Eswatini Revenue Service

Integrated Annual Report

2021/22

Digitalised and
Data driven;
with our partners.


ERS

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Eswatini Revenue Service

Integrated Annual Report

Digitalised and Data driven with our partners.

2021/22

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FOREWORD

Chairperson's Statement

Following a lot of introspection and feedback from stakeholders, focus was placed on changing the organisation from an "Authority" to a "Service"and making it more customer focused.

– DAVID DLAMINI
Chairman of the Board

I am pleased to present the Annual Report for the year ended 31 March 2022. The report details the organisation's performance, governance and initiatives undertaken during the year.

My Chairmanship of the Eswatini Revenue Service coincided with some challenging developments, the major event being COVID 19, which everyone has had to adjust to in their personal lives, work and business. This affected an already challenged economic environment, which the ERS relies on to continue delivering on its mandate to the Government, and we continued to operate in a very different environment which contributed in part to the inability to meet the revenue targets. I am glad to state, however, that the Board continues to appreciate the resilience and commitment of ERS staff to the mandate and to the vision to achieve "100% voluntary compliance for a better Kingdom of Eswatini".

The ERS has successfully initiated or implemented two key projects that will enable the achievement of its objectives. The first being the re-branding of the organisation and the change of name to reflect the new ethos.

In 2019 when the change of name to Eswatini was announced, this was also an opportunity for the organisation to consider re-branding and re-positioning the way it is viewed by its critical stakeholders and the manner in which our mandate is carried out. Following a lot of introspection and feedback from stakeholders, focus was placed on changing the organisation from an "Authority" to a "Service" and making it more customer focused. This culminated in the launch of the new brand and logo in April 2022, as well as in the drive to inculcate a more customer-oriented service culture. The organisation is now officially known as the Eswatini Revenue Service, with emphasis placed on providing the customer with a more positive customer experience.

The other significant development is the implementation of the Digital Transformation Programme, which aligns to the 2021-24 Organisational Strategy, with the theme "Digitalised and Data Driven with our Partners". This will entail transforming the management or administration of the revenue system and adopting data analytics in all our activities, to provide efficiencies for both the tax administration and the public.

The Board continued to be supported by capable and committed individuals, to whom I am grateful for the input they have made. Changes in the Governing Board during the year include the appointment of Ms Chazile Magongo as a Member of the Board in July 2021. The Board also appointed Mrs Carol Muir as the Vice Chairperson following the departure of Dr. Phil Mnisi at the beginning of the financial year.

We also announced the departure of Mr Dumisani Masilela at the end of January 2022 following his resignation as the Commissioner General. Mr Masilela was appointed as the first Commissioner General in April 2010 and had the task of establishing the organisation and turning around the culture of tax compliance in the country. He managed to achieve the mandate that was assigned to him, and with the support of the Management Team and staff built the organisation to what it is today.

Gratitude

The Board trusts that the culture of performance excellence and integrity that have been established in the ERS will continue to prevail. This role was left in the capable hands of Mr Brightwell Nkambule, who was appointed Acting Commissioner General while the process of recruiting the incumbent unfolds.

It has been an honour working with the Board and Management of the ERS during this year, and I thank them all for their support and dedication. I also wish to thank the Minister of Finance, who has always actively demonstrated support for our various initiatives.

DAVID DLAMINI
CHAIRMAN OF THE BOARD

Commissioner General's Statement

"In response to the strategic theme, in the financial year, the organisation launched a Digital Transformation Programme as guided by the customs and tax value chain."

– BRIGHTWELL S. NKAMBULE
Commissioner General

It is an honour for me to present the Integrated Annual Performance Report for Eswatini Revenue Service (ERS) for the Financial Year 2021/22 in accordance with the requirements of the Eswatini Revenue Authority Act, 2008 (as amended) and the Public Enterprises (Control and Monitoring) Act No. 8 of 1989.

Revenue Collection Performance

ERS' revenue performance continued to be marred by the slow economic growth and impacts of the COVID-19 Pandemic and political unrests in 2021/22. We collected a total of E10.786 billion in tax revenues, 10% below of the revenue target. The under collection in tax collections was observed across most of the major tax types. Although the shortfall was E1.235 billion, it was above the previous year by 8.5%. We continued to experience tax revenue growth that is below the economic growth rate, which is not uncharacteristic of an economy still recovering from the challenges that I have alluded to above. Tax revenues grew by 8.5%, which was below the nominal GDP increase of 10.9% as projected by the Central Bank of Eswatini (CBE) and the Ministry of Economic Planning and Development (MEPD).

2021 -2024 Strategic Plan

Despite the sluggish economic conditions and adverse impacts of the pandemic, the 2021/22 financial year marked the commencement of the implementation of the new ERS Strategic Plan for 2021/22 – 2023/24. The ERS's vision for the strategy period remains unchanged as **"100% voluntary compliance for a better Kingdom of Eswatini" with the theme "Digitalised and Data Driven Organisation; with our Partners."** In response to the strategic theme, in the financial year, the organisation launched a Digital Transformation Programme as guided by the customs and tax value chain. The expected outcome from the Digitalisation Programme is a transformation that will lead to the use of technology to accelerate our journey towards attaining our vision.

Regional and International Support

ERS continues to hold in high regard, our regional and international partners who remain an integral part of our business model. For this reporting period, we would like to appreciate the World Customs Organisation (WCO) for extending support through Technical Assistance in supporting Customs initiatives.

We also appreciate the International Monetary Fund (IMF), World Bank and African Tax Administration Forum (ATAF) who supported our staff on competency and skills development through provision of trainings directed at improving the capacity of the institution to efficiently collect taxes.

Conclusion

Although the last few years have been difficult for the ERS, I would like to send my utmost appreciation to the entire ERS family, our employees, who have remained committed to exerting effort towards attaining the revenue target despite the uncertainties in our operating environment brought about by economic challenges and the pandemic. I would also like to extend my eternal gratitude to the Governing Board which has continued to provide guidance to ensure operations persevere during this challenging economic environment. Finally, I am also grateful to His Majesty's Government, in particular the Honourable Minister for Finance, for the unrelenting efforts towards sustaining the economic viability of the country through the various fiscal initiatives put in place to assist the taxpaying community to fulfil their tax obligations and by supporting the ERS with the resources needed to fulfil its mandate.

BRIGHTWELL S. NKAMBULE
COMMISSIONER GENERAL

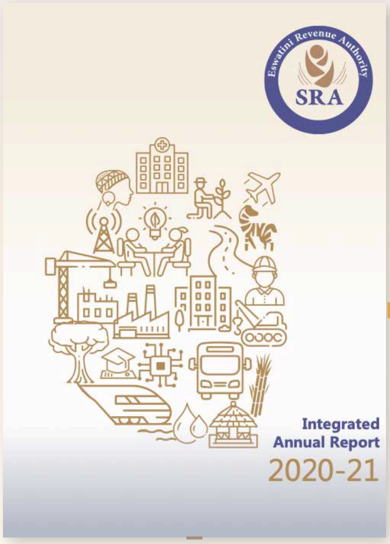
CHAPTER 1

General Information

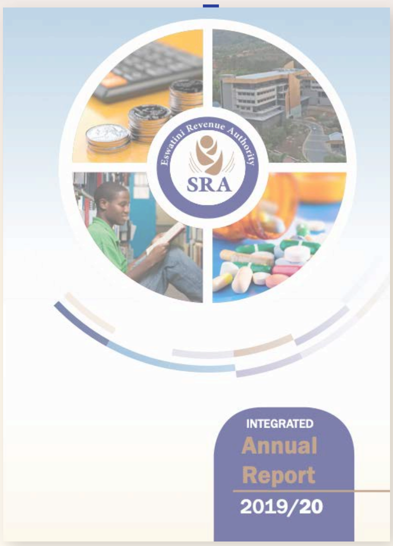
About This Report

2017/18

2018/19



2020/21



2019/20

2021/22

This report reflects the performance of the Eswatini Revenue Service (ERS) against its strategy and annual performance targets, compiled in line with our legislative and governance framework. In this report, the organisation demonstrates value created focusing on improvements and considering matters material to the creation of value in the short, medium and long term.

Performance Highlights

Revenue Collection
E10.787B

Cost to Revenue Ratio
4.2%

% Taxpayer Registration
3.8%

VAT Filing Compliance
59%

Income Tax Filing Compliance
32%

Tax to GDP Ratio
14.9%

PAYE Tax Filing Compliance
45.1%

Legal Compliance
98%

Systems Uptime
99.7%

Staff Attrition Rate
4.25%

Who we are

OUR Vision

100% Voluntary Compliance for a better Kingdom of Eswatini

OUR Mission

To provide an effective revenue and customs administration, driven by a high performance culture that promotes compliance through fair, transparent and equitable application of the law.

OUR Mandate

To assess and collect revenue on behalf of the Government of the Kingdom of Eswatini, administer and enforce the revenue laws listed in the schedule of the Revenue Authority Act of 2008.

What we stand for

OUR Values

Performance Excellence – Strive for professionalism and continuous improvement.

Relationships – Focus efforts on delivering high-level customer service and recognising the impact of actions on internal and external customers.

Integrity – Promote honesty, trust and openness.

Innovation – Continuously implement new ideas that re-engineer service offering and the way in which ERS operates.

Transparency and Accountability – Open in operations and communication whilst being responsible for actions and decisions.

How We Deliver Value

OUR Business Model

1 Inputs For Value Creation

- Human Resources
- Systems and processes
- Government subvention
- Buildings and Infrastructure
- Legislation

2 Value Adding Activities

- Taxpayer education
- Taxpayer registration
- Return and Declaration processing
- Payment receipting (collections)
- Debt Management
- Audit and Investigations
- Refunds payments
- Enterprise Risk Management
- Asset Management/ Maintenance
- Organisational Culture Development

3 Outcomes

- Revenue Collections
- Voluntary Compliance
- Asset Maintenance
- Operational Efficiencies
- Refunds to Taxpayers
- Sound Governance

4 Outcomes and Impacts

- Sustainable and efficient revenue collection
- Voluntary compliance
- Positive organisational image
- Fiscal sufficiency

VALUE ADDED BY ERS (1–2)

VALUE ADDED TO TAXPAYERS AND GOVERNMENT (3–4)

OUR Stakeholders

1. Government Ministries
2. Financial Institutions
3. Business / Industry Formations
4. Other Tax Administrations
5. Tax Practitioners
6. Regulatory Bodies
7. International Experts
8. Suppliers
9. Clearing Agents

OUR Operating Model

Suppliers

- Vendors
- Supplier database
- Framework contracts
- International organisations (IMF, WCO, ATAF, OECD)

Management Systems

- EXCOM
- Extended EXCOM
- Portfolio Board
- RMC
- Monthly & Quarterly reports
- Budget Committee
- ERS Tender Board
- Departmental Meetings
- OPCOM
- Program Boards

Locations

- Field Offices
- Head Quarters
- Mobile Clinics
- CRM visits to taxpayer premises
- Field audits in taxpayer premises

Information

- HR System
- ASYCUDA World
- POS Systems
- eTax platform
- Online returns
- ERP
- EFT Online

Processes

- Registration process
- Assessment process
- Refunds
- Debt management collections
- Audit and investigations
- Objections and appeals
- Reporting
- Payments
- Procurement

Organisation

- Operations teams
- Contact centre teams
- Research & Strategy Teams
- Accounts & revenue treasury teams
- Procurement team
- Corporate services team
- ICT Team
- Legal Team

Situational Analysis

Global and Regional Developments

As the world continues to recover from the impact of the COVID-19 pandemic, global economic growth remains low. After an estimated 6.1% economic recovery in 2021, global growth is projected to decline to 3.6% in 2022. The ongoing war between Russia and Ukraine is contributing to the slow recovery, increased commodity prices and intensified supply disruptions adding to increased inflation. The economic costs of the war are anticipated to spread to, trade, and financial linkages, as current sanctions imposed to end the war between Russia and Ukraine continues to be in effect. World trade volumes indicated a recovery from the COVID-19 pandemic with a growth of 10.1% in the year 2021, from a subdued performance of 7.9% in the year 2020. This growth is projected to continue at a rate of 3.0% in 2022 (a downward revision from 4.7% previously anticipated).

In the Sub-Saharan African region, there was an improvement in economic growth in 2021 to (4% from a decline of 1.7% in 2020, owing to an increase in economic performance of major economies such as South Africa (which grew by 4.9%) and Nigeria (grew by 3.4%). This expansion is however projected to slow down in light of the global inflation and supply disruptions.

This growth is an indication of the recovery from the impact that the COVID-19 pandemic had on these economies. This increase was despite the economic disruptions caused by the political protest that affected businesses in South Africa in July. The key drivers of the South African economy's growth were the personal services, trade, manufacturing and agricultural sectors which grew by 2.7%, 2.9%, 2.8% and 12.2% respectively.

Domestic Developments

From a contraction of 1.9% in the year 2020 due to the negative economic effects of the Covid-19 pandemic, the domestic economy grew by 5.9% in 2021. This rebound in economic growth was mainly due to recovery of economic activity, resulting from relatively relaxed COVID-19 control measures which were not as stifling as in the previous year. **The economy is projected to further increase by 2.4% in 2022, and by 2.6% in 2023.** The anticipated growth rate for 2022 is on account of the expected continued economic recovery particularly in sectors such as manufacturing, ICT, and financial services. The average inflation rate for 2021 was 3.7%, a decrease from the 3.9% in 2020. It is anticipated that it will increase in 2022 and again in 2023, to 4.1% and 4.3%, respectively.

Major Economic Indicators

Indicator	2020	2021	2022	2023
GDP Growth	-1.9%*	5.9%	2.4%	2.6%
CPI Inflation	3.9%*	3.7%*	4.1%	4.3%

Source: CSO and CBE, * Indicates actuals and the rest are forecasts.

CHAPTER 2

Organisational Performance

How We Fared Against Our Capitals

Projects, Objectives and Achievements in 2021/22

Capitals	Capital Inputs / Stock of Capital	Business Activities/ Value Creation	Outcome	Performance in 2021/22
FINANCIAL	• Government subvention.	• Collection of revenue. • Registration. • Return Management. • Refunds payment. • Tax assessments and declaration processing. • Debt management. • Audits.	• Reduced cost of collection. • Regionally competitive tax to GDP ratio. • Higher revenue collections.	• E10.787 billion tax revenue collected. • 4.2% attained as Cost-To-Revenue ratio. • 84.38% Debt-To-Tax Revenue ratio. • 3.80% increase in registered taxpayers.
HUMAN	• Expertise and knowledge. • Competent staff. • Experienced staff. • Safety and health of staff. • Culture in line with company values	• Staff development. • Recruit and retain the right skills and expertise. • Integrity awareness and assurance. • Organisational culture change activities. • Staff wellness programme implementation. • Compliance with safety regulations and imple-mentation of SHE policy.	• Reduced cost of collection. • Regionally competitive tax to GDP ratio. • Higher revenue collections.	• E10.787 billion tax revenue collected. • 4.2% attained as Cost-To-Revenue ratio. • 84.38% Debt-To-Tax Revenue ratio. • 3.80% increase in registered taxpayers.
INTELLECTUAL	• Tacit and specialised know-ledge and skills. • Healthy governance framework. • Enterprise risk framework. • Internal policies established processes and procedures. • Legislation. • Information management systems. • Revenue collection ICT Systems. • Disaster recovery systems.	• Intelligence and investigations. • CRM and Data Matching Initiative • Knowledge management and sharing from projects and activities. • Risk mitigation. • Strengthening/improving internal controls, policies, processes and procedures. • Continuous assessment and improvement of tax legislations. • Compliance with all laws and regulatory bodies. • Strengthening of governance.	• Good corporate citizenship with strong ethics and culture. • Organisational efficiencies.	• Continued with implementation of strategic risks and treatment actions to mitigate risks. • 16 audits completed, and 5 follow-up audits. 27 management actions passed assurance testing. • 98% legal compliance management level. • 56 whistle blowing reports received for investigations. • 4 investigations finalised,10 still pending.
SOCIAL AND RELATIONSHIP	• Relationships with Stakeholders. • Corporate Social Investment • Reputation of the organisation.	• Taxpayer engagement and education. • Segment relevant taxpayer service. • Stakeholder engagements. • Working with key partners to support tax compliance and trade facilitation. • Implement CSI programme. • Corporate image management.	• Customer satisfaction. • Improved voluntary compliance. • Improvement in ease of doing business. • Good corporate image.	• 24, 414 communication traffic processed through call centre. • 426,766 Facebook users reached through taxpayer education.
MANUFACTURED	• Assets. • Vehicles. • ICT hardware and software.	• Upgrade processes and systems. • Use latest technology. • Maintain and improve existing infrastructure.	• Sustainable operation of the business and a motivated team. • Reduced operational and occupational risks.	• ERS rolled out projects to improve security posture and network resilience. • High percentage system availability key performance target set for the year surpassed, attaining 99.74%.

Cost of Collection

2020/21

Cost to Revenue Ratio: **4.5%**

Staff Costs: **E274m**

Administrative Costs: **E173m**

2021/22

Cost to Revenue Ratio: **4.2%**

Staff Costs: **E290m**

Administrative Costs: **E178m**

The cost of collection (cost to tax revenue ratio) for the year 2021/22 was 4.2 cents per lilangeni collected, which was 0.14 percentage points lower than the previous year (2020/21). This was against a target 3.6%, indicating an under performance due to an inability to meet revenue targets. The cost of collection is a critical measure to the organisation's efficiencies as it shows how much it costs to collect each lilangeni of tax revenue. Other contributing factors to the cost being lower than in the previous year, includes reduced domestic and international travel as well as training expenses due to precautionary measures to reduce the spread of the COVID-19 pandemic.

Procurement of Goods and Services

In line with ERS policies and The Procurement Act, 2011, the organisation commissioned several tenders for the procurement of goods and services.

The total value of tenders awarded in 2021/22 was E70 757 544.86.

Procurement Management in 2021/22

TENDERS
Twenty Three (23) awarded with value of
E55 180 606.43

TYPE OF TENDERS
Goods - E4 728 419.00
Services - E40 741 998.43
Works - E9 710 189.00

Procurement Management in 2021/22

VALUE OF PURCHASES ORDERS
E15 576 938.43

NUMBER OF PURCHASE ORDERS ISSUED
586

Revenue Collection Performance

The ERS collected a total of E10.787 billion tax revenue against a target of 12.022 billion, which was 10% below the targeted performance. Although the shortfall was E1.235 billion, it was above the previous year by E0.842 billion. The deficiency in tax collections was observed across most of the major tax indicators, which can be partly attributed to slow economic recovery following the COVID-19 pandemic, as well as weakened economic performance since the episodes of political unrests which started in the previous financial year. Despite underperformance across major tax indicators, there was still positive performance on a year-on-year comparison, indicating a recovery from the previous year's heightened COVID effects.

