ERS
Eswatini Revenue Service

INTEGRATED ANNUAL REPORT

2022/23

Digitalised and Data Driven with Our Partners

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Chairman's Statement

Mr David Dlamini

"At the end of the previous financial year 2021/22, the country and the world at large were still recovering from the effects of the unprecedented COVID-19 pandemic. As we reported then, this had a significant impact on our clients, which in turn would affect the ERS mandate. Moving into the 2022/23 financial year, with these effects still lingering, the organisation continues to explore different ways not only to achieve its mandate but to also assist our clients.

The year began with the implementation of our digital transformation journey, which included the procurement of a vendor to implement the new Integrated Revenue Administration System (IRAS). This is expected to transform the administration of tax and provide efficiencies that will make compliance easier for our clients.

The year 2022/23 is also the year when the transformation from an "Authority" to a "Service" was fully embraced within the organisation. We have made progress with this change not only in the naming but our behaviour toward our clients. We have also adopted tools to gauge client satisfaction and receive regular feedback on our client services. I wish to express my heartfelt appreciation to our staff for adopting this direction so effortlessly and whole-heartedly.

The organisation continues to struggle with a significant amount of debt, which may be attributed not only to non-compliance, but we must acknowledge the difficult economic circumstances in which the country operates. To this end a relief programme was introduced where qualifying clients could have their penalties and interest waived on the principal debt. Though there was a significant uptake for this relief, it was not at the desired levels; it did, however, provide relief to those clients who enrolled successfully.

Together with this initiative, all staff came together in an unprecedented manner to ensure that the revenue target for the year is achieved. Although this target was missed by a mere 2%, the Board is encouraged by the overall performance this year, as both revenue and other KPIs made some considerable improvements. Furthermore, our Customs Digitalisation initiative has yielded an unprecedented 102% growth in our SACU receipts moderately easing our fiscus challenges. Attaining our domestic revenue target will always be a challenge, and this year the organisation went above and beyond to try and achieve this, especially in the last half of the year.

We have also reached the end of the current strategy and look forward to reviewing its performance and devising improvements where warranted. As an ever evolving / agile organisation, we expect to meet clients' needs in a more efficient manner while driving the achievement of our mandate.

Another notable development was the appointment of a different Commissioner General for the first time since inception of the organisation in October 2010, following the departure of the then Commissioner General Mr Dumisani Masilela. The appointment of the current incumbent Mr Brightwell Nkambule has ensured that the performance culture continues to prevail, and this can be seen in the outturn in the overall performance.

In the coming year, we can expect improvement in efficiencies through the digital transformation and continued support to our clients to encourage and enable them to comply.

The Board must be applauded for continuously showing its support, even beyond what is expected of them in terms of convening meetings. Their contribution in pushing the ERS's initiatives has again been invaluable.

David Dlamini
Chairman of the Board

Commissioner General's Statement

Brightwell S. Nkambule

"

It is a great honour for me to present the Integrated Annual Performance Report for Eswatini Revenue Service (ERS) for the Financial Year 2022/23 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.

E12bn tax revenue collected

49.4 Net Promoter Score

Revenue Collection Performance

ERS recorded the highest tax revenue growth since 2017/18. The 11.6% tax revenue increase was higher than the 6.0% nominal GDP increase projected by the Central Bank of Eswatini (CBE) and the Ministry of Economic Planning and Development (MEPD) and this is characteristic of an improving revenue administration. However, we were 2% below target, collecting E12.037 billion in tax revenues against a target of E12.323 billion. The high tax revenue growth can be attributed to, in part, the deliberate efforts taken by the organisation to improve customer service and effective revenue improvement initiatives. The revenue improvement drive also resulted in a reduction in debt stock by 20.8%; the total debt stock was E7.422 billion at the end of the financial year from an opening balance of E9.171 billion at the beginning of the year.

2021 -2024 Strategic Plan

The organisation continued to implement the Strategic Plan for 2021/22 – 2023/24 guided by the vision to attain a "100% voluntary compliance for a better Kingdom of Eswatini" and the theme to be "Digitalised and Data Driven Organisation; with our Partners." In 2022/23, we prioritised programs that laid the foundation for Digitalisation of the customs and tax value chain. We expect that this theme the organization shall improve collaboration with ecosystem partners, adopt a data driven decision making culture and digitalize processes to reduce the costs of compliance as well as simplify compliance processes for our clients. The ultimate outcome is to improve voluntary compliance.

Regional and International Support

I would like to acknowledge the support and assistance we continue to receive from our international and regional partners. These include the International Monetary Fund (IMF), the IMF's Technical Assistance Centre responsible for Southern Africa (AFRITAC South), the World Bank, the African Tax Administration Forum (ATAF), the World Customs Organisation (WCO), the Common Market for Eastern and Southern Africa (COMESA), the United Nations Conference on Trade and Development (UNCTAD), the Southern African Customs Union (SACU), the Southern African Development Community (SADC), Tax Inspectors Without Borders (TIWB), the Organisation for Economic Cooperation and Development (OECD), the Global Forum, the International Centre for Tax and Development (ICTD), the South African Revenue Service (SARS), the Korean Customs and all our in-country partners.

Client Experience/Stakeholder Engagement

During the year under review, we rebranded the organization from Eswatini Revenue Authority to Eswatini Revenue Service. The rebranding was a culmination of a long journey to shift our methods to focus on improving compliance through better customer service, simplification of compliance processes and client education. We noted a positive response to this shift by our clients. The Net Promoter Score, a performance measure for customer service, improved from 6.73 to 49.4 over the financial year.

We engaged extensively with our ecosystem partners to improve collaboration, solicit their feedback and buy-in to the long list of new revenue and trade facilitation initiatives that were lined up for implementation in the year and coming years. We strengthened our relationship with partners that include Business Eswatini, the Federation of Eswatini Business Community, the Commercial Amadoda, the Bankers Association.

Conclusion

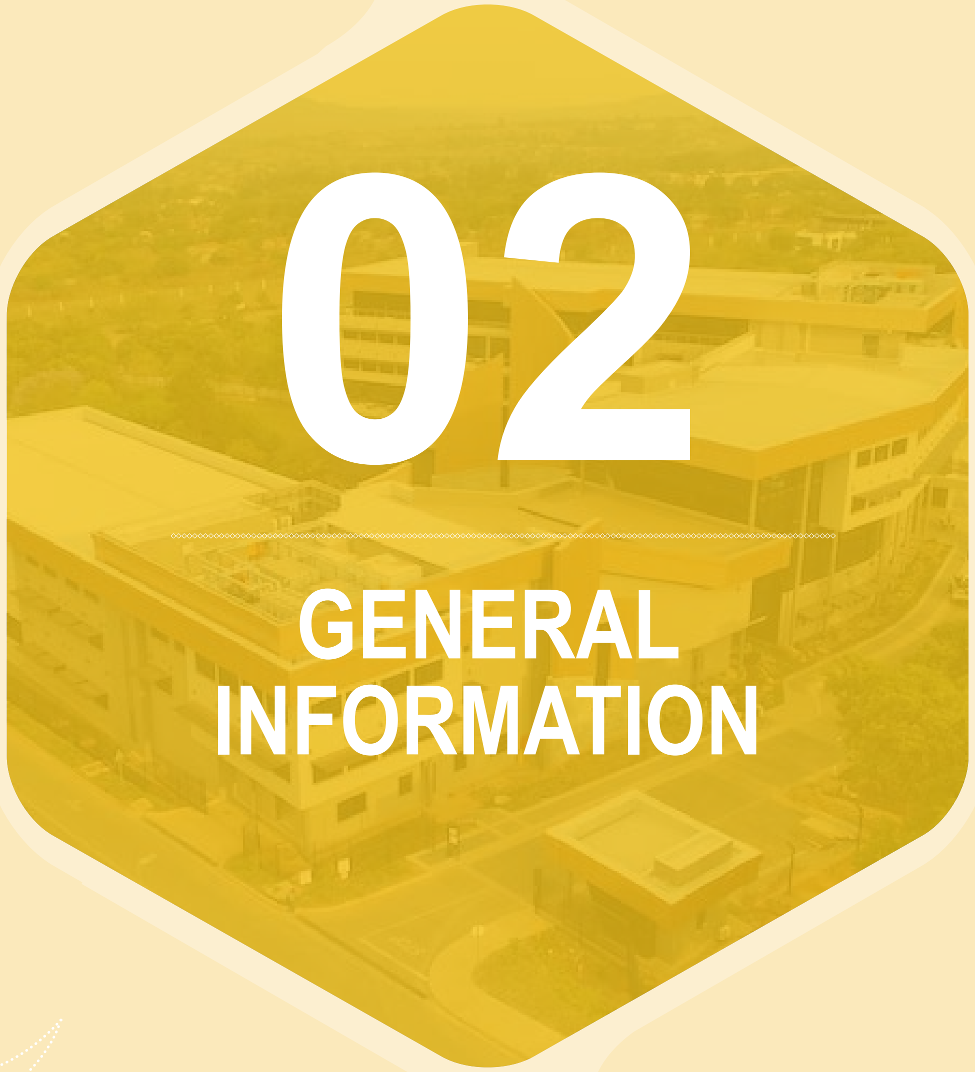
Looking ahead with optimism, I would like to send my deepest appreciation to the ERS employees. Their high level of engagement delivered the positive results. They have remained committed and showed enthusiasm towards attaining the revenue target despite the uncertainties in our operating environment.

I would also like to extend sincere gratitude to the Governing Board and the Honourable Minister for Finance and His Majesty's Government for the continued guidance and support we continue to receive as we deliver on our mandate.

Finally, we commit to continuously improve revenue mobilisation and trade facilitation through simplified processes, world class customer service and effective client education guided by our values that include integrity, innovation, transparency, and performance excellence.

Brightwell S. Nkambule
Commissioner General

Raising **the Standard**



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GENERAL INFORMATION

ABOUT THIS REPORT

2023

This integrated 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. This report covers the financial year 01 April 2022 to 31 March 2023 and demonstrates value created by the organisation and matters material to creating value in the short, medium, and long term.

The report attempts to follow the principles of the King IV Code on Corporate Governance (King IV) and is guided by the principles and requirements of the Integrated Reporting Council (IIWRC) framework, providing relevant insights into the implementation of 2021/22 - 2023/24 ERS Strategic Plan, organisational performance, governance, human capital development, risk management, and corporate social investment.

Suite of Reports Produced

The ERS produces other reports, additional to this Integrated Annual Report. These include the Annual Trade Statistics Reports and Merchandise Trade Statistics Reports which are published on the ERS website for our stakeholders.

PERFORMANCE HIGHLIGHTS

Authority to Service Key Achievements

- **11.6%** increase in REVENUE
- **11.8%** increase in IMPORTS
- **10.1%** increase in EXPORTS
- REVENUE **5.6ppts** higher than GDP GROWTH
- **2ppts** increase in VOLUNTARY COMPLIANCE
- **20.8%** reduction in DEBT STOCK
- **3.8%** cost to REVENUE RATIO
- **49.40** Net Promoter Score
- **99.9%** System Uptime

ORGANISATIONAL OVERVIEW

Who We Are

Vision

100% Voluntary Compliance for a better Kingdom of Eswatini

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

Mandate

To ensure and collect revenue on behalf of the Government of the 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 continued excellence

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

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

TRANSPARENCY AND ACCOUNTABILITY
Open in operations and communication whilst being responsible for actions and decisions

INTEGRITY
Promote honesty trust and openness

Our Story

The Eswatini Revenue Service (ERS) is a semi-autonomous revenue administration agency. It was set up through the Eswatini Revenue Authority Act, 2008 (as amended). The ERS works within the broad framework of Government but outside of the civil service.

The ERS is structured as a corporate entity and strives for operational excellence and efficiency. A Commissioner General heads the organisation. ERS has a Governing Board appointed by the Honourable Minister of Finance.

We get our mandate from the Eswatini Revenue Authority Act, 2008 (as amended). The ERS mandate includes the following:

- Assessment and collection of all revenue on behalf of the Government;
- Administering and giving effect to the laws or the specified provisions of the laws set out in the Schedule and account for all revenue to which those laws apply;
- Promoting compliance with the revenue laws.
- Taking the measures needed to counteract tax or revenue fraud and other forms of tax or revenue evasion.
- Ensuring that all revenue collected is, as soon as reasonably practical, credited to the Eswatini Government General Account; and,
- Subject to the provisions of the Act, take such other measures as considered necessary or desirable for the achievement of the purposes or provisions of the revenue laws.

In furtherance of the ERS mandate, and in working towards adopting best practices, the ERS is a member of various international organisations, such as the: African Tax Administration Forum (ATAF); World Customs Organisation (WCO); and the Commonwealth Association of Tax Administrators (CATA). Furthermore, we collaborate with the International Monetary Fund (IMF) to improve our efficiencies through conducting assessments, such as the Tax Administration Diagnostic Assessment Tool (TADAT). We then compare our performance at all angles against other revenue administrations across the globe. The aim of this is to suggest areas of improvement. We also utilise the WCO Data Model (DM) as the data foundation for global trade interoperability for over two decades. It provides a universal language for cross-border data exchange.

HOW WE DELIVER VALUE

Our Business Model

1
- Human resources
- Systems and processes
- Government subvention
- Buildings and infrastructure
- Legislation

INPUTS FOR VALUE CRAION

Value Add by ERS

2
- Taxpayer education
- Taxpayer registration
- Return and declaration processing
- Payment receipting
- Debt management
- Audit and investigations
- Refund payments
- Enterprise Risk Management
- Asset Management
- Organisational Culture Development

VALUE ADDING ACTIVITIES

3
- Revenue Collections
- Asset maintenance
- Operational efficiencies
- Refunds to taxpayers
- Sound Governance

OUTCOMES

Value Added to Taxpayers and Government

4
- Sustainable and efficient revenue collection
- Voluntary compliance
- Positive organizational image
- Fiscal sufficiency
- Trade Facilitation

OUTCOMES AND IMPACT

Our Stakeholders

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

ERS OPERATING MODEL

1 Locations
- Field offices
- Headquarters
- Mobile Clinics
- CRM Visit to taxpayer premises
- Field audits in taxpayer premises

2 Organisation
- Operations teams
- Contract center teams
- Research and strategy teams
- Procurement team
- Corporate services team
- ICT team
- Legal team
- Accounts and rev. treasury

3 Processes
- Registration process
- Assessment process
- Debt management collections
- Audit and investigation
- Objectives & appeals
- Reporting
- Payments
- Procurement

4 Information
- HR systems
- ASYCUDA World POS systems
- e-Tax platform
- ERP
- EFT online
- Online returns

5 Suppliers
- Vendors
- Supplier database
- Framework Contractors
- International Organisations

6 Management Systems
- EXCOM
- Ext. EXCOM
- Portfolio Board
- Risk Management Committee
- Program Boards
- Monthly and Quarterly Reports
- Budget Committees
- ERS Tender Board
- OPCOM

OUR STRATEGIC FOCUS

The organisation continued implementing the ERS Strategic Plan for 2021/22 – 2023/24 under the theme "Digitalised and Data Driven Organisation; with our Partners." In 2022/23, we prioritised projects that fuel the Digitalisation ambition as guided by the customs and tax value chain. We expect that this Digitalisation Program will take us closer towards attaining our ultimate vision of attaining 100% voluntary compliance for a better Kingdom of Eswatini.

