to release into the EWSC sewerage network. A positive response was noted since some industries have improved their on-site pre-treatment facilities while others were in the process of engaging experts with pre-treatment process designs. A session was also held with the Corporation's sewerage system stakeholders whereby participants were appraised on the use and protection of the EWSC's sewerage system.

The overall average annual chemical oxygen demand (COD) content for all the monitored industries' effluent stood at 3.497mg/L, which is 6.6% lower compared to 2018/19. The overall average annual electrical conductivity (EC) content for all the monitored industries' effluent stood at 1.809 mg/L, which is 18.1% higher compared to 2018/19. The increase in average EC from industries is largely due to a certain a customer (in the textile industry) that continues to discharge effluent with excessive EC content. The customer has been engaged with other stakeholders including Eswatini Environment Authority, Eswatini Investment Promotion Authority (EIPA), Ministry of Natural Resources

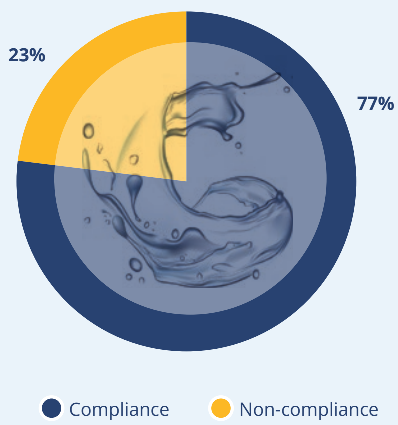
In order to safeguard the integrity of water supplied, EWSC has a potable water quality monitoring programme covering raw water sources, treatment plants, service reservoirs and end-user points (selected customer taps).

and Energy and the Ministry of Commerce, Industry and Trade. To address this challenge, a new effluent acceptance agreement has been developed and will need to be endorsed by the concerned customer.

Despite the observed reduction of average COD content, it is worth noting that this still exceeds the Regulations limit of 500mg/L for COD. This high COD content therefore underpins the stress that the Matsapha WWTP has experienced due to poor effluent from the industries in Matsapha. The EC average for industries is also beyond the Regulations limit of 1.600 μS/cm which also compromises the Corporation's wastewater treatment processes.
EWSC will continue to compel industries to discharge compliant industrial effluent as EWSC is required by law (Water Pollution Control Regulations, 2010) to further treat effluent to reduce the COD and EC to less than 75mg/L and 1.500 μS/cm, respectively, before release to the environment. To assist industries in managing their discharges, the EWSC laboratory continued to timeously communicate with industries whenever COD test results were above an agreed threshold.

Engagements were made with the EIPA and the Matsapha Town Board towards collaboration on managing effluent from existing wet industries and prospective investors, and Memoranda of understanding were eventually signed towards the end of the 2019/20 financial year.

Figure 3: EWSC WWTP Effluent Quality Compliance



Water Loss Management

The Corporation invested a significant amount of money to curb Non-Revenue Water (NRW) in the 2019/20 financial year. A project was initiated in the Central Region, a major contributor of NRW for the Corporation, that entails the creation of four pressure management zones in the Matsapha industrial site to reduce pressure in the network. A new pipeline was installed and old pipelines in the leakage prone areas of Mahlabatsini and Kwaluseni were replaced. Another component of the project is the installation of 14 district meter areas (DMAs) to improve monitoring of water supplied and consumed, which will assist to ascertain the areas that require special attention in terms of NRW interventions.

Accurate metering is still a priority for the Corporation as the tendering process for smart domestic metering technology has been completed. The Corporation continued with the implementation of advanced pressure management in critical areas to reduce pressure-related leakages and network inefficiencies. The installation of automated meter reading (AMR) technology for the DMAs remains a priority for the Corporation as we strive to achieve 100% AMR functionality on all DMAs.

Survey Engineering

The Survey office scrutinised 557 building applications from Matsapha (35), Mbabane (329), the Ministry of Housing and Urban Development (162) and Ezulwini (31). Network information on computer-aided design (CAD) and geographic information systems (GIS) increased from 1.687km to 1.766km (4.7%) for clear water and from 526km to 539km (2.5%) for wastewater in terms of pipe length.

New sites surveyed to increase water network information include Mahwalala water, Malagwane pipeline, Maseyisini water, Mbabane sewer, Mfabantfu water, Moneni sewer, Mpholonjeni water, Nhlangano CBD sewer, Selection Park sewer and Siteki sewer. Three human settlement authority applications were scrutinised, covering developments at Big Bend Township, Portion 70 of Farm 1007 Ngwenya and Portion 24 of Farm 300 Matsapha. Surveys and quotations were done for 6.180m of relocations and extensions and the 6.5km network replacement in Sidvokodvo. Design drawings were completed for the proposed mechanical and electrical workshop and offices in the Central Region and the Sibhowe raw water pump house redesigns were also completed. Built surveys were also undertaken for the following plants: Hlathikhulu sewer ponds, Luphohlo clear water plant, Nhlangano sewer ponds, Vuvulane clear water plant and Hlathikhulu Sibhowe Dam.

Mechanical, Electrical and Instrumentation

Power usage in kWh generally decreased by 0.91% compared to the previous year. There was significant reduction in the East Region and Head Office. Energy-efficiency measures were implemented at Head Office and improved operational approaches are bearing fruit, as witnessed by the reduction in usage. Production volumes increased in the South West Region, and mainly at the new Nhlangano Water Treatment Works due to network expansions. The increase in produced volumes led to an increase in electricity consumed.

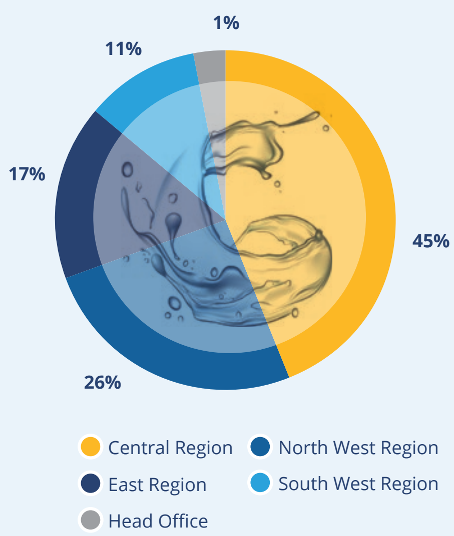
The power usage for the year compared to the prior year is shown in the table below:

Power Usage

Region	2019/20 (kWh)	2018/19 (kWh)	% change
Central Region	**12 946 617.00**	12 944 611.00	0.02
North West Region	**7 442 936.00**	7 601 103.00	(2.08)
East Region	**5 045 957.00**	5 493 067.00	(8.14)
South West Region	**3 189 580.00**	2 835 168.20	12.50
Head Office	**348 458.00**	365 739.00	(4.72)
Total	**28 973 548.00**	29 239 688.20	(0.91)

Wastewater treatment bioreactors at the Matsapha Wastewater Treatment Plant.

Power Usage By Region



Water supply systems are monitored for efficiency (measured in kWh/m^3). Based on the 2019/20 financial year baseline, there was a 3% increase in this ratio due to operational efficiency challenges in the Matsapha area and the increase in pumping capacity to Logoba reservoir.

Meter Test Lab

The water meter testing facility was accredited to ISO 17025:2005 by the Southern African Development Community Accreditation Services (SADCAS) and was officially certified in February 2020. The accreditation will increase consumer confidence in our billing system as there is now a system in place to verify metering authenticity in line with international standards. The accreditation of the meter testing facility is the first outside of South Africa within the Southern African Development Community (SADC).

Ecowater Business Unit

This year, production commenced from the new bottling plant. Firstly, the natural still spring water was produced followed by the sparkling and flavoured range products. The Ecowater brand of products have a distinct character of being "naturally different" and the flavoured range is free of aspartame.

Human Resources

The total staff complement increased marginally from 534 in 2019 to 546 by March 2020. The Staff Productivity Index (employees per 1 000 connections) remained at nine (against a target of 10 in the Performance Agreement). In terms of gender distribution, EWSC has 110 female employees (85 in 2019), representing about 20% (16% in 2019) of total staff; and 23 out of 110 female employees (representing a proportion of 21%) 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 on the implementation status of some of these projects during the reporting period is detailed below:

Eswatini Water Supply and Sanitation Access Project

The project comprises the construction of a scheme to provide potable water and sanitation services to Shiselweni 1, Zombodze and Hosea. The scope of the works includes construction of gravity and pumping mains and reservoirs at key strategic places; a pump house and 1ML sump at a strategic place; lateral and distribution networks; and water kiosks in peri-urban and adjacent rural areas.

The project also covers the following components and implementation will be led by the relevant stakeholder departments:

Resilient Water Management

This component will focus on improving long-term management of water resources, investment, planning, and sustainability of water supply service provision, particularly in rural areas, which will contribute towards increasing the resilience of these areas to drought. The Department of Water Affairs will lead the implementation of this component.

Improving Eswatini's Drought Preparedness

This component will concentrate on building resilience to climate and disaster risks, with a focus on the frequency and intensity of droughts. The National Disaster Management Agency (NDMA) will lead the implementation of this component.

Improve Sanitation Access

This part builds on the ongoing work that has been done by the Environmental Health Department on appropriate technology/sanitation service delivery for rural domestic sanitation to arrive at an open defecation-free corridor in the three tinkhundla, namely Zombodze, Hosea and Shiselweni that will benefit from improved access to water services. The Ministry of Health will lead the implementation of this component.