Total Tax Revenue Collection for the years 2017/18 – 2021/22 (E'000)

	2017/18	2018/19	2019/20	2020/21	2021/22		Variance		As a % of revenue in 2021/22
	Actual	Actual	Actual	Actual	Target	Target	2021/22 Actual-Target	2020/21 2021/22	
Company Tax	1 373 916	1 457 714	1 707 480	1 440 501	1 859 808	1 837 254	(1.2%)	27.5%	15.5%
Individuals	3 044 976	3 260 639	3 482 891	3 555 661	3 888 408	3 795 828	(2.4%)	6.8%	32.3%
Other Income Tax	440 652	493 600	487 875	578 232	593 931	533 049	(10.3%)	(7.8%)	4.9%
Graded Tax	728	1 249	1 043	864	1 117	1 266	13.4%	46.6%	0.0%
Total Income Taxes	**4 860 273**	**5 213 202**	**5 679 289**	**5 575 258**	**6 343 265**	**6 167 398**	**2.8%**	**10.6%**	**52.8%**
SALES TAX	779	335	7 429	3 991	0	2	-	(100%)	0.0%
VAT	2 520 224	2 667 798	2 964 828	3 119 323	3 955 959	3 134 238	(20.8%)	0.5%	29.8%
OTHER TAXES									
Road Toll	31 705	33 215	56 275	47 961	107 056	56 531	(47.2%)	17.9%	0.9%
Lotteries and Gaming	6 050	5 156	5 621	2 771	6 291	1 679	(73.3%)	(39.4%)	(0.1%)
Fuel Tax	1 004 629	1 050 338	1 20 966	1 261 264	1 549 235	1 289 662	(16.8%)	2.3%	12.9%
Import Motor Vehicle Levy		5 365	8 918	12 334	20 008	8 980	(55.1%)	(27.2%)	0.2%
Alcohol & Tobacco Levy			15 972	29 440	40 041	43 848	9.5%	48.9%	0.3%
Total Taxes on Goods and Services	**3 563 387**	**3 756 841**	**4 261 009**	**4 477 085**	**5 678 589**	**4 534 939**	**(20.1%)**	**1.3%**	**47.2%**
Immigration fines, penalties and unallocated funds	29 825	18 662	10 585	(107 081)	0	84 624		(179.0%)	0.0%
GRAND TOTAL	**8 453 484**	**8 988 705**	**9 950 883**	**9 945 262**	**12 021 853**	**10 786 961**	**(10.3%)**	**8.5%**	**100%**

Gross Revenue

E12.451 billion

–

Refunds Paid

E1.764 billion

Net Revenue

E10.787 billion

Breakdown of Revenue Collected

DIRECT TAXES

Fuel Taxes
E1.289 billion
+2.3% prior year
-16.8% against target

Road Toll
E0.057 billion
-47.2% against target
+17.9% prior year

Alcohol & Tobacco Levy
E0.029 billion
+84% prior year
-21.1% against target

Import Motor Vehicle Levy
E0.012 billion
+38.3% prior year
+40.5% against target

Value Added Tax
E3.134 billion
+0.5% prior year
-20.8% against target

INDIRECT TAXES

Company Taxes
E1.837 billion
+27.5% prior year
-1.2% against target

Graded Tax
E0.012 billion
+46.6% prior year
-3.4% against target

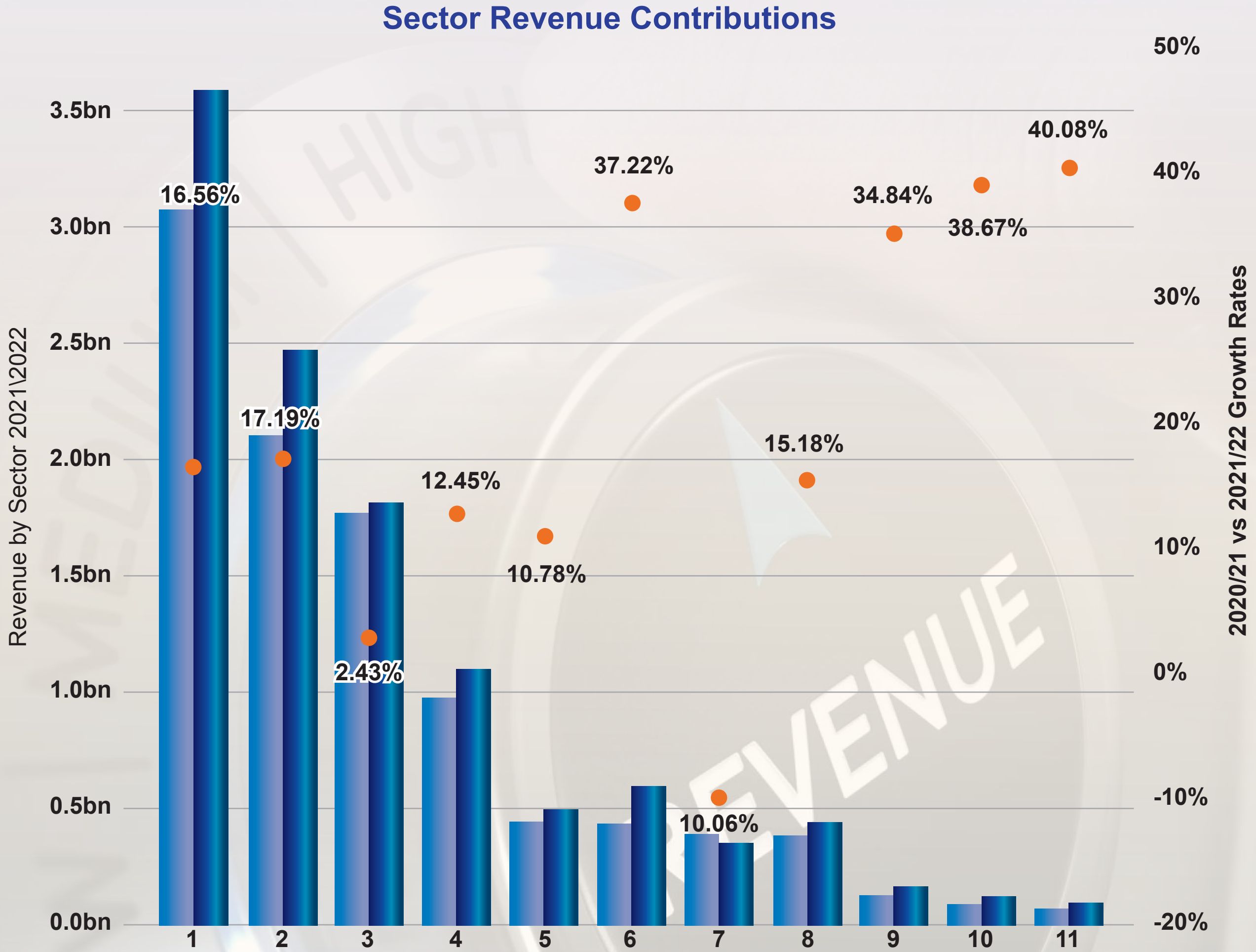
Other Income Tax
E0.533 billion
-7.8% prior year
-10.3% against target

Individuals
E3.796 billion
+6.8% prior year
-2.1% against target

For the second consecutive period in the past five years, tax revenue collections grew below the economic growth rate, which is characteristic of a declining revenue administration. In 2021/22, the tax revenue grew by 8.5% but was still lower than the nominal Gross Domestic Product (GDP) increase of 10.9% as reflected in projections of the CBE and the MEPD. The average domestic revenue growth rate for the past 5 years was 5.3% this year which is 4.7 percentage points below the long-term average of 10.0%.

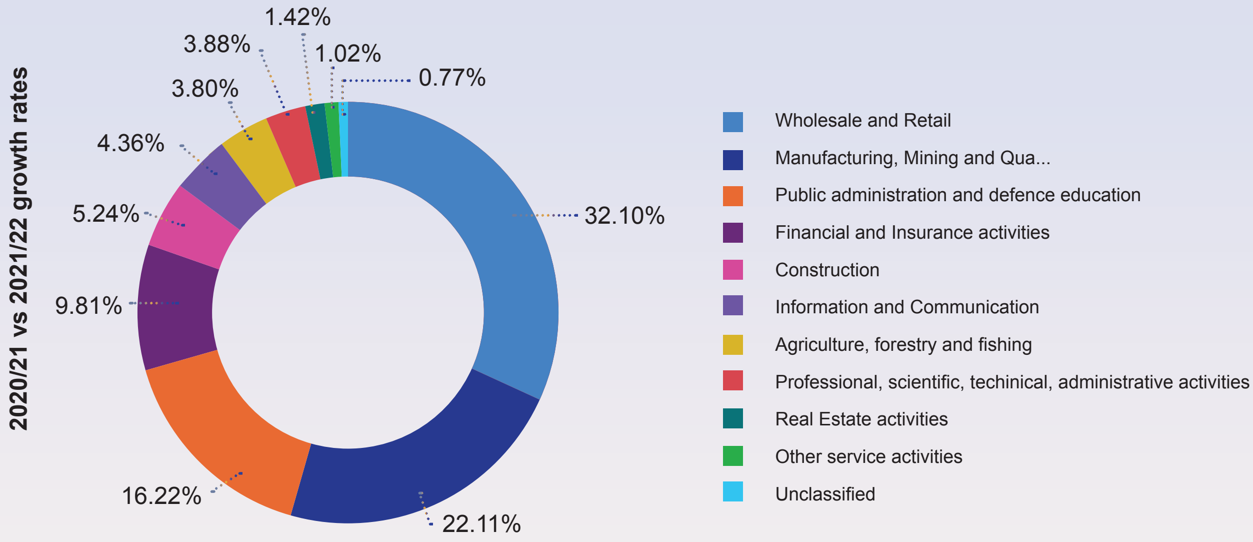
Personal Income Taxes (PIT) and Value Added Tax (VAT) contributed the most tax revenue, at 35.19% and 17.03% respectively, indicating that most of the revenue collected by ERS came from individuals. Other Income Tax (OIT) and Fuel Tax contributed the least tax revenue at 4.94% and 11.96%, respectively. The Manufacturing, and Wholesale and Retail sectors realised noticeable increases in revenue contribution while the Agricultural sector recorded a decline.

Contribution to total tax revenue by sector in 2020/21 and 2021/22



1. Wholesale and Retail
2. Manufacturing, mining and quarrying
3. Public administration and defence, education
4. Financial and insurance activities
5. Construction
6. Information and Communication
7. Agriculture, forestry and fishing
8. Professional, scientific, technical, administrative activities
9. Real Estate activities
10. Other service activities
11. Unclassified

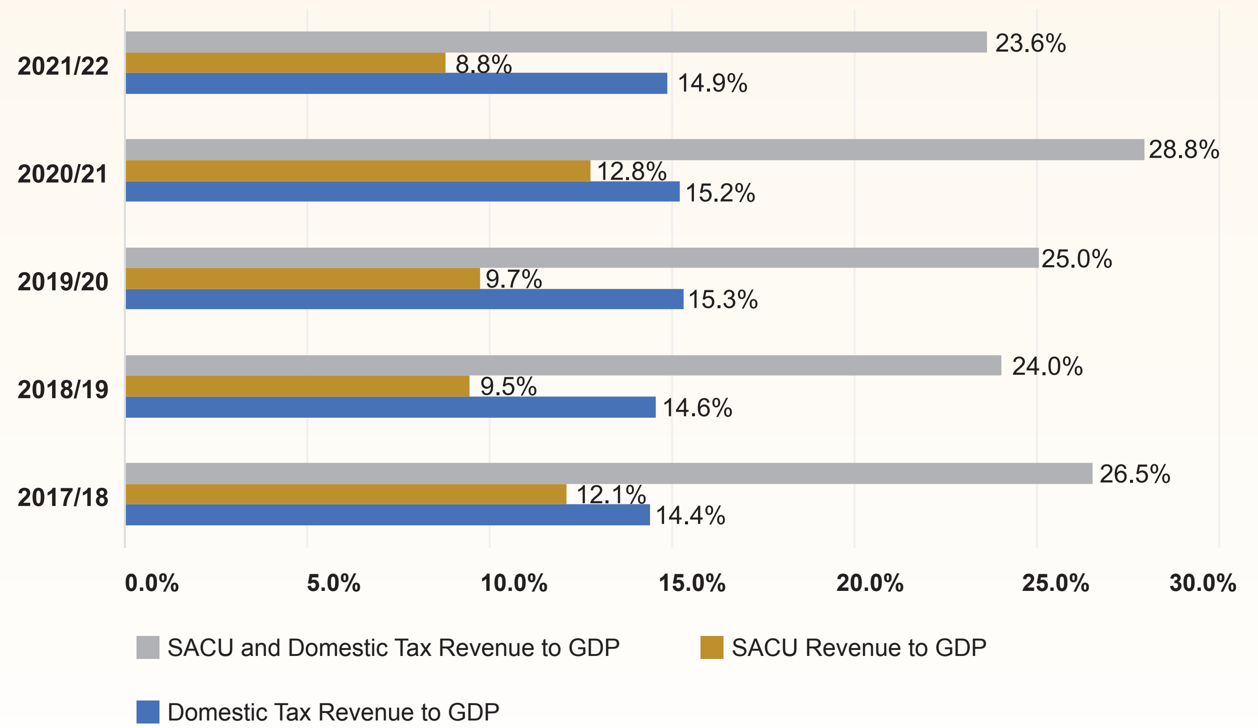
Sectors' Contribution to Revenue



Tax Revenue to Gross Domestic Product

The tax-to-GDP ratio measures the efficiency of the tax administration and tax policy in the economy. **The organisation achieved a domestic tax-to-GDP ratio of 14.9% against an anticipated 17.3%.** This indicates a decline from the 15.4% recorded in the financial year 2020/21. This lower than anticipated performance was due to the lower than target performance in the major tax types. The total revenue-to GDP ratio (Including Southern African Customs Union (SACU) revenue) declined from 28% to 23.6% in the financial year 2021/22, owing to a decrease in SACU receipts.

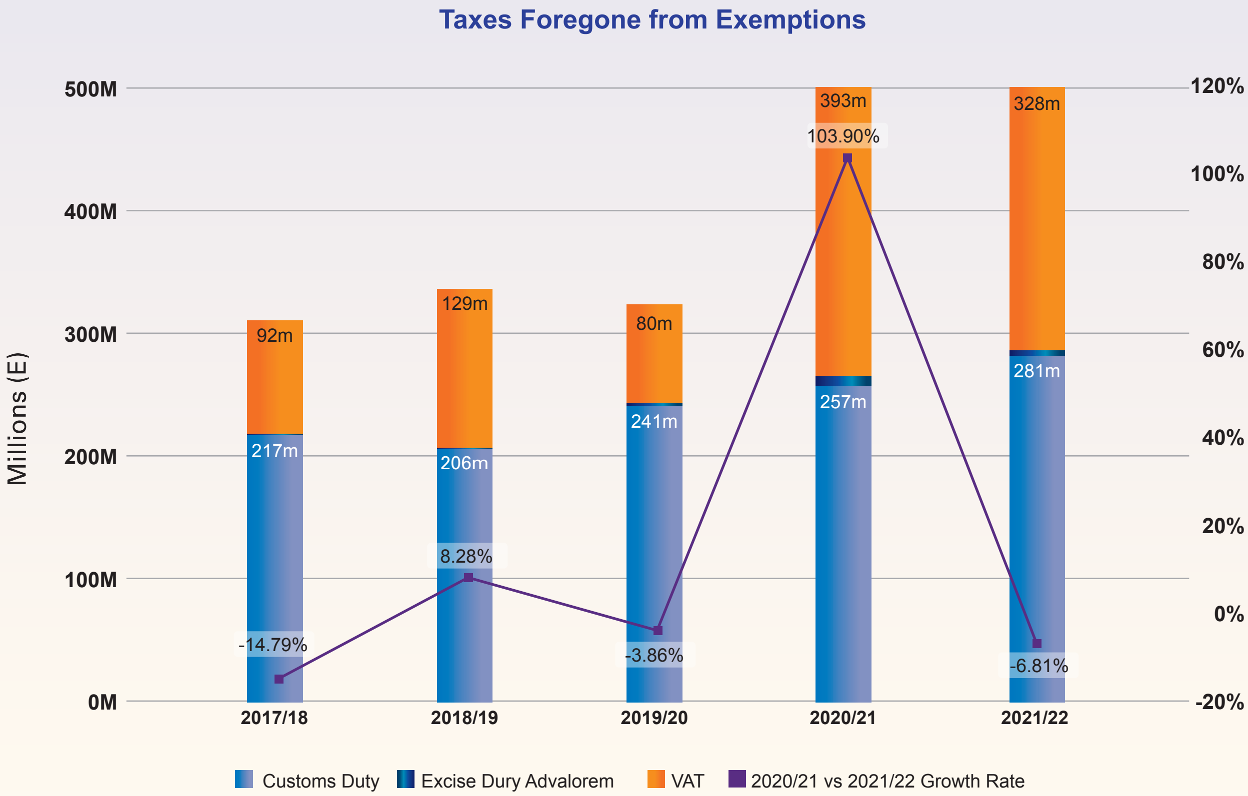
Domestic Tax Revenue and SACU Revenue Tax-to GDP Ratio, 2017/18 to 2021/22



Tax Revenue Foregone

Tax revenue foregone due to exemptions decreased by 6.8% in 2021/22 because of decrease in VAT related exemptions in the period. This decline in exemptions was due to a decrease in the importation of health products used towards mitigating the COVID-19 pandemic. The highest revenue foregone was on VAT exemptions, followed by customs duties.

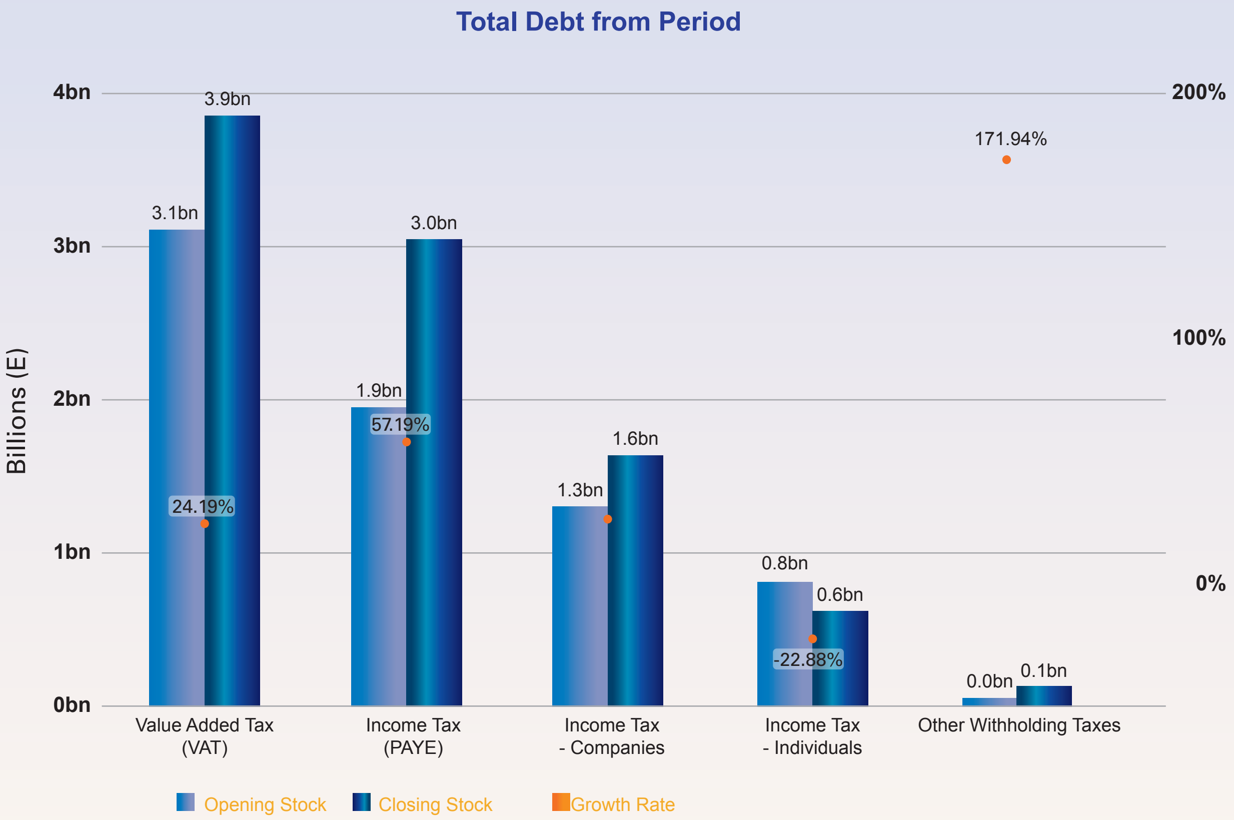
Tax Revenue Foregone through exemptions in 2017/18 – 2021/22



Debt to Tax Revenue Ratio

Tax arrears increased across all tax types, leading to an overall increase of 26.29% in amounts owed by taxpayers. **As of 31st March 2022, the total debt stock was E9.171 billion from an opening balance of E7.262 billion.** There was significant 172% increase of 'Other Withholding Taxes' debts to E133.64 million, caused by assessed audits that were conducted on withholding taxes. Pay As You Earn (PAYE) and Income Tax debts also grew to E3.042 billion and E1.622 billion respectively. PAYE faced pressure from non-paying public enterprises who were facing cash flow challenges, while VAT debts increased due to non-payment of assessed audits for import car dealers. Debts under PIT also grew substantially by the end of 2021/22 due to individuals increasing declarations during this period. The debt to tax revenue ratio as at the close of the year was 84.38% against a target of 55%. Debt collection strategies were developed and implemented during the year resulting in vigorous collection of debts.