The figure below highlights core targets and actual achievement of the strategy for the 2022/23 financial year.

Revenue Collection Against Target
Actual: 97.7%
Target: 100%

Cost to Revenue Ratio
Actual: 3.8%
Target: 3.7%

Net Promoter Score
Actual: 49.36
Target: 30.00

Risk Appetite and Tolerance Level
Actual: 0.0%
Target: 2.0%

Voluntary Compliance Rate
Actual: 64.4%
Target: 65.2%

Figure 1: Prioritized Strategic Projects 2022/23

PROJECTS

Integrated Revenue Administration System (IRAS)

PURPOSE

Deliver the digital transformation vision of the ERS.

The project delivered the following milestones: Analysis & Design, completed analysis of As-Is processes, completed envisioning workshop for To-Be processes. Currently in-progress is conducting conference room pilot sessions (CRP) to gather user stories and gap analysis, and registration of CRP. For the Configuration & Build phase, the project delivered: the ORMB system in a sandbox environment (Oracle Revenue Management & Billing system), and in progress is finalizing the global configuration.

Data & Analytics

PURPOSE

To establish a data and analytics culture within the ERS to ensure decision making is informed by data.

In the year under review, the project focused mainly on building capacity for the Project Team with assistance from African Tax Administration Forum (ATAF). The project moved to be run under business as usual (BAU) as its deliverables were also run by the data analysts under BAU.

Integrated Payments

PURPOSE

To enable in and outgoing payments (including refunds) through an electronic payment gateway that will allow almost real time-crediting of accounts for both Taxpayer and ERS.

The procurement process of the project is near completion pending validation of the Contract and Requirements. ERS also engaged the Ministry of Finance to review and validate the governance of this project in the period under review.

Customs Digitalization

PURPOSE

To create a secure and facilitative border environment by implementing initiatives that will contribute to reduced border clearance times and associated trade costs by using automated and streamlined processes with national and bilateral border stakeholders.

In the 2022/23 financial year, the project developed a business case for the Customs Digitalisation Programme. This resulted to not only to the identification of customs strategic projects such as Automated System for Customs Data (ASYCUDA) World Upgrade and National Single Window project, but also identification of other important business projects (IBPs) such as COMESA Electronic Certificate of Origin, Electronic Advance Rulings, Postal System Integration and Trader Connect.

Competency Based Human Resource Management (HRM)

PURPOSE

To strengthen and equip the ERS so that it can carry out its mandate efficiently and effectively with a well-trained and motivated workforce.

In the year under review, a workshop for the ERS Executive was conducted by experts of the World Customs Organisation (WCO). The aim of the workshop was to introduce the Executive to the concept of competency-based human resources management framework and other tools linked to HRM Generation 2.0 as per the WCO standards. In addition, an established cross-functional HRM Working Group and project team has been reviewed to respond and align to the changes brought by the implementation of the Restructuring Project

Customer Experience (CX)

PURPOSE

To develop and execute an approach for developing, cultivating, and maintaining value-driven taxpayer interactions within the ERS.

Automated Contact Centre System
In this reporting period, the ERS received an Intent to Award Contract from ESPPRA to award valued at E2 million. The contract negotiation process between the ERS and vendor has been initiated.

Omni Channels: Website Revamp, App; Chatbots
In this reporting period, a contract at a value of E1.3 million between the ERS and appointed vendor was negotiated and signed-off.

SITUATIONAL ANALYSIS

Global and Regional Developments

In the year 2022, the global economy grew by 3.4%, which was a fall from the growth of 6.0% in 2021. This is partially due to the ongoing war between Russia and Ukraine, which increased commodity prices and intensified supply disruptions, adding to increased global inflation which recorded a multi decade high of 8.7% in 2022 from a low 4.7% in 2021. The elevated inflationary pressures resulted in advanced economies implementing restrictive monetary policies, through higher interest rates which have stifled economic activity in most economies, with an extended strain in the developing countries. The economic costs of the war also spread to commodity markets, even though economic activity in Europe was more resilient than expected given the large negative terms of trade fallout from the war and associated economic sanctions.

The global growth situation was further disturbed by China's implementation of strict lockdowns associated with the zero COVID-19 strategy which reduced its demand from the global economy, as well as deteriorating trade relations between the US and China. World trade volumes indicated a recovery from the COVID-19 pandemic with a growth of 5.1% in the year 2022, from a high performance of 10.1% in the year 2021.

In the Sub-Saharan African region, there was a 3.9% improvement in economic output in 2022 compared to 2021 owing to increased economic performance by major economies such as South Africa (which grew by 2.0%) and Nigeria (which grew by 3.3%). This growth is due to the recovery from the COVID-19 pandemic. The key drivers of economic growth in South Africa for 2022 were agriculture, finance, personal services, and government services which grew by 25.4%, 8.0%, 6.2% and 0.5%, respectively, while other industries that are yet to recover to the pre-pandemic levels include the construction, mining, manufacturing, electricity, transport, and trade industries.

Although the South African economy reached an all-time high in the year 2022, the economy has only grown by 0.3% from the 2019 pre-pandemic growth.

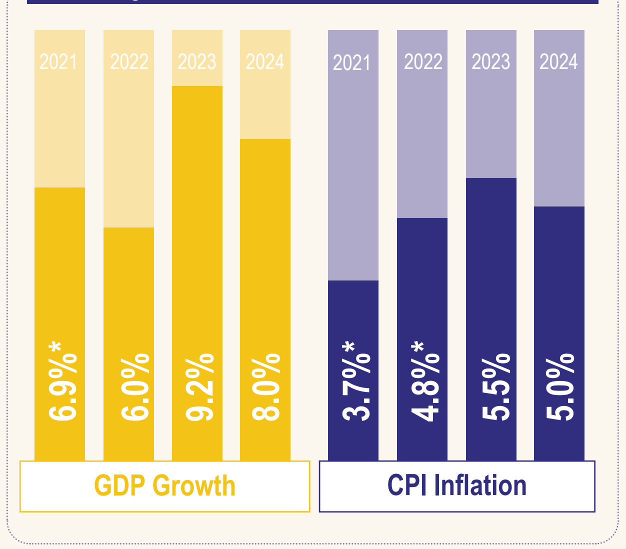
The electricity, gas and water industries were dragged lower by decreases in the consumption of electricity and water during the year. The construction industry is in its worst shape, at 23.1% lower than it was pre-pandemic marking construction's sixth consecutive year of economic decline.

Domestic Developments

From a growth of 6.9% in 2021, the domestic economy is projected to have grown by a lower 6.0% in 2022. It was mainly slowed down by the higher inflationary pressures, which resulted in high production costs and put a strain in the cost of living. The economy was also affected by a weaker external demand, amidst the challenged global economic conditions. In the medium-term, economic growth is projected at 9.2% in 2023 and 8.0% in 2024 mainly due to anticipated growths in the manufacturing, retail and public administration sectors.

The economy is also expected to largely benefit from the improvement in SACU revenues in the period 2023/24 which is expected to boost public expenditure as well as consumption. The inflation rate was an average of 4.8% in 2022 increasing from a rate of 3.7% in 2021, whilst the anticipated inflation rate for 2023 and 2024 is 5.5% and 5.0%, respectively.

Figure 2: GDP Growth and CPI Inflation



3.4% global economic growth

3.9% regional economic improvement

03

ORGANISATIONAL PERFORMANCE

HOW WE FARED AGAINST OUR CAPITALS

Figure 3: Overall Performance Against Capitals

	Capital Inputs/ Stock of Capital	Business Activities/ Value Creation	Outcome	Performance in 2022/23
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 • Highest revenue collections so far	• 11.6% increase in revenue collected. • 3.81% Cost-To-Revenue ratio against target of 3.67%. • Reduction in Debt Stock By -20.8% (E1.95bn)
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 implementation of Safety Health Environment (SHE) policy	• Operational excellence • Better customer service • Productive and motivated staff • Retention and attraction of required talent	• 4.02% staff turnover against 5% organisational appetite
Intellectual	• Tacit and specialised knowledge and skills • Healthy governance framework • Enterprise risk framework • Internal policies established processes and procedures • Legislation • Information management systems • Revenue collection ICT (Information Communication Technology) Systems • Disaster recovery systems	• Intelligence and investigations • Compliance Risk Management (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 • Optimal Productivity	• Nine strategic risks monitored: implementation of treatment actions to mitigate risks undertaken in the year
Social and Relationship	• Relationships with Stakeholders • Corporate Social Investment (CSI) • Reputation of the organisation	• Taxpayer engagement and education • Segment relevant taxpayer service • Stakeholder engagements • 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	• Increase in Net promoter score from 6.73 in 2021/22 to 49.4 in 2022/23
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	• High percentage system availability key performance target for the year surpassed, attaining 99.85% against target of 99.72%

COST OF COLLECTION

Figure 4: Cost of Collection

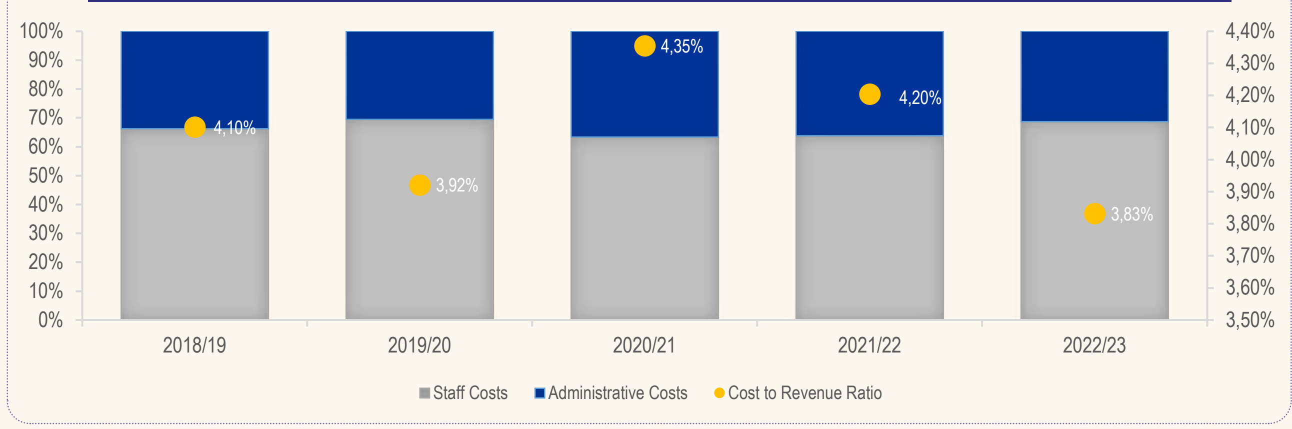
2021/22

- 4.2% Cost to Revenue Ratio
- E289m Staff Costs
- E163m Administrative Costs

2022/23

- 3.8% Cost to Revenue Ratio
- E316m Staff Costs
- E144m Administrative Costs

Figure 5: Cost to Revenue Ratio, 2018/19 - 2022/23



The cost of collection (cost to tax revenue ratio) is a critical measure of the organisation's efficiencies as it shows how much it costs to collect each lilangeni of tax revenue. In the year 2022/23, the cost of collection was 3.83 cents per lilangeni collected, which was which was a decrease from the 4.20 cents per lilangeni recorded in the previous year (2021/22). This was against a target 3.67%, indicating an under performance mainly due to an increase in staff costs coupled with an inability to meet revenue targets.

PROCUREMENT OF GOODS AND SERVICES

In line with ERS policies and The Procurement Act of 2011, the organisation commissioned several tenders for the procurement of goods and services. The total value of tenders awarded in 2022/23 was E219 244 214.

E219.2m Total value of tenders

Figure 6: Procurement Management in 2022/23

- **74** tenders awarded
- **E1 340 952** The value of goods tenders
- **E217 903 262** The value of services tenders
- **E76 497 003** The value of purchase orders issued
- **944** issued purchase orders

REVENUE COLLECTION PERFORMANCE

Total Revenue Collections

Figure 7: Revenue Collection Performance 2022/23

E13.69b Gross revenue − E1.66b Refunds paid = E12.04b Net revenue

Total tax revenue collections amounted to E12.037 billion against a target of E12.323 billion which was 2% below target performance. The revenue collections to target shortfall was E0.285 billion, however the collections were E1.250 billion above the prior year. Major tax types such as company and fuel taxes recorded significant below target performance during the period. Company tax collections were negatively affected by a reduction in taxable incomes from major contributing economic sectors such as the manufacturing, information and communication and agricultural sectors. On the other hand, fuel taxes were impacted by the supply changes experienced during the financial year. On the positive, Value Added Tax (VAT), Road Toll and Other Income Taxes (OIT) recorded above target performances against their respective targets and when compared to the previous year, mainly due to the improved administrative measures put in place during the year to enhance revenue collections.