Project Management

This part deals with the provision of project management support including operating costs, the preparation of progress reports and independent audits as well as support on the project's financial, procurement, environmental and social management.

Contingency Emergency Response

This component will support potential disaster recovery needs by providing immediate response to an eligible crisis or emergency as needed. The NDMA will lead the implementation of this component.

Cost: **Estimated at USD 45 million**
Financed by: World Bank and Government of Eswatini
Status: The expression of interest for consultancy services for the design and supervision of the water supply system has been advertised and documents received. A consultant has been appointed for the sanitation component and the study completed on sanitation, with recommendations for implementation and the terms of references, have been finalised for the water supply and sanitation masterplan, behaviour change campaign, drought preparedness and contingency plans for Eswatini. A prerequisite to the implementation of this project is for Government to have a provisional budget to compensate landowners before construction begins, because the project financier expects landowners to be fully compensated before the project begins. The compensation is to be provided to the project as one of Government's commitments. Therefore, it is critical for Government to ensure that funding is availed timeously for this component in order to minimise the financial and operational risks (delays in project implementation) of this important national project.

Expected date of completion: **2023**

Manzini Region Water Supply and Sanitation Project

This 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: a 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 sewage treatment plant, construction of sewer collectors, mains and outfall sewers to sewage treatment plant and sanitation facilities.

Cost: **Estimated at E850 million**
Financed by: African Development Bank (E720 million) and Government of Eswatini (to provide counterpart funding for the balance)
Status: The inception report for the water supply component has been completed and the preliminary design phase has commenced. The sanitation component is currently at consultant procurement stage with the AfDB's "no objection" awaited on the evaluation report. The stakeholder engagement and land negotiations and acquisitions continued through the year with provisional treatment plant sites identified and key stakeholders for the access having been identified and engaged.
The emergent risks posed by the COVID-19 pandemic's travel ban are severely militating progress of the project.

Expected date of completion: **2022**

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 1.8km by 500mm diameter gravity pipeline to connect to the existing water network system. Package B is the installation of a 16km 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 a 60km sewerage reticulation system connected to a 19km by 400mm outfall sewer that runs from Ezulwini to the new Matsapha WWTP.

Cost: **USD 27 million**
Financed by: African Development Bank (USD 23 million) and Government of Eswatini (counterpart funding for balance)
Status: The Ezulwini sewerage system was commissioned and is operational and the defects liability period has elapsed.

For the potable water component, both packages A and B have been awarded and are at construction stage.

Expected date of completion: **November 2020**

Package A is 47% complete with the completion of bulk earthworks, embankment support and the access road earthworks; 1.3km of the 1.8km pipeline has been laid, and reservoir blinding and reinforcement fixing have commenced. **Package B** is 85% 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 15km of 18km.

The following challenges have been encountered:

- The Corporation requires funding from Government mainly to cover the cost of all taxes on 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. The non-payment and late payment of the taxes resulted in a slow rate of progress. The project is in arrears with respect to these and the contractor has filed a notice of suspension.
- Scope changes due to unforeseen ground conditions at the reservoir (under package A) and pipeline routes (for both packages) have resulted in scope creep as well as delays and disruptions in the progress of the works.
- Package A contractor experienced cash flow challenges and went through a business rescue process, which was positively concluded.
- Consultant's design shortfalls. The Corporation has filed for intention to claim under professional indemnity.

The Corporation continues to monitor the challenges and risk in an endeavour to effectively and efficiently deliver the projects.

Due to these challenges, additional funds will be required to address the delays. In addition, the implementation period will need to be extended to allow for project completion with bank funding.

Nhlangano Wastewater Treatment Plant

The project involves the construction of the Nhlangano Wastewater Treatment Plant. The new sewage treatment plant scope includes civil works (a 3.6km by 400mm outfall sewer, inlet works with screens, various reactors/tanks with pumping, sludge drying beds staff houses and 6km potable water pipeline to plant); mechanical works (screens, pumps and pumpage, and associated ancillaries); and electrical works (site lighting, motor control centres, electrical cabling and reticulation, transformers and instrumentation).

Cost: **Estimated at E280 million**
Financed by: Government of Eswatini
Status: The works have reached approximately 85% progress to completion, but have had to be suspended due to unavailable funds to honour the interim payment of certificates to the main contractor. The progress is disaggregated as follows: civil works are 92% complete, mechanical works are 65% complete and the electrical works are 50% complete.

Expected date of completion: **To be confirmed when funding becomes available.**

The major challenges encountered on the project are as follows:

- The emergent risks posed by the COVID-19 pandemic will potentially impact both the progress and cost of the project.
- 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 re-engagement negotiations were completed and the contractor resumed site operations in March 2018.
- Poor performance of the consultant resulted in the consultant's contract being terminated and the construction contract modified to a design and build contract in order to avert the risk of the consultant's non-performance.
- 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.
- Adverse weather conditions during the summer period wherein appreciable rainfall has been received at site (Nhlangano).
- Current depletion of funds and the contractor's ongoing suspension of the project.

Mbabane Emergency Water Supply (Luphohlo)

The project involves the construction of a 20ML/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 (totalling 8.5km) to 3ML reservoir and 1.2km pipeline to connect 3ML to 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 was suspended due to funding constraints to complete the works. To date, the treatment plant is 85% complete and the 8.5km pipeline is 95% complete. The 3ML reservoir and the 1.2km delivery line had not commenced when the project was suspended.

Expected date of completion: **12 months from receipt of funding.**

The following challenges have been experienced:

- The suspension of the project for a lengthy time will result in substantial rework, however, the Corporation continues to provide security to protect the assets.
- Lack of funding to compete the works (no funds have been received from Government to enable the completion the project thus the works have been put in abeyance).
- The pipeline is critical to the supply to Mbabane to bolster capacity of the Woodlands Wastewater Treatment Plant and the Ezulwini Water Supply Scheme (to enable sufficient supplies to the town of Ezulwini via the Mbabane to Ezulwini pipeline funded by AfDB).

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 USD 13.7 million**
Financed by: Project sponsors are GIZ, SADC and Eswatini Government (contribution of E15 million). Project finance to be administered by the Development Bank of South Africa.
Status: The investment consultant has been procured and will be paid for by the DBSA. The inception report has been completed and the feasibility report is being updated. The preliminary designs are being undertaken.

Expected date of completion: **The funding conditions limit the completion date to 2021, but it is anticipated that the project will be completed in 2023.**

Mpolonjeni Water Supply (Siteki) – Phase 3

The Mpolonjeni water supply project is implemented in phases. The scope of the works on the current project is network extensions in the Mpolonjeni area to bring the water network system closer to most of the homesteads, in particular Shoba, Ndzangu, Mpolonjeni, Ngcina and Langa chiefdoms for ease of water connections. The project scope of works is inclusive of pipe laying, pipe fitting for air valves, scour valves, T-junctions, civil works valve chambers and scour outlets.

Cost: **E1.4 million**
Financed by: EWSC and World Vision, with the community contributing labour
Status: The water distribution network is complete and water connections are ongoing.

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 Government's Micro Projects Unit, with the community contributing labour
Status: The project is 100% complete and water connections are ongoing.

Maseyisini Water Supply

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

Phase 1: Vusweni (by Phumula Lodge), Marikorp, Mahamba and Hilltop-Mncitsini

Phase 2: Part of Dlovunga (Tfokotani and Mahlabatsini) and part of Vusweni (inkhundla side)

Phase 3: Vusweni (opposite inkhundla side)

Cost: **E5 million**
Financed by: EWSC and World Vision
Status: Phases 1 and 2 have been completed, with connections ongoing. Phase 3 is at 90% completion.

Mhlumeni Water Supply

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

Cost: **E1.5 million**
Financed by: EWSC and Micro Projects Coordinating Unit, with the community contributing labour
Status: The project is 100% complete and pressure testing is ongoing for connections to commence.

Manyisa II Water Supply – Phase 1

Construction of a 1ML ABECO reservoir, pump house at Nkoyoyo Mpolonjeni reservoir and a pumping main to Manyisa II reservoir to supply water to the Manyisa II community and the Mpolonjeni community.

Cost: **E4.5 million**
Financed by: EWSC and Micro Projects Coordinating Unit
Status: The works are 100% complete and awaiting to start on phase 2 as and when there is availability of funding from Micro Projects Coordinating Unit. Phase 2 will comprise the construction of distribution systems and connections to households.

Nsongweni – Mbangweni Water Supply

The project comprises the construction of water reticulation extension for Nsongweni to Mbangweni area. The water supply network is inclusive of pipelines, fittings and manholes.

Cost: **E1.5 million**
Financed by: EWSC and World Vision
Status: Progress to completion stands at 74% and comprises pipe laying and fittings (94%); valve chambers (isolation, air and scour valves) (92%); and testing and commissioning (35%).

Matsapha Water Treatment Plant

Mathangeni raised reservoir: Construction of a 3ML raised reservoir to mitigate supply constraints to Matsapha.

Cost: **E6 million**
Financed by: EWSC
Status: The works are 100% complete and operational.