Total debt for periods 2020/21 and 2021/22



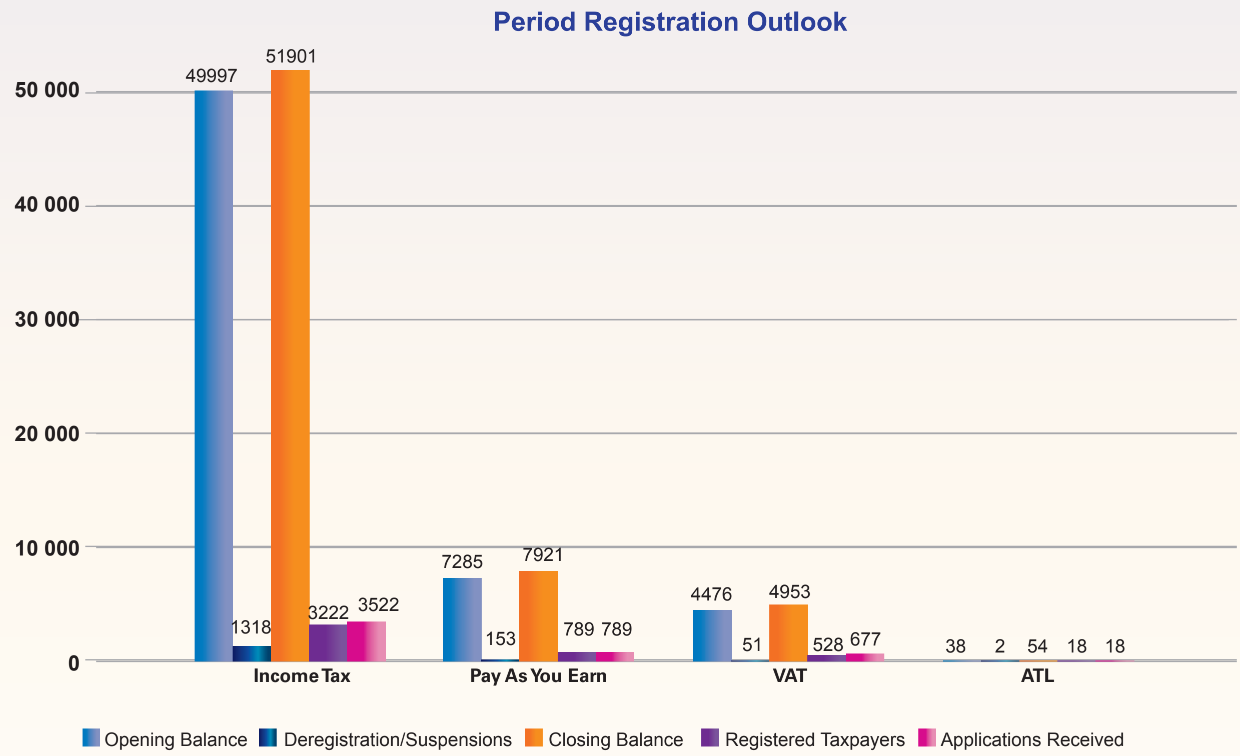
Voluntary Compliance

Registration Compliance

An up-to-date taxpayer registration database is paramount for effective administration of taxes. Taxpayer Registration is fundamental to other key compliance processes such as filing, assessment, payment, collection of debts and general tax enforcement; hence it is also vital to allocate adequate resources to maintain a sufficiently accurate data-base to assist with taxpayer interactions.

During this reporting period, taxpayer database increased by 3.80% from 49,997 to 51,901. A total of 1,301 Taxpayer Identity Numbers (TINs) were issued to entities registering for Company Income Tax, which is 8.4% increase from the previous year, exceeding the set target of 4.2%. On the other hand, 528 VAT certificates were issued to registered taxpayers, an increase of 10.7% against a target of 4.8%.

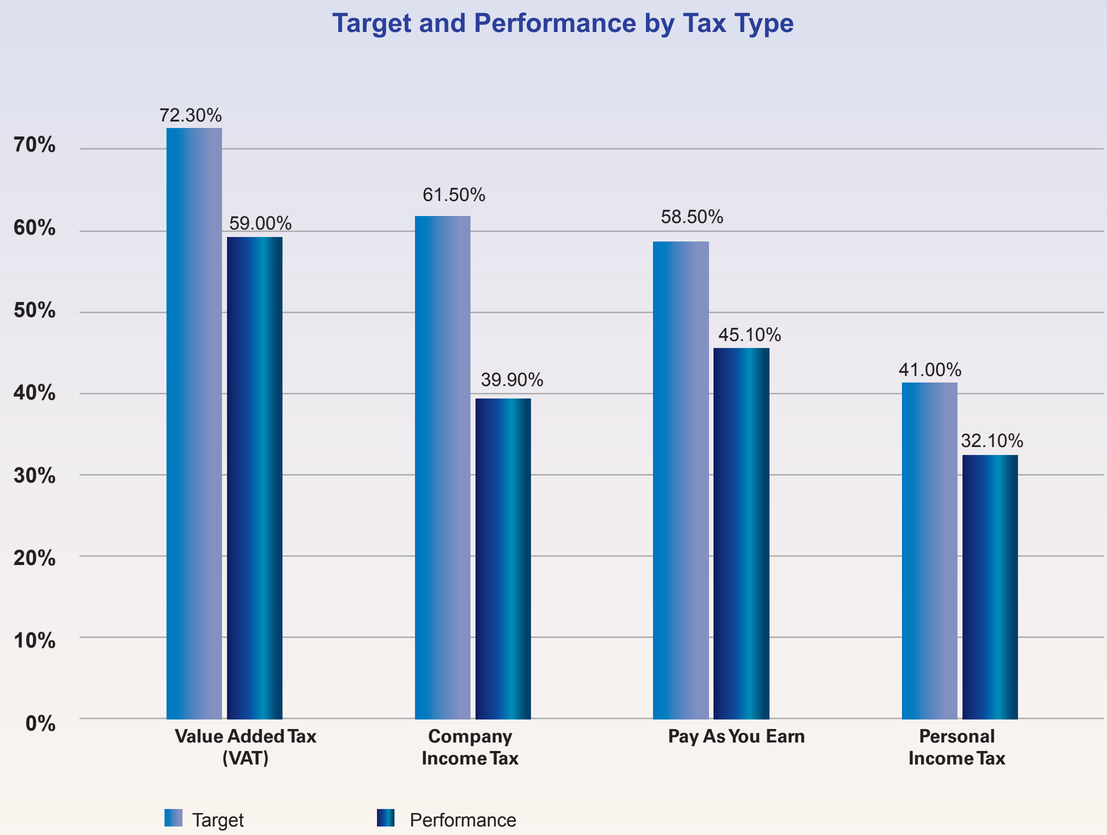
Registration Outlook in 2021/22



Filing Compliance

The number of returns filed on time decreased by an average 4% from 2020/21, which may in part be a consequence of the country's political unrests and the COVID-19 pandemic. On-time filing was 38.9%, 32.1%, 59.0%, and 45.1% for CIT, PIT, VAT and PAYE respectively. This was against their respective targets of 61.5%, 41.0%, 72.3% and 58.5%. All tax types were below their on-time filing targets.

Filing Compliance Statistics in 2021/22



Payment of Refunds

Customer centricity and timely processing of refunds is important, as the ERS needs to ensure that businesses remain liquid for day-to-day operations. **A total of E1. 622 billion was processed in refunds for 2021/22 of which 98% were for VAT.** There was an increase in the average time it takes to pay a VAT refund from 25.5 days to 37.7 days. While the time taken to pay an Income tax refund increased from 40 days to 59 days due to unforeseeable challenges and measures to improve on these timelines are being implemented.

VAT:
37.7 days
taken to pay refunds

E1.717 billion (+9%)

+

Income Tax:
58.8 days
taken to pay refunds

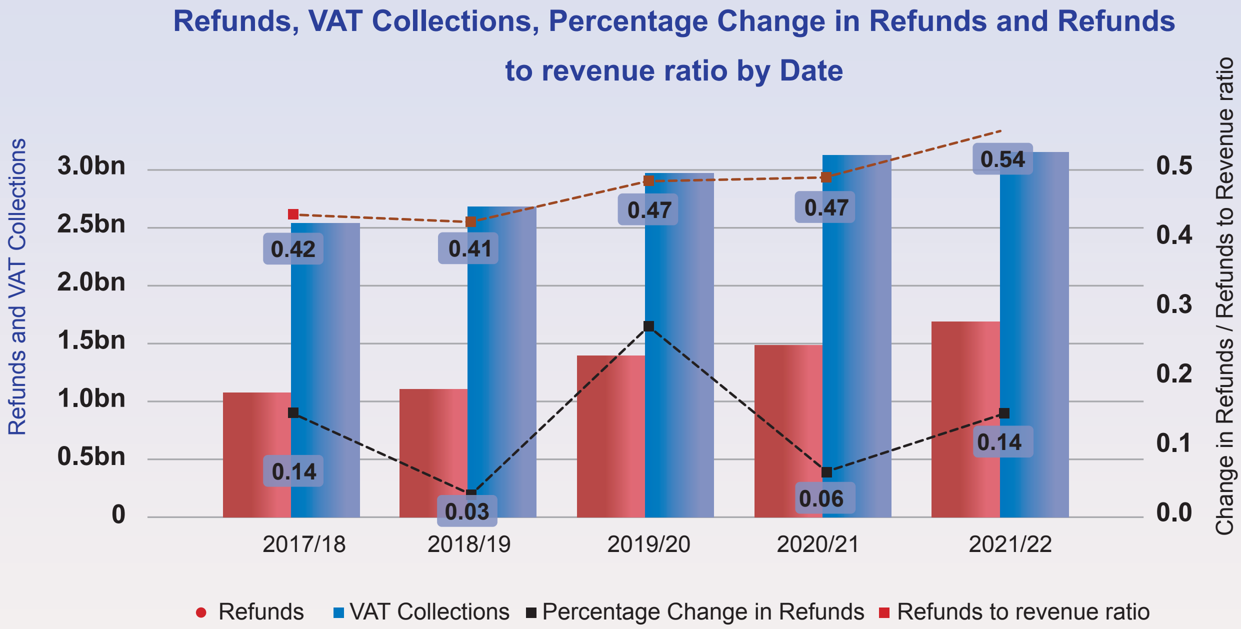
E28.279 million (-33%)

=

Total Refunds:

E1.745 billion (+8%)

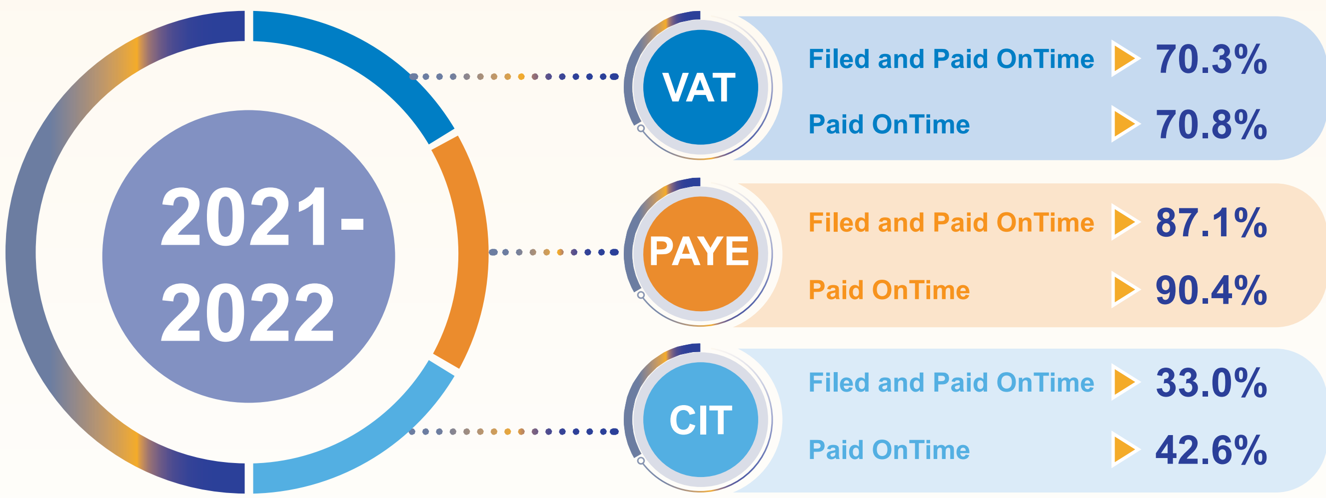
Refunds in the period 2016/17 – 2021/22



Payment Compliance

On time payment for VAT and Income tax were all below their targets for 2021/22, with only PAYE recording an above target performance. However, there was an improvement in the value of on-time payments for VAT and PAYE when compared to the previous year. VAT benefitted from significant growth in the ICT and Wholesale and retail sectors while PAYE saw improvements from the public administration, particularly health related services. On the other hand, Income tax recorded a deterioration compared to the previous year due to a decline in on-time provisional payments, underpinned by protests that saw the burning down of many businesses. To promote compliance, bulk SMSs for on-time filing and payment reminders were sent to taxpayers.

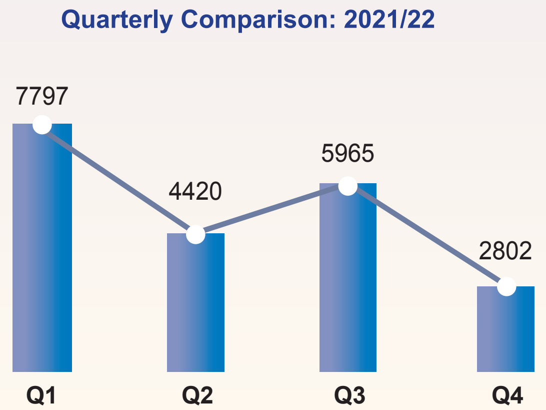
Payment Statistics in 2021/22



Taxpayer Engagements

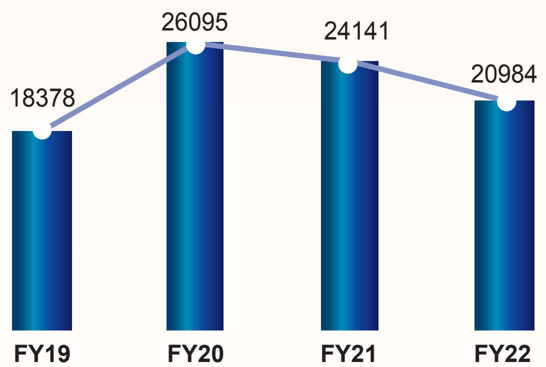
The ERS continued to engage with various stakeholders, especially taxpayers to help them comply with tax and customs obligations. Various platforms of engagements were used and these included; radio, contact centre, print media, digital and social media (Website, Emails and Facebook). The organisation's contact centre remained the main point of contact, receiving enquiries through email and telephone. The overall contact centre traffic for the year was 20 984, which is 16% lower than the previous year's recorded traffic. During the year under review the first quarter of the year had higher traffic compared to the rest, with the last quarter recording the lowest number (see graph below).

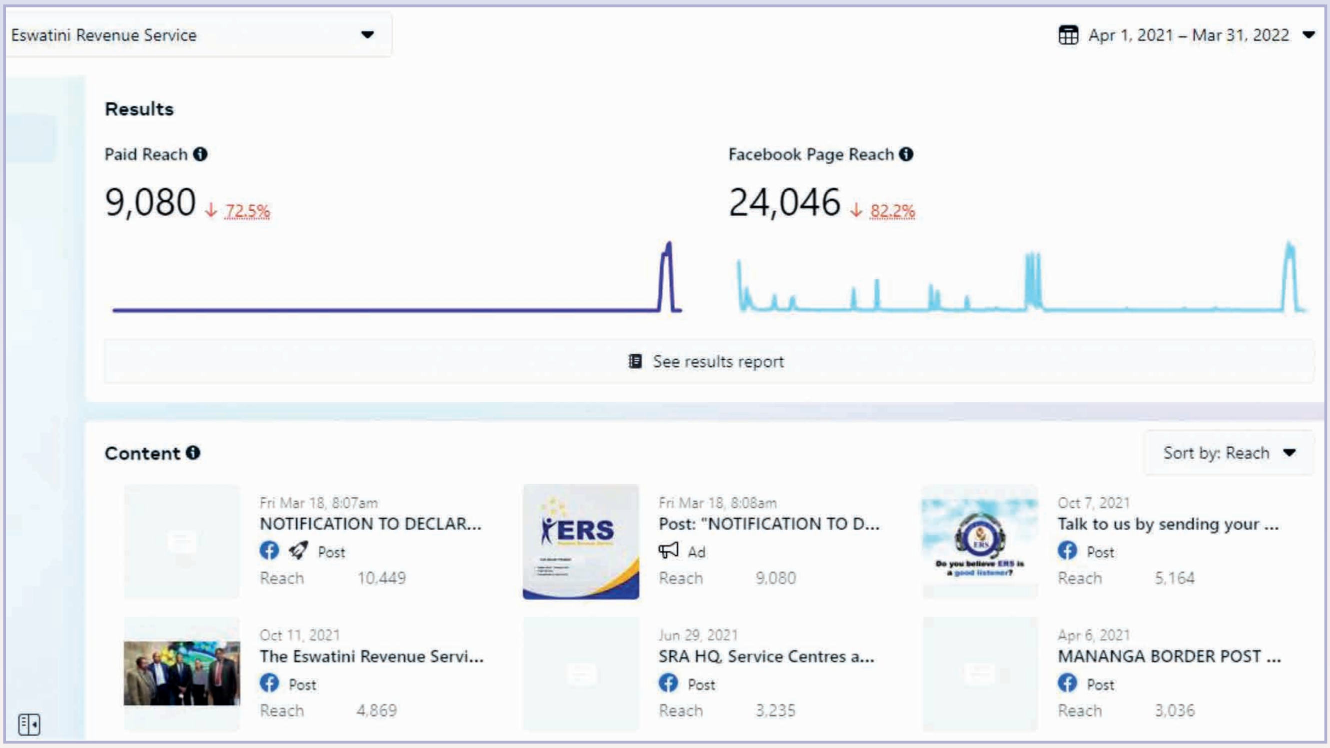
Contact Centre Report - Quarterly Analysis



Yearly analysis reveals that traffic is even lower than the annual average (approx. 22468) for the past 4 years. This could be due to economy shrinkage and use of digital means to contact the organisation.

Contact Centre Report FY19 - 22





Trading Across Borders

Average time taken to release goods at borders

Average Clearance Time (Imports)

4 Hours 4 Minutes

Average Clearance Time (Exports)

4 Hours 21 Minutes

Some of the contributing factors to prolonged clearance times include internet connectivity and low utilisation of the pre-clearance functionality.

In an effort to improve on the release times, two initiatives were implemented which were automation of the issuance of the exit by the automated customs clearance system (ASYCUDA), and extension of operations at the Ngwenya border to try and ease processing bottlenecks during the peak hours.

Implementation of the Harmonised Commodity Description and Coding System version 2022 (HS 2022)

The new version of the HS (HS 2022) was implemented on ASYCUDA on the 1st January 2022 to replace the HS 2017 version of the Harmonised System used for classifying traded products. There were about 350 amendments on the HS updates which address areas such as:

- Inclusion of specific categories for purposes of classifying products that are controlled under various international conventions, such as those that assist towards providing adequate focus to health and safety concerns.