Table 1: Domestic Tax Revenue Collection for the years 2018/19 – 2022/23 (E'000)

Indicator	2020/21	2021/22	2022/23		Variance		% of Revenue in 2022/23
	Actual	Actual	Target	Actual	2022/23 Actual-Target	2021/22 - 2022/23	
Company Tax	1 440 501	1 837 254	2 099 696	1 584 572	-25%	-14%	13%
Individuals	3 555 661	3 795 828	4 285 342	4 222 579	-2%	11%	35%
Other Income Tax	578 232	533 049	569 800	751 072	32%	41%	6%
Graded Tax	864	1 266	1 547	1 010	-35%	-20%	0%
Total Income Taxes	**5 575 258**	**6 167 398**	**6 956 385**	**6 559 232**	**-6%**	**6%**	**54%**
Sales Tax	3 991	2	0	648	0%	39473%	0%
VAT	3 119 323	3 134 238	3 830 607	4 073 359	6%	30%	34%
OTHER TAXES							
Road Toll	47 961	56 531	61 952	76 971	24%	36%	1%
Lotteries and Gaming	2 771	1 679	2 478	5 941	140%	254%	0%
Fuel Tax	1 261 264	1 289 662	1 408 555	1 259 390	-11%	-2%	10%
Import Motor Vehicle Levy	12 334	8 980	12 952	6 908	-47%	-23%	0%
Alcohol & Tobacco Levy	29 440	43 848	49 682	46 325	-7%	6%	0%
Total Taxes on Goods and Services	**4 477 085**	**4 534 939**	**5 366 226**	**5 469 543**	**2%**	**21%**	**45%**
Immigration fines, penalties and unallocated funds	-107 081	84 624	0	8 762	0%	-90%	0%
GRAND TOTAL	**9 945 262**	**10 786 961**	**12 322 610**	**12 037 537**	**-2%**	**12%**	**100%**

Other Taxes E5.47bn | Individuals E4.22bn | VAT E4.07bn | Company Tax E1.59bn | Sales Tax E684 000

Figure 8: Breakdown of Revenue Collected

Direct Taxes

- **Individuals** — E4.22 billion; +11.2% prior year; -1.5% against target
- **Graded Tax** — E1 million; -20.3% prior year; -34.7% against target
- **Other Income Tax** — E751 million; +31.8% prior year; +40.9% against Target
- **Company Tax** — E1.59 billion; -13.8% prior year; -24.5% against target

Indirect Taxes

- **Fuel Tax** — E1.259 billion; +2.3% prior year; -10.6% against target
- **Import Motor Vehicle Levy** — E6 million; +23.1% prior year; -46.7% against Target
- **Alcohol and Tobacco Levy** — E46 million; +5.6% prior year; -6.8% against Target
- **Road Toll** — E77 million; +36.2% prior year; +24.2% against target
- **VAT** — E4.073 billion; +30.5% prior year; +6.3% against target

Tax revenue collections grew above the economic growth rate, which is a characteristic of an improving revenue administration. In the year 2022/23, the tax revenue increase of 11.6% was higher than the nominal GDP increase of 6.0% as projected by the Central Bank of Eswatini (CBE) and the Ministry of Economic Planning and Development (MEPD). The 11.6% tax revenue growth was also higher than the 7.4% average growth attained in the past 5 years as well as the 11.6% average revenue growth attained since the establishments of the ERS.

Table 2: Contribution of Major Tax Types to Total Revenue Collections

As a percentage of Revenue	CIT	PIT	OIT	VAT	Fuel Tax
2018/19	16.2%	36.3%	5.5%	29.7%	11.7%
2019/20	17.2%	35.0%	4.9%	29.8%	12.1%
2020/21	14.5%	35.8%	5.8%	31.4%	12.7%
2021/22	17.0%	35.2%	4.9%	29.1%	12.0%
2022/23	13.2%	35.1%	6.2%	33.9%	10.5%

Figure 9: Revenue Growth by Sector in 2022/23

Contributing to the growth in tax revenue, the Agriculture, Professional Services, Real Estate and Other Services sectors observed noticeable increases in revenue collections. Whilst sectors such as the ICT sector observed a decline in 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 16.2% and this is an increase from the 15.4% recorded in the 2021/22 financial year. This is lower than anticipated performance of 16.6% was mainly due to a lower than target performance in some of the major tax types. The total revenue-to GDP ratio (including Southern African Customs Union (SACU) revenue) declined from 24.5% in the financial year 2021/22 to 24.0% in the financial year 2022/23, owing to an 8.7% decrease in SACU receipts.

Tax Revenue Forgone

Tax Revenue Foregone resulting from an increase in exemptions decreased by 6.5% due to a decrease in VAT exemptions in the period. This decline in exemptions was mainly due to a decrease in the importation of health products used towards mitigating the COVID-19 pandemic. VAT exemptions present the highest revenue foregone followed by customs duties. These exemptions were mostly exemptions on electricity and medications.

Figure 10: Domestic Tax Revenue, SACU Revenue, and Tax-to-GDP Ratio, 2018/19 - 2022/23

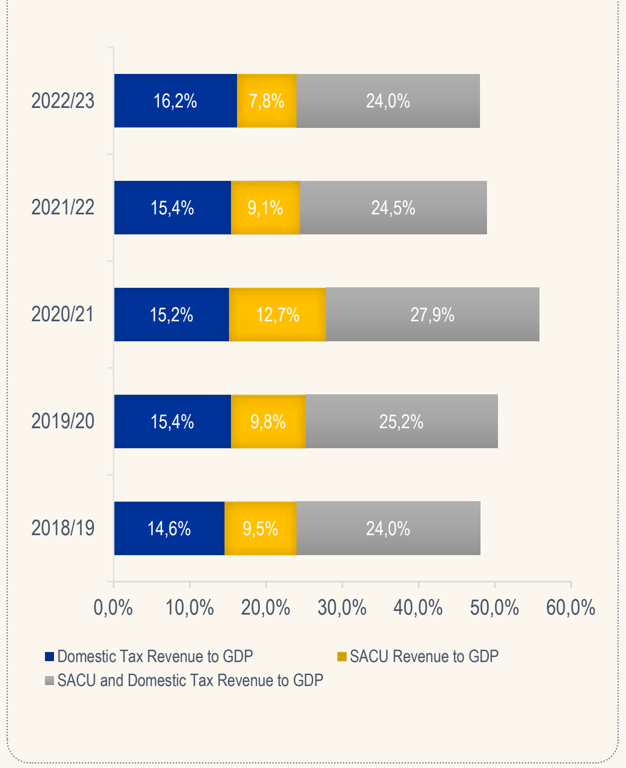


Figure 11: Tax Revenue Forgone Through Exemptions from 2017/18 to 2022/23

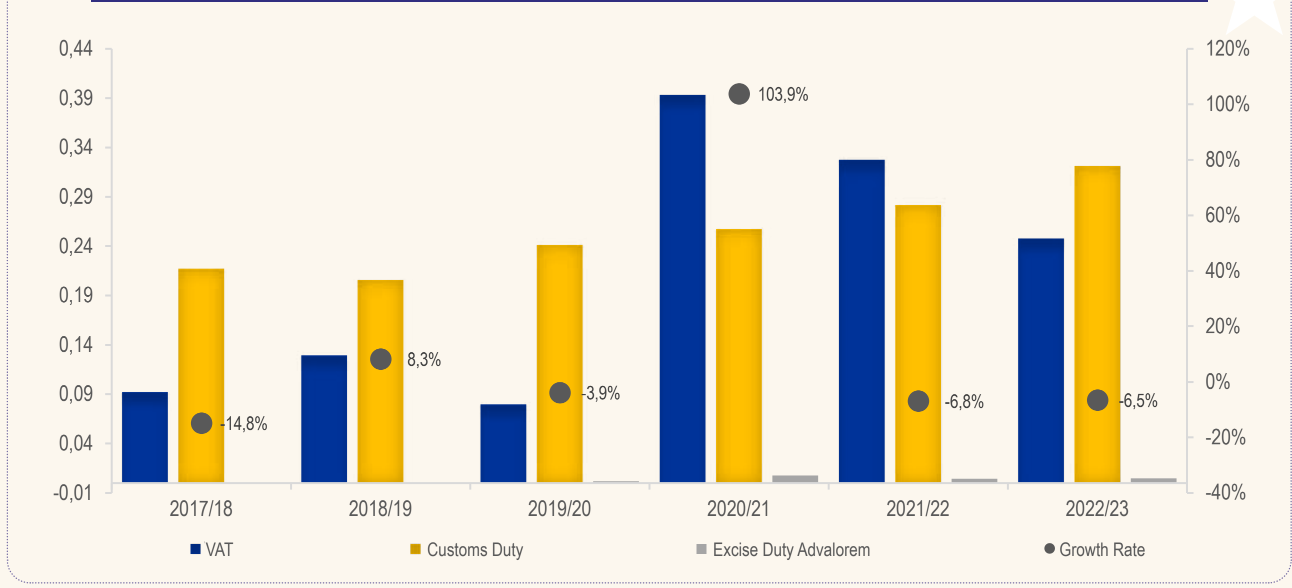
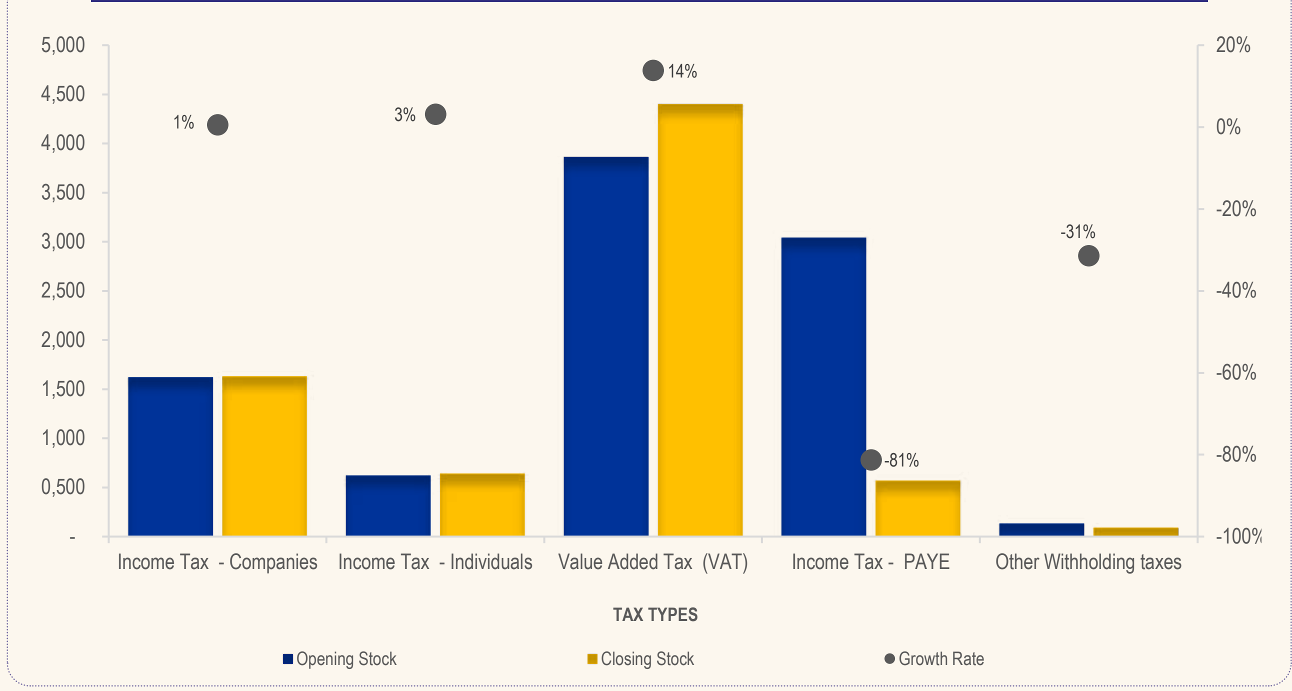


Figure 12: Total Debt Stock for Periods 2021/22 and 2022/23



Debt to Tax Revenue Ratio

As of 31st March 2023, the total debt stock was E7.422 billion from an opening balance of E9.171 billion. There was a 40.0% decline in PAYE debt from an opening balance of E3.043 billion to E1.214 billion, while VAT and Company Income Tax debts grew to E4.400 billion and E1.633 billion respectively, during the year under review. The decrease in PAYE debts was attributed to the write-off for some State Funded Enterprises. These entities struggled to honour their past obligations due to their financial circumstances and collection efforts had proved futile. A decrease of 31.37% was also noted in Other Withholding Taxes debt and this can be attributed to the Debt Relief Program and other vigorous collection efforts that were undertaken in the year. On the other hand, VAT debts remain high due to non-payments of audit assessed debts by companies who later stopped operating or relocated to neighbouring countries mainly in the import motor vehicle sector. The debt to tax revenue ratio as at the close of the year was 61.78% against a target of 55%.

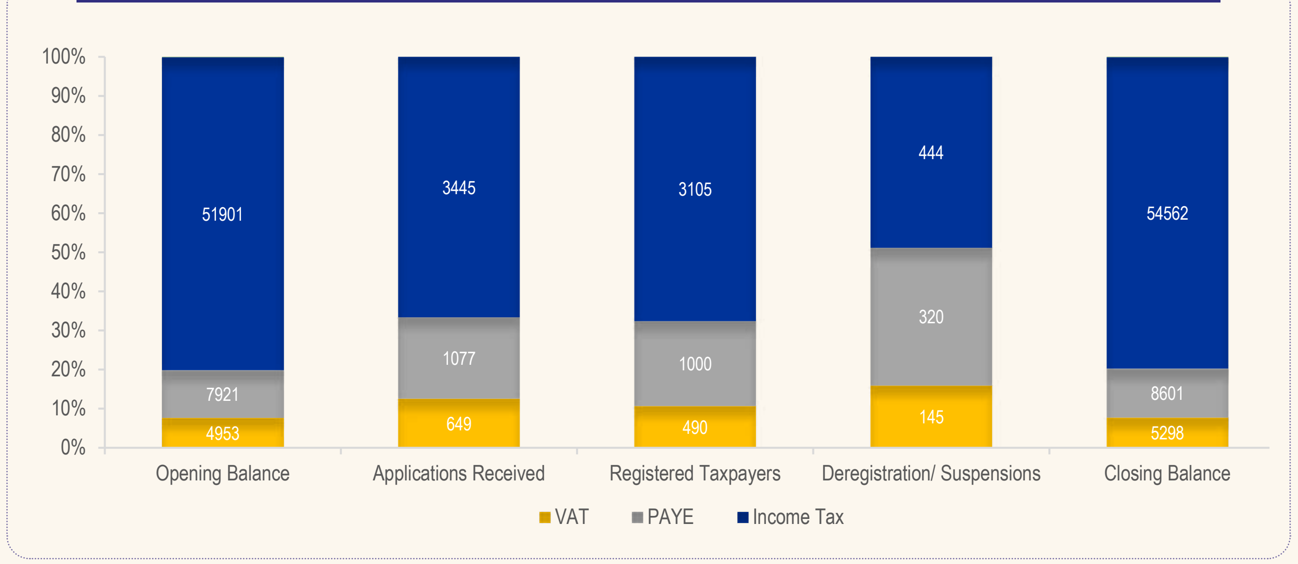
VOLUNTARY COMPLIANCE

Registration Compliance

An up-to-date taxpayer registration database is paramount for the effective administration of taxes. Taxpayer registration is fundamental to other key compliance processes like filing, assessment, payment, collection of debts and general tax enforcement; hence it is also vital to allocate adequate resources to maintain a database of sufficient accuracy to assist with taxpayer interactions. During the reporting period, the taxpayer database increased by 5.1% from 51 901 to 54 562 In the year 2022/23:

- 1 222 Taxpayer Identity Numbers (TINs) were issued to entities registering for Company Income Tax, reflecting a 7.2% increase in the tax base, and exceeding the set target of 6.5%.
- 1 883 Taxpayer Identity Numbers (TINs) were issued to individuals registering for Personal Income Tax (PIT), reflecting a 4.3% increase in the taxbase and exceeding the set target of 1.6 %.
- On the other hand, 490 VAT certificates were issued to VAT registered taxpayers, reflecting an increase of 7.0% against a target of 4.8%.