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

Progress was made on the Nondvo Dam feasibility study as follows: The draft scoping report was subjected to stakeholder reviews and the document was revised to give the final scoping report, which was submitted to the Eswatini Environmental Authority and approved by the same. The final scoping report was issued in July 2019. The ESIA consultant submitted an interim ESIA report in November 2019. This report was subjected to stakeholder review. The draft Resettlement Action Plan was submitted by the consultant in February 2020, and on 27 February 2020 the report was subjected to stakeholder consultation. A revised interim report has since been submitted by the consultant in February 2020. This report was presented to stakeholders during workshops held in March 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 demands. The plant is currently operating at approximately 98% of its capacity, hence additional water demand is unlikely to be met. In addition, the Corporation abstracts directly from the Usushwana River and fluctuations in flows may cause disruptions in supply. The Nondvo Dam solution has to be implemented for the long-term stability of supply.

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

Raw Water Intake Works

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

Matsapha Treatment Plant Extensions

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

Treated Water Pump Station

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

Duplicate Pipeline from Matsapha to Nazarene Reservoir

Manzini is totally dependent for its water supply on a single 375mm diameter pipeline, 3 300m 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. The proposal is to duplicate this pipeline to meet increased demand.

Importantly, the additional pipeline would provide security of supply to Manzini in the event of problems arising with the existing 375mm pipeline, which as a single link means Manzini is highly vulnerable should the mains 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. At present, the Corporation cannot meet its standard buffer required for servicing reservoirs.

The estimated total cost of this project is E400 million.

Corporate Sustainability Statement

People

Our business model places more emphasis on value creation for stakeholders (including the shareholder, employees, customers, suppliers and financiers) and the environment. Enforcing mutually beneficial relationships with employees, customers and the community is part of our business. We support cultural, educational and environmental programmes 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

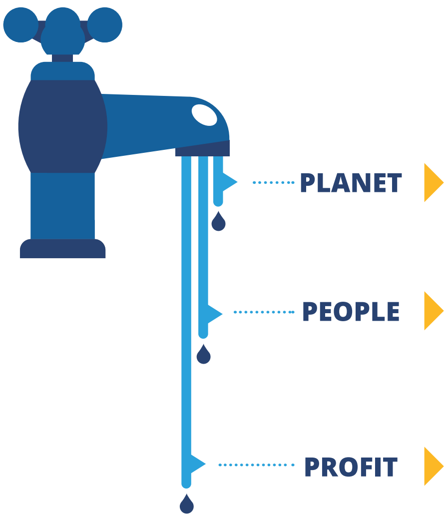
EWSC recognises that a sustainable business embraces an environmentally friendly approach in executing its activities to ensure that all processes and products adequately address environmental concerns while maintaining a profit. Our commitment is demonstrated by the continuous development and implementation of practical and effective corporate policies and programmes 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, minimising water losses and reducing waste contribute to effective environmental sustainability. Our philosophy is to continuously explore ways to minimise environmental degradation by reducing, reusing or recycling the natural resources we consume.

Profit

The Corporation thrives to contribute to the prosperity of our employees, customers and stakeholders. Our activities, interactions and relationships with stakeholders maximise value for all. Delivering a stellar customer experience and making a difference in the communities we operate in enables us to create a better world for tomorrow. A motivated workforce triggers superior service delivery, and embracing advances in technology is what is what will make the Corporation sustainable for many more years to come. Our service, business model and quality standards have been used as a benchmark by other utilities in the region.

Figure 4: EWSC Sustainability Framework

SUSTAINABILITY



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.

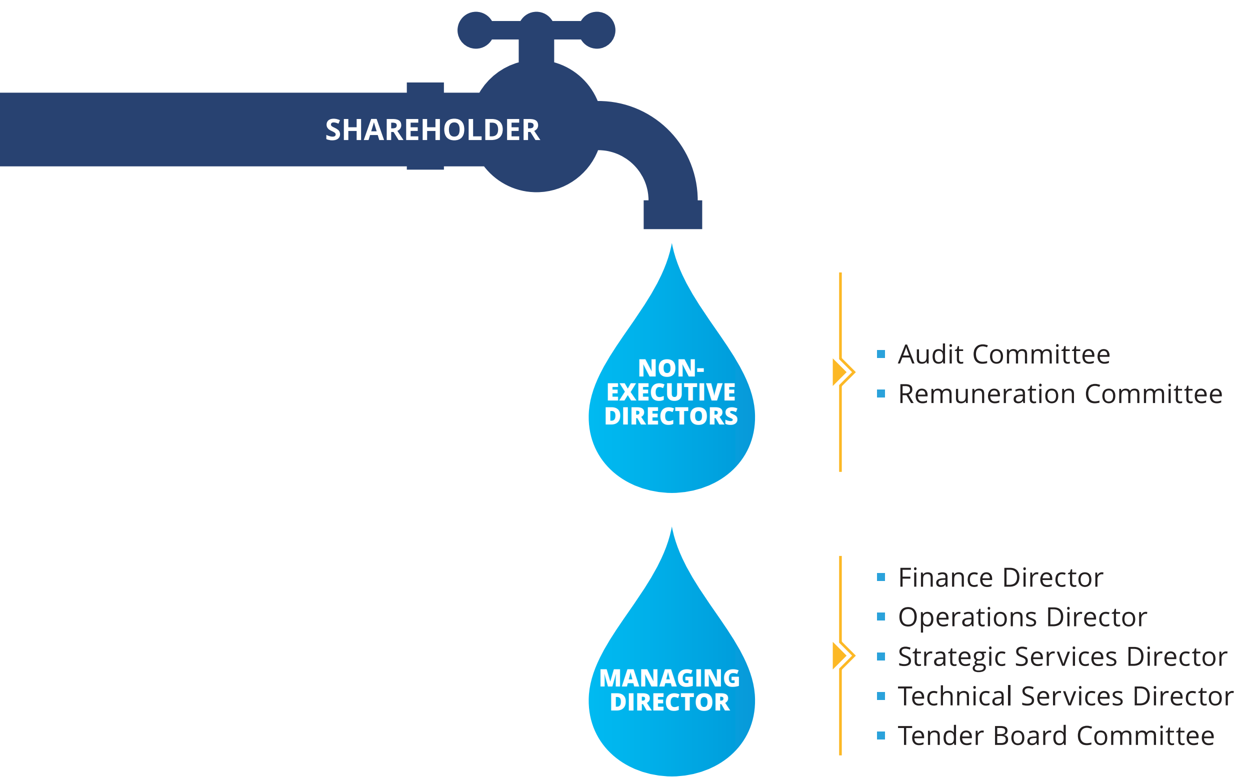
Roles and Responsibilities of the Board

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, all of whom must be committed to business success by maintaining the highest standards of responsibility and ethics. The Board of Directors has 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; and preparation of financial statements, annual reports, statutory reports, management accounts and other reports that accurately reflect requisite information about the Corporation and timely reports which inform the Board about foregoing matters.

The diagram below depicts a summary of the Corporation's governance framework.

Figure 10: EWSC Corporate Governance Framework



Emtfonjeni Building – Eswatini Water Services Corporation Heads Office at Ezulwini.

Board Appointments 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 of which prescribe a maximum of nine members. The Board is unitary and is made up of an Independent Non-Executive Chairman, the Managing Director, 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, namely 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 ensuring 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.

EWSC Risk Management Strategy

Governance Activities

EWSC – Board of Directors

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

Audit Committee

Responsibilities
- Progress against Internal Audit plan
- Material and emerging risk register
- Record of incidents and losses

Senior Management

Detailed risk submission for each department

Support business functions
- Finance and purchasing
- Human resource management
- Internal Audit, etc.

Core business functions
- Operations
- Technical

ERM Process

- Enterprise risk management
- Risk management policy
- Risk management framework
- Risk management guidelines
- Risk management implementation plan, etc.

Control effectiveness for process risks and standards

External/outsourced assurance providers

- Responsibilities to Audit Committee
- Risk management effectiveness
- Internal control effectiveness

Reporting

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

Board Meeting Attendance

The Board held three scheduled meetings during the year and additional meetings were held as and when required. The table below shows the number of scheduled meetings attended by each member of the Board for the year ended 31 March 2020.

Board Meeting Attendance Register

Director	Title	Number of meetings convened	Number of meetings attended	Percentage attendance %
Mr Benedict Xaba	Chairman	4	4	100
Ms Thobile Mavuso	Member	4	4	100
Mr Sipho Dlamini	Member	4	4	100
Mr John Henwood	Member	4	4	100
Ms Nomcebo Hadebe	Member	4	4	100
Mr Jinnoh Nkhambule	Member	4	4	100
Mr Mvuselelo Fakudze	Member	4	4	100
Ms Zandile Nhleko	Member	4	4	100
Ms Jabulile Mashwama	Managing Director	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.

Certification – Meter Verification Technical Department personnel receiving SADCAS accreditation certificate for ISO/IEC 17025. Also in the picture is the Minister of Commerce, Industry and Trade, Senator Manqoba Khumalo (3rd from left) and EWSC Managing Director, Jabulile Mashwama (3rd from right).

Corporate Social Responsibility Statement

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

Business Ethics and Transparency

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

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

Environment, Health and Safety

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

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

Community Investment

EWSC stresses collaborative, consultative and partnership approaches in its community investment and social responsibility programmes.