- Creation of categories for classification of ‘new products as well as dual use goods’ such as ‘smart-phones’; unmanned aerial vehicles (UAVs, i.e. drones); and flat-panel display modules.

- Enabling the implementation of recommend-ations made by the World Customs Organisation (WCO), to implement HS 2022 on a 6-digit international level as well as the consequential amendment on a national 8-digit level.

Modernisation Programme

The WCO extended support for technical assistance towards the implementation of ‘Trader Connect’ which will enhance the customs-to-customs electronic data exchange project to include pre-populating some of the fields on the import declaration and thus making it faster for declarants to capture declarations in the country of import. The terms of reference and concept note for undertaking the developments that will enable the traders/ declarants to access the pre-populated declaration were developed and submitted to the WCO to undertake the procurement process of engaging a suitable service provider to provide technical expertise for enhancing the functionality of the data exchange platform.

Accredited Training for Customs Clearing and Freight Forwarding Agents

The partnership program between the ERS and the Institute of Development Management (IDM) to deliver the accredited training program for Customs Clearing and Freight Forwarding Agents was launched during the year.

Compliance Program for Customs Clearing Agents

The ERS developed a compliance program designed to strengthen awareness on compliance requirements that are specific to work done by Customs Clearing and Freight Forwarding Agents. The purpose of this program is to assist clearing agents and declarants to better understand the application of laws and procedures that impact on the clearance of goods and other matters that fall under customs and excise controls. The program has been structured to support regular engagements with clearing agents to monitor their compliance and avail an opportunity for providing up-to-date information to assist them in meeting the compliance requirements.

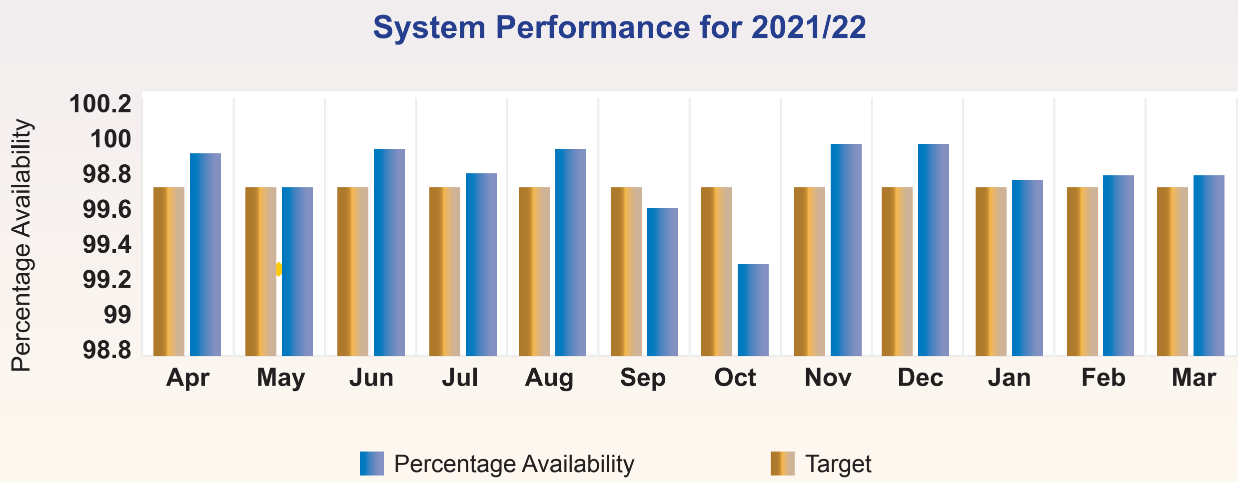
High Systems Availability

To keep up with the ambition of the digital business transformation at ERS, the organisation partnered with Gartner South Africa - a technological research and consulting company, to ensure that the organisation has access to the opportunities, research material, and other resources at their disposal.

The organisation also rolled out several projects to improve the ERS security posture and network resilience. These included advanced antivirus tools, secure backup solutions, network firewalls as well as a failover over network, which is a backup network that automatically switches on when the primary network fails.

Despite the reality that some of these initiatives were delivered towards the end of the financial period, **ERS managed to attain 99.74% in the high percentage system availability measure, slightly surpassing the target of 99.70% set for the year.**

System Availability Chart

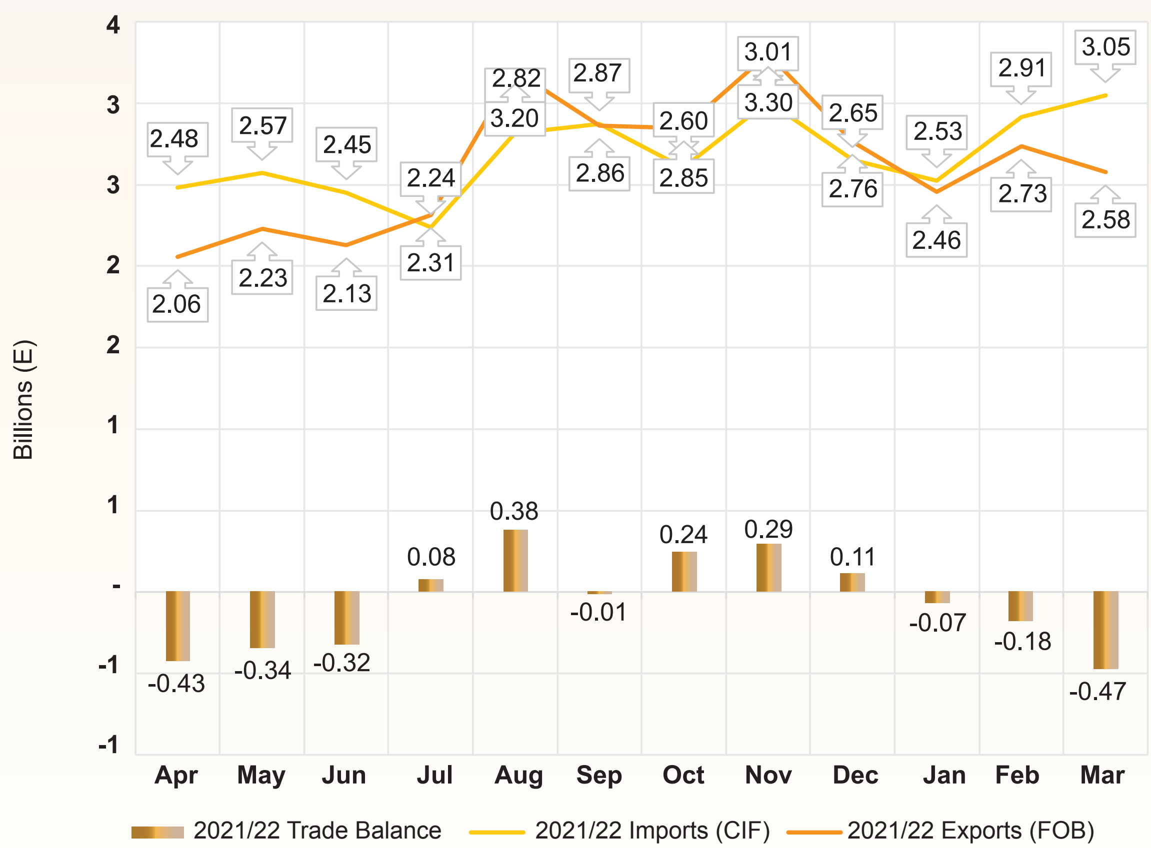


International Merchandise Trade

Trade in Goods

A trade deficit (imports against exports) of E0.72 billion was recorded in 2021/22, compared to a E3.640 billion deficit in the previous year. Total exports to the world stood at E31.472 billion which was a 10.24% increase from E28.547 billion recorded in the previous year. Total imports from the world increased by 18.21% in 2021/22, valued at E32.188 billion compared to E27.230 billion in the previous reporting period.

Visible Trade Balance 2021/22

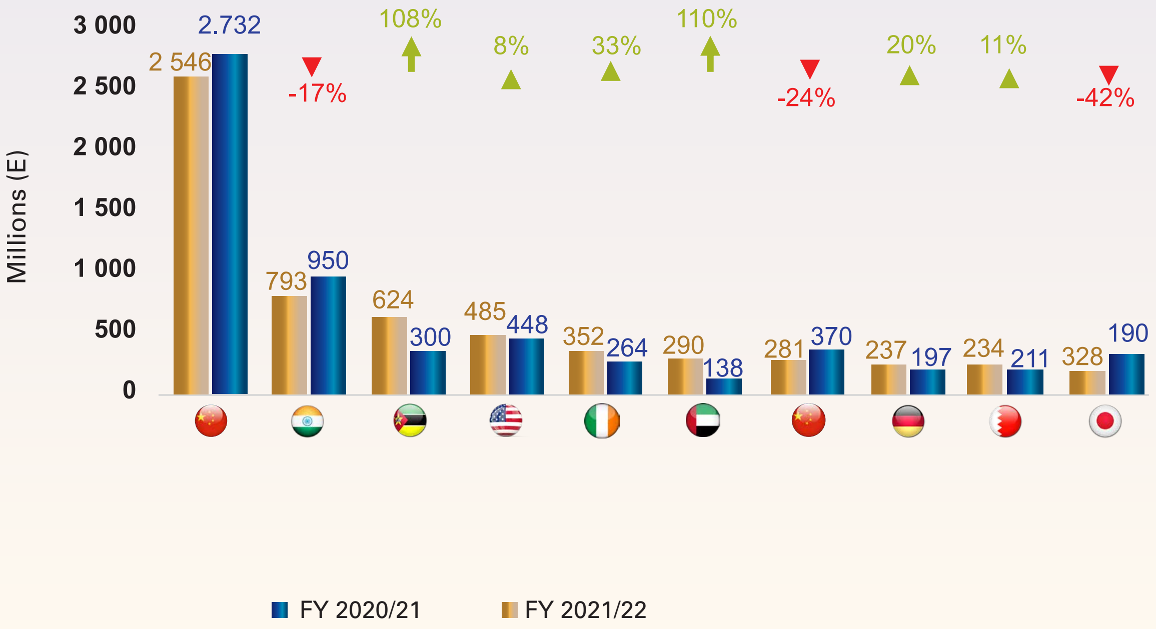


Our Top Trading Partners

Imports and Exports by Country of Origin & Destination

South Africa remains Eswatini's major import partner accounting for 73.55% (E23,676 billion) of total imports in 2021/22, which was a 24.45% increase from the previous year. The major imported goods from South Africa were "Petroleum products" & "Electric Current". The rest of the other top import partners (excl. South Africa) were: China, India, Mozambique and the United States of America.

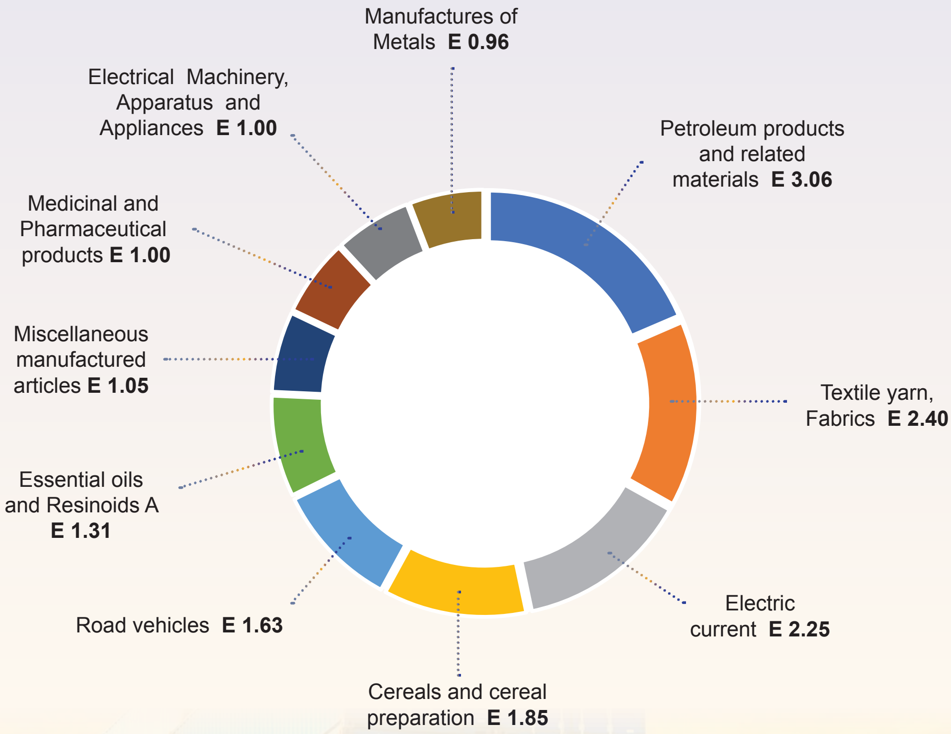
Major Import Partners (excl. South Africa)

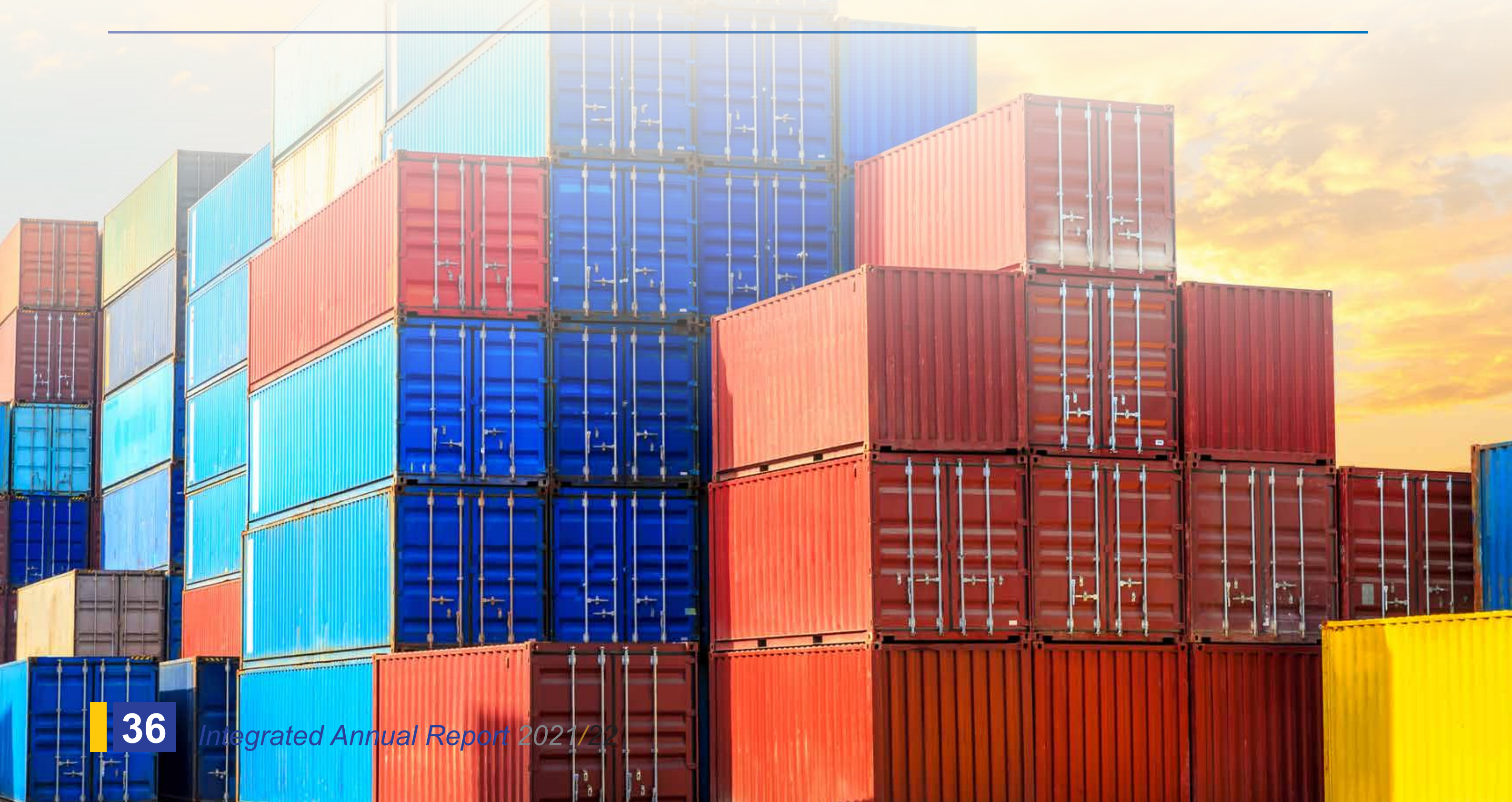


Imports By Standard International Trade Classification (SITC)

"Petroleum products and related materials'' in the sum of E3.063 billion (37.54%), "Textile yarn" in the sum of E2.40 billion, "Fabrics'' in the sum of E2,399 billion (23.22%) and "Electric current'' in the sum ofE2,248 billion (78.47%) were the top exported classifications in 2021/22.

Top Imported Products (2021/22) in billion (E)



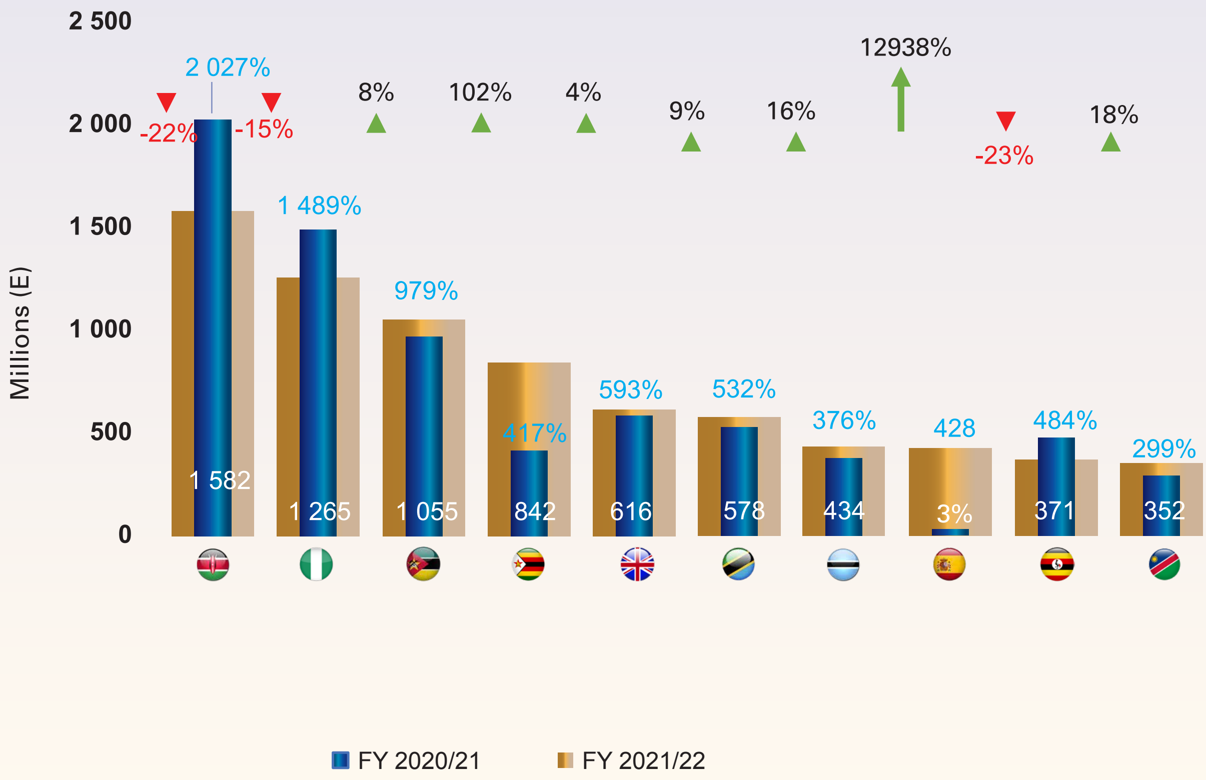


Major Exports Partners

Even with Exports, South Africa remains our major partner, accounting for 69.02% (E21.732 billion) of total exports in 2021/22, which was a 16.06% increase compared to 2020/21. The major exports to SA were "Essential oils" and, ''Sugar preparations and honey." The rest of the other top five export partners (excl. South Africa) were: Kenya, Nigeria, Mozambique and Zimbabwe.