Figure 13: Registration Statistics in 2022/23

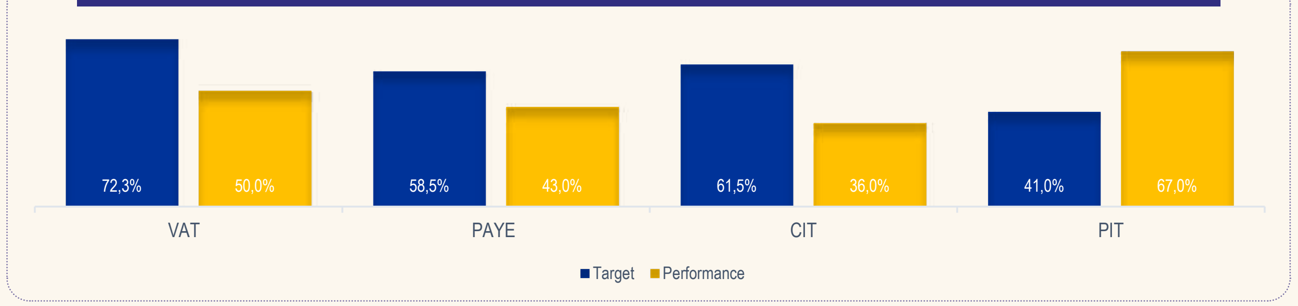


Filing Compliance

The filing compliance approach that was adopted during the year was to closely monitor all Large Taxpayers, Large Medium, State Funded Entities and Selected Small Taxpayers. These taxpayers were selected and segmented according to their tax contributions from previous years. On-time filing for these segments showed improvement as they were allocated Customer Relationship Managers (CRMs).

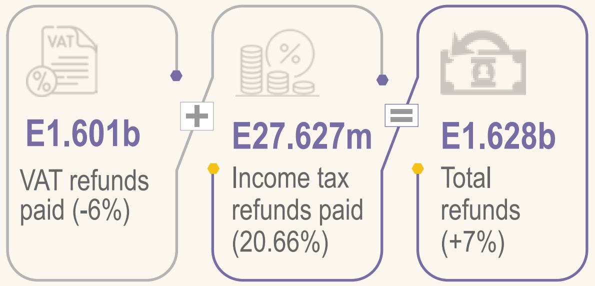
However, the overall number of returns filed on time, including non-prioritised taxpayers, decreased by an average of 5% and this is due to low filling compliance of the small taxpayers who are outside the file and pay monitoring segments. On-time filing was 36%, 67%, 50%, and 43% for CIT, PIT, VAT and PAYE, respectively. This was against their respective targets of 61.5%, 41.0%, 72.3% and 58.5%. All tax types were below target except for PIT.

Figure 14: Filing Compliance Statistics in 2022/23



Total Revenue collections

Figure 15: Refunds Payment Summary in 2022/23



Payment of Refunds

Timely processing of refunds is important for businesses to ensure that their liquidity for day-to-day operations is not affected by the delayed payment of refunds. A total of E1.628 billion was processed in refunds for 2022/23 of which 98% were for VAT. In its quest to improve the paying taxes aspect on the ease of doing business index, 66.97% of all VAT refunds were paid within 60 days as per the legislation.

Figure 16: VAT Refunds in the Period 2020/21 – 2022/23

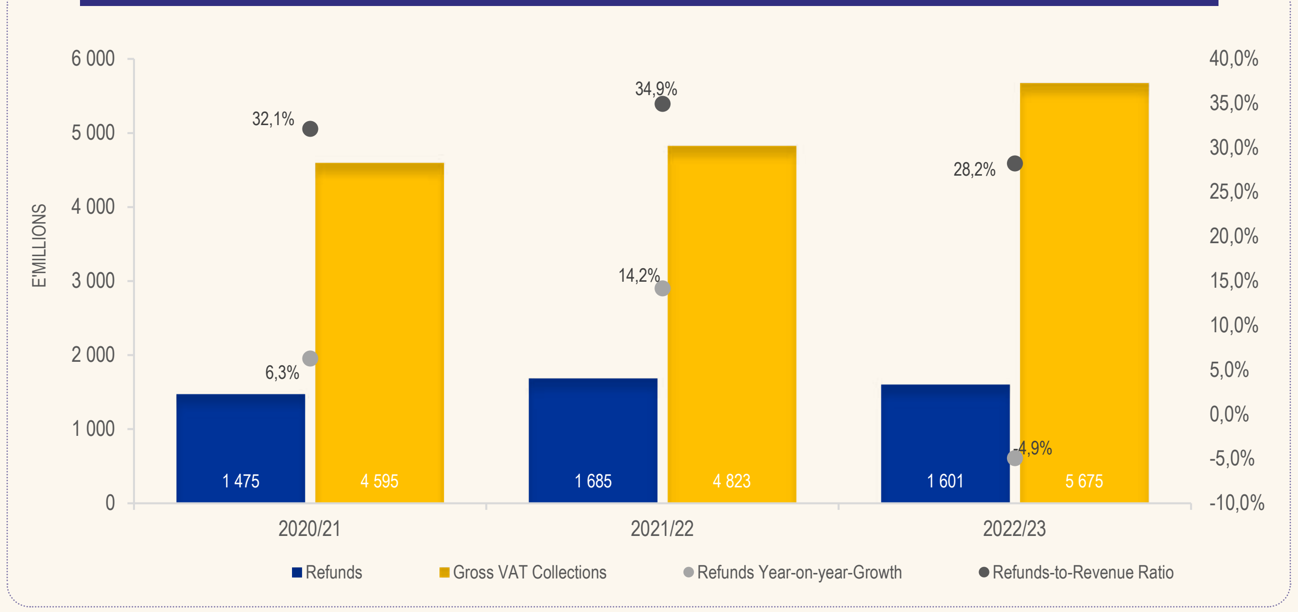
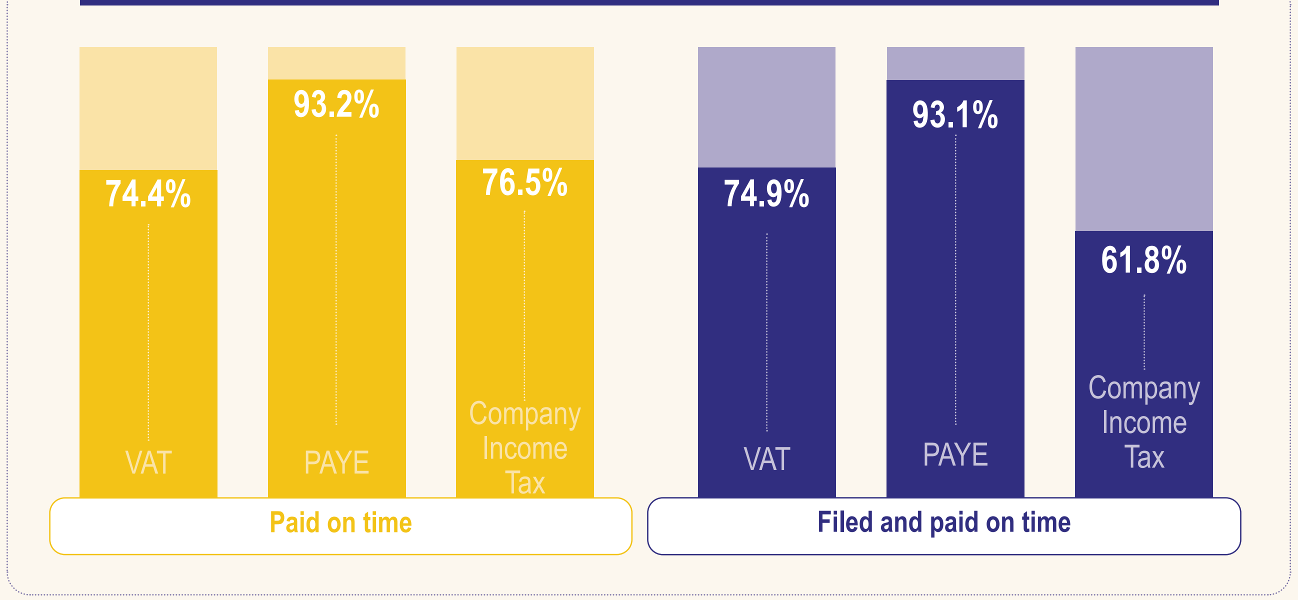


Figure 17: Payment Statistics in 2022/23



Rebranding: From Authority to Service

In April 2022, the organisation launched a new logo, which is in line with its rebranding journey, moving from being an Authority to a Service.

In the new logo, the human with raised hands represents two figures which are the client and the ERS employee who are raising their hands to a five-star service (Service Excellence). This human element appears before the words ERS to demonstrate that the ERS puts its clients first, with the abbreviation in bold, meaning the organization remains committed to being client focused.

As part of the rebranding journey, the organization made a concerted effort to ensure that the new logo also comes with a shift in our customer service culture ensuring that our clients have an extraordinary customer experience. The ERS also hosted the local media, business federations and associations to promote the new brand ethos. All ERS offices, service centres and border posts were rebranding during the year. The rebranding promotion exercise was also done on various digital platforms, such as the ERS Website, Facebook Page, Intranet and other forms used by the clients.

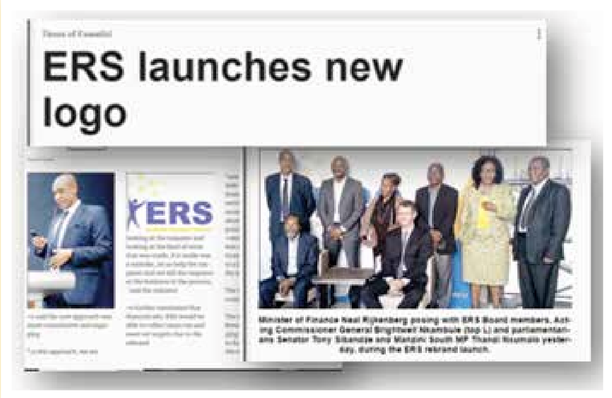
Stakeholder Engagements

In line with its strategic vision, the ERS continued with engagements of its stakeholders including, federations and business associations and its clients (taxpayers). Building relations with entities such as Business Eswatini, Federation of Eswatini Business Community, Clearing Agents, Bankers Association, and Media was paramount as the organization sought to garner partnerships towards driving compliance amongst constituencies of these partner organizations.

Other engagements were targeted directly towards taxpayers through various modes such workshops and electronic media i.e., Radio and television. The organization also ventured into the marketing and advertising, exploring marketing approaches in driving voluntary tax compliance; the organization used multi-media platforms, such as Outdoor Advertising, Print Advertising, Electronic Media Advertising as well and the Digital and Social Media Communications media to promote different services.

Radio Shows

The airing of weekly radio and television shows to promote various messages continued during the



financial year 2022/23. A series of TV shows on Eswatini TV, which was aired weekly every Friday was started in June 2022, running until January 2023. A total of 24 episodes covering topics such as the Debt Relief, Importation of Goods, Record Keeping, Payment Modes, General Compliance requirement amongst others were done. A total of 47 radio shows were also aired on Eswatini Broadcasting & Information Services (EBIS).

Tax Debt Relief Launch

In May 2022, the ERS hosted a Media briefing where the Minister for Finance officially launched the Tax Debt Relief Programme, referred to as the "Tax Deal". This programme was promoted through various platforms to drive demand. These included radio adverts, newspaper adverts, television adverts and Facebook and the YouTube Channel.

"Bika Ngalokuphelele" Campaign

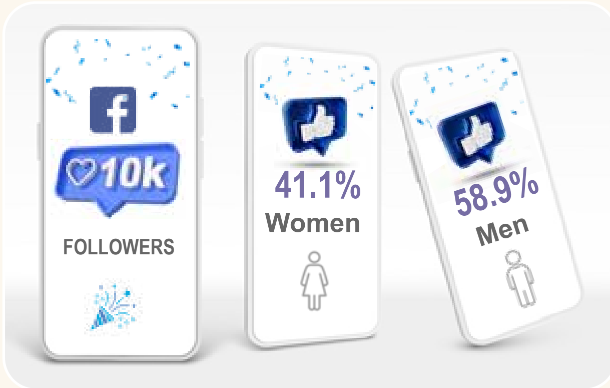
A public relations campaign themed "Bika Ngalokuphelele (Declare in full) was initiated as a follow-up to the Data-Matching initiative. This campaign was meant to ensure that all taxpayers who might not have declared certain aspects of their tax affairs to do so. The campaign was published on various platforms, including digital and social media.

"Unmask Tax Corruption" Campaign

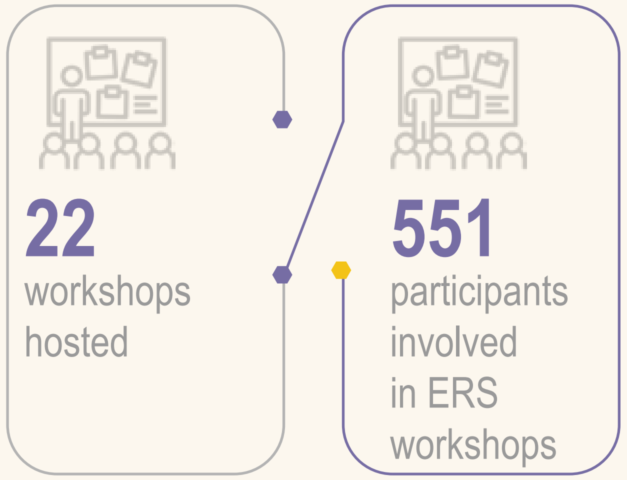
Another public relations campaign themed Unmask Tax Corruption was implemented during the reporting period. The main objective of this campaign was to encourage the public and taxpayers to report to the ERS any form of corruption related to the work of the ERS. This is in line with the organization's value of maintaining high level of integrity amongst its staff and curbing corruption that may result in the loss of revenue by the state.

Facebook Statistics in 2022/23

Facebook Statistics - the use of digital and social media; especially Facebook and Website was also key during 2022/23. Most of the campaigns run on Print Media were also published on social media.



Workshops - 22 workshops were hosted by the ERS targeting different topics and taxpayers. Some workshops were held virtually due to the COVID-19 pandemic and later on in the year, some workshops were moved to being physical as the restrictions eased. A total of 551 participants we involved in the ERS workshops for different sectors especially Sugar Cane growers and Forestry.



TRADING ACROSS BORDERS

Average time taken to release goods at borders

In 2022/23, ERS investigated actors contributing to prolonged clearance times. The results indicated that declarants continue to experience connectivity issues and pre-clearance functionality has a low usage rate. Enforcement actions to increase usage are not feasible due to the lack of a legal instrument. The pre-clearance functionality is currently promoted during border stakeholder engagements.

Electronic Certificate of Origin

To increase the seamless flow of intra-regional trade and support regional industrialisation, Eswatini committed itself to be one of the pilot countries to implement the issuance of the SADC Electronic Certificate of Origin (e-CoO). Countries that implement the e-CoO do not need to issue a manual Certificate of Origin in the country of origin of goods, which is typically required for those goods to gain preferential access when they are imported into other SADC countries. This change enhances processing efficiencies as traders can apply online and can track progress of their application digitally. Qualifying companies have been trained and are already using ASYCUDA for the authorisation of their certificates.