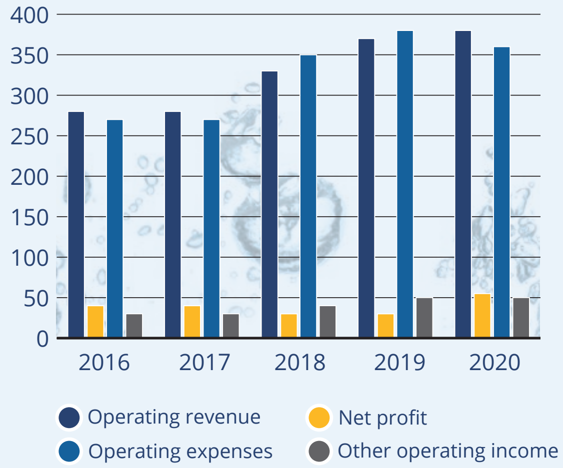
EWSC will integrate community investment considerations into decision-making processes and business practices, and will assist in local capacity building to develop mutually beneficial relationships with communities.

EWSC undertakes to contribute to the quality of life of people living in the communities by supporting innovative programmes in health, HIV/Aids, education, social services and the environment, as well as youth, cultural and civic projects.

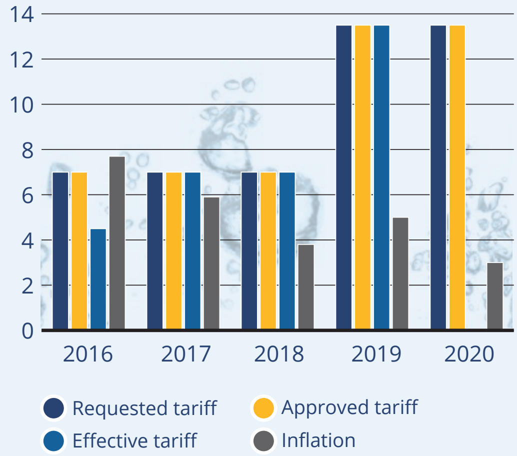
EWSC will strive to provide employment and economic opportunities in communities within its operating environment.

Financial and Operating Statistics

Five-year Performance At a Glance (E000)



Approved and Effective Tariffs and Inflation

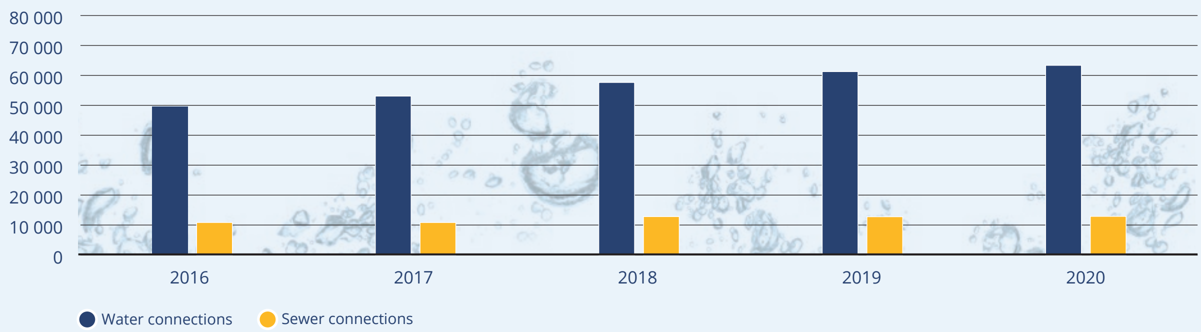


Note: *The effective tariff takes into account lost revenue due to delayed tariff approval/implementation.*

Social responsibility – Nansoyakho Water Conservation Campaign schools' outreach programme at Nhlangano Central High School.

Financial and Operating Statistics *continued*

Number of Connections



Number of Connections and Water Consumption

	2016	2017	2018	2019	2020
Water connections	49 494	53 081	57 634	61 263	63 352
Sewer connections	10 845	10 840	12 820	12 770	12 885
Total water consumption (m^3)	**13 748 179**	**11 899 115**	**13 697 672**	**14 031 201**	**14 360 249**

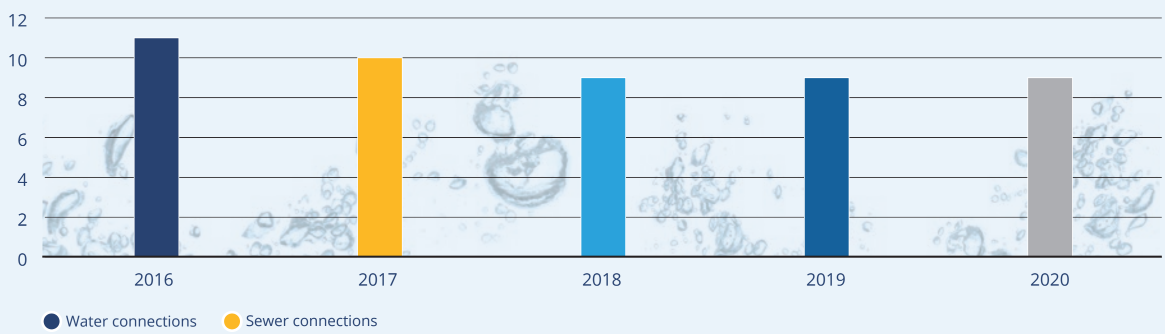
Note: *Inactive connections were removed from the system in 2011, hence the decline in the number of connections.*

Employee Productivity

	2016	2017	2018	2019	2020
Number of employees	532	527	543	534	**546**
Sales turnover per employee (E000)	555	567	617	714	**728**
Net profit per employee (E000)	52	68	47	50	**96**
Average cost per employee (E000)	550	562	653	735	**707**
Employees per 1 000 connections	11	10	9	9	**9**

We are blue – Part of South West Region's team posing for a group photo during one of the We are blue campaigns.

Employees Per 1 000 Connections



Annual
Financial Statements

for the year ended 31 March 2020

Contents

Statement of Directors' Responsibility

for the year ended 31 March 2020

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 pages 50 and 51.

The annual financial statements which appear on pages 54 to 86 were approved by the Board of Directors on 27 July 2020 and are signed on its behalf by:

Mr Benedict Xaba
Chairman

29 July 2020

Ms Jabulile Mashwama
Managing Director

29 July 2020

Independent Auditor's Report

for the year ended 31 March 2020

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 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What We Have Audited

Eswatini Water Services Corporation's financial statements set out on pages 54 to 86 comprise:

- the statement of financial position as at 31 March 2020;
- 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 2020". 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 Standard, 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 for 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
Partner: Makhosazana Mhlanga
Registered Auditor
PO Box 569
Mbabane

5 August 2020

Directors' Report

for the year ended 31 March 2020

The directors present their report, which forms part of the audited financial statements of the Corporation for the year ended 31 March 2020.

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:

	2020 E'000	2019 E'000
Financial position		
Total assets	**2 694 000**	2 511 788
Total liabilities	**2 097 575**	1 967 242
Operating results		
Revenue	**397 716**	381 378
Profit for the year	**52 864**	26 762

Directors

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

- BN Xaba (Chairman)
- N Hadebe (Representative of the Ministry of Finance and member)
- J Henwood (Member)
- T Mavuso (Representative of the Ministry of Natural Resources and member)
- J Nkhambule (Member)
- M Fakudze (Member)
- S Dlamini (Member)
- Z Nhleko (Member)
- J Mashwama (Managing Director and Secretary to the Board)

Secretary

Ms J Mashwama
PO Box 20
Mbabane
Eswatini

Auditors

PricewaterhouseCoopers
Rhus Office Park
Kal Grant Street

PO Box 569
Mbabane
Eswatini

Bankers and Investees

First National Bank of Eswatini Limited
Nedbank Swaziland Limited
Standard Bank Eswatini Limited
Swaziland Building Society
Eswatini Development and Savings Bank

Investment Managers

African Alliance Swaziland
Stanlib Eswatini Limited

Registered Office

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

Subsequent Events

The directors are aware of the extension of the national lockdown which was enforced before year end in response to the novel coronavirus pandemic. There was no material effect to these financial statements and no adjustments required in respect of the event. The members are not aware of any other material event which occurred after the reporting date and up to the date of this report.

Going Concern

The directors believe that the Corporation has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Corporation is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Corporation. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Corporation.

Management has assessed the impact of COVID-19 with regard to the going concern of the Corporation as well as IAS 10: *Events after the Reporting Period* that may need to be disclosed. The services offered by the Corporation have been seen as essential services throughout any lockdowns, which has enabled the Corporation to maintain operating during the height of lockdowns. As such, management is of the opinion that there is no impact on the going concern of the Corporation and there are no events after the reporting period that need to be highlighted as a result of COVID-19.