Noticeably, is the exponential increase in exports (12938 %) to Spain, presumably from a resumption of normal trade after the Covid-19 pandemic, especially for some products like cane sugar and grapefruits.

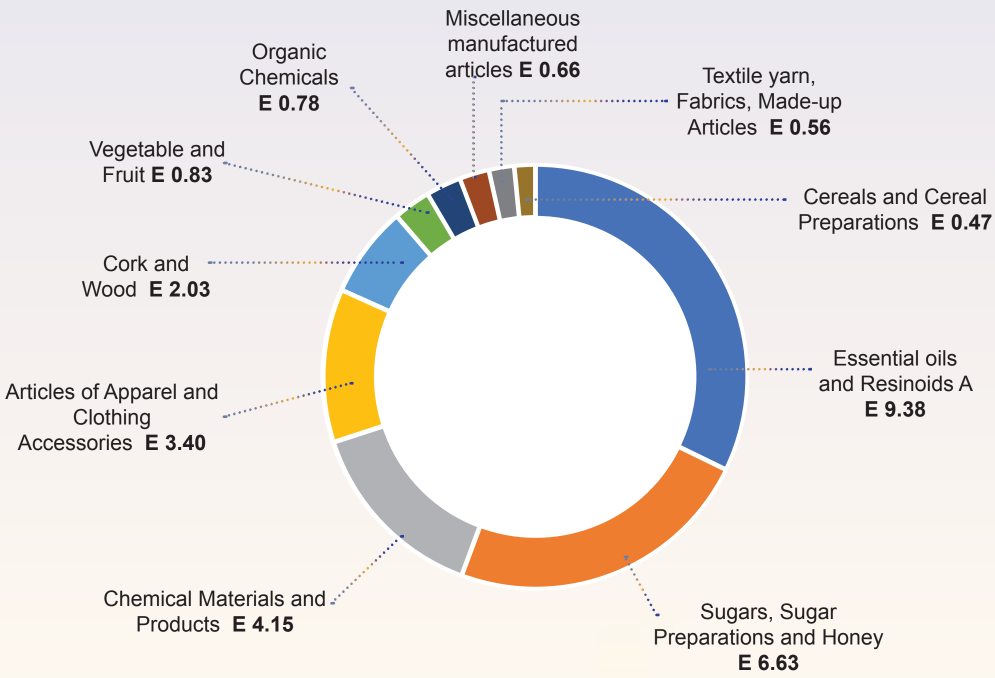
Major Export Partners (excl. South Africa) in Millions (E)



Exports by Standard International Trade Classification (SITC)

"Essential oils'' in the sum of E9,385 billion (9.90%), ''Sugars, sugar preparations and honey" in the sum of E6,830 billion (-3.48%), and "chemicals materials and products" in the sum of E4,183 billion (21.9%) were the top exported classifications in 2021/22.

Top Exported Products (2021/22) in Billions (E)



CHAPTER 3

Governance and Leadership

The organisation voluntarily applies the King Code of Corporate Governance. It is also bound by its founding legislation, the Revenue Authority Act 2008, and being a public entity, it is also governed by the Public Enterprises (Control and Monitoring) Act 1989 and other policies applicable to public enterprises.

Governing Board Composition

Following the approval of the Revenue Authority (Amendment) Act 2019, which came into effect in November 2019, the constitution of the Board comprises of a total of nine Members appointed in terms of Section 6 of the Revenue Authority Act 2008. The effect of the amendment to Section 6 was to increase the number of Board Members from eight to nine to address quorum issues.

Ms Chazile Magongo was appointed a member of the Board effective 1st July 2021. This brought the total number of Board Members to 9. Mr Lusekwane Dlamini was appointed Chairperson of the Audit and Risk Committee with effect from 16th August 2021, and Mrs Carol Muir Vice Chairperson of the Board effective 24th November 2021.

The Governing Board was constituted as indicated below during the reporting period:

1. Mr David D. Dlamini	–	Chairperson
2. Carol Muir	–	Vice Chairperson
3. Mr. Dumisani Masilela	–	Executive Member
4. Mr. Majozi Sithole	–	Non-Executive ex-Officio Member
5. Mr. Newman Ntshangase	–	Non-Executive ex-Officio Member
6. Prince Lindani	–	Non-Executive Member
7. Ms. Sizakele Dlamini	–	Non-Executive ex-Officio Member
8. Mr Lusekwane Dlamini	–	Non-Executive Member
9. Ms Chazile Magongo	–	Non-Executive Member

The Governing Board

Mr. David Dlamini
Chairman

Mrs. Carol Muir
Vice Chairperson

Mr. Dumisani Masilela
Executive Member
(Resigned January 2022)

Mr. Newman Ntshangase
Non-Executive Member

Mr. Majozi Sithole
Non-Executive Member

HRH Prince Lindani
Non-Executive Member

Ms. Sizakele Dlamini
Non-Executive Member

Mr. Lusekwane Dlamini
Non-Executive Member

Ms. Chazile Magongo
Non-Executive Member

Governing Board Committees

The Board was assisted in carrying out its oversight responsibilities by the following sub-Committees:

Audit and Risk Committee

- **Oversight of the assurance and integrity of financial reporting which includes:**
  - Risk management
  - Legal compliance
  - ICT governance
  - Combined assurance and reporting

Human Resource and Ethics Committee

- **Assists the Board with oversight of:**
  - Ethics
  - Human capital and people risk
  - Corporate social responsibility
- Fair and responsible remuneration and the appointment and remuneration of executive management

Governing Board Business in 2021/22

Areas of Focus in 2021/22

The Governing Board oversees, monitors and ensures accountability, and approves policies and strategy, assisted by the Committees. In 2021/22 the areas of focus addressed by the Governing Board included the underlisted:

- Approval of the 2020/ 2021 Integrated Annual Report.
- Election of the Board Vice Chairperson.
- Appointment of the Audit and Risk Committee Chairperson.
- Approval of the re-branding of the ERS, to change from an Authority to a Service, as well as the new logo.
- Oversight over the organisation's performance.

New policies were approved; these included:

- New Contract Management Policy
- Anti-Fraud and Corruption Policy
- Work from Home Policy

Governing Board Meetings

Governing Board or Committee	Ist Quarter	2nd Quarter	3rd Quarter	4th Quarter	Extraordinary meetings
Human Resource & Ethics Committee	2nd June 2021	11th August 2021	3rd Nov.2021	2nd Feb. 2022	13th July 2021 30th July 2021
Audit & Risk Committee	26th May 2021	18th August 2021	10th Nov. 2021	9th Feb.2022	22nd Nov. 2021
Full Board	16th June 2021	25th August 2021	24th Nov.2021	23rd Feb. 2022	20th July 2021

Governing Board Attendance

	Date of Appointment	No. of Years in Office	Board Meetings (8 meetings)	Audit & Risk Committee (5 meetings)	Human Resource & Ethics Committee (6 meetings)
David Dlamini (Chairperson)	1st April 2020	2 years	5/5	N/A	5/6
Carol Muir** (Vice Chairperson)	1st April 2020	2 years	5/5	5/5	6/6
Dumisani Masilela	April 2010	11 years	4/4	4/5	5/5
Majozi Sithole	1st November 2013	7 years, 5 months	5/5	5/5	N/A
Newman Ntshangase	1st November 2017	3 years, 5 months	5/5	5/5	N/A
Prince Lindani	1st June 2019	1 year 10 months	2/5	2/5	N/A
Sizakele Dlamini	1st August 2019	1 year 8 months	4/5	2/5	3/6
Lusekwane Dlamini	1stNovember 2020	5 months	5/5	5/5	N/A
Chazile Magongo	1st July 2021	9 months	3/3	3/4	N/A
Brightwell Nkambule	1stNovember 2020	5 months	5/5	5/5	N/A

* Audit and Risk Committee Chairperson.

**Human Resource and Ethics Committee Chairperson.

***Acting Commissioner General: 1st February – 31st March 2022

N/A – not a Member of the Committee

Executive Committee

The day-to-day leadership of the organisation rests on the Commissioner General (CG) to ensure execution of the strategy and oversee operations as approved by the Governing Board. The CG works with members of the Executive Committee (EXCO) who possess varied skills and valuable experience ideal for their relevant functions.

Mr. Dumisani Masilela
Commissioner General
(Resigned Jan. 2022)

Ms. Thobile Dlamini
Chief Financial Officer

Ms. Thulie Tsela
Commissioner - Domestic Taxes

Ms. Gugu Mahlinza
Commissioner - Customs and Excise

Mr. Brightwell Nkambule
Head of Business Strategy and Development

Mr. Leonard Nxumalo
Head of Corporate Services

Ms. Nomcebo Marrengane
Head of Legal Service

Legislative Reforms and Agreements

Legislation Passed in 2020/21 – 2021/22

The drafting of legislative proposals done in collaboration with the Ministry of Finance in the 2021/22 financial year culminated in the finalisation of the following draft proposals:

Bills Developed in 2020/21 – 2021/22

Legislation	Purpose of Legislature	Date
The Value Added Tax (Amendment of Schedule) Notice	Legal notice No. 86 of 2020. To zero rate the supply of certain goods which are considered key in the fight against COVID-19.	24 April 2020
The Value Added Tax (Amendment) Bill	To stipulate the manner of dealing with bonded goods, delegation of powers by CG, introduction of additional assessments and to re-organise the Schedules	Published in the Government Gazette on 26 August 2020.
The Tax Administration Bill	To define the authority and powers of the Commissioner General in the administration of Acts listed in the Authority Act Schedules	Published in the Government Gazette on 2 October 2020.
The Tax Income (Amendment) Bill	To provide for the small taxpayer regime taxation or presumptive tax, the taxation of gains derived on the disposal of business assets and the taxation of residents on worldwide income, subject to relief from judicial double taxation	Published in the Government Gazette on 4 March 2020 - Bill.
The Fuel Tax Bill	To provide for the imposition and collection of a fuel tax and any incidental matters thereto.	Published in the Government Gazette on 25 February 2022.

International Agreements in 2020/21 – 2021/22

Agreement for the Avoidance of Double Taxation (DTA) with Lesotho

- The DTA was signed on 6 September 2019

Entered into force on 6 September 2020.

Multilateral Convention on Assistance in Tax Matters (MAC)

- House of Assembly and The Senate in a joint sitting acceded to the Agreement on 14 November 2020.

Entered into force 1 July 2021.

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI)

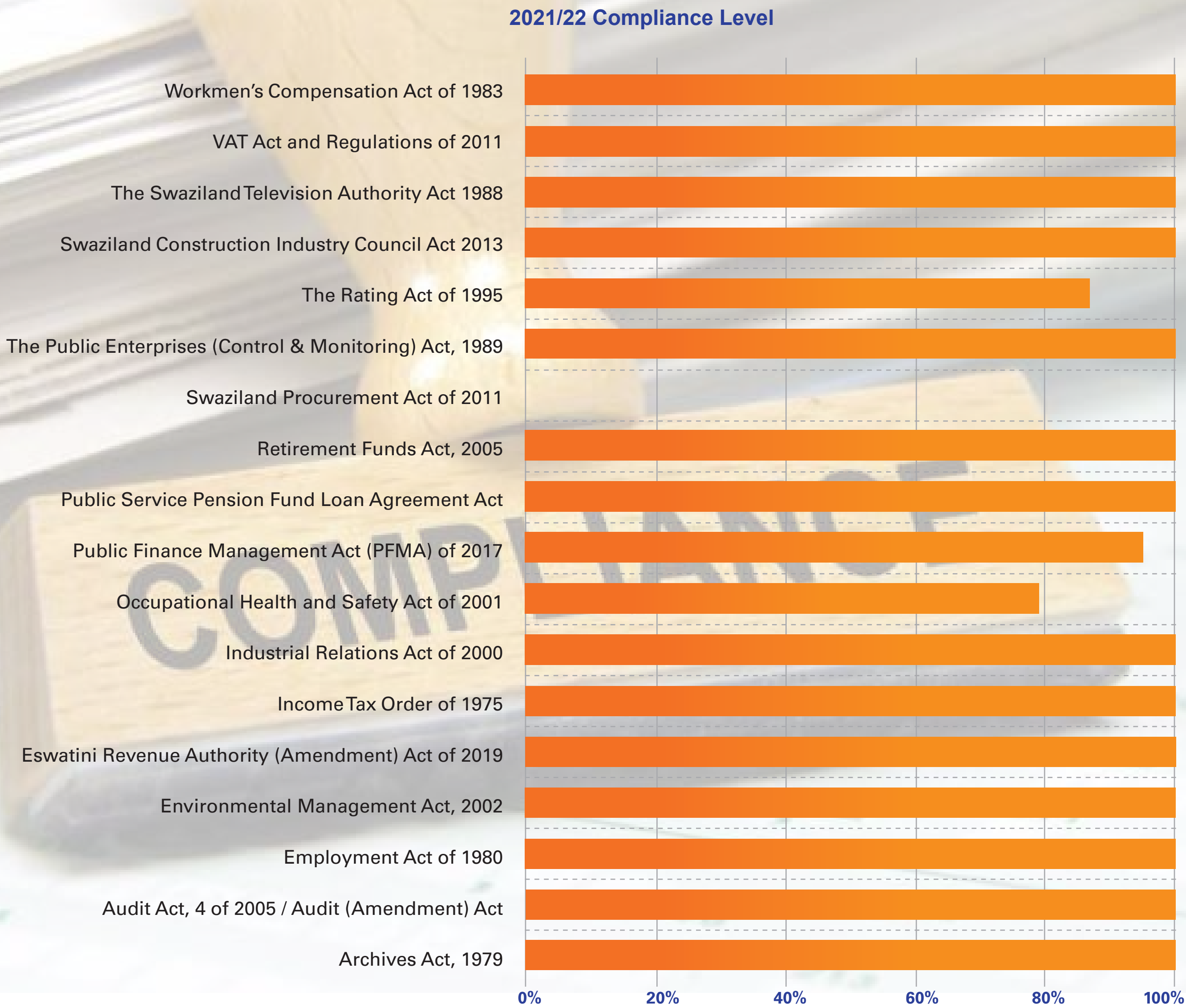
- Cabinet approved the MLI in December 2021.

The agreement has been referred for further legal scrutiny.

Legal Compliance

Organisational Compliance Assessment and Monitoring was conducted on the pieces of legislation contained in the organisation's Compliance Universe. The figure below shows the performance of the ERS during the 2021/22 Financial Year.

ERS Compliance Level – 2021/22 Regulatory Requirements



The overall Organisational Compliance level for the year 2021/22 was 98%. There was no change in the compliance level compared to the previous financial year of 2020/21 which also stood at 98%.

CHAPTER 4

Risk Management and Assurance

Enterprise Risk Management and Assurance

Embedding of effective Risk Management practises continued to be a priority at the ERS as a good business practise and key enabler in achieving the organisation's objectives. During the 2021/22 financial year, the Board approved the reviewed ERS' Risk Appetite and Tolerance thresholds for the year under review to guide management's decisions on the organisation's key risks. These thresholds are reviewed annually (or when a need arises) and are monitored on an ongoing basis and reported to governance structures quarterly.

A Summary of 2021/22 Strategic Risks with Treatment Plans

Increase in Change Resistance

- Conducted refresher training on the ADKAR framework.
  - Completed an ADKAR compliance assessment on projects implementation and attained a satisfactory score of 3.5.
  - Adopted 'Agile Approach' in project Management

Failure to deliver the ERS digitalisation (ambition) benefits

- Sharing weekly project plans between projects and operations to identify projet allocation to staff has been a challenge
- Secured cashflow required for the first 24 months
  - Special Committee on Public Enterprise (SCOPE) approved business case.

Low advocacy for the ERS Brand

- Developed Net Promoter Score System which will use MTN platform
- Implemented Compliance Risk Management. Progress reports presented to RMC on a quarterly basis.
- Change Management timelines reviewed in October 2021. Implementation delayed by approval of the proposed name, brand (logo) and the Revenue Authority Bill 2021.

Poor Customer Relationships

- Initiated an organ of EXCO (Customer Service Forum) which will primarily interrogate matters aimed at enhancing customer experience.
  - Developed an automate system for collecting customer feedback. The next step is to drive change management on the use of feedback to imporve customer experience.

Cyber Attack

- **Prevention**
  - Procuring a tool that will give our network visibility and respond when malicious behaviour is detected while alerting administrators is pending
  - Implemented a dedicated firewall to control access to servers. Background work is required to prepare the servers to migrate to the new setup.
- **Detect**
  - Procured an Endpoint Detection and Response (EDR) solution to improve protection for endpoint devices and assist in the protection against severe attacks such as ransomware.
- **Respond:**
  - Improved scope and complexity of backup restores by restoring based on different scenarios including ransomware attacks. Backup infrastructure has been improved such that restores will be faster and simpler.
  - Conducted awareness and trainings on cyber attacks to all staff.

Inability to attract and retain the required talent (behaviour), skills and knowledge)

- Salary survey scheduled for 2023/24.
  - Developed HR Strategy incorporating talent management

Insufficient future skills to implement tax digitilisation initiatives

- Capacity development in ICT and digitilisation is ongoing with identified officers who will bridge the skills gap

Loss of control on systems

- Developed a Cloud Strategy and Digitilsation strategy.
- Appointed more than one service provider from different countries and alliances. This is to avoid giving an attacker an easy time in manipulating systems.

Increase in incidents of theft / fraud - internally

- Maintained BPM audit processes.
  - Conducted BPM audits on Standard Operating Procedure (SOP) compliance and Key Performance Indicator (KPI) tracking.

Business Continuity Management

The organisation continued to be resilient and operated throughout disruptions such as the Covid-19 pandemic, social unrest and heavy rains experienced in the country. This was made possible by the Business Continuity Management (BCM) tools, inclusive of documented Business continuity plans, Covid-19 guidelines and the cross-cutting Response Team. In response to the different crises, the Response Team continued to coordinate response planning and making recommendations to ensure operations continued with minimal disruptions. An Infectious Disease Plan was put in place and approved by the Risk Management Committee to ensure that the organisation is proactive in responding to all infectious diseases going forward.

During the reporting period, a BCM Maturity Survey was conducted to assess the organisation's capabilities against best practise. This is an in-house developed tool based on BCM Best practises incorporating lessons from other players in the industry (e.g. Gartner). The survey outcome is used to inform the BCM Program going forward. This was the first survey conducted since the Program started. The BCM Maturity Model identifies six maturity levels, namely:

1. Unstructured
2. Developing
3. Implementing
4. Enterprise Awakening
5. Optimised
6. Synergistic

The 2021/22 BCM maturity survey results

Internal Audit

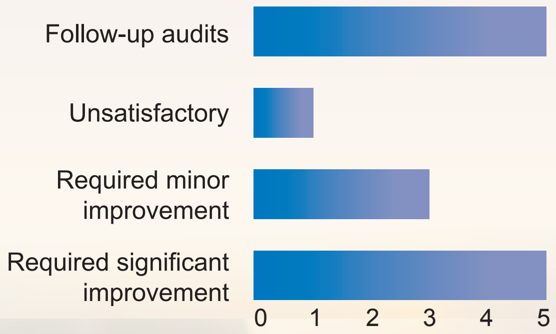
The organisation's internal audit function leads the development and implementation of the Combined Assurance Framework of the organisation. It provides independent and objective assurance on the adequacy and effectiveness of ERS's governance, risk management, and control processes. The Governing Board approved an annual audit plan to guide the department's work. It proceeded to review and reassess the plan on a quarterly basis. During the period under review, 55% of the approved annual plan was executed. This included follow-up audits on audits completed in the previous year, to monitor the progress in implementing corrective action.