Advanced Ruling System

As part of fulfilling compliance obligations made upon ratification of the World Trade Organization (WTO's) Trade Facilitation Agreement (TFA), countries need to implement Advanced Ruling. The Eswatini project team finalised the development of the electronic platform for implementing advance rulings. Additionally, a consultative process was conducted with traders and clearing agents to socialise amongst these stakeholders.

Automation of the Customs Clearance Certificate

Issuance of the Customs Clearance Certificate (CCC) for motor vehicles has been automated on Automated Customs System for Customs Data (ASYCUDA) and ENTIRE. This has been achieved by integrating ASYCUDA (used by ERS in managing Customs declarations) and ENTIRE which is government's mainframe system (also used for local registration and de-registration of motor vehicles). The tool was socialised with users of the government mainframe system, motor vehicle importers (franchised and dealers who import from non-SACU countries) and clearing agents. The roll-out has eliminated the need for importers or exporters to travel to ERS inland Customs offices to apply for a paper based CCC. It is expected that the change will result in cost-reduction benefits for traders and will be a building block for increasing collaboration and electronic information sharing between the ERS and government Ministries.

Trader Connect

The Modernization Programme implemented the "IT Connectivity" initiative which has made it possible for Customs administrations to electronically exchange information on their Customs declarations. Eswatini has been the champion of the IT stream and successfully pioneered the electronic data exchange with the South African administration (SARS). In 2022/23, one entity was able to successfully connect to the ERS to automatically produce declarations from information that their system generates while it purchases and sells goods across borders.

Furthermore, The World Customs Organization (WCO) provided technical assistance to ERS for widening implementation of the 'Trader Connect' initiative and enhancement of the Customs - to - Customs and the Customs – to – trader electronic data exchange project.

Trade Facilitation Capacity Building Programme

The ERS continues to benefit under the WCO's Mercator Programme which provides tailored support to build capacity within administrations to use the WCO's instruments and tools in their implementation of trade facilitation initiatives. The programme helps administrations to adopt best practices for modernizing Customs to remain at par with regional and global standards. During the reporting period, the ERS hosted a WCO consultant who conducted an in-country mission to ascertain the state of play, pursuant to the disruption of planned activities due to the COVID-19 pandemic. The outcomes from the mission would form a basis for identifying activities that should form part of the key areas of focus to enable the ERS to make significant progress in trade facilitation.

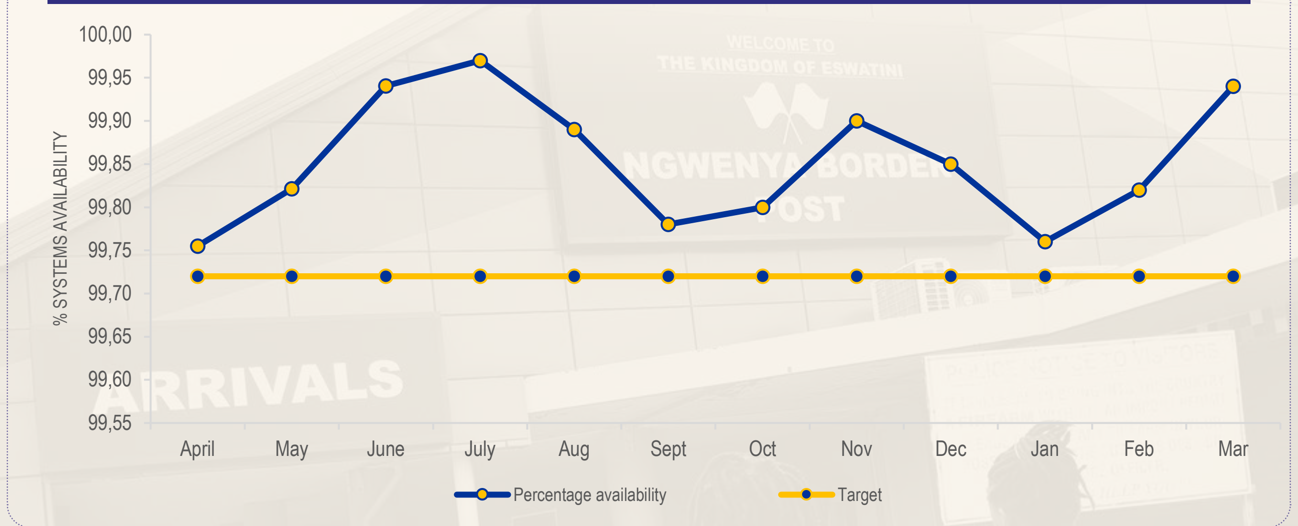
High Systems Availability

The Organization's digitalization drive is placing enormous pressure on ERS's ICT infrastructure to ensure high system availability. In the year under review, the system availability target was set at 99.72%. Initiatives undertaken in 2022/23 positively influenced systems availability, managing to attain an average 99.85%.

Harsh weather conditions continue to affect the country's network service provision. During the seasons where the country is experiencing storms, strong winds and wildfires, network services are affected. To minimize the system outages on such occasions, the ERS has rolled out network redundancy services with three telecommunication network service providers. The network redundancy service is however limited by the network costs.

The average system availability for year ending 31st March 2023 is depicted in the figure below.

Figure 18: System Performance in 2022/23

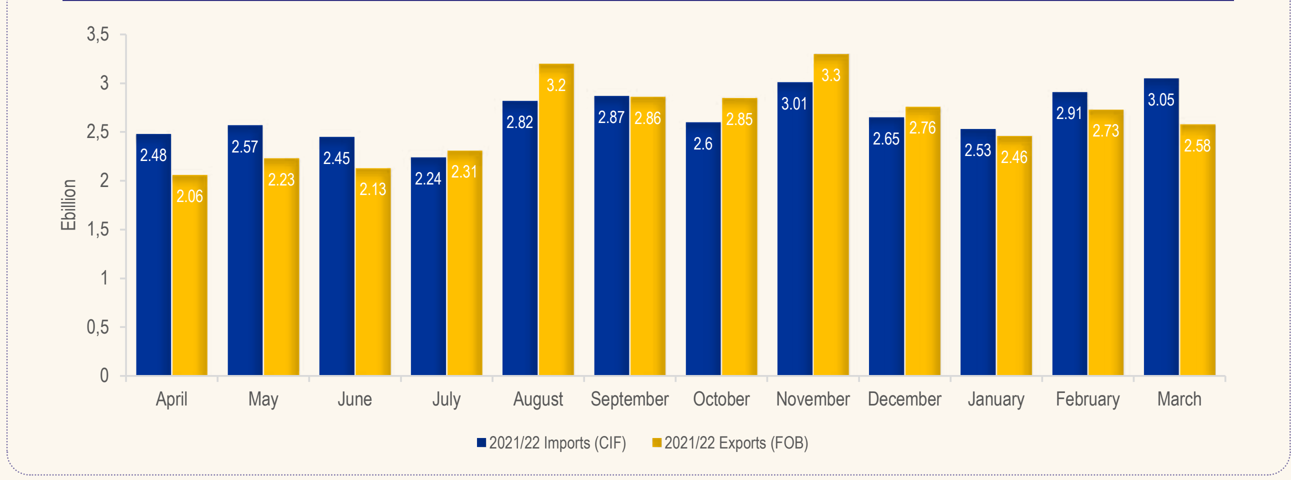


INTERNATIONAL MERCHANDISE TRADE

Trade in Goods

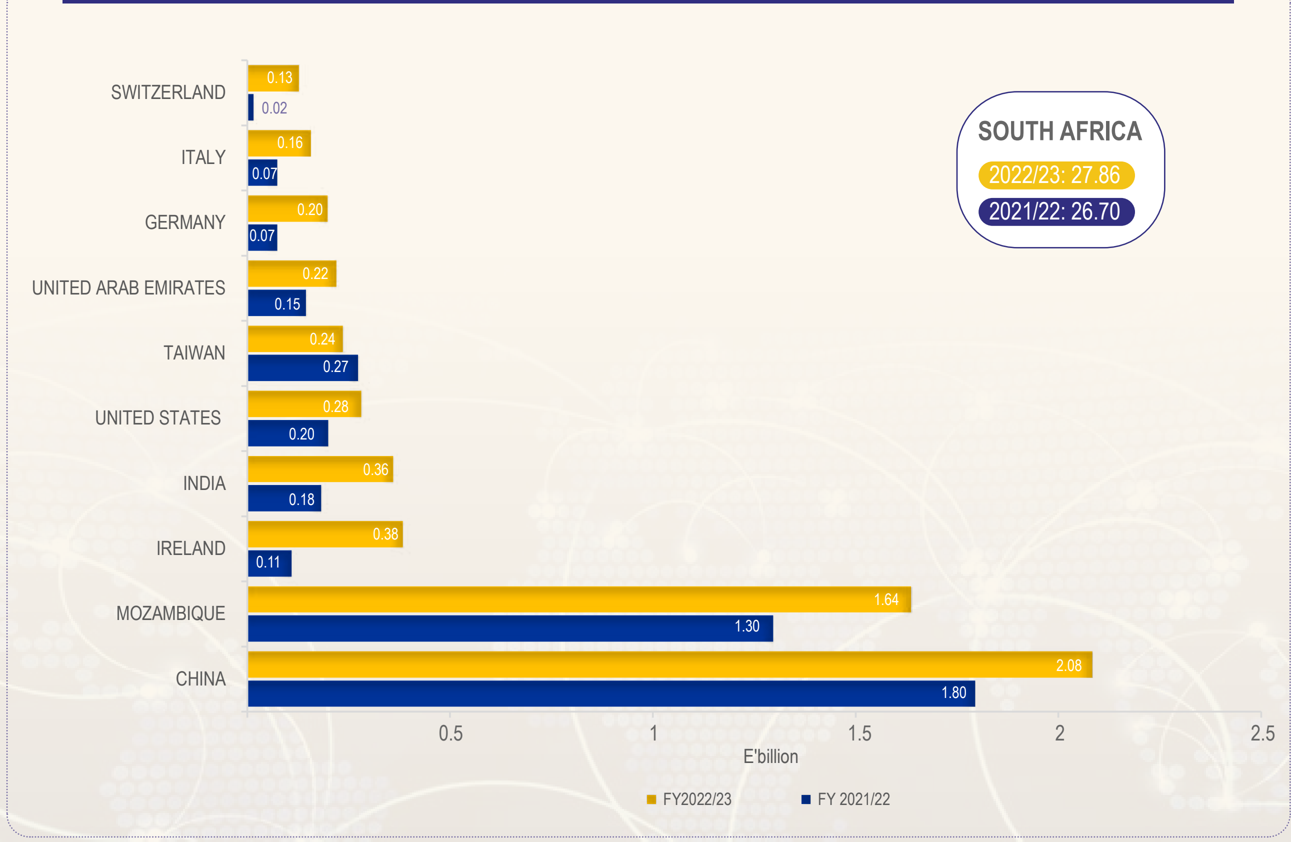
During 2022/23, a trade surplus (exports were greater than imports) of E0.57 billion was recorded for the country compared to a E0.72 billion deficit observed in 2021/22. Total exports to the world stood at E31.366 billion which was an 10.1% increase from E31.202 billion recorded in 2021/22. Total imports from the world increased by 11.81% and were valued at E34.916 billion compared to E31.227 billion in 2021/22 as depicted in below.

Figure 19: Visible Trade Balance 2022/23



ESWATINI'S TOP TRADING PARTNERS

Figure 20: Major Import Partners (excl. South Africa)



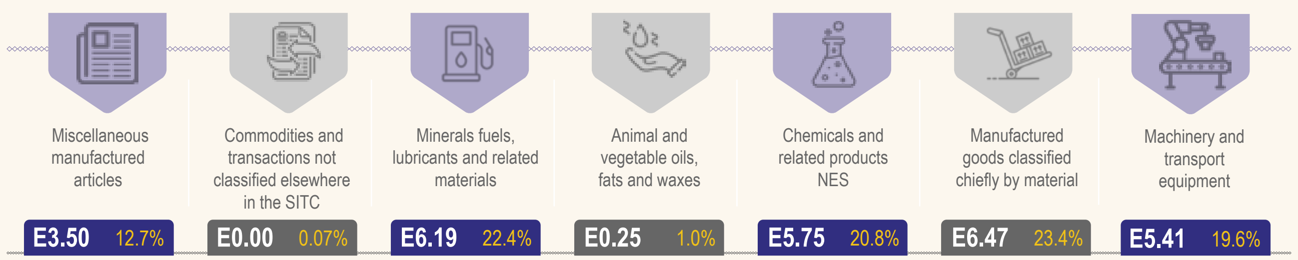
Imports by Country of Origin

South Africa remains Eswatini's major import partner accounting for E27.860 billion (79.79%) of total imports in 2022/23 which was an 8.31% increase when compared to 2021/22. The increase was due to a rise in the price of petrol and distillate fuel which increased the value of these products. The major imported goods from South Africa were "Petroleum products" & "cereals and cereal preparations." The rest of the other top five import partners (excl. South Africa) were:

- China 2nd, E2.083 billion (5.97% contribution to total imports) mainly "Textile yarn" & "Organic chemicals" an increase of 16.08% from 2021/22.
- Mozambique 3rd, E1.634 billion (4.69% contribution to total imports) mainly "Petroleum products" & "Electric Current" an increase of 26.23% from 2021/22.
- Ireland 4th, E0.384 billion (1.10% total contribution to total imports) mainly "Essential oils" & "Chemical materials and products" an increase of 251.59 % from 2021/22.
- India 5th, E0.36 billion (1.03% total contribution to total imports) mainly "Medicinal and pharmaceutical products '' & machinery specialized for industries" an increase of 79.76% from 2021/22.