Statement of Comprehensive Income

for the year ended 31 March 2020

	Notes	2020 E	2019 E
Revenue	2	**397 716 352**	381 378 534
Other income	6	**46 165 268**	46 425 492
Raw materials and consumables used		**(117 372 521)**	(113 542 778)
Employee benefits expense	4	**(138 258 889)**	(128 644 629)
Depreciation expense	7.1, 7.2	**(60 048 827)**	(57 524 858)
Other expenses	1	**(75 319 444)**	(92 811 366)
Finance income	3	**12 295 924**	14 325 614
Finance costs	3	**(6 859 688)**	(6 801 406)
Profit before income tax		**58 318 175**	42 804 603
Income tax expense	5	**(5 454 416)**	(16 043 021)
Profit for the year		**52 863 759**	26 761 582

Statement of Financial Position

as at 31 March 2020

	Notes	2020 E	2019 E
ASSETS			
Non-current assets			
Property, plant and equipment	7.1	**2 365 639 030**	2 165 397 999
Right-of-use of assets	7.2	**3 450 755**	–
Investments	9.2	**46 046 895**	45 987 423
		2 415 136 680	2 211 385 422
Current assets			
Inventories	10	**8 175 019**	7 870 044
Trade and other receivables	9.1	**150 118 533**	120 596 795
Investments	9.2	**6 654 222**	25 800 231
Cash and cash equivalents	9.3	**113 915 718**	146 135 052
		278 863 492	300 402 122
Total assets		**2 694 000 172**	2 511 787 544
EQUITY			
Capital and reserves			
Share capital	11	**30 222 580**	30 222 580
Retained earnings		**566 202 322**	514 322 940
		596 424 902	544 545 520
LIABILITIES			
Non-current liabilities			
Lease liability	7.2	**3 127 558**	–
Deferred grants	13	**1 848 992 005**	1 761 182 553
Deferred income tax liability	14	**17 642 831**	12 194 091
Borrowings	9.5	**51 742 209**	49 289 123
		1 921 504 603	1 822 665 767
Current liabilities			
Trade and other payables	9.4	**142 940 526**	112 945 898
Borrowings	9.5	**27 877 621**	28 794 075
Provisions	12	**3 676 770**	2 836 284
Lease liability	7.2	**1 575 750**	–
		176 070 667	144 576 257
Total liabilities		**2 097 575 270**	1 967 242 024
Total equity and liabilities		**2 694 000 172**	2 511 787 544

Statement of Changes in Equity

for the year ended 31 March 2020

	Share Capital E	Retained Earnings E	Total E
Balance at 1 April 2019	**30 222 580**	**514 322 940**	**544 545 520**
Adjustment on initial application of IFRS 16	**–**	**(984 377)**	**(984 377)**
Net profit for the year	**–**	**52 863 759**	**52 863 759**
Balance at 31 March 2020	**30 222 580**	**566 202 322**	**596 424 902**
Balance at 1 April 2018	30 222 580	487 273 304	517 495 884
Adjustment on initial application of IFRS 9	–	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

Statement of Cash Flows

for the year ended 31 March 2020

	Notes	2020 E	2019 E
Cash flows from operating activities			
Cash generated from operations	15.1	**73 641 575**	36 701 760
Income tax paid		**(5 676)**	–
Interest received	3	**11 441 933**	12 837 566
Interest paid	3	**(6 859 688)**	(6 801 406)
Net cash generated from operating activities		**78 218 144**	42 737 920
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**2 492 264**	758 071
Acquisition of property, plant and equipment	7.1	**(261 430 787)**	(209 800 845)
Movement in right-of-use		**(4 835 639)**	–
Proceeds from maturity of investments		**3 369 462**	37 361 105
Acquisition of investments		**16 571 068**	(42 045 021)
Net cash used in investing activities		**(243 833 632)**	(213 726 690)
Cash flows from financing activities			
Proceeds from borrowings	15.2	**16 518 716**	3 457 291
Repayment of borrowings	15.2	**(14 982 084)**	(14 932 939)
Movement in lease liability		**3 718 930**	–
Capital grants received		**128 140 592**	153 700 015
Net cash generated from financing activities		**133 396 154**	142 224 367
Net decrease in cash and cash equivalents		**(32 219 334)**	(28 764 403)
Cash and cash equivalents at beginning of the year		**146 135 052**	174 899 455
Cash and cash equivalents at the end of the year	9.3	**113 915 718**	146 135 052

Summary of Significant Accounting Policies

for the year ended 31 March 2020

1. 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 the 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.

New Standards, Amendments and Interpretations Adopted by the Corporation

The following standard has been adopted by the Corporation for the first time for the financial year ending 31 March 2020:

- IFRS 16: *Leases*

Adoption of IFRS 16

The Corporation has adopted IFRS 16: *Leases* retrospectively from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in retained earnings.

On adoption of IFRS 16, the Corporation recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17: *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 10.25%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Practical Expedients Applied

In applying IFRS 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Corporation has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Corporation relied on its assessment made applying IAS 17 and Interpretation 4: *Determining whether an arrangement contains a Lease*.

	2020 E
Measurement of lease liabilities	
Operating lease commitments disclosed as at 31 March 2019	**1 073 595**
Discounted using the lessee's incremental borrowing rate at the date of initial application	
Less: short-term leases not recognised as a liability	**5 820 016**
Lease liability recognised as at 1 April 2019 of which are:	**5 820 016**
Current	**1 116 708**
Non-current lease liabilities	**4 703 308**

Measurement of Right-of-use Assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

Adjustments Recognised in the Balance Sheet on 1 April 2019

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- right-of-use assets – increase by E4 835 640
- lease liabilities – increase by E5 820 016

The net impact on retained earnings on 1 April 2019 was a decrease of E984 377.

New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Corporation. The Corporation's assessment of the impact of these new standards and interpretations is set out below:

Amendments to IAS 1 and IAS 8: *Definition of Material*

The IASB has made amendments to IAS 1: *Presentation of Financial Statements* and IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and the meaning of "primary users of general-purpose financial statements" to whom those financial statements are directed, by defaming them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised conceptual framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards.

2. Property, Plant and Equipment

Land and buildings comprise mainly administrative offices. Buildings and all other property, plant and equipment are 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 capitalisation 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 are 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.

3. Impairment of Non-financial Assets

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

4. Financial Assets

Financial assets include:

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

The Corporation classifies its financial assets in the following categories: at amortised 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 Amortised Cost

Financial assets shall be carried at amortised 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 amortised 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 Amortised Cost

These financial assets are subsequently measured at amortised 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.

Derecognition

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.

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.

Impairment of Financial Assets

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 a 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 ECLs for trade receivables. ECLs for trade receivables is calculated using a provision matrix.

4. Financial Assets (continued)

Impairment of Financial Assets (continued)

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 has determined default as 150 days past due. For individuals, the 90-day rule was maintained.

5. Leases

Corporation as a Lessee

The Corporation recognises both a right-of-use asset and a lease liability as at the lease commencement date. The right-of-use asset is initially measured at cost, which represents the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, plus an estimate of the costs required to dismantle and remove the underlying asset or to restore the site on which it is located (if applicable), less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that have not yet been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Corporation's incremental borrowing rate.

The lease liability is remeasured when there are changes in the amounts of future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets and lease liabilities in a separate line in the statement of financial position.

Short-term Leases and Leases of Low-value Assets

As permitted under the standard, the Corporation does not recognise right-of-use assets and lease liabilities for short-term leases of assets that have lease terms of 12 months or less, and leases of low-value assets. The Corporation recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Amortisation

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those used for the property and equipment items.

Impairment

The right-of-use assets are periodically reduced by the amounts of impairment losses and adjusted to reflect certain remeasurements of the respective lease liabilities.

Corporation as a Lessor

The Corporation's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor, the Corporation classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Lease income, where the Corporation is a lessor, is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Corporation did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

6. 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.

7. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of 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 uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

8. Cash and Cash Equivalents

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

9. Share Capital

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

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

10. Government Grants Relating to Purchase of Property, Plant and Equipment

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

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

11. Borrowings

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

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

12. Trade Payables

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

13. Employee Benefits

a) Short-term Employee Benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered) is recognised in the period in which the service is rendered and is 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 pays contributions to a publicly or privately administered pension insurance plan on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Corporation has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

14. Provisions

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

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

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

15. Revenue Recognition

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

The Corporation recognises revenue when the 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 a fixed rate
Market risk – security prices	Investments at FVPL	Sensitivity analysis	Portfolio diversion
Credit risk	Cash and cash equivalents Trade receivables Held-to-maturity	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 2020, the Corporation was not exposed to any foreign currency exchange risk.

17. Financial risk management (continued)

17.1 Financial Risk Factors (continued)

a) Market Risk (continued)

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:

	Impact on post-tax profit	
	2020 E	2019 E
Increase of 5% in unit prices	**241 216**	935 258
Decrease of 5% in unit prices	**(241 216)**	(935 258)

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 9% as at 31 March 2020 (2019: 10.25%). The ranges of the borrowings are as follow, per category:

	Range %	**2020 E**	2019 E
Bank loans	Prime less 0.5% – 1.55%	**45 714 574**	49 381 274
Finance lease	Prime plus 1%	**19 175 041**	9 393 384
Eswatini Government	2% above inflation	**14 730 215**	19 308 540

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	
	2020 E	2019 E
Interest rates – increase by 25 basis points	**52 526**	95 361
Interest rates – decrease by 25 basis points	**(52 526)**	(95 361)

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 amortised 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 ratings as described below:

	2020 **E**	2019 E
Trade receivables		
Counterparties without external credit ratings		
– Low risk: government accounts	**64 807 273**	51 601 855
– Medium risk: corporate clients and companies	**12 446 949**	8 861 790
– High risk: mainly individual accounts	**128 484 397**	95 202 110
Total trade receivables	**205 738 619**	155 665 755
Cash at bank and short-term bank deposits		
Cash on hand	**31 680**	302 241
Stanlib Eswatini Limited	**16 685 365**	15 532 195
Standard Bank Eswatini Limited	**7 937 430**	29 154 459
Nedbank Swaziland Limited	**22 550 251**	34 518 409
First National Bank of Eswatini Limited	**15 068 412**	17 689 565
Eswatini Savings and Development Bank	**5 412 377**	11 062 316
Swaziland Building Society	**37 436 462**	32 138 607
African Alliance	**8 793 741**	5 737 260
	113 915 718	146 135 052
Investments at amortised cost		
Counterparties without external credit ratings:		
African Alliance promissory notes	**42 479 316**	42 465 503

iii) Impairment of Financial Assets

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 months before 31 March 2020 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.