55%

of the approved annual plan was executed

16

audits were completed during the reporting period which included audits carried over from the previous financial year



27

management actions passed assurance testing

7%

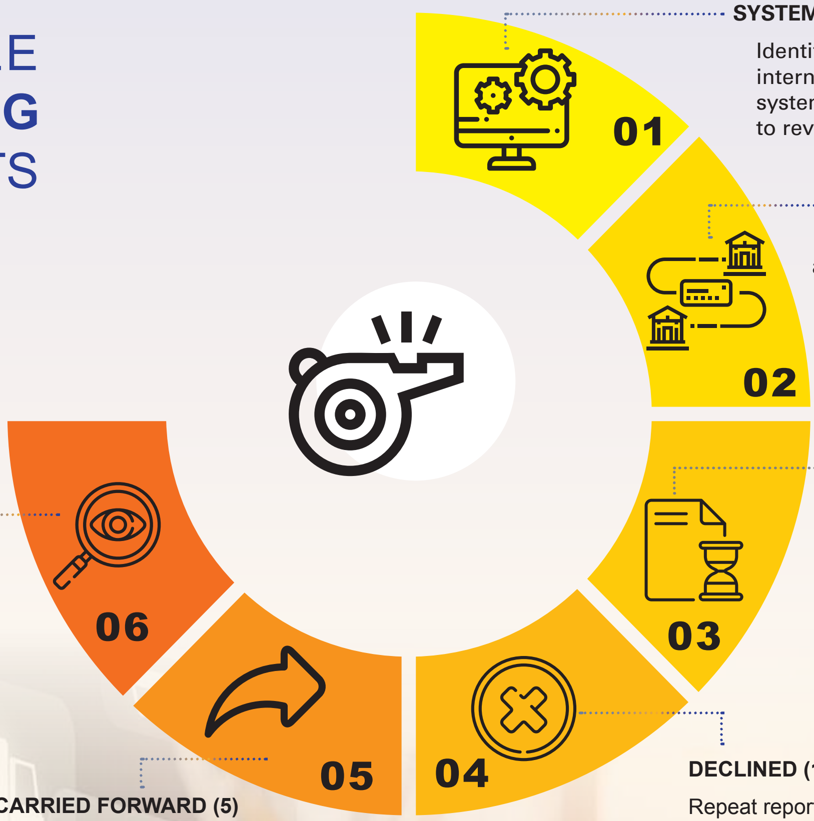
failed assurance testing

The audits focused on high-risk areas withing the ERS.

Whistle Blowing Reports

The ERS is one of the organisations in Eswatini that endeavours to make sure that stakeholders know how to raise concerns, wrong doings, and malpractices. This is done through the promotion of whistleblowing methods internally and externally. Thus, a total of 56 whistleblowing reports were received and processed. Furthermore, towards strengthening internal operational controls, operational systems were gleaned to identify gaps that could lead to revenue leakage.

WHISTLE **BLOWING** REPORTS



Active Investigations

A total of 20 cases were investigated, and these are made up of 6 system reviews, and 14 ordinary investigations.

The cases handled are as shown in the table below:

Total Investigations handled

Active Investigations

Quantity: 14

Finalised

9 cases completed (1 referred to disciplinary hearing, 5 completed with administrative recommend-ations, 3 closed for lack of evidence)

Pending

5 still under investigation

Systems Review to Identify Gaps that Could Lead to Revenue Leakage

Quantity: 6

Finalised

3 identified gaps reviewed successfully and remedial actions towards preventing fraud risk implemented.

Pending

3 remained under review

Staff Integrity

Integrity awareness activities undertaken in 2021/22

Staff Workshops

May 21 - February 2022

- Sensitise staff on integrity and the importance of living organisational values
- Unpack ethics and integrity in the work-place and the code of ethics and conduct.
- ERS Culture

Integrity Champions Programme

August 2021

- Peer to peer engage-ments on integrity with an emphasis on Customer Service and integrity
- Champions expected to disseminate this information throughout the organisation.

Integrity Survey

September 2021

- To establish the effectiveness of the ERS integrity / anti-corruption programmes and determine the levels of integrity of the organisation
- Champions expected to disseminate this information throughout the organisation.

Radio Show

January 2022

- Sensitise taxpyers about the whistleblowing policy that covers and encourages them to report anything detrimental to the mandate of the ERS
- Foster the public support of all initiatives the ERS has been trying.

Local Official Newspapers

February 2022

- Promote ERS Toll-Free line in the local official newspapers.

Oversight Tasks – Staff Income and Asset Declaration

Staff Income and Asset Declaration Review Exercise

A total of 577 declarations submitted by staff were successfully reviewed. This exercise is a preventative means to mitigate fraud and corruption risks. Issues considered during the review exercise were:

i) non-compliance with tax laws.
ii) living beyond means; and
iii) conflict of interest.

CHAPTER 5

Human Resource and Staff Development

Staff Movements

To manage costs within tight financial resources, the organisation continued to implement the partial moratorium on recruitment where consideration for recruitment is done on a case-by-case basis, depending on potential impact on the business. This has resulted in a staff number increase of 1.36%.

Employee Statistics as at 31st March 2022

PERMANENT EMPLOYEES

551 Permanent Employees – March 2021
556 Permanent Employees – March 2022

CONTRACT EMPLOYEES

28 Contract Employees – March 2021
30 Contract Employees – March 2022

MALE EMPLOYEE STATISTICS

43.6% Male Employees – March 2021
43.8% Male Employees – March 2022
53% Males in Management – March 2022

FEMALE EMPLOYEE STATISTICS

56.4% Female Employees – March 2021
56.2% Female Employees – March 2022
47% Female in Management – March 2022

Employee Exit and Entry Statistics as at 31st March 2022

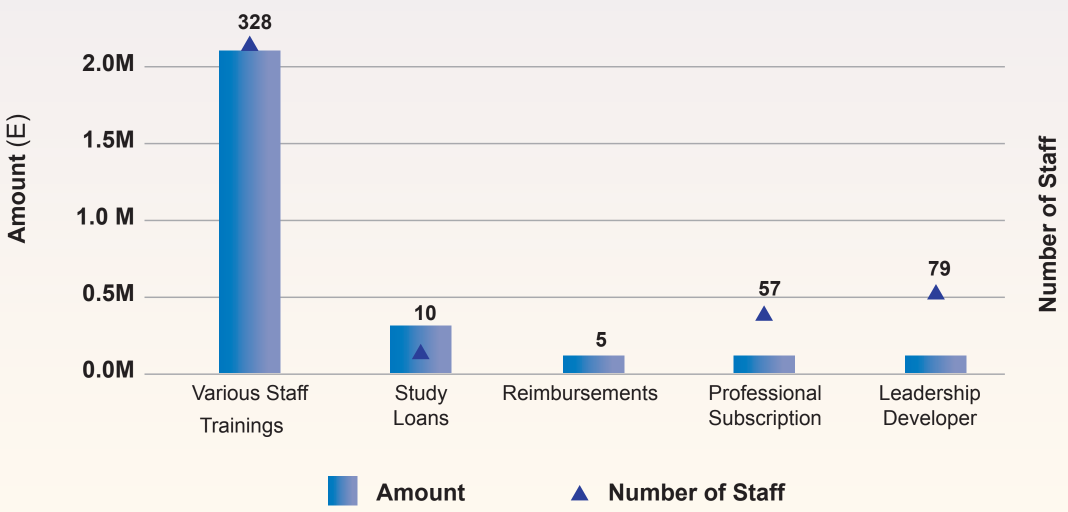
RESIGNATIONS	24
RETIREMENT	2
DEATHS	2
STAFF COMPLEMENT INCREASE RATE	1.36%

Employee Relations

The mandate of the organisation calls for a disciplined work environment, without which performance would decline while integrity would be on the low. In executing this function, there were four (4) internal disciplinary matters during the year. Two (2) have been carried over from previous years and are stalled by pending litigation. One of the officers with pending litigation was on suspension during the reporting period. The other two internal matters have since been finalised and officers have resumed work. There were ten (10) cases serving in the Courts as at the beginning of the financial year.

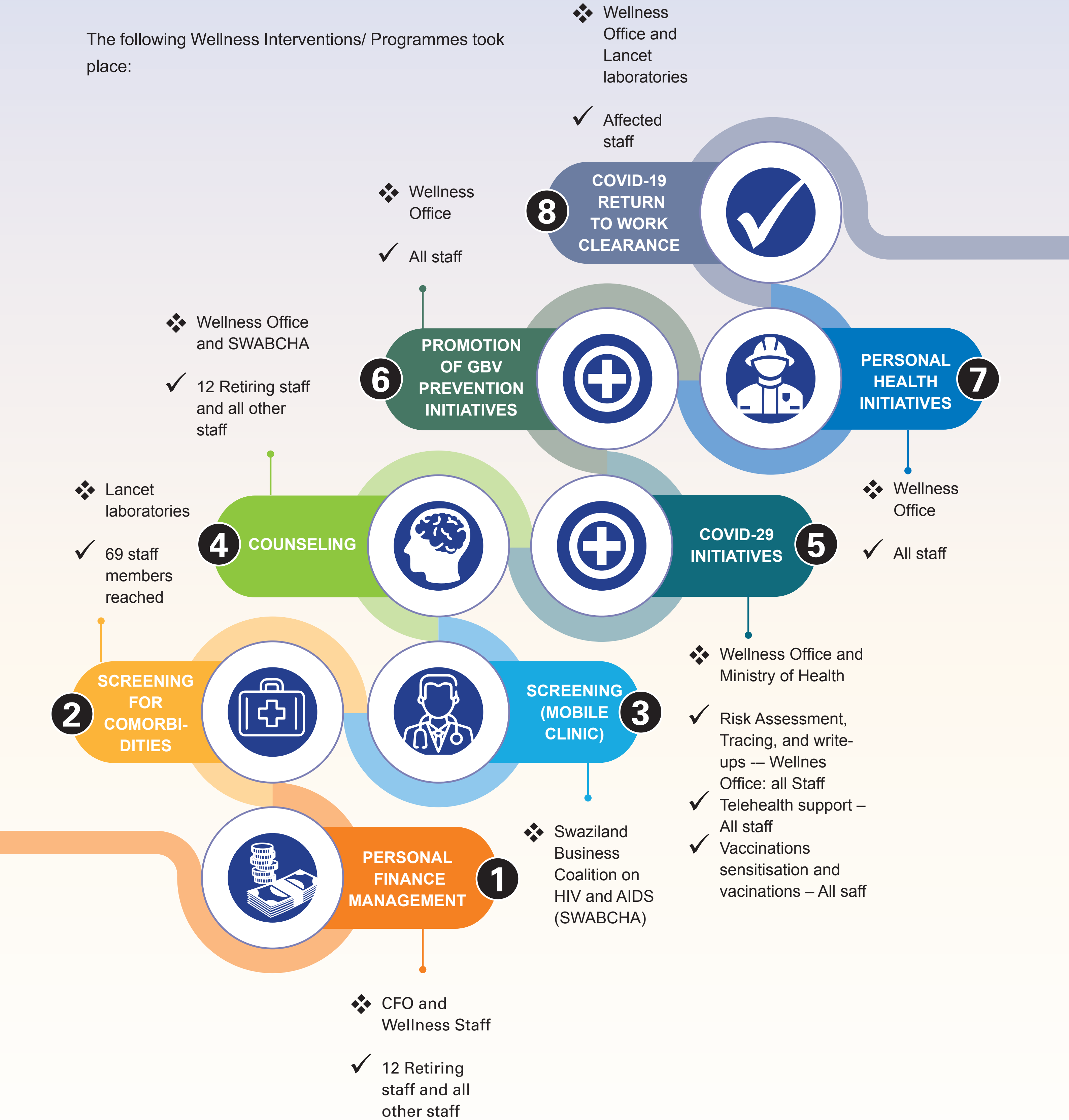
Employee Training, Leadership and Management Development Initiatives

Employee Training, Leadership and Management Development Initiatives ('000)



Managing Staff Welfare

The following Wellness Interventions/ Programmes took place:



CHAPTER 6

Corporate Social Investment

The ERS continued with its Corporate Social Investment working closely with educational entities focusing on young people with disability. In 2021/22 key activities continued with the Southern Africa Nazarene University (SANU) under the Visual & Hearing Impairment Project which supports SANU students who are living with the above-mentioned impairments.

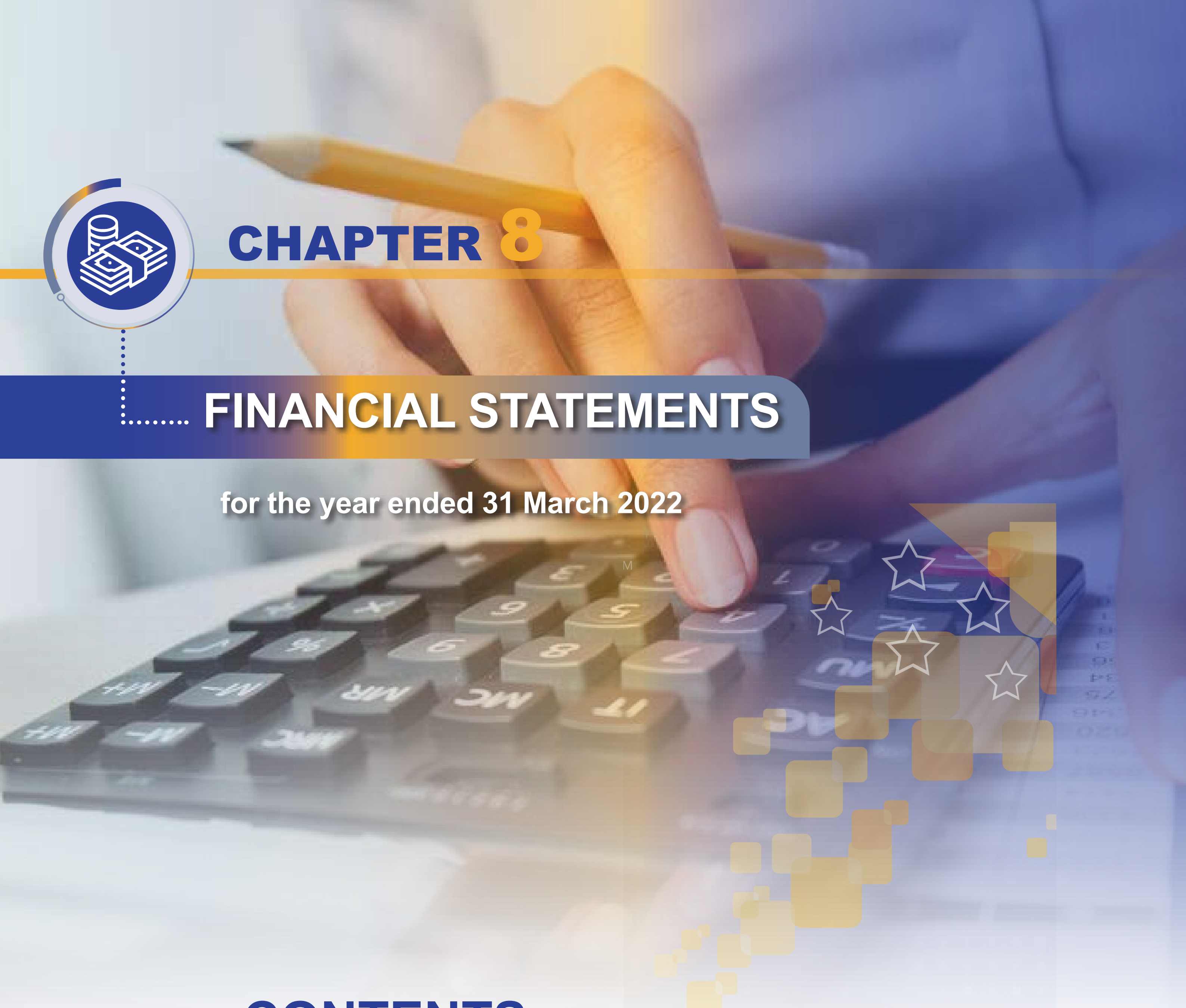
The students received their second semester examination results and all the students passed and proceeded to the next level. ERS paid a sum of one hundred and seventy-seven thousand, four hundred and ninety-two only (E177,492.00) for the students' fees for the 2021/22 academic year

CHAPTER 7

Outlook

Global economic growth is projected to slow down from an estimated 6.1 percent in 2021 to 3.6 percent in 2022. The outlook has been negatively affected by the economic damage resulting from the war in Ukraine, and it is expected that the war's economic costs will spread through commodity markets, trade, and to a lesser degree-financial interlinkage. In neighbouring South Africa, real GDP is expected to grow by an average of 2.1 % in 2022, influenced by a combination of the impact of changes in the global environment, along with that country's own unique circumstances. Significant risks to the outlook include the emergence of new Covid-19 variants in the context of low vaccination levels, rising global inflation, and continued disruptions to power supply.

Domestically, economic growth for 2022 is projected to reach 2.4 percent from the estimated 5.9 percent increase in 2021. Sectors expected to perform positively in 2022 include manufacturing, ICT, and financial services, although these sectors are expected to grow at a much slower pace than in 2021. Revenue mobilisation is also anticipated to reflect improved performance when compared to 2021, however some threats remain, including the challenged socio-political climate and the uncertainty around the efficacy of the COVID-19 vaccine programme. In this regard, the organisation will continue to identify and pursue effective revenue mobilisation initiatives along its rebranded vision of moving from authority to service.



CHAPTER 8

FINANCIAL STATEMENTS

for the year ended 31 March 2022

CONTENTS

STATEMENT OF RESPONSIBILITY BY THE BOARD MEMBERS for the year ended 31 March 2022

The Board Members are responsible for the preparation and fair presentation of the financial statements of the Eswatini Revenue Service ("the Service"), comprising the statement of financial position as at 31 March 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the Board Members' Report in accordance with International Financial Reporting Standards and in a manner required by the Revenue Authority Act, 2008.

The Board Members are also responsible for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.
The Board Members have made an assessment of the ability of the Service to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

Approval of financial statements

The financial statements of the Authority, as identified in the first paragraph, were approved by the Board Members and signed on its behalf by:

BOARD CHAIRPERSON

17th June 2022

DATE

COMMISSIONER GENERAL

17th June 2022

DATE

INDEPENDENT AUDITORS' REPORT

To the shareholder of Eswatini Revenue Service

Opinion

We have audited the financial statements of Eswatini Revenue Service, (the Service), set out on pages 67 to 108, which comprise the statement of financial position as at 31 March 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eswatini Revenue Service as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Eswatini Revenue Service in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Eswatini and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Service as at and for the year ended 31 March 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 28 July 2021.

Other information

The directors are responsible for other information. The other information comprises the Statement of responsibility by the Board members and the Board members report. The other information does not include the financial statements and our auditors' 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 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 obtained prior to the date of this auditors' 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.

INDEPENDENT AUDITORS' REPORT (continued)

To the shareholder of Eswatini Revenue Service

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 the International Financial Reporting Standards, 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 Service's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Service or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 Service'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 Service's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate 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 auditors' report. However, future events or conditions may cause the Service to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (continued)

To the shareholder of Eswatini Revenue Service

- 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.

SNG Grant Thornton
Auditors

BOARD MEMBERS' REPORT

for the year ended 31 March 2022

1. Nature of business

Eswatini Revenue Service (ERS or the Service) is a semi-autonomous statutory body established by an Act of Parliament (Revenue Authority Act, 2008) as part of the Government's reform strategy for revenue administration. ERS is charged with the mandate of:

a) Assessing and collecting tax on behalf of the Government,

b) Administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax and Value Added Tax.

For financial reporting purposes, the financial statements of ERS are reported as: Administered Government Revenue Accounts and ERS Own Accounts. The Administered Government Revenue Accounts cover transactions relating to the revenue collected on behalf of the Government. The ERS Own Accounts cover those operational revenues, such as funding received from Government, which are managed by ERS and utilised in running the organisation. The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of ERS in achieving its mandate. The financial statements are reported in Emalangeni. The administered Government Revenue accounts are audited by the Auditor General.