Imports Standard International Trade Classification (SITC)

Figure 21: Top Imported Products, 2022/23 (E'billions)



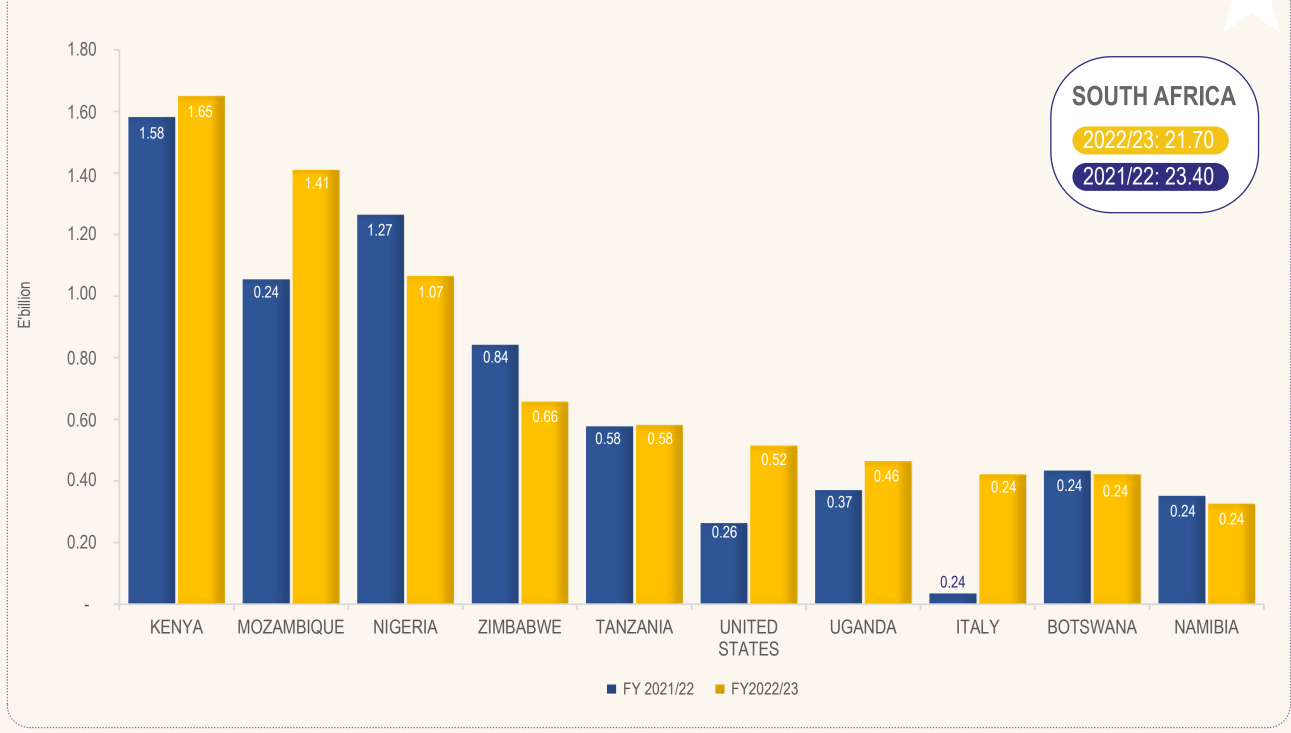
"Petroleum products and related materials" E4.514 billion (47.38% contribution to total imports), "Textile yarn, fabrics" E2,589 billion (7.91% contribution to total imports) and "cereals and cereal preparations", E2.113 billion (13.68% total contribution to total imports) were the top imported classifications in 2022/23.

Exports by country of destination

South Africa remains Eswatini's major export partner accounting for E23.477 billion (69.31%) of total exports in FY 2022/23 which a 9.43% increase when compared to 2021/22. The increase was due to a rise in the exports of concentrates, cane sugar and other chemical products. The major exported goods to the neighbouring country were "Essential oils" & ''Sugar preparations and honey." The rest of the other top five export partners (excl. South Africa) were: -

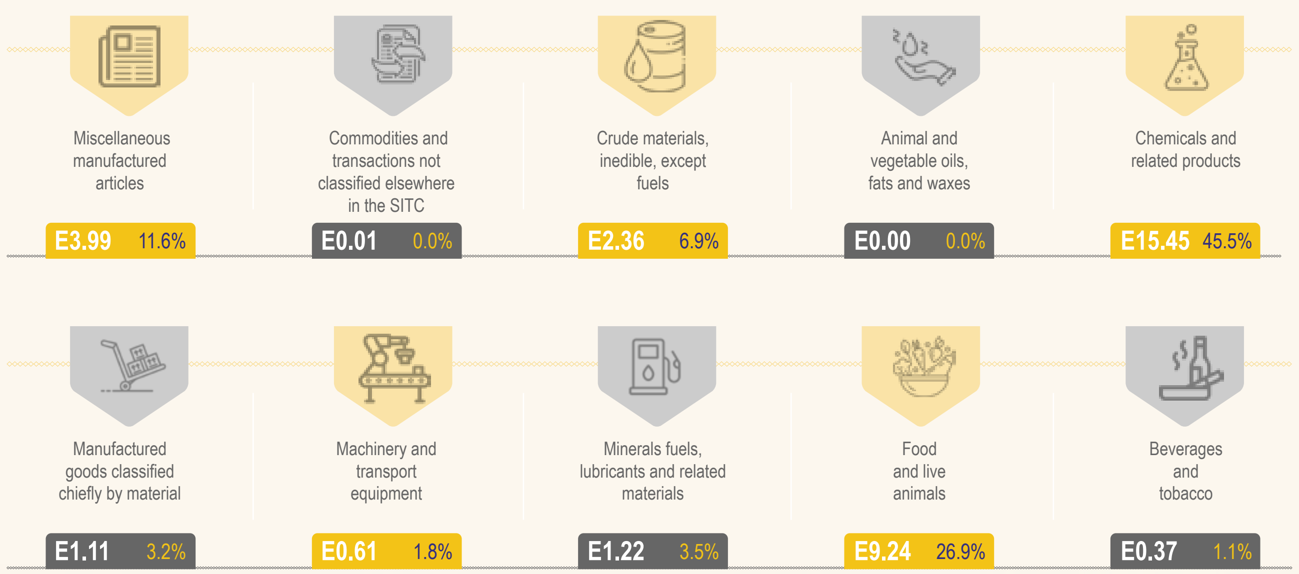
- Kenya 2nd, E1.650 billion (4.80% total contribution to exports) mainly "Essential oils" & "Sugar preparations and honey" an increase of 4.28% from 2022/23.
- Mozambique 3rd, E1.410 billion (4.10% total contribution to exports) mainly "Essential oils" & "Beverages" an increase 33.68% from 2021/22
- Nigeria 4th, E1.066 billion (3.10% total contribution to exports) mainly "Essential oils" & "Chemical materials and products" a decrease of 20.75% from 2021/22.
- Zimbabwe 5th, E0.658 billion (1.91% total contribution to exports) mainly "Essential oils" & "Chemical materials and products" a decrease of 21.89% from 2021/22.

Figure 22: Major Export Partners (excl. South Africa)



Exports by Standard International Trade Classification (SITC)

Figure 23: Top Exported Products, 2022/22 (E'billions)



"Essential oils" E9.880 billion (5.27%), "Sugars, sugar preparations and honey" E7.284 billion (6.66%) and "chemicals materials and products" E4.485 billion (7.23%) were the top exported classifications in 2022/23.

Our Service Promise

Visibility

Respect

Speed

Communication

04 GOVERNANCE

GOVERNING BOARD COMPOSITION

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

Table 3: Changes in Board Composition in 2022/23

Name	Movements	Date	Reason
Newman Ntshangase	End of term	14 June 2022	End of ex-officio appointment (representative of PS Commerce & Trade)
Majozi Sithole	End of term	30 June 2022	End of ex-officio appointment (CBE Governor)
Phil Mnisi	New appointment	30 June 2022	Ex-officio appointment (CBE Governor)
Sizakele Dlamini	End of term	23 August 2022	Appointed alternative representative
Vusie E. Dlamini	New appointment	23 August 2022	Replaced PS Finance Ex-Officio Representative of the PS, Ministry of Finance
Lungile Dlamini	New appointment	1 March 2023	Ex officio appointment (representative of PS Commerce & Trade)

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

1.	Mr David D. Dlamini	- Chairperson
2.	Mrs Carol Muir	- Vice Chairperson
3.	Mr. Brightwell Nkambule	- Executive Member
4.	Mr. Majozi Sithole	- Non-Executive ex-Officio Member ***(term ended)***
5.	Mr. Newman Ntshangase	- Non-Executive ex Officio Member ***(term ended)***
6.	Prince Lindani	- Non-Executive Member
7.	Ms. Sizakele Dlamini	- Non-Executive ex-Officio Member ***(term ended)***
8.	Mr Lusekwane Dlamini	- Non-Executive Member
9.	Ms Chazile Magongo	- Non-Executive Member
10.	Dr. Phil Mnisi	- Non-Executive ex-Officio Member
11.	Mr. Vusie Dlamini	- Non-Executive ex-Officio Member
12.	Ms. Lungile Dlamini	- Non-Executive ex-Officio Member

The Governing Board


Mr David D Dlamini
CHAIRPERSON


Ms Carol Muir
VICE CHAIRPERSON


Mr Brightwell Nkambule
EXECUTIVE MEMBER


Mr Phil Mnisi
NON EXEC. MEMBER


Mr Vusie E Dlamini
NON EXEC. MEMBER


Prince Lindani
NON EXEC. MEMBER


Ms Lungile Dlamini
NON EXEC. MEMBER


Mr Lusekwane Dlamini
NON EXEC. MEMBER


Ms Chazile Magongo
NON EXEC. MEMBER

GOVERNING BOARD COMMITTEES

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

Figure 24: Board Sub-committees in 2022/23

Audit and Risk Committee

Assists the Board with oversight of;

- Assurance and integrity of financial reporting
- 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 2022/23

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

Table 4: Governing Board Attendance

Governing Board or Committee	Q1	Q2	Q3	Q4	Special Meetings
Human Resource & Ethics Committee	1st June 2022	10th August 2022	2nd November 2022	1st February 2023	8th April 2022 29th August 2022
Audit & Risk Committee	8th June 2022	17th August 2022	9th November 2022	8th February 2023	6th April 2022
Full Board	17th June 2022	24th August 2022	30th November 2022	22nd February 2023	20th April 2022 16th May 2022
Total no. of Meetings	3	3	3	3	5

COMMITTEES

HUMAN RESOURCE & ETHICS COMMITTEE

Members

- Carol Muir - Chairperson
- David Dlamini
- Majozi Sithole*
- Sizakele Dlamini**
- Vusie E. Dlamini
- Phil Mnisi
- Brightwell Nkambule

* Ensured that people risks and ethics are monitored closely, and that employees are adequately incentivised.
* Recommended for approval by the Board various organisational policies.
* Recommended for approval appointments into key positions.
* Recommended for approval remuneration-related staff incentives

* Replaced by Phil Mnisi ** Replaced by Vusie Dlamini

AUDIT & RISK COMMITTEE

Members

- Lusekwane Dlamini
- Chairperson
- Carol Muir
- Sizakele Dlamini*
- HRH Prince Lindani
- Chazile Magongo
- Vusie E. Dlamini
- Brightwell Nkambule

* Provided independent oversight on enterprise risk management, internal controls, financial reporting, legal & regulatory compliance, ICT security, internal and external audit activities.
* Recommended for approval by the Board various organisational policies.
* Reviewed the Audit and Risk Committee Charter

* Replaced by Vusie Dlamini

FULL BOARD

Members

- David Dlamini – Chairperson
- Carol Muir – Vice Chairperson
- Brightwell Nkambule
- Lusekwane Dlamini
- HRH Prince Lindani
- Chazile Magongo
- Sizakele Dlamini*
- Newman Ntshangase*
- Majozi Sithole*
- Phil Mnisi
- Vusie Dlamini
- Lungile Dlamini

* Provided effective leadership and strategic direction to the ERS; practices ethical leadership and corporate governance in alignment with the King IV Report.
* Approved strategic/Executive appointments.
* Approved various policies as recommended by the sub-Committees.
* Implementation of the salary benchmarking/review.
* Approved the commencement of the Organisational re-structuring.
* Reviewed the composition of the Board sub-Committees.

*Term ended mid-year

Executive Committee

The day-to-day operational 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 Brightwell Nkambule
COMMISSIONER GENERAL

Ms Thobile Dlamini
CHIEF FINANCIAL OFFICER

Mr Vusi Ngcamphalala
COMMISSIONER DOMESTIC TAXES

Mrs Gugu Mahlinza
COMMISSIONER CUSTOMS

Mr Edward Groening
HEAD OF BUSINESS STRATEGY AND DEVELOPMENT

Mr Leonard Nxumalo
HEAD OF CORPORATE SERVICES

Ms Nomcebo Marrengane
HEAD OF LEGAL

CONTRACTS AND MEMORANDUM OF UNDERSTANDING

There were 61 legal instruments signed in 2022/23 and these include new agreements and renewals. These are articulated below as follows:

Services Agreements
New: 29
Renewable: 24
Total: 83

Lease Agreements
New: 0
Renewable: 3
Total: 3

Purchase & Sale Agreements
New: 2
Renewable: 0
Total: 2

MoU's
New: 4
Renewable: 0
Total: 4

ERS COMPLIANCE UNIVERSE

Organisational Compliance Assessment and Monitoring was conducted on The Revenue Appeals Tribunal Act of 2019, which was added to the ERS Compliance Universe, and the table below provides the legislation relevance of each requirement to the ERS

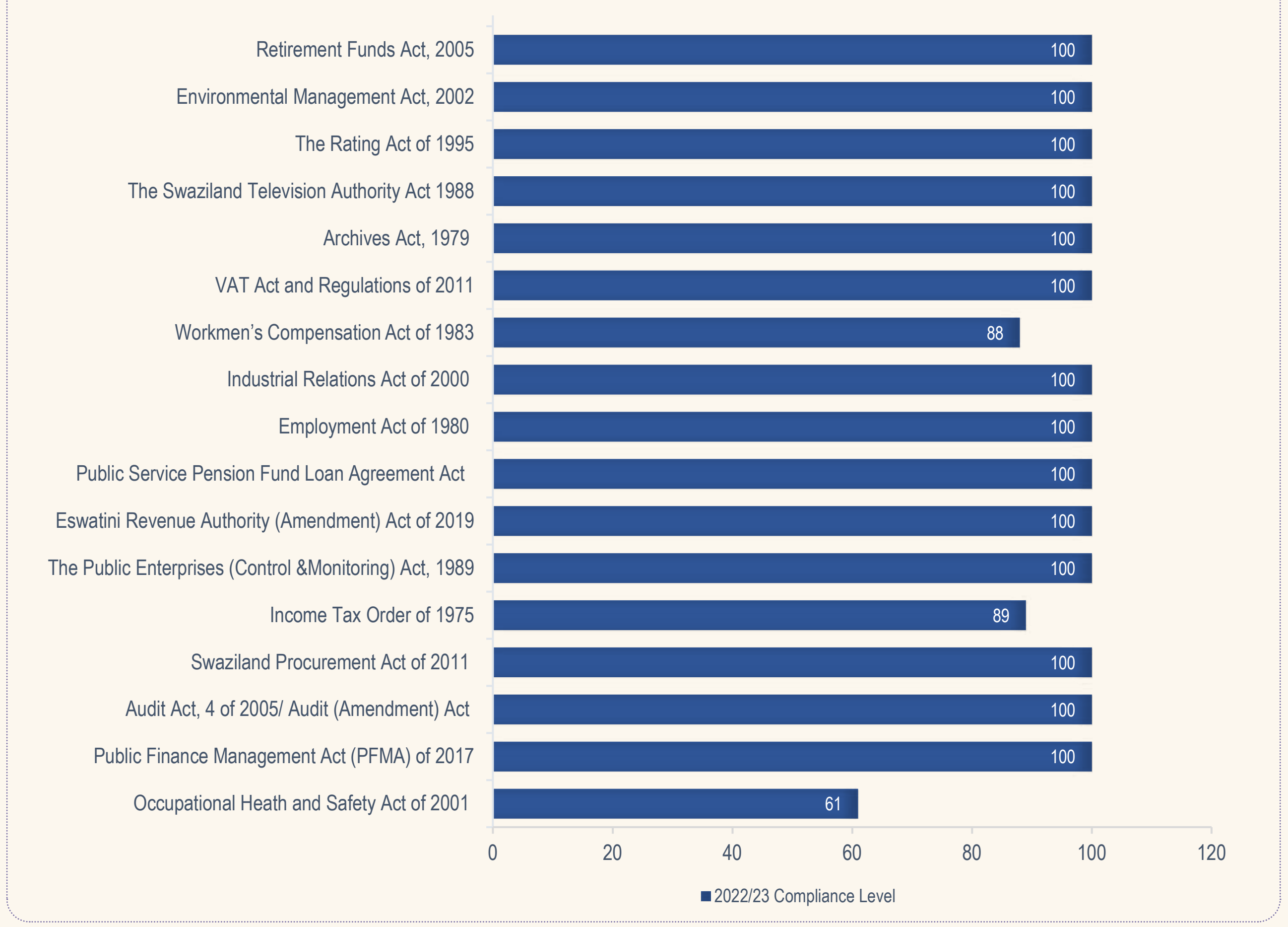
Table 5: 2022/23 Regulatory Requirements

Folio	Regulatory Requirement	Compliance Detail for the ERS
1	The Revenue Appeals Tribunal Act of 2019 The Revenue Appeals Tribunal Regulations of 2021 and The Revenue Appeals Tribunal Rules of 2022	These regulate the procedure of the Revenue Appeals Tribunal for appeals brought to it. This includes the obligatory procedural requirements that the Commissioner General (ERS) should adhere to in order to be compliant with the law.