17. Financial Risk Management (continued)

17.1 Financial Risk Factors (continued)

b) Credit Risk (continued)

iii) Impairment of Financial Assets (continued)

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 amortised cost are considered to have low credit risk, and there has been no significant increase in credit risk. The loss allowance recognised during the period was therefore limited to 12 months of expected losses.

The provision for impairment as at 31 March 2020 and 31 March 2019 was determined as follows for the trade receivables:

	Current	30 days	60 days	Over 90 days	Total
31 March 2020					
Expected loss rate	**7%**	**9%**	**11%**	**45%**	
Government	**220**	**201**	**201**	**9 319 195**	**9 319 817**
Corporate	**21 644**	**16 436**	**18 854**	**593 940**	**650 874**
Individuals	**2 243 803**	**1 960 106**	**1 809 719**	**51 307 881**	**57 321 509**
Provision for impairment	**2 265 667**	**1 976 743**	**1 828 774**	**61 221 016**	**67 292 200**
31 March 2019					
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

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

	2020 E	2019 E
Opening balance	**60 577 709**	42 362 669
Adjustment on initial application of IFRS 9	**–**	(1 235 904)
Provision for impairment raised	**6 714 491**	22 669 702
Receivables written off during the year	**–**	(3 218 758)
Closing balance	**67 292 200**	60 577 709

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 amortised cost: promissory notes

The loss allowance for other financial assets at amortised cost as at 31 March 2020 is E1 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.

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 2020					
Borrowings	**32 014 780**	**50 619 175**	**6 126 888**	**88 760 843**	**79 619 830**
Trade payables	**142 940 526**	**–**	**–**	**142 940 526**	**142 940 526**
	174 955 306	**50 619 175**	**6 126 888**	**231 701 369**	**222 560 356**
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

ii) Financing Arrangements

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

	2020 E	2019 E
Floating rate		
Guarantee letters	**8 000 000**	8 000 000
FEC derivative facility	**2 000 000**	2 000 000
Revolving credit facility	**15 000 000**	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 2020 and 2019 were as follows:

	2020 E	2019 E
Total borrowings (note 9.5)	**79 619 930**	78 083 198
Less: Cash and cash equivalents (note 9.3)	**(113 915 718)**	(146 135 052)
Net debt	**(34 295 888)**	(68 051 854)
Total equity	**596 424 902**	544 545 520
Total capital	**562 129 014**	476 493 666
Gearing ratio	**0%**	0%

17. Financial Risk Management (continued)

17.2 Capital Risk Management (continued)

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 three 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 recognised in the statement of comprehensive income each year (refer to note 7.1).

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

for the year ended 31 March 2020

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.

	2020 **E**	2019 E
Auditors' remuneration		
– Audit fees	**863 659**	1 147 644
Provision for impairment of financial assets	**6 714 491**	23 742 116
Fees for services	**14 618 032**	13 006 225
– Public Enterprise Unit management fees	**2 847 771**	2 597 547
– Other services	**11 770 261**	10 408 678
Directors emoluments for services as directors	**267 481**	455 160
Loss/(profit) on disposal of property, plant and equipment	**33 550**	(82 348)
Operating lease expenses	**407 028**	2 063 496
Repairs and maintenance expenditure		
– Property, plant and equipment	**4 131 188**	4 600 604

2. Revenue

	2020 **E**	2019 E
The Corporation derives the following revenue from its activities:		
Water charges	**259 257 946**	247 106 360
Sewer charges	**65 759 230**	65 184 610
Basic charges	**58 766 119**	55 198 085
Penalty charges	**1 116 933**	1 280 940
Miscellaneous water supply services	**3 870 515**	3 790 410
Connection charges – new customers	**3 865 255**	3 703 120
Trade effluent charges	**5 080 354**	5 115 009
	397 716 352	381 378 534

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.

2. Revenue (continued)

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 the 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.

	2020 E	2019 E
3. Finance Income and Costs		
Finance income	**12 295 924**	14 325 614
Interest from financial assets at amortised cost	**11 441 933**	12 837 566
Fair value changes in financial assets held as investments	**853 991**	1 488 048
Finance costs	**(6 859 688)**	(6 801 406)
Interest from financial borrowings	**(6 323 065)**	(6 801 406)
Interest expense – lease liability	**(536 623)**	–
Net finance income	**5 436 236**	7 524 208

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 amortised 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 and interest of lease liability.

	2020 E	2019 E
4. Employee Benefits Expenses		
Salaries, wages and allowances	**120 618 947**	111 826 946
Provident fund contribution	**903 365**	834 616
Medical aid contribution	**6 199 946**	5 815 800
Retirement benefits	**10 536 631**	10 167 267
	138 258 889	128 644 629

	2020 E	2019 E
5. Income Tax Expense		
The Corporation's income tax expense is as follows:		
– Current tax	**–**	–
– Deferred tax charge (note 14)	**5 454 416**	16 043 021
	5 454 416	16 043 021
Numerical reconciliation of income tax expense		
Profit before income tax	**58 318 175**	42 804 603
Tax calculated at statutory tax rate (27.5%)		
Tax effects of:	**16 037 498**	11 771 266
Expenses not deductible for tax purposes	**230 304**	324 736
Grant amortisation credited to the statement of comprehensive income	**(11 091 064)**	(10 982 106)
Prior period deferred tax adjustment	**277 678**	(226 051)
Prior year overstated tax loss	**–**	15 155 176
Tax charge	**5 454 416**	16 043 021
6. Other Income		
Ecowater sales	**1 331 929**	899 736
Amortisation of deferred grant income	**40 331 140**	39 934 931
Rental income	**3 647 554**	3 641 892
Sundry income	**854 645**	1 948 933
Total	**46 165 268**	46 425 492

Other income to the Corporation is classified as such on the following basis:

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 Amortisation

Government grants amortised 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.

7.1 Property, Plant and Equipment

	Opening net carrying amount E	Additions E	Disposals E	Transfers from capital projects E	Depreciation charge E	Reclassi-fication and adjust-ments E	Closing net carrying amount E
Year ended 31 March 2020							
Land and buildings	**210 135 400**	**–**	**–**	**802 317**	**(5 643 352)**	**–**	**205 294 365**
Dams and reservoirs	**102 879 934**	**–**	**–**	**10 291 470**	**(3 221 926)**	**–**	**109 949 478**
Treatment works	**398 117 112**	**–**	**–**	**2 014 780**	**(7 586 079)**	**–**	**392 545 813**
Mains and reticulation	**731 863 137**	**–**	**–**	**9 177 786**	**(21 860 262)**	**–**	**719 180 661**
Mechanical, electrical plant and systems	**176 260 242**	**–**	**–**	**4 393 391**	**(12 300 743)**	**–**	**168 352 890**
Furniture and equipment	**19 088 028**	**–**	**(1 200)**	**4 311 568**	**(3 559 891)**	**–**	**19 838 505**
Motor vehicles and mobile plant	**23 301 126**	**397 564**	**(52 348)**	**9 388 400**	**(4 491 689)**	**–**	**28 543 053**
Capital work in progress (note 8)	**503 753 020**	**261 033 223**	**(2 472 266)**	**(40 379 712)**	**–**	**–**	**721 934 265**
Total	**2 165 397 999**	**261 430 787**	**(2 525 814)**	**–**	**(58 663 942)**	**–**	**2 365 639 030**

	Cost E	Accumulated depreciation E	2020 Net carrying amount E	2019 Net carrying amount E
At 31 March 2020				
Land and buildings	**249 028 517**	**(43 734 152)**	**205 294 365**	210 135 400
Dams and reservoirs	**143 119 323**	**(33 169 845)**	**109 949 478**	102 879 934
Treatment works	**453 636 450**	**(61 090 637)**	**392 545 813**	398 117 112
Mains and reticulation systems	**875 706 319**	**(156 525 658)**	**719 180 661**	731 863 137
Total	**2 808 406 621**	**442 767 591)**	**2 365 639 030**	2 165 397 999

	Opening net carrying amount E	Additions E	Disposals E	Transfers from capital projects E	Depreciation charge E	Reclassi-fication and adjust-ments E	Closing net carrying amount E
Year ended 31 March 2019							
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

	Cost E	Accumulated depreciation E	2019 Net carrying amount E	2018 Net carrying amount E
At 31 March 2019				
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