2. Financial performance

The recurring expenditure for the year amounted to E453 465 466 (2021: E433 065 081). The Service incurred capital expenditure of E13 077 035 (2021: E52 256 579) on property, plant and equipment and intangible assets. Of this amount, E8 799 755 relates to work in progress that was capitalized in the year under review.

3. Cashflow for the year

Cash and cash equivalents at the end of the financial year were E112.895 million (2021: E91.44 million). A detailed statement of cash flows is on page 74.

4. Transfer of Fixed Assets to the Service by Government

In terms of the Memorandum of Agreement between the Government of Eswatini and the Eswatini Revenue Service, the former is supposed to transfer all assets occupied and utilised by the Department of Customs and Excise and the Department of Taxes in accordance with any legal requirement that pertains to ceding associated property rights by the Government to ERS. Even though these assets were being utilised by ERS at 31 March 2022, the formal transfer process had not been undertaken by Government. These have however been capitalised on the basis of the right of use granted in terms of the Memorandum of Agreement and the Revenue Authority Act, 2008.

5. Corporate governance issues

Corporate Governance:

In compliance with good corporate governance principles, the Service has operated and maintained the following Board Committees: Audit and Risk Committee, Human Resources and Ethics Committees which remained effective throughout the accounting period.

BOARD MEMBERS' REPORT (continued)

for the year ended 31 March 2022

5. Corporate governance issues (continued)

Social Responsibility:

The ERS continued with its Corporate Social Investment working with closely with entities focusing on young people with disability. Majorly the support has been on education for the young people in the area. In the current year key activities continues with the Southern Africa Nazarene University (SANU) under the Visual & Hearing Impairment Project which supports SANU students who are living with the above-mentioned impairments.

During the year under review the students received their second semester examination results and all the students passed and proceeded to the next level. The students are currently registered and enrolled for the 2021-2022 academic year and their learning is currently on-going. The student's fees for the academic year 2021-2022 paid was One hundred and seventy-seven thousand, four hundred and ninety-two only (E177,492.00). The invoice is attached to the report.

6. Events after reporting date

The members are not aware of any material event which occurred after the reporting date and up to the date of this report.

7. Going Concern

The members believe that the Service 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 members have satisfied themselves that the Service is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The members are not aware of any new material changes that may adversely impact the Service. The members 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 Service.

BOARD MEMBERS' REPORT (continued)

for the year ended 31 March 2022

8. Board Members

The Board Members are appointed by the Minister of Finance. The following members served on the board during period under review:

Non-executive Board Members

Chairperson

Mr. David Dlamini

Board Members

Prince Lindani	-	Member
Mr Majozi Sithole	-	Member
Ms Sizakele Dlamini	-	Member
Ms Carol Muir	-	Member (Vice Chairperson, effective 24th November 2021)
Mr Newman Ntshangase	-	Member
Mr Lusekwane Dlamini	-	Member
Ms. Chazile Magongo	-	Member (Appointed 1st July 2021)

Executive Member

Mr Dumisani Masilela - Commissioner General (Resigned 31st January 2022)
Mr Brightwell Nkambule - Acting Commissioner General (Appointed 1st February 2022)

9. Bankers

The following financial institution was the banker of the Service during the year:

Business address	Postal address
Nedbank Eswatini Limited	Nedbank Eswatini Limited
2nd Floor Corporate Place	P O Box 70
Swazi Plaza	Mbabane
Mbabane	H100
Eswatini	Eswatini

BOARD MEMBERS' REPORT (continued)

for the year ended 31 March 2022

10. Investment Managers

The following financial institutions were the investment managers of the Service during the year:

Business address	Postal address
African Alliance 2nd Floor Nedbank Centre Corner of Dr. Sishayi and Sozisa Roads Swazi Plaza, Mbabane Eswatini	African Alliance P O Box 5727 Mbabane H100 Eswatini

Business address	Postal address
Stanlib Eswatini Limited 1st Floor Ingcamu Building Mhlambanyatsi Road Mbabane Eswatini	Stanlib Eswatini Limited P O Box A294 Swazi Plaza Mbabane Eswatini

11. Business and postal address of the Service

Business address	Postal address
Portion 419 of Farm 50 Along MR 103 Ezulwini Eswatini	P O Box 5628 Mbabane H100 Eswatini

12. Auditors

The auditors of the Service are:

Business address	Postal address
SNG Grant Thornton Chartered Accountants (Eswatini) Lot 195 Kal Grant Street Mbabane Eswatini	SNG Grant Thornton Chartered Accountants (Eswatini) P.O. Box 331 Mbabane Eswatini

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Notes	2022 E	2021 E
Income			
Government funding for recurring expenditure	3	**453 465 466**	433 065 081
Other income	4	**324 607**	184 021
(Loss)/Profit on disposal of assets	5	**(320 237)**	3 288 097
Total income		**453 469 836**	436 537 199
Expenses			
Administrative expenses	5	**(127 162 280)**	(114 837 387)
Staff salaries and benefits	7	**(289 564 272)**	(274 338 098)
Total expenses		**(416 726 552)**	(389 175 485)
Operating surplus		**36 743 284**	47 361 714
Finance income	6.1	**4 325 341**	6 118 010
Finance cost	6.2	**(38 509 928)**	(46 135 161)
Surplus for the year		**2 558 697**	7 344 563

STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 E	2021 E
Assets			
Non-current assets			
Property, plant and equipment	8.1	977 877 616	999 042 373
Right-of-use assets	8.2	11 303 638	13 720 868
Intangible assets	9	8 221 306	11 397 100
		997 402 560	1 024 160 341
Current assets			
Inventory	11	131 842	150 139
Trade and other receivables	12	83 509 140	17 299 055
Cash and cash equivalents	13	112 895 642	91 444 622
		196 536 624	108 893 816
Total assets		1 193 939 184	1 133 054 157
Equity			
Accumulated Surplus		60 273 603	57 714 906
Liabilities			
Non-current liabilities			
Borrowings	17	412 590 320	507 821 679
Lease liabilities	8.2	9 574 574	9 991 528
Deferred grant income	15.2	241 555 167	267 391 323
Provisions	14	2 763 287	1 454 426
Total Non-current liabilities		666 483 348	786 658 956
Current liabilities			
Trade and other payables	16	7 268 427	6 392 251
Employee benefits provision	14	2 662 204	2 564 711
Borrowings	17	89 391 647	39 832 755
Lease liabilities	8.2	7 353 435	5 367 170
Deferred grant income	15.1	360 506 520	234 523 408
Total current liabilities		467 182 233	288 680 295
Total liabilities		1 133 665 581	1 075 339 251
Total Equity and liabilities		1 193 939 184	1 133 054 157

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Notes	Accumulated Surplus E	Total E
Balance at 01 April 2021		57 714 906	57 714 906
Surplus for the year		2 558 697	2 558 697
Balance at 31 March 2022		60 273 603	60 273 603
Balance at 01 April 2020		50 505 792	50 505 792
Prior period adjustment		(135 449)	(135 449)
Surplus for the year		7 344 563	7 344 563
Balance at 31 March 2021		57 714 906	57 714 906

STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Notes	2022 E	2021 E
Cash flows from operating activities			
Cash utilised by operations	18	**(370 383 202)**	(366 107 459)
Interest received	6.1	**4 325 341**	6 118 010
Interest paid	6.2	**(37 210 247)**	(46 135 161)
Net cash utilised in operating activities		**(403 268 108)**	(406 124 610)
Cash flows from investing activities			
Acquisition of property, plant and equipment	8.1	**(13 031 025)**	-
Decrease in lease liabilities		**-**	(4 687 761)
Proceeds from sale of property, plant and equipment		**252 611**	4 701 286
Acquisition of intangible assets	9	**(46 010)**	-
Net cash utilised in investing activities		**(12 824 424)**	(52 243 054)
Cash flows from financing activities			
Net grant funding received from the Government	15.1	**486 343 682**	484 707 962
Repayment of borrowings	18.1	**(41 818 947)**	(93 264 095)
Lease payments	8.2	**(6 981 183)**	-
Proceeds from borrowings			
Net cash generated from financing activities		**437 543 552**	394 787 603
Net increase/(decrease) in cash and cash equivalents		**21 451 020**	(63 580 061)
Cash and cash equivalents at beginning of the year		**91 444 622**	155 024 683
Cash and cash equivalents at end of the year	13	**112 895 642**	91 444 622

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2022

1. General information

Eswatini Revenue Service (ERS or the Service) is a semi-autonomous statutory body established by an Act of Parliament (Revenue Authority Act, 2008) as part of the Government's reform strategy for revenue administration. ERS is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax, and the Value Added Tax, respectively. The Value Added Tax Act came into effect on 1 April 2012, replacing the repealed Sales Tax Act.

For financial reporting purposes, the financial statements of the Revenue Service are reported as: Administered Government Revenue Accounts and ERS Own Accounts. The Administered Government Revenue Accounts cover transactions relating to the revenue collected on behalf of the Government. The ERS Own Accounts cover those operational revenues, such as funding received from Government, which are managed by ERS and utilised in running the organisation. The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of ERS in achieving its mandate. The Administered Government Revenue accounts are audited by the Auditor General.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of Eswatini Revenue Service have been prepared in accordance with International Financial Reporting Standards and in compliance with the Revenue Authority Act of 2008.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Emalangeni, which is the Service's functional currency. All financial information presented in Emalangeni has been rounded to the nearest Lilangeni.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following note:

- Note 8.1 – Property, plant and equipment (useful lives)
- Note 9- Intangible Assets

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the Service's next financial statements are included in the notes.

Measurement of fair value

A number of the Service's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Service has established a control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Service uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

Level 3 Inputs for assets and liabilities that are not based on observable market data (un-observable inputs).

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.1 Basis of preparation (continued)

(e) New and amended standards adopted by the Service

A number of new standards were effective from 1 April 2021, but they do not have a material effect on the Service's financial statements.

f) New standards, amendments and interpretations not yet effective and not early adopted by the Service

A number of new standards and amendments to standards and interpretations issued but not yet effective for 31 March 2022 year end and have not been applied in preparing these financial statements. The Service intends to adopt and apply these standards on their respective effective dates.

Effective for the financial year commencing 1 April 2022

- References to Conceptual Framework (Amendments to IFRS 3)
- Annual Improvement to IFRS Standards 2018-2020 cycle
- Onerous Contracts-Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)

Effective for the financial year commencing 1 April 2023

- IFRS 17 Insurance Contracts
- Classification of liabilities as current or non-current (Amendments to IAS 1) -proposed delay to 1 July 2023
- Definition of accounting estimates -amendments to IAS 8
- Deferred Tax related to assets and liabilities arising from a single transaction-Amendments to IAS 12

All the standards are expected not to have an impact on the financial statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.2 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

Subsequent expenditure is capitalised only if it probable that future economic benefits associated with the expenditure will flow to the Service.

Depreciation

Office furniture and fittings, office equipment, computer equipment, buildings, leasehold improvements, containers and motor vehicles are depreciated on a straight-line basis over their current anticipated useful lives.

The rates of depreciation used are based on the following estimated current useful lives:

Computer equipment	3 years
Office equipment	5 years
Motor vehicles (owned and leased)	5 - 7 years
Leasehold Improvements	5 years
Office furniture and fittings	10 years
Buildings	50 years
Containers	15 years

The basis of depreciation, useful lives and residual values are assessed annually. Land is not depreciated.

2.3 Non-current assets held for sale

Noncurrent assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment loss is recognised for any initial or subsequent right down of the asset to fair value less cost to sell. A gain is recognised for any subsequent increases in fair value less costs to sell, but not in excess of any cumulative impairment loss previously recognised. A gain/loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.4 Intangible Assets

Computer software

Software acquired by the Service is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Service is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life.

Internally developed software is measured at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to six years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.5 Financial instruments

The Service's financial instruments include:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowings

Financial assets

Classification and subsequent measurement

- Trade and other receivables-Amortised cost
- Cash and cash equivalents-Amortised cost

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Service changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Service makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Service's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated-e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Service's continuing recognition of the assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.5 Financial instruments (continued)

Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Service considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Service considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; and
- terms that limit the Service's claim to cash flows from specified assets (e.g. non-recourse features).

Subsequent measurement and gains and losses

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment loses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit and loss.

Financial liabilities-Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.5 Financial instruments (continued)

Derecognition

Financial assets

The Service derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transition in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Service neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Service derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Service also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.5 Financial instruments (continued)

Impairment

Financial assets

The Service recognises loss allowances for ECLs on financial assets measured at amortised cost. The Service measures loss allowances at an amount equal to lifetime ECLs, except for the following which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument has not increased significantly since initial recognition).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Service considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Service's historical experience and informed credit assessments and including forward looking information.

The Service assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Service considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Service in full, without recourse by the Service to actions such as realising security if any is held, or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 – month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date for a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Service is exposed to credit risk.

Measurement of ECLs

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 Service in accordance with the contract and the cash flows that the Service expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.5 Financial instruments (continued)

Impairment (continued)

Credit impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is "credit-impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data.

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Service on terms that the Service would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation, or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The Service writes off a receivable when there is information indicating that the counterparty is in severe difficulty and there is no realistic prospect of recovery e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Service's procedures for recovery of amounts due.

2.6 Inventory

Inventories are valued at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are measured using First in First Out (FIFO).

Inventory comprises consumables, IT spares, kitchen equipment, utensils and stationery.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.7 Finance income and finance costs

Interest income is calculated by the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Finance costs comprise interest expense on borrowings. Interest expense is calculated using the effective interest rate method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss.

2.8 Leases

The Service 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 Service'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 Service's estimate of the amount expected to be payable under a residual value guarantee, or if the Service 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 Service 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 Service 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 Service 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.9 Employee Benefits

Defined contribution plans

The Service has a pension scheme in accordance with the local conditions and practices. The scheme is a defined contribution plan.

For the defined contribution plan, the Service pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Contributions to the defined contribution plan are expensed when incurred.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Service has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.10 Government Grants

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.11 Foreign Currency

Foreign currency translation

Transactions in foreign currencies are translated to the functional currency at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at the exchange rate at that date.

The foreign currency differences arising on retranslation are recognised in profit or loss.

2.12 Capitalisation of borrowing costs

Borrowing costs attributable to the construction of qualifying assets less all investment income on the borrowings are capitalised as part of the cost of those assets over the period of construction to the extent that the assets are financed by financial instruments. The capitalisation rate applied is the weighted average of the net borrowing costs applicable to the net borrowings of the Service. Where active development is interrupted for extended periods, capitalisation is suspended.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.13 Cash and cash equivalents

Cash and cash equivalents include 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 balance sheet.

2.14 Provision

Provisions for legal claims and leave are recognised when the Service 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 the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase is due to the passage of time is recognised as interest expense.

2.15 Financial Risk Management

(a) Overview

The Service has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Service's exposure to each of the above risks, the Service's objectives, policies and processes for measuring and managing risk, and the Service's management of capital. Further qualitative disclosures are included throughout these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.15 Financial Risk Management (continued)

(b) Risk management framework

The Board Members have overall responsibility for the establishment and oversight of the Service's risk management framework.

The Service's risk management policies are established to identify and analyse the risks faced by the Service, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Service's activities. The Service, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Members have overall responsibility for the establishment and oversight of the Service's risk management framework.

The Service's risk management policies are established to identify and analyse the risks faced by the Service, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Service's activities. The Service, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Members oversee how management monitors compliance with the Service's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Service.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.15 Financial Risk Management (continued)

(c) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Service.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

Risk Management

Credit risk is managed on a group basis:

- Cash and cash equivalents - all deposits and cash balances are placed with reputable financial institutions.
- Staff debts are recovered in terms of the applicable policy and procedures directly from the employee's salary
- The Service does not have significant credit risk exposure.

Impairment of financial assets

The Service applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

Whilst cash equivalents and trade receivables are subject to the impairment requirements if IFRS 9, impairment was identified to be immaterial.

Security

The Service does not hold any security on any trade receivables balance at each annual reporting date.

In addition, the Service does not hold any collateral relating to other financial assets (e.g., cash and cash equivalents held with banks) at each annual reporting date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.15 Financial Risk Management (continued)

(c) Credit risk (continued)

	2022 E	2021 E
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:		
Other entities	**67 848 879**	2 115 302
Staff loans	**398 862**	280 735
Cash and cash equivalents	**112 895 642**	91 444 622
	181 143 383	93 840 659
The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was:		
Other entities	**67 848 879**	2 115 302
Staff loans	**398 862**	280 735
	68 247 741	2 396 037

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.15 Financial Risk Management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Service will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Service's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Service's reputation.

ERS manages its liquidity to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources. Since ERS is funded through Government subvention, it does not regard the liquidity risk to be high.

The table below analyses the Service's non-derivative financial liabilities into relevant maturity based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Service	Less than 1 Year E	Between 2 and 5 years E	Over 5 years E	Total contractual cash flows E	Carrying amount at year end E
2022					
Borrowings	72 561 702	318 280 475	324 078 517	714 920 694	501 981 967
Trade and other payables	7 268 427	-	-	7 268 427	7 268 427
Total	79 830 129	318 280 475	324 078 517	722 189 121	509 250 394
2021					
Borrowings	89 218 523	314 817 880	502 874 545	906 910 948	547 654 434
Trade and other payables	6 392 251	-	-	6 392 251	6 392 251
Lease liabilities	16 343 115	1 094 258	-	17 437 373	15 358 698
Total	111 953 889	315 912 138	502 874 545	930 740 572	569 405 383

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Service's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2022

2. Basis of preparation and accounting policies (continued)

2.15 Financial Risk Management (continued)

(e) Market risk (continued)

(i) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Service may utilise foreign currencies in its operations and consequently may be exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. However, at year-end there were no significant foreign currency exposures.

(ii) Interest rate risk

Financial Instruments that are sensitive to interest rate risk are bank balances and borrowings. A change of 50 basis points in interest rates at the reporting date would have increased or (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Surplus or deficit	
	2022	2021
	E	E
Base amounts- Borrowings	**501 981 967**	547 654 434
Increase of 50 basis points	**(2 509 910)**	(2 738 272)
Decrease of 50 basis points	**2 509 910**	2 738 272
Base amounts – Cash and bank	**112 895 642**	91 444 622
Increase of 50 basis points	**564 478**	457 223
Decrease of 50 basis points	**(564 478)**	(457 223)

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board Members monitor the return on capital, which the Service defines as results from operating activities divided by total shareholders' equity.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Service's approach to capital management during the year.