2022/23 COMPLIANCE MANAGEMENT ASSESSMENT

The Annual Compliance Assessment considered a consolidation of the Quarterly Compliance rates. The diagram below documents the performance of the ERS during 2022/23 Financial Year.

Figure 25: Compliance Levels in 2022/23



The overall Organisational Compliance level decreased from 98% to 96% in 2022/23. The decrease was due to:

- Non-compliance with Sections 9 and 14, 13 and 28 (1), (3) of the Operational Health and Safety Act (OSHA) - (61%)
- Non-compliance with Section 19 of the Workmen's Compensation Act of 1983 (88%).
- Non-compliance with Sections 59 (1), (3), Section 59A, and Section 59C of Income Tax Order, 1975 (89%). Irrespective of the decline, the ERS's compliance level for the current financial year is above the target of 95% in terms of the ERS's tolerance levels.

There were mitigation measures recommended to address these,

- With regards **Section 9 and 14 of the OSHA**, it is recommended that ERS properly monitor areas relating to Health and Safety. This may involve direct monthly reporting requirements to station managers or supervisors. It is also recommended that the ERS avail sufficient budget to have these areas of concern attended to.
- Concerning **Section 19 of the Workmen's Compensation Act of 1983 (88%), t**he same intervention as above was recommended.
- Regarding **Sections 59 (1), (3), Section 59A, and Section 59C of Income Tax Order 1975 (89%)**, it was recommended that the rate of withholding tax not only be documented in the contract but also in our payment systems.

05 RISK MANAGEMENT AND ASSURANCE

ENTERPRISE RISK MANAGEMENT AND ASSURANCE

ERS continued to prioritise embedding effective Risk Management as a good business practise and key enabler in achieving the organization's objectives. The strategic risks remained the same in 2022/23 as the previous year however, there were changes in the treatment actions in some areas as the prevailing situation warranted. Most of the treatment actions were implemented within the agreed timelines with a few slippages on some. These actions are actively monitored through the governance structures as they largely inform changes in the organization's risk profile.

Below is a summary of the organisation's Strategic risks and the treatment actions that were implemented during the year to mitigate the risks identified. They are in no order of ranking.

Figure 26: Summary of 2022/23 Strategic Risks with Treatment Plans

STRATEGIC RISKS

1 Increased Change Resistance
- Leadership Guidelines were developed during the Strategy and Projects Meetings.
- Prosci Change Triangle (PCT) Assessment was conducted during the year for all strategic projects.
- Projects ownership was reviewed and restored to beneficiaries as Agile approach was adopted in Project Management

2 Failure to deliver the ERS diitalisation ambition (benefits)
- Formal appointments of all Projects members were enforced to ensure accountability and ownership
- Programme benefit reviews were included to ensure only beneficial programmes are implemented
- Spreading funding requirements were also implemented to mitigate cash flow challenges
- Procurement timelines and business plans adjusted to

3 Low advocacy for the ERS brand
- Restructuring touch points, introduction of customer experience forum at senior level review of customer standards, addition of Customer Relationship Managers and introduction of internal Net Promoter Scoring.
- Feedback received from customers from the various forums are analysed and monitored on an ongoing basis.
- Automation of social media monitoring is still work in progress.
- Internally, a monthly Digest and a Quarterly Management Letter was introduced.

4 Poor customer relationships
- Customer service standards were reviewed to ensure consistency of service throughout the organisation Experience Forum.
- Customer service training was done to enhance skills.
- Where customer feedback was received on staff who gave superior service, the relevant staff is recognised and encouraged openly to promote the behaviour.

5 Increase in incidents of theft/fraud internally
- Audit findings, fraud incidents and operational incidents were monitored throughout the year and classified accordingly i.e. recurring or overdue. These are reported in the relevant structures for accountability.

6 Cyber attack
- Reviewed our approach to focus on preventions, detection, prompt and effective response and prediction

Figure 26: Summary of 2022/23 Strategic Risks with Treatment Plans - *continued*

STRATEGIC RISKS - *continued*

7 Inability to attract and retain the required talent (behaviour, skills, knowledge)
- A Service Provider has been procured to implement a salary benchmaraking exercise.
- The Award and Recognition Program is in place and implementation was done as scheduled for the year.
- The Talent Management framework is still pending as it is dependent on the completion of the Competeny-based Human Resource Framework CBHRM) that is still work in progress

8 Insufficient future skills to implement tax digitisation initiatives
- The Competency-based Human Resource Framework (CBHRM) that is expected to equip the relevant staff with the skills to identify skills, competencies and behaviours need in each role (current and future) is still at project stage. Progress has been made however in this area with the assistance of a service provider.

9 Loss of control on systems
- The technology architecture plan (as it relates to the Cloud solution) has been developed and is pending approval by the approving structures.
- The review of the Security Information Policy is still work in progress. There is a need to also include guidelines on data protection, as part of cloud and cyber security best practices. The data protection act is currently being introduced to the public through Eswatini Communication Commission (ESCCOM)

BUSINESS CONTINUITY MANAGEMENT

Disruptions were experienced mainly from social and political unrest (locally and in neighbouring countries, affecting border operations). The emerging risk of climate change was also noted through heavy rains/ flooding experienced in some parts of the country. The organization continued to be resilient and operated throughout these disruptions as supported by the Business Continuity Management (BCM) tools, which include documented Business Continuity Plans.

A BCM Maturity Survey was conducted to assess the organization's recovery capabilities against best practise. This is an in-house developed tool based on BCM Best practices incorporating lessons from other players in the industry (e.g., Gartner). The survey outcome is then used to inform the BCM Program going forward. This is the second survey since the Program's inception. The results show an improvement from previous year's 4 to 4.3 in 2022/23 against a target of 4.2.

INTERNAL AUDIT

The organisation's internal audit function leads the planning and review of the Combined Assurance Framework of the organization. It provides independent and objective assurance on the adequacy and effectiveness of ERS' governance, risk management, and control processes. Figure 25 below shows a summary of internal audit activity in 2022/23.

Figure 27: Internal Audits 2022/23

19 Audits completed for 2022/23

9 Audits carried over from previous year

Audit Opinion for 2022/23

15 Significant improvement required

1 Minor improvement required

1 Unsatisfactory

WHISTLEBLOWING

The organization continued to promote whistleblowing to counter tax evasion, internal fraud, and corruption, including acts of misconduct. Whistleblowing reports received in the year 2022/23 increased and 90 of these reports were found to be having enough substance to warrant further action by the ERS. These reports included reports of tax evasion, fraud, smuggling and staff unethical conduct. Processing of these reports is as indicated in the table below.

Figure 28: Whistleblowing Reports Handled in 2022/23

Reports carried forward at the end year 21/22	More information was required to substantiate the allegations thus had remained unresolved on the 31st March 2022	2 REPORTS
Declined	Repeat reports, lack of substance to institute investigation and cleared as being false on inquiry	14 REPORTS
Pending reports as at 31st March 2023	More information needed to substantiate the allegations	10 REPORTS
Newly received reports	Requiring action by ERS	88 REPORTS
Converted into investigations	Relevant to Internal Affairs mandate	31 REPORTS
Transfers	ERS and Royal Eswatini Police Service	35 REPORTS

ACTIVE INVESTIGATIONS

Opening balance 1st April 2022 (inclusive of 3 system reviews)	5 CASES
Newly opened cases 2022/23	31 CASES
Finalised Investigations: closed with administrative recommendation but not enough evidence for prosecution	16 CASES
Referred to disciplinary processes	9 CASES
Remained under active investigation on 31st March 2023	8 CASES

ETHICS AND INTEGRITY AWARENESS, AND EDUCATION

ERS employees are expected to consistently exhibit high standards of integrity and behave ethically. Such positive behaviour increases taxpayers' confidence, and this will increase taxpayer compliance. The organization rolled out activities to sensitize staff on ethics and integrity:

Figure 29: Ethics and Integrity Activities in 2022/23

ETHICS AND INTEGRITY

1 Workshops, induction, and onboard for all staff and border stakeholders

- Sensitise staff about ERS Culture through living ERS values
- Unpack employee code of conduct
- Fraud awareness - unmask tax fraud and corruption campaign
- Cyber Awareness/Integrity Session
- Unpack the importance of ethics and integrity in Revenue Administrations

2 Customs to Business Forum

- Relationship management
- Promote reporting channels including toll free line
- Collective fight against acts of tax fraud, corruption, and related vices
- Foster support of ERS integrity initiatives
- Promote UNMASK tax fraud campaign. Fraud Awareness

3 Integrity Champions Program

- Training of champions on ethics, integrity, customer service and organisational culture promoting living ERS values
- Champions are expected to disseminate this information to their teams

4 Media Coverage (radio and print media)

- Promote UNMASK tax fraud campaign. Fraud Awareness
- Promote ERS whistleblowing channels
- Foster support of ERS integrity initiatives
- Promote ERS zero tolerance stance on fraud and corruption

Oversight Tasks – Staff Income and Assets Declaration

A total of 599 forms were submitted by staff and subsequently reviewed. The objective of this exercise was to establish the following areas of the Code of Ethics and Conduct:

- To establish red flags for fraud and corruption
- To determine if staff outside involvement is within the precincts of the Conflict-of-Interest Policy and the Code of Ethics and Conduct
- To determine compliance with all tax laws
- Any declared information that could expose the organization to the risk of fraud, corruption including reputational damage.

Striving for

Professionalism and Continued Excellence

06 HUMAN CAPITAL DEVELOPMENT

STAFF MOVEMENT

Figure 30: Staff Movement 2022/23

Permanent Employees

March 2023	616
March 2022	559

Male Employees

March 2023	40.1%
March 2022	43.8%
In management March 2023	50.5%

Contract Employees

March 2023	30
March 2022	30

Male Employees

March 2023	57.0%
March 2022	52.2%
In management March 2023	49.5%

Figure 31: Exit Statistics 2022/23

13	Resignation
3	Retirement
4	End of contracts
4.02	Staff turnover rate

The organization continues to ensure continuity and skills transfer in critical areas, as fourteen (14) Graduate Trainees were accounted as at the end of March 2023. There are also ten (10) employees who are on the Scarce Skills and Retention Programme targeting areas across the organization.

Staff Wellness

The ERS extended programmes to staff in a bid to educate, promote networking among staff, improve staff morale, and promote physical and mental health.

The following Wellness Interventions/ Programmes occurred during 2022/23:

Figure 32: Staff Wellness Activities in 2022/23

Mental Health Awareness
Sessions were aimed to support employees cope with various mental health challenges

Personal Finance Management
Sessions were aimed to equip employees with money management

Launched 16 Days of activism against GBV
A social stand by the organization against any forms of abuse

Retirement Workshop
Workshop specifically designed for ERS staff nearing retirement

Back to School Challenge
Stationery donation; team building initiative, embracing school opening calendar

Sibebe Survivor
Team participation on mountain climbing promoting physical health