	2020 **E**	2019 E
Leased assets (motor vehicles and trailers) included in property, plant and equipment are as follows:		
Cost	**77 109 345**	67 428 901
Accumulated depreciation	**(7 419 505)**	(6 405 359)
Net carrying amount	**69 689 840**	61 023 542
Land and buildings comprise:		
Land purchased at Shiselweni Forest (Nkawini T/Works)	**3 500**	3 500
Portion 457 of Farm No. 2 Hhohho District	**110 000**	110 000
Lot No. 585 Extension 3 – Checkers, Hhohho	**180 000**	180 000
Portion 1165 of Farm 188	**195 000**	195 000
Portion 1259 of Farm Dalriach No. 188	**280 000**	280 000
Portion 8 of Farm No. 1194 Hhohho District	**290 000**	290 000
Erf No. 4 – Second Street Nhlangano	**550 000**	550 000
Portion 1016 of Farm 2 Mbabane	**650 000**	650 000
Portion 79 – Land adjacent to Ezulwini Headquarters	**820 000**	820 000
Portion 61 (a portion of portion 61) of Farm 51, Hhohho	**950 001**	950 001
Portion 78 (a portion of portion 61) of Farm 51, Hhohho	**500 000**	500 000
Plot 237 Matsapha	**1 558 800**	1 558 800
Lot No. 2437 Extension 23 – Golf Course, Hhohho	**1 760 000**	1 760 000
Portion 387 (a portion of portion 300) of Dalriach No. 188	**2 150 000**	2 150 000
Portion 95 (a portion of portion 61) of Farm 51 Ezulwini	**4 500 000**	4 500 000
Portion 95 (a portion of portion 15) of Farm 51 No. 300 Matsapha	**10 046 288**	10 046 288
Portion 56 (A portion of portion 46) of Farm No. 51 situated in the Hhohho district of Eswatini	**8 575 503**	8 575 503
Portion 124 (of portion 49) of Farm 57, Hhohho	**4 850 000**	4 850 000
Building at depreciated cost	**167 325 273**	172 166 308
	205 294 365	210 135 400
The cost of assets which are fully depreciated but still in use are as follows:		
Fencing	**1 742 771**	1 742 771
Mains, reticulation and meters	**3 950 879**	3 441 198
Motor vehicles	**1 673 171**	778 764
Laboratory equipment	**2 029 582**	1 932 525
Furniture and equipment	**2 214 831**	1 285 559
Office equipment	**4 003 999**	3 907 885
Mobile plant	**316 739**	252 391
IT hardware and systems	**2 197 380**	2 680 053
Electrical plant and system	**133 089**	133 089
Water tanker and trailer	**763 171**	763 171
Motorcycles	**1 541 576**	834 394
	20 567 188	17 751 800

7.2 Right-of-use of Assets and Lease Liabilities

i) Amounts Recognised in the Statement of Financial Position

The statement of financial position shows the following amounts relating to leases:

	2020 E	2019 E
Right-of-use assets		
As at 31 March 2020		
Acquisition cost	**4 835 640**	–
Accumulated depreciation	**(1 384 885)**	–
Net value	**3 450 755**	–
At 1 April 2019	**4 835 640**	–
Additions	**–**	–
Depreciation	**(1 384 885)**	–
Balance as at 31 March 2020	**3 450 755**	–
Lease liabilities	**4 703 308**	–
Current	**1 575 750**	–
Non-current	**3 127 558**	–
Maturity analysis of lease liabilities		
Less than one year	**1 978 699**	–
One year to five years	**3 617 781**	–
	5 596 480	–
Less future finance charges	**(893 172)**	–
	4 703 308	–

8. Capital Projects in Progress

	2020 E	2019 E
Internal projects (note 8.1)	**104 470 643**	83 249 252
Government funded projects (note 8.2)	**381 336 570**	310 754 108
European union funded projects (note 8.4)	**–**	–
African Development Bank funded projects (note 8.3)	**204 995 047**	84 458 365
Nedbank/EWSC funded projects (note 8.5)	**31 132 005**	25 291 295
Total capital work in progress (note 7.1)	**721 934 265**	503 753 020

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

8.1 Internal Projects

	2020 E	2019 E
Opening net carrying amount	**83 249 252**	50 456 039
Additions	**55 327 244**	42 821 432
Transfers to external funded projects		2 991 018
Commissioned – transfers to property, plant and equipment	**(34 105 853)**	(13 019 237)
Closing net carrying amount	**104 470 643**	83 249 252

8.2 Government-funded Projects

	2020 E	2019 E
Opening net carrying amount	**310 754 108**	231 730 188
Additions	**70 582 462**	82 014 938
Transfer from internal projects	**–**	(2 991 018)
Closing net carrying amount	**381 336 570**	310 754 108

8.3 African Development Bank Funded Projects

	2020 E	2019 E
Opening net carrying amount	**84 458 365**	9 147 772
Additions	**120 536 682**	77 251 700
Commissioned – transfers to property, plant and equipment	**–**	(1 941 107)
Closing net carrying amount	**204 995 047**	84 458 365

		2020 E	2019 E
8.4	**European Union Funded Projects**		
	Opening net carrying amount	**–**	–
	Additions	**–**	3 290 796
	Commissioned – transfers to property, plant and equipment	**–**	(3 290 796)
	Closing net carrying amount	**–**	–
8.5	**Nedbank Loan/EWSC Funded Projects**		
	Opening net carrying amount	**25 291 295**	26 497 195
	Additions	**14 586 835**	562 307
	Commissioned – transfers to property, plant and equipment	**(8 746 125)**	(1 733 978)
	Disposal recognised	**–**	(34 229)
	Closing net carrying amount	**31 132 005**	25 291 295

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 2020			
Assets as per statement of financial position			
Trade and other receivables	**–**	**150 118 533**	**150 118 533**
Investments	**10 221 801**	**42 479 316**	**52 701 117**
Cash and cash equivalents	**–**	**113 915 718**	**113 915 718**
	10 221 801	**306 513 567**	**316 735 368**
Liabilities as per statement of financial position			
Trade and other payables	**–**	**142 940 526**	**142 940 526**
Borrowings	**–**	**79 619 830**	**79 619 830**
	–	**222 560 356**	**222 560 356**
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

	2020 E	2019 E
9. Financial Assets and Liabilities (continued)		
9.1 Trade and Other Receivables		
Trade receivable	**205 738 619**	155 665 755
Less: Provision for impairment of receivables	**(67 292 200)**	(60 577 709)
Net trade accounts receivable	**138 446 419**	95 088 046
Staff receivables	**3 555 755**	3 418 469
UDP and Government advance payment	**2 801 000**	17 481 350
Sundry receivables	**5 315 359**	4 608 930
Net other receivables	**11 672 114**	25 508 749
	150 118 533	120 596 795

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 amortised cost is considered to be the same as their fair value.

	2020 E	2019 E
9.2 Investments		
Financial assets at amortised cost	**42 479 316**	42 465 493
Financial assets at fair value through profit or loss	**10 221 801**	29 322 160
	52 701 117	71 787 653
i) Financial Assets at Amortised Cost		
Non-current assets		
Promissory notes	**42 479 316**	42 465 493
Current assets		
Promissory notes	**–**	–
	42 479 316	42 465 493

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 Amortised Cost

The Corporation classifies investments at amortised 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 amortised 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 recognised is E1 072 414 (2019: E1 072 414); this is as a result of the B- credit rating on the promissory note. All investments at amortised cost are denominated in Emalangeni. As a result, there is no exposure to foreign currency risk.

	2020 **E**	2019 E
ii) Financial Assets at Fair Value Through Profit or Loss		
Non-current assets	**3 567 579**	3 521 929
SBS permanent shares	**3 567 579**	3 521 929
Current assets	**6 654 222**	25 800 231
African Alliance Managed Fund	**6 654 222**	25 800 231

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

Classification of Financial Assets 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 have 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.

	2020 E	2019 E
9. Financial Assets and Liabilities (continued)		
9.3 Cash and Cash Equivalents		
Cash at bank and in hand	**67 920 014**	108 549 532
Deposits at call	**45 995 704**	37 585 520
	113 915 718	146 135 052

Restricted Cash

The cash and cash equivalents disclosed above and in the statement of cash flows include E5 670 550 (2019: E5 446 912) 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.

	2020 E	2019 E
9.4 Trade and Other Payables		
Trade accounts payable and accruals	**39 710 295**	43 360 387
Capital projects accruals	**64 618 612**	35 128 198
Contractors' retention	**12 763 710**	9 911 932
Consumer deposits	**25 847 909**	23 255 381
Dividend accrual	**–**	1 290 000
	142 940 526	112 945 898

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 are 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

	2020 Current	2020 Non-current	2020 Total	2019 Current	2019 Non-current	2019 Total
Secured						
Bank loans	**7 913 950**	**37 800 624**	**45 714 574**	6 583 248	42 798 026	49 381 274
Lease liabilities	**5 233 456**	**13 941 585**	**19 175 041**	2 902 287	6 491 097	9 393 384
Total secured	**13 147 406**	**51 742 209**	**64 889 615**	9 485 535	49 289 123	58 774 658
Unsecured						
Eswatini Government	**14 730 215**	**–**	**14 730 215**	19 308 540	–	19 308 540
Total unsecured	**14 730 215**	**–**	**14 730 215**	19 308 540	–	19 308 540
Total borrowings	**27 877 621**	**51 742 209**	**79 619 830**	28 794 075	49 289 123	78 083 198

Secured Liabilities and Assets Pledged as Security

The entire E45 714 574 (2019: 49 381 274) 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.

Unsecured Liabilities

In December 1995, a subsidiary loan agreement was entered into with the Eswatini Government in terms of which the Corporation was granted E43 294 200 to be used in financing rehabilitation and expansion of water and sewerage services in certain designated urban areas. This loan was named the IBRD urban development loan.

The entire balance of E14 730 215 (2019: E19 308 540) is unsecured.

Compliance with Loan Covenants

The Corporation has complied with all financial covenants of its borrowing facilities during the 2020 and 2019 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 upon settlement of the amounts owed.