The Service is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

		2022 E	2021 E
3.	**Grant funding for recurring expenditure**		
	Government grant realised during the year	**453 465 466**	433 065 081
4.	**Other income**		
	Other income	**324 607**	184 021
		324 607	184 021
5.	**Operating surplus**		
	Results from operating activities for the year is stated after charging/(crediting) the following items:		
	Amortisation of intangible assets (note 9)	**4 832 045**	3 262 117
	Auditors' remuneration	**572 442**	572 846
	Depreciation on property, plant and equipment (note 8.1)	**31 091 068**	27 189 559
	Depreciation on right of use (note 8.2)	**5 814 523**	5 306 314
	Board Members' Fees	**401 954**	370 950
	Professional fees and consultancy	**2 621 159**	3 331 893
	Loss/(profit) on disposal of assets	**320 237**	(2 754 044)
	Staff salaries and benefits (note 7)	**289 564 272**	274 338 098
6.1	**Finance income**		
	Interest income from financial assets held for cash management purposes:		
	Interest received – Nedbank Eswatini Limited	**3 773 810**	4 535 822
	Interest received – Stanlib Eswatini Limited	**511 728**	833 662
	Interest received – African Alliance	**39 803**	748 526
	Total interest received	**4 325 341**	6 118 010

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

	2022 E	2021 E
6.2 Finance costs		
Interest and finance charges paid/payable for lease liabilities and financial liabilities at amortised cost		
Interest expense		
PSPF Loan	**36 738 914**	43 889 596
Eswatini Bank Loan	**398 712**	452 695
Eswatini National Provident Fund loan	**72 621**	288 673
Leases	**1 299 681**	1 504 197
	38 509 928	46 135 161
7. Staff salaries and benefits		
Salaries & wages and other allowances	**248 341 135**	235 881 729
Provident Fund contribution	**36 788 161**	34 153 296
Pension contributions	**3 905 148**	4 262 023
Leave pay provision	**529 828**	41 050
	289 564 272	274 338 098

The average number of employees during the year was 628 (2021:609)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

8. Property, plant and equipment and right-of-use assets

8.1 Property, plant and equipment

Property, plant and Equipment	Land and Buildings E	Containers E	Office equipment E	Office furniture & fittings E	Motor Vehicles E	Leasehold Improve-ments E	Computer Equipment E	Work in progress E	Total E
Year ended 31 March 2022									
Cost or valuation									
Opening balance	1 001 253 080	2 337 905	36 890 626	24 935 172	11 360 863	8 231 996	9 491 104	18 613 440	1 113 114 186
Transfers from WIP	16 389 439	98 159	925 138	1 467 143	1 490 432	467 571	2 911 067	-	23 748 949
Additions	3 132 895	19 789	967 485	-	-	111 101	-	8 799 755	13 031 025
Disposal	-	-	(4 674)	(1 870 929)	-	-	(189 177)	-	(2 064 780)
Adjustments*	-	-	626 726	-	-	-	-	-	626 726
WIP Expensed	-	-	-	-	-	-	-	(505 042)	(505 042)
Transfer to PPE	-	-	-	-	-	-	-	(25 359 190)	(25 359 190)
At 31 March 2022	**1 020 775 414**	**2 455 853**	**39 405 301**	**24 531 386**	**12 851 295**	**8 810 668**	**12 212 994**	**1 548 963**	**1 122 591 874**
Accumulated depreciation									
Opening balance	(60 769 792)	(630 017)	(27 669 051)	(10 105 168)	(6 250 239)	(4 132 560)	(4 514 986)	-	(114 071 813)
Charge for the year	(19 216 621)	(164 298)	(3 679 674)	(2 378 829)	(1 681 350)	(1 260 591)	(2 709 705)	-	(31 091 068)
Disposals	-	-	4 220	1 394 780	-	-	92 932	-	1 491 932
Adjustments	-	-	(1 064 315)	18 901	-	-	2 105	-	(1 043 309)
At 31 March 2021	**(79 986 413)**	**(794 315)**	**(32 408 820)**	**(11 070 316)**	**(7 931 589)**	**(5 393 151)**	**(7 129 654)**	**-**	**(144 714 258)**
Net carrying amount	**940 789 001**	**1 661 538**	**6 996 481**	**13 461 070**	**4 919 706**	**3 417 517**	**5 083 340**	**1 548 963**	**977 877 616**

Land under Deed Transfer Number 790/2014 (Portion 290, a portion of portion 96 of Farm No.50 situated in the district of Hhohho) is security for the loan from Public Service Pensions Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

8. Property, plant and equipment and right-of-use assets

8.1 Property, plant and equipment

Property, plant and Equipment	Land and Buildings E	Containers E	Office equipment E	Office furniture & fittings E	Motor Vehicles E	Leasehold Improve-ments E	Computer Equipment E	Work in progress E	Total E
Year ended 31 March 2021									
Cost or valuation									
Opening balance	899 026 980	2 145 603	36 479 046	20 727 646	11 866 407	14 914 798	10 290 710	134 352 623	1 129 803 813
Transfers from WIP	144 060 954	31 737	2 396 689	237 139	3 721 909	4 757 966	5 436 760	-	160 643 154
Additions	216 049	160 565	291 916	-	-	-	-	52 738 269	53 406 799
Disposal	-	-	(3 362 028)	(4 268 375)	(4 227 453)	(11 440 768)	(6 236 366)	-	(29 534 990)
Adjustments*	(42 050 903)	-	1 085 003	8 238 762	-	-	-	-	(32 727 138)
WIP Expensed	-	-	-	-	-	-	-	(1 150 220)	(1 150 220)
Transfer to PPE	-	-	-	-	-	-	-	(167 327 232)	(167 327 232
At 31 March 2021	**1 001 253 080**	**2 337 905**	**36 890 626**	**24 935 172**	**11 360 863**	**8 231 996**	**9 491 104**	**18 613 440**	**1 113 114 186**
Accumulated depreciation									
Opening balance	(43 669 711)	(485 622)	(26 823 066)	(5 255 454)	(8 816 121)	(14 859 486)	(8 682 870)	-	(108 592 330)
Charge for the year	(17 100 081)	(144 395)	(3 126 521)	(2 375 204)	(1 661 571)	(713 835)	(2 067 952)	-	(27 189 559)
Disposals	-	-	3 341 994	2 341 707	4 227 453	11 440 761	6 235 836	-	27 587 751
Adjustments	-	-	(1 061 458)	(4 816 217)	-	-	-	-	(5 877 675)
At 31 March 2021	**(60 769 792)**	**(630 017)**	**(27 669 051)**	**(10 105 168)**	**(6 250 239)**	**(4 132 560)**	**(4 514 986)**	**-**	**(114 071 813)**
Net carrying amount	**940 483 288**	**1 707 888**	**9 221 575**	**14 830 004**	**5 110 624**	**4 099 436**	**4 976 118**	**18 613 440**	**999 042 373**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

8.2 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 Right of use assets and leases:

	2022 E	2021 E
Right of use assets		
As at 31 March 2022		
Acquisition cost	25 969 556	22 572 262
Accumulated depreciation	(14 665 918)	(8 851 394)
Net value	11 303 638	13 720 868
At 01 April 2021	13 720 868	7 188 623
Additions	3 397 293	11 838 559
Depreciation	(5 814 523)	(5 306 314)
Balance at year end	11 303 638	13 720 868
Maturity analysis of lease liabilities		
Less than one year	8 412 994	16 343 115
One year to five years	10 543 275	1 094 258
	18 956 269	17 437 373
Less future finance charges	(2 028 260)	(2 078 675)
	16 928 009	15 358 698
	15 358 698	8 207 900
Lease Liabilities at the beginning of the year		
Current	5 367 170	2 566 518
Non – current	9 991 528	5 641 382
Transfer from Borrowings	3 853 520	-
Cash flows	(2 284 209)	-
Non-Cash additions	3 397 293	
Interest on Lease liabilities	1 299 681	-
Repayment of Lease Liabilities	(6 981 183)	-
Lease Liabilities at the end of the year	16 928 009	15 358 698
Current	7 353 435	5 367 170
Non – current	9 574 574	9 991 528

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

8.2 Right of use of assets and lease liabilities (continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to Right of use assets.

	2022 E	2021 E
Depreciation charge for right of use assets	**5 814 523**	5 306 314
Interest expense (included in finance cost)	**1 083 081**	1 262 636)

(iii) The Service's leasing activities and how these are accounted for

The Service leases various offices and vehicles. Rental contracts are typically made for fixed periods of 12 months to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease Liabilities are also in respect of motor vehicles leased from Nedbank Eswatini Limited. The lease duration is 60 months and the Service has capitalized all the leased assets vehicles.

Security held: Lien over motor vehicles and trucks financed under RCL facility and full comprehensive insurance over the vehicles with Nedbank Eswatini Limited noted as first loss payee.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

	2022 E	2021 E
9. Intangible assets		
Capitalised computer software costs for the year ended:		
Cost		
At the beginning of the year	**92 261 856**	86 573 399
Additions	**46 010**	-
Transfers from WIP	**1 610 241**	6 684 079
Disposals	**-**	(995 622)
At the end of the year	**93 918 107**	92 261 856
Accumulated amortisation		
At the beginning of the year	**(80 864 756)**	(78 598 261)
Charge for the year	**(4 832 045)**	(3 262 117)
Disposals	**-**	995 622
At the end of the year	**(85 696 801)**	(80 864 756)
Net carrying amount	**8 221 306**	11 397 100
10. Assets held for sale		
Furniture	**-**	3 963 547
Canteen equipment	**-**	1 564
Disposal	**-**	(3 965 111)
	-	-

Furniture and equipment were originally acquired for the old head office. The Service did not renew the lease which expired in December 2018. The Service sold all the assets last financial year.

	2022 E	2021 E
11. Inventory		
Consumables	**131 842**	150 139
12. Trade and other receivables		
Prepayments and deposits	**15 261 399**	14 903 018
Other entities	**67 848 879**	2 115 302
Staff loans	**398 862**	280 735
	83 509 140	17 299 055

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

	2022 E	2021 E
13. Cash and cash equivalents		
Petty cash	**6 633**	24 835
Nedbank Eswatini Limited	**100 741 514**	68 746 049
African Alliance	**39 803**	11 077 809
Stanlib Eswatini Limited	**12 107 692**	11 595 929
	112 895 642	91 444 622

Facilities

The Service has an overdraft facility of E20 million and revolving credit line of E10 million held with Nedbank Eswatini Limited.

	2022 E	2021 E
14. Provisions		
Long term Provisions:		
Staff retention	**1 308 861**	-
Provision for CIC levy	**1 454 426**	1 454 426
	2 763 287	1 454 426

Staff retention

This provision is for employees who have agreed and signed retention contracts with the Service. It accrues monthly at a rate of between 35% and 40% of basic salaries and is due and payable at the end of the retention contracts. Current contracts will expire from the 31st January 2024 onwards.

Provision for CIC levy

This is a liability in respect of an ongoing court case between the ERS, Construction Industry Council and Stefanutti Stocks. Case is not expected to be concluded in the 12 months.

Short term provisions:

	2022 E	2021 E
Leave pay	**2 662 204**	2 564 711

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

	2022 E	2021 E
14. Provisions (continued)		
Reconciliation		
31 March 2022		
At the beginning of the year	**2 564 711**	2 564 711
Amount utilised during the year	**(8 837 616)**	(8 837 616)
Additions	**8 935 109**	8 935 109
At the end of the year	**2 662 204**	2 662 204
	Leave pay	Total
31 March 2021		
At the beginning of the year	**2 762 273**	2 762 273
Amount utilised during the year	**(6 000 961)**	(6 000 961)
Additions	**5 803 399**	5 803 399
At the end of the year	**2 564 711**	2 564 711

Leave pay provision

This provision is for employees' entitlements to annual leave recognised when it accrues to employees. A provision is made for the estimated liability for annual leave because of services rendered by employees up to the balance sheet date. The provision is calculated on the number of days that the employees have not taken in respect of their leave entitlement. The anticipated utilisation of the amount is in the near future.

The leave policy dictates that only five days may be carried over to the new financial year. There are, however, exceptions allowed due to work related pressures.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

		2022 E	2021 E
15.	**Deferred grant income**		
15.1	*Current*		
	Balance at beginning of year	**234 523 408**	186 717 991
	Received from Government – cash	**486 343 682**	484 612 423
	Receivable from Government	**67 268 740**	-
	Donation received – Institute of Development studies	**-**	95 542
	Grants realised in profit or loss for funding recurring expenditure excluding depreciation and amortisation	**(411 727 827)**	(397 307 094)
	Prior period grant for funding finance costs	**-**	(21 285 306)
	Asset disposals for the year	**572 848**	1 949 785
	Grants utilised to defray capital expenditure	**(16 474 328)**	(20 259 933)
		360 506 520	234 523 408
15.2	**Noncurrent**		
	Balance at beginning of year	**267 391 323**	284 839 165
	Grants utilised to defray capital expenditure	**16 474 328**	20 259 933
	Asset disposals for the year	**(572 848)**	(1 949 785)
	Transfer of depreciation and amortisation on funded assets (Note 8 & 9)	**(41 737 636)**	(35 757 990)
		241 555 167	267 391 323

The Service received grants amounting to E486 343 682 (2021: E484 612 423) from the Government of Eswatini to facilitate the funding of recurring and capital expenditure incurred and for its daily operations. A total of E67 268 740 remained outstanding from government for the financial year under review.

		2022 E	2021 E
16.	**Trade and other payables**		
	Retention	**-**	64 568
	Accruals	**1 310 635**	5 267 083
	Other Payables	**5 957 792**	1 060 600
		7 268 427	6 392 251

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

	Notes	2022 E	2021 E
17. Borrowings			
Current			
Eswatini Development and Savings Bank (a)		845 301	793 757
Nedbank Eswatini Limited		-	1 343 770
Public Service Pension Fund (b)		88 546 346	36 117 554
Eswatini National Provident Fund (c)		-	1 577 674
		89 391 647	39 832 755
Non-current			
Eswatini Development and Savings Bank	(a)	4 182 923	5 031 529
Nedbank Eswatini Limited		-	2 509 750
Public Service Pension Fund	(b)	408 407 397	500 280 400
		412 590 320	507 821 679
Total borrowings		501 981 967	547 654 434

(a) Eswatini Development and Savings Bank – E8.04 Million

The loan attracts an interest rate of prime per annum (Prime currently 7.5%) and is payable in monthly installments for a period of 10 years.

(b) Public Service Pensions Fund – E567 Million

The loan attracts an interest rate of prime per annum (Prime currently 7.5%). Interest for the first twelve months is capitalized and amortized over the loan duration thereafter paid quarterly. Capital repayments are semi-annual instalments over 15 years.

The loan is secured by assets (refer to note 8.1) and a guarantee from the Government of Eswatini.

(c) Eswatini National Provident Fund – E3.5 Million

The loan attracts an interest of prime plus 3% (Prime currently 7.5%). Interest is capitalized and interest and capital repayments are made quarterly over the 24 months duration of the loan.
The loan is unsecured.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

	Notes	2022 E	2021 E
17.1 Maturity analysis of the finance lease liabilities			
Less than one year		**1 245 699**	1 540 329
One to five years		**3 268 706**	2 785 918
		4 514 405	4 326 247
Less future finance costs		**(564 589)**	(472 727)
		3 949 816	3 853 520
18. Cash flow from operating activities			
Surplus for the year		**2 558 697**	7 344 563
Adjustment for:			
Depreciation and amortisation	8,9	**41 737 636**	35 757 990
Loss/ (profit) on disposal of assets	5	**320 237**	(2 754 044)
Interest paid	6.2	**38 509 928**	46 135 161
Interest received	6.1	**(4 325 341)**	(6 118 010)
Amortisation of Government grant	3	**(453 465 466)**	(433 065 081)
Non-cash – Property, plant and equipment		**416 583**	38 604 809
Non-cash-WIP expensed from PPE		**505 042**	-
Non-cash – prior period adjustment		**-**	(21 420 755)
		(373 742 684)	(335 515 367)
Changes in working capital		**3 359 482**	(30 592 092)
Increase /(decrease) in trade and other payables		**876 176**	(25 800 106)
Increase/(decrease) in employee benefits provision		**97 493**	(197 562)
Increase in other provisions		**1 308 861**	1 454 426
Decrease in inventory		**18 297**	52 057
Decrease in assets held for sale			3 965 111
Increase in deferred grant income		**67 268 740**	-
Increase in trade and other receivables		**(66 210 085)**	(10 066 018)
Cash utilised in operating activities		**(370 383 202)**	(366 107 459)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

	2022 E	2021 E
18.1 Cash flow from financing activities		
Borrowings at the beginning of the year	**547 654 434**	637 574 793
- Current	**39 832 755**	61 469 051
- Non – current	**507 821 679**	576 105 742
Transfer to lease liabilities	**(3 853 520)**	-
Cash flows	**(41 818 947)**	(89 920 359)
- Proceeds from borrowings	**-**	3 343 736
- Repayment of borrowings	**(41 818 947)**	(93 264 095)
Borrowings at the end of the year	**501 981 967**	547 654 434
- Current	**89 391 647**	39 832 755
- Non – current	**412 590 320**	507 821 679

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

19. Financial Instruments

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

	Amortised Costs E	Total Carrying Amount E
As at 31 March 2022		
Financial assets		
Trade and other receivables excluding prepayment	68 247 741	68 247 741
Cash and cash equivalents	112 895 642	112 895 642
	181 143 383	181 143 383
Financial liabilities		
Trade and other payables	7 268 427	7 268 427
Borrowings	501 981 967	501 981 967
	509 250 394	509 250 394

	Amortised Costs E	Total Carrying Amount E
As at 31 March 2021		
Financial assets		
Trade and other receivables excluding prepayment	2 396 037	2 396 037
Cash and cash equivalents	91 444 622	91 444 622
	93 840 659	93 840 659
Financial liabilities		
Trade and other payables	6 392 251	6 392 251
Borrowings	547 654 434	547 654 434
Lease liabilities	15 358 698	15 358 698
As at 31 March 2021	569 405 383	569 405 383

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

20. Related party transactions

The Service is wholly owned and controlled by the Eswatini Government.

The related party disclosure is required in terms of IAS 24, Related Parties Disclosures.

The related parties of Eswatini Revenue Service consist mainly of Government departments, state-owned enterprises, as well as key management personnel and Board Members of Eswatini Revenue Service and close family members of these related parties.

The following transactions were carried out with related parties:

			2022 E	2021 E
20.1	Government of Eswatini			
	Grant Received – Cash		**486 343 682**	484 612 423
	Grant receivable		**67 268 740**	-
20.2	**Board members' remuneration and other expenses**			
	Board Members remuneration & Expenses		**401 954**	370 950
			401 954	370 950
20.3	**Remuneration to Key Management**			
	Salaries & Other allowances		**9 216 379**	8 516 532
	Provident Fund Contributions		**1 723 184**	1 503 775
	The following balances were due to related parties for loans made to the Service: -			
20.4	**Related party payable**			
	Public Service Pension Fund		**496 953 743**	536 397 954
	Eswatini Development and Savings Bank		**5 028 224**	5 825 286
	Eswatini National Provident Fund	-	**1 577 674**	

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

21. Capital commitments

The Service entered into contracts to purchase property, plant and equipment and intangible assets of E8 221 853 (2021: E6 422 080).

22. Events after the reporting period

Events since the reporting period:

(a) have been fully taken “into account insofar as they have a bearing on the amounts attributable to assets and/or liabilities at that date;

(b) apart from changes in the ordinary course of business, have not made the present financial position substantially different from that shown by the statement of financial position;

(c) have not required adjustments to the fair value measurements and disclosures included in the financial statements.

23. Contingent liabilities

The Service has contingent liabilities amounting to E9m 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 liabilities.

ACRONYMS

ADKAR	Awareness, Desire, Knowledge, Ability and Reinforcement
ASYCUDA	Automated System for Customs Data
ATAF	African Tax Administration Forum
BCM	Business Continuity Management
BPM	Business Process Mapping
BSD	Business Strategy and Development
CBE	Central Bank of Eswatini
CIT	Company Income Tax
CG	Commissioner General
CIT	Company Income Tax
CPI	Consumer Price Index
CRM	Compliance Risk Management
CSI	Corporate Social Investment
DTA	Double Taxation Avoidance Agreement
EDR	Endpoint Detection and Response
EFT	Electronic Funds Transfer
EXCO	Executive Committee
ERS	Eswatini Revenue Service
FY	Financial Year
GDP	Gross Domestic Product
HR	Human Resource
HS	Harmonised System
ICT	Information and Communication Technology
IMF	International Monetary Fund
IRAS	Integrated Revenue Administration System
KPI	Key Performance Indicator
MAC	Multilateral Convention on Assistance in Tax Matters
MEPD	Ministry of Economic Planning and Development
MLI	Multilateral Convention to implement Tax Treaty related measures to prevent BEPS
OECD	Organisation for Economic Cooperation and Development
OPCOM	Operations Committee
PAYE	Pay As You Earn
PIT	Personal Income Tax
POS	Purchase Order Sundra
REPS	Royal Eswatini Police Services
RMC	Risk Management Committee
RMS	Revenue Management Systems
SACU	Southern African Customs Union
SANU	Southern Africa Nursing University
SCOPE	Special Committee on Public Enterprise
SHE	Safety, Health, and Environment
SOP	Standard Operating Procedure
TINs	Taxpayer Identity Numbers
TRS	Time Release Study
VAT	Value Added Tax
WCO	World Customs Organisation

NOTES

ERS

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