	2020 E	2019 E
Less due within one year	**5 233 456**	2 902 287
Due after 12 months but not later than five years	**13 941 585**	6 491 097
Total liability	**19 175 041**	9 393 384
Finance lease liabilities – minimum lease payments		
Not later than one year	**6 594 747**	3 679 097
Later than one year and not later than five years	**17 016 389**	7 457 349
Total lease payments	**23 611 136**	11 136 446
Future finance charges on finances	**(4 436 095)**	(1 743 062)
Present value of future finances liabilities	**19 175 041**	9 393 384

9. Financial assets and liabilities (continued)

9.5 Borrowings (continued)

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	Level 3 E	Total E
Recurring fair value measurements				
31 March 2020				
Financial assets				
Financial assets at FVPL	**10 221 801**	**–**	**–**	**10 221 801**
Total financial assets	**10 221 801**	**–**	**–**	**10 221 801**
31 March 2019				
Financial assets				
Financial assets at FVPL	29 322 160	–	–	29 322 160
Total financial assets	29 322 160	–	–	29 322 160

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

	2020 E	2019 E
Chemicals	**641 062**	417 488
Building materials	**157 878**	221 319
Petrol and diesel	**546 965**	326 826
Spares, fittings and pipes	**6 061 269**	6 630 674
Ecowater	**767 845**	273 737
	8 175 019	7 870 044

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 E44 417 694 (2019: E42 406 398). These were included in “raw materials and consumables used” in profit or loss.

There was no inventory written down to net realisable value in the current or prior periods.

	2020 E	2019 E
11. Share Capital		
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

	2020 E	2019 E
Provision for leave pay (12.1)	**3 676 770**	2 836 284

12.1 Provision for Leave Pay

	2020 E	2019 E
Balances at the beginning of the year	**2 836 284**	2 479 348
Raised during the year	**1 476 719**	817 038
Utilised during the year	**(636 233)**	(460 102)
Balances at year end	**3 676 770**	2 836 284

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.

13. Deferred Grants

	2020 E	2019 E
Eswatini Government:		
– Nhlangano – water supply and treatment plant	**441 131 187**	414 003 878
– Urban Development Projects (packages 6, 7, 8, 10, 18 A&B, and 20)	**59 991 354**	62 220 720
– Pigg's Peak Dam	**2 747 537**	2 853 447
– Hlatikhulu Treatment Works	**1 871 936**	1 955 441
– Siteki – Lomahasha water supply	**139 815 469**	144 614 405
– Ezulwini – Lobamba water supply	**18 094 201**	18 738 297
– Lukhaba Gravity Mains	**3 292 235**	3 426 191
– Mankayane water supply	**8 341 964**	8 648 104
– Enhlambeni water supply	**9 886 632**	10 455 642
– Government forex subvention	**25 759 663**	26 871 389
– Currency ratio subvention – package 18	**43 999 349**	45 690 679
– Land transferred from the Government to EWSC	**3 637 000**	3 739 800
– Raw water for Tex Ray factory	**4 667 049**	4 840 144
– Sikhuphe water supply	**86 115 138**	88 088 669
– Matsapha sewer treatment plant relocation	**290 440 734**	294 107 945
– Hlane water supply	**21 801 159**	22 582 859
– Imphilo reservoir	**926 271**	959 352
– Mbabane water supply augmentation	**22 445 531**	22 720 422
– Luphohlo Mbabane water supply	**31 000 000**	31 000 000
European Union financial project		
Siphofaneni, Somntongo and Matsanjeni water supply	**269 612 486**	277 131 118
Eswatini National Housing Board Grants		
Makholokholo Project	**637 708**	669 605
Eswatini National Trust Commission		
Mlawula Workstation	**617 911**	640 798

	2020 E	2019 E
13. Deferred Grants (continued)		
Micro projects		
Nhlambeni water supply	**2 562 420**	2 562 420
Makhewu water supply	**1 986 543**	2 000 708
Mbikwakhe water supply	**2 256 326**	2 320 792
Mhlumeni water supply	**1 945 048**	1 954 945
Maseyisini water supply	**6 182 137**	1 915 200
Mpolonjeni water supply	**4 969 394**	4 996 046
Mayaluka water supply	**1 064 478**	1 091 772
Matsetsa water supply	**1 676 069**	1 719 046
Mankayane Mabovini water supply	**1 574 275**	1 615 704
Manyisa Mpolonjeni	**2 308 524**	2 308 524
Bambisanani water supply scheme	**284 922**	
African Development Bank/Eswatini Government financed grant		
Ezulwini sanitation and water supply	**335 349 355**	252 738 491
Total deferred grants	**1 848 992 005**	1 761 182 553

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:

	2020 E	2019 E
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**46 363 961**	43 892 182
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	**(64 006 792)**	(56 086 273)
Deferred tax liability – net	**(17 642 831)**	(12 194 091)
The gross movement on the deferred income tax account is as follows:		
Opening balance	**(12 194 091)**	3 840 994
Adjustment on adoption of IFRS 9	**–**	7 936
Statement of comprehensive income charge (note 5)	**(5 454 416)**	(16 043 021)
Adjustments to provisions	**5 676**	–
End of year	**(17 642 831)**	(12 194 091)

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
At 1 April 2019	**(56 086 273)**	**30 323 138**	**13 569 044**	**(12 194 091)**
(Debited)/credited to the statement of comprehensive income (note 5)	**(6 976 877)**	**(138 714)**	**1 661 175**	**(5 454 416)**
Adjustments to provisions			**5 676**	**5 676**
At 31 March 2020	**(63 063 150)**	**30 184 424**	**15 235 895**	**(17 642 831)**
At 1 April 2018	(48 362 195)	42 784 068	9 419 121	3 840 994
Adjustment on adoption of IFRS 9	**–**	**–**	**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 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.

	2020 E	2019 E

15. Notes to the Statement of Cash Flows

15.1 Cash Generated from Operations:

	2020 E	2019 E
Profit before tax	**58 318 175**	42 804 603
Adjustment for items not involving cash flow:		
Grant amortisation	**(40 331 140)**	(39 934 931)
Depreciation (refer note 7.1 and 7.2)	**60 048 827**	57 524 858
Loss/(profit) on disposal of property, plant and equipment	**33 550**	(82 348)
Interest income (refer note 3)	**(11 441 933)**	(12 837 566)
Fair value gains on financial assets (refer note 3)	**(853 991)**	(1 488 048)
Interest expenses (refer note 3)	**6 859 688**	6 801 406
	72 633 176	52 787 974
Working capital changes:	**1 008 399**	16 086 214
Increase in inventories	**(304 975)**	(696 986)
Increase in trade and other receivables	**(29 521 740)**	(1 713 438)
Increase/(decrease) in trade and other payables (note 15.3)	**29 994 628**	(13 614 726)
Increase/(decrease) in provisions	**840 486**	61 064
Cash generated from operations	**73 641 575**	36 701 760

15.2 Reconciliation of Cash Flows Arising From Financing Activities Related to Borrowings

	2020 E	2019 E
Borrowings at the beginning of the year	**78 083 198**	89 558 846
– Current	**28 794 075**	32 529 599
– Non-current	**49 289 123**	57 029 247
Cash flows	**1 536 632**	11 475 648
– Proceeds from borrowings	**16 518 716**	3 457 291
– Repayment of borrowings	**(14 982 084**	(14 932 939)
Borrowings at the end of the year	**79 619 830**	78 083 198
– Current	**27 877 621**	28 794 075
– Non-current	**51 742 209**	49 289 123

15.3 Movement in Trade and Other Payables

	2020 E	2019 E
Opening trade and other payables	**(112 945 898)**	(126 560 624)
Dividends payable – closing balance		(1 290 000)
Dividend payable – prior year		1 290 000
Closing trade and other payables	**142 940 526**	112 945 898
Net increase in trade and other payables	**29 994 628**	(13 614 726)

	2020 E	2019 E

16. Unrecognised Items

16.1 Capital Expenditure Commitments:

	2020 E	2019 E
Contracted	**157 383 872**	250 318 592
Authorised but not yet contracted	**31 401 400**	372 038 000
Total future capital expenditure	**188 785 272**	622 356 592

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:

	2020 E	2019 E
Minimum lease payments under non-cancellable operating leases not recognised in the financial statements are receivable as follows:		
Within one year	**782 083**	1 028 404
Later than one year but not later than five years	**993 437**	703 027
	1 775 520	1 731 431

17. Retirement Benefits

The Eswatini Water Services Corporation Pension Fund is a defined contribution plan, was established on 1 April 1999 and is administered by Negotiated Benefit Consultant (Pty) Ltd.

18. Contingent Liabilities

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

19. Related Party Transactions

	2020 E	2019 E
Key management personnel compensation		
Short-term employee benefits	**5 686 278**	5 272 948
Post-employment benefits	**1 249 804**	1 196 452
	6 936 082	6 469 400

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.

20. Lease Commitments

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

	2020 E	2019 E
Commitments for the minimum lease payments in relation to non-cancellable leases are payable as follows:		
Within one year	**1 992 159**	968 514
Later than one year but no later than five years	**3 654 034**	105 081
	5 646 193	1 073 595

General Information

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Nedbank Eswatini Limited
Standard Bank Eswatini Limited
Eswatini Building Society
Eswatini Development and
Savings Bank
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