Men's Health Day
Dedicated to ERS men to empower them with men's health issues

Aerobathon
A challenge promoting physical health for all staff

Gift Vouchers
A token of appreciation to staff at Christmas

Culture Day
Team building activity embracing our Swazi Culture

Mobile clinic/ Wellness Checks
In collaboration with health partners

World Aids Day Celebration
A global commemoration

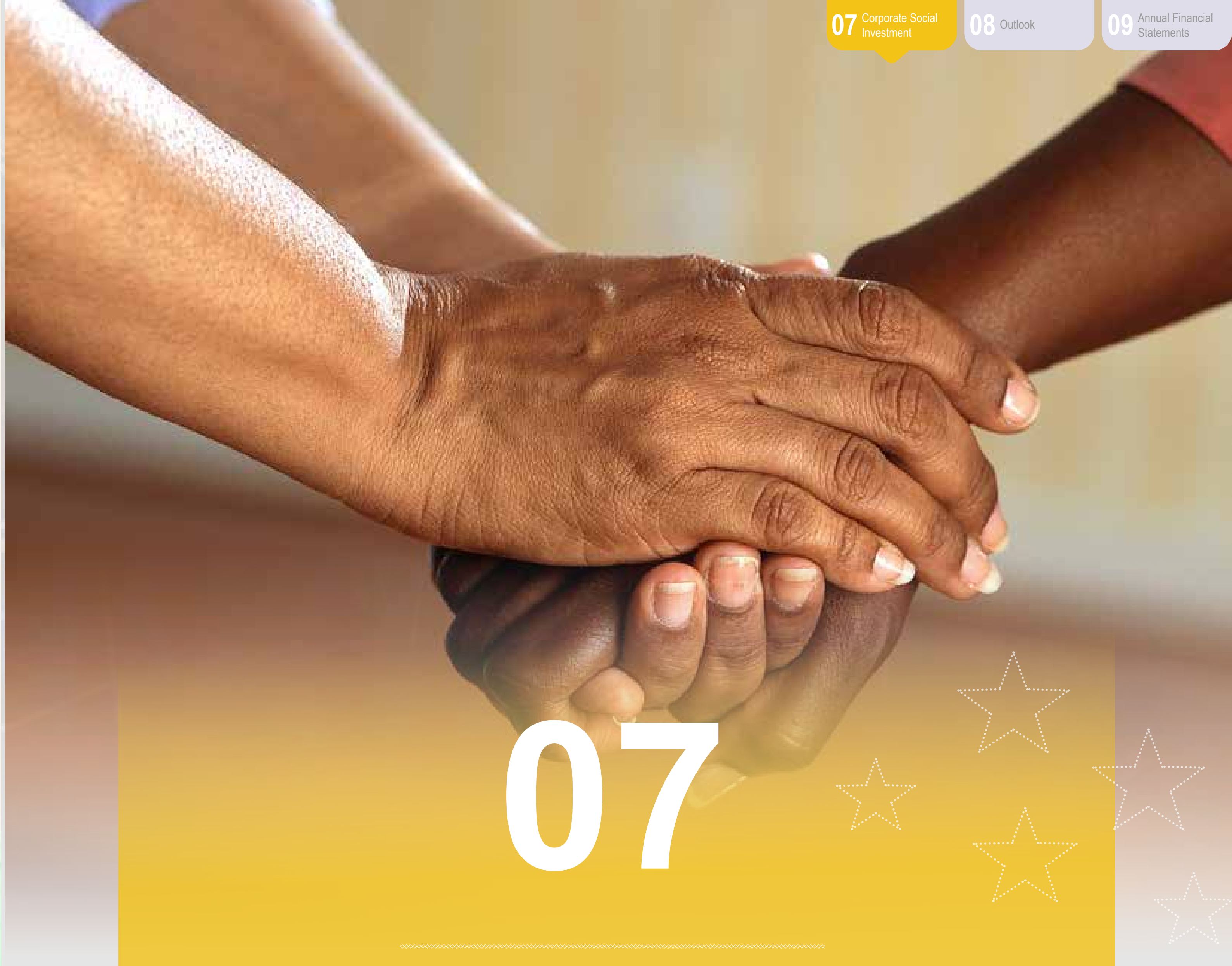
Sports Challenge
ERS sporting Teams organized an event

Valentine's Day Celebration
Team building activity

EMPLOYEE TRAINING, LEADERSHIP AND MANAGEMENT DEVELOPMENT INITIATIVES

A total of 7 technical trainings took place with a total of 122 participants from ERS.

- **ERS** – Automated System for Customs Data (ASYCUDA)
- **ERS** – New Tax Compliance Certificate Regulations
- **World Customs Organisation** – Advance Ruling Automation- Second User Requirements
- **World Customs Organisation** – Advance Ruling Issuance
- **ERS** – New Tax Compliance Certificate Regulations
- **ERS** – Online Taxpayer profile
- **ERS** – Initial Allowance Tax Deduction



07

CORPORATE SOCIAL INVESTMENT (CSI)

Since 2015, the ERS has implemented various Corporate Social Investment (CSI) initiatives focusing on education for young people with disability, especially those with hearing and visual impairment. In year under review, these initiatives were implemented with the Ministry of Education, Southern Africa Nazarene University, and a few other organizations of people with visual impairments.

More than E520 000 was spent under this year's CSI programme. This included about E408 000 which was in respect of tuition fees for 11 teachers, sponsored by the organization under the Ministry of Education and Training, Special Education Unit programme. The sponsorship also included 5 visually-impaired students pursuing a Bachelor of Special Needs in Inclusive Education with the Southern Africa Nazarene University. The ERS also donated an amount of E70 000 in support of Ekululameni Centre. A donation of white canes worth more than E35 000 was made during the International Cane Day event in support of members of the National Association for the Visually Impaired Persons Eswatini (NAVPIE). Some of the canes were also distributed to St Joseph's Primary and High School pupils.

08

OUTLOOK

The global economy remains uncertain as the world continues to recover from the previous three years' adverse shocks, which were mainly because of the COVID-19 pandemic and Russia-Ukraine conflict. Domestically, economic growth for 2023 is projected to reach 9.2% and a further 8.0% in 2024 from the estimated 6.03% increase in 2022. Sectors expected to contribute to this growth in 2023 include manufacturing, financial services and public administration. Revenue mobilisation in the final year of the strategic period is also anticipated to reflect improved performance picking up from the improvements observed in the year 2022/23 as the organisation intensifies in implementing its strategic plan and digitalisation drive.

09

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

CONTENTS

STATEMENT OF RESPONSIBILITY BY THE BOARD MEMBERS

for the year ended 31 March 2023

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 2023, 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 assessed 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 Service, as identified in the first paragraph, were approved by the Board Members, and signed on its behalf by:

BOARD CHAIRPERSON

COMMISSIONER GENERAL

11 July 2023
DATE

11 July 2023
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 9 to 48, which comprise the statement of financial position as at 31 March 2023, 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 2023, 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 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.

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.
- 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

SNG Grant Thornton
Auditors

BOARD MEMBERS' REPORT

for the year ended 31 March 2023

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 government subvention for recurring expenditure for the year amounted to E501 026 747 (2022: E453 465 466). The Service incurred capital expenditure of E98 105 752 (2022: E13 077 035) on property, plant and equipment and intangible assets. Of this amount, E89 099 191 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 E46 million (2022: E112.895 million). A detailed statement of cash flows is on page 12.

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 2023, the formal transfer process had not been undertaken by Government. These have however been capitalised based on 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.

Social Responsibility:

Since 2015, the ERS has implemented various Corporate Social Investment (CSI) initiatives focusing on education for young people with disability, especially those with hearing impairment and those with visually impairment. In year under review these initiatives were implemented with the Ministry of Education, Southern Africa Nazarene University, and a few others with organizations of people with visual impairments.

More than E520 000 was spent under this year's CSI programme. This included about E408 000 which was in respect of tuition fees for 11 teachers, sponsored by the organization under the Ministry of Education and Training, Special Education Unit programme. The sponsorship also included 5 students with visual impairment pursuing a Bachelor of Special needs in Inclusive Education with the Southern Africa Nazarene University. The ERS also donated an amount of E70 000 in support of Ekululameni Centre. A donation of white cane worth more than E35 000 was made during the International Cane Day event in support of members of the National Association for the Visually Impaired Persons Eswatini (NAVPIE). Part of the cane was also distributed to St Joseph's Primary and High School pupils.

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.

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
Ms Carol Muir	-	Member, Vice Chairperson
Mr Majozi Sithole	-	Member (Resigned July 2022)
Dr. Phil Mnisi	-	Member (Appointed July 2022)
Ms Sizakele Dlamini	-	Member (Resigned August 2022)
Vusi E. Dlamini	-	Member (Appointed August 2022)
Mr Newman Ntshangase	-	Member (Resigned June 2022)
Mr Lusekwane Dlamini	-	Member
Ms. Chazile Magongo	-	Member
Ms Lungile Dlamini	-	Member (Appointed March 2023)

Executive Member

Mr Brightwell Nkambule	-	Commissioner General (Appointed 1st July 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

10. Investment managers

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

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

BOARD MEMBERS' REPORT - *continued*

for the year ended 31 March 2023

10. Investment managers - *(continued)*

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

11. Business and postal address of the service

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

12. Auditors

The auditors of the Service are:

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Notes	2023 E	2022 E
Income			
Government funding for recurring expenditure	3	501 026 747	453 465 466
Other income	4	414 004	324 607
Profit/(loss) on disposal of assets	5	809 328	(320 237)
Total income		502 250 079	453 469 836
Expenses			
Administrative expenses		(144 387 546)	(127 162 280)
Staff salaries and benefits	7	(316 930 579)	(289 564 272)
Total expenses		(461 318 125)	(416 726 552)
Operating surplus	5	40 931 954	36 743 284
Finance income	6.1	3 974 822	4 325 341
Finance cost	6.2	(41 105 700)	(38 509 928)
Surplus for the year		3 801 076	2 558 697

STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Notes	2023 E	2022 E
Assets			
Non-current assets			
Property, plant, and equipment	8.1	1 036 831 358	977 877 616
Right-of-use assets	8.2	6 548 606	11 303 638
Intangible assets	9	5 795 407	8 221 306
		1 049 175 371	997 402 560
Current assets			
Inventory	10	164 077	131 842
Trade and other receivables	11	101 985 106	83 509 140
Derivative Asset	12	370 508	-
Cash and cash equivalents	13	46 002 280	112 895 642
		148 521 971	196 536 624
Total assets		1 197 697 342	1 193 939 184
Equity			
Accumulated Surplus		64 074 679	60 273 603
Liabilities			
Non-current liabilities			
Borrowings	17	360 852 495	412 590 320
Lease liabilities	8.2	6 193 790	9 574 574
Deferred grant income	15.2	298 852 274	241 555 167
Provisions	14	4 041 322	2 763 287
Total Non-current liabilities		669 939 881	666 483 348
Current liabilities			
Trade and other payables	16	18 185 185	7 268 427
Employee benefits provision	14	3 190 459	2 662 204
Borrowings	17	82 141 427	89 391 647
Lease liabilities	8.2	4 370 622	7 353 435
Deferred grant income	15.1	355 795 089	360 506 520
Total current liabilities		463 682 782	467 182 233
Total liabilities		1 133 622 663	1 133 665 581
Total Equity and liabilities		1 197 697 342	1 193 939 184

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Accumulated Surplus E	Total E
Balance at 01 April 2022	60 273 603	60 273 603
Surplus for the year	3 801 076	3 801 076
Balance at 31 March 2023	64 074 679	64 074 679
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

STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Notes	2023 E	2022 E
Cash flows from operating activities			
Cash utilised by operations	18	(329 290 007)	(370 383 202)
Interest received	6.1	3 742 772	4 325 341
Interest paid	6.2	(40 102 246)	(37 210 247)
Net cash utilised in operating activities		(365 649 481)	(403 268 108)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(98 105 752)	(13 031 025)
Proceeds from sale of property, plant, and equipment		907 634	252 611
Acquisition of intangible assets	9	-	(46 010)
Acquisition of derivative assets	12	(138 458)	-
Net cash utilised in investing activities		(97 336 576)	(12 824 424)
Cash flows from financing activities			
Net grant funding received from the Government	15.1	463 612 420	486 343 682
Repayment of borrowings	18.1	(58 988 045)	(41 818 947)
Lease payments	8.2	(8 531 680)	(6 981 183
Net cash generated from financing activities		396 092 695	437 543 552
Net (decrease)/increase in cash and cash equivalents		(66 893 362)	21 451 020
Cash and cash equivalents at beginning of the year		112 895 642	91 444 622
Cash and cash equivalents at end of the year	13	46 002 280	112 895 642

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2023

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 International Financial Reporting Standards (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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

2. Basis of preparation and accounting policies *(continued)*

2.1 Basis of preparation (continued)

(d) Use of estimates and judgements

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.

(e) New and amended standards adopted by the Service

A number of new standards were effective from 1 April 2022, 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 2023 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 2023

- IFRS 17 Insurance Contracts
- Classification of liabilities as current or non-current (Amendments to International Accounting Standard (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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 March 2023
2. Basis of preparation and accounting policies (continued)
2.1 Basis of preparation (continued)

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 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 can 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.

2.4 Financial instruments

The Service's financial instruments include:

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

Financial assets

Classification and subsequent measurement

- Trade and other receivables-Amortised cost
- Cash and cash equivalents-Amortised cost
- Derivatives assets – Fair value through profit or loss (FVTPL)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
for the year ended 31 March 2023

2. Basis of preparation and accounting policies *(continued)*

2.4 Financial instruments (continued)

Financial assets *(continued)*

Financial assets at 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 Fair Value Through Profit or Loss (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.

Financial assets at Fair value though profit or loss (FVTPL)

Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:
- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship, and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the reporting period under review, the Service entered into forward currency contracts (FEC) but did not apply the hedge accounting. These arrangements have been entered into to mitigate foreign currency exchange risk arising from the payment of the supply of application software and attendant services for an Integrated Revenue Administration System denominated in foreign currency.

Business model assessment

The Service assesses 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 2023

2. Basis of preparation and accounting policies *(continued)*

2.4 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 Solely Payment of Principal and Interest (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.

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 canceled 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 2023

2. Basis of preparation and accounting policies *(continued)*

2.4 Financial instruments (continued)

Impairment

Financial assets

The Service recognises loss allowances for Expected Credit Losses (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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

2. Basis of preparation and accounting policies *(continued)*

2.4 Financial instruments (continued)

Impairment *(continued)*

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 to comply with the Service's procedures for recovery of amounts due.

2.5 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, Information Technology (IT) spares, kitchen equipment, utensils, and stationery.

2.6 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.

2.7 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

2. Basis of preparation and accounting policies *(continued)*

2.7 Leases

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.

2.8 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.

2.9 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.

2.10 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.

2.11 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 2023

2. Basis of preparation and accounting policies *(continued)*

2.12 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.

2.13 Provision

Provisions for legal claims and leave are recognise when the Service has a present legal or constructive obligation because 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.

2.14 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.

(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 2023

2. Basis of preparation and accounting policies *(continued)*

2.14 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 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.

	2023 E	2022 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	90 013 243	67 848 879
Staff loans	599 473	398 862
Cash and cash equivalents	46 002 280	112 895 642
	136 614 996	181 143 383
The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was:		
Other entities	90 013 243	67 848 879
Staff loans	599 473	398 862
	90 612 716	68 247 741

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

2. Basis of preparation and accounting policies *(continued)*

2.14 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

	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
Service					
2023					
Borrowings	82 141 427	354 079 413	291 758 002	727 978 842	442 993 922
Trade and other payables	18 185 185	-	-	18 185 185	18 185 185
Total	100 326 612	354 079 413	291 758 002	746 164 027	461 179 107
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

(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.

(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.

Most of the Service's transactions are carried out in Emalangeni. Exposures to currency exchange rates arise from the Service's overseas payment of goods and services, which are primarily denominated in US dollars (USD). To mitigate the Service's exposure to foreign currency, non-Lilangeni cash flows are monitored, and forward exchange contracts are entered into in accordance with the Service's risk management policies.

Foreign currency denominated financial liabilities which expose the Service to currency risk is as follows:

	USO
Trade and other payables	(543 825)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2023

2. Basis of preparation and accounting policies *(continued)*

2.14 Financial Risk Management (continued)

(e) Market risk *(continued)*

(i) Currency Risk (continued)

Sensitivity analysis:

A 10% strengthening/ (weakening) of the Lilangeni against the following currencies at 31 March 2023 would affect profit or loss in respect of the translation of the balances of the following monetary items by the amounts shown below. The analysis assumes that all other variables, particularly interest rates, remain constant.

	USD Effect of 10% increase	USD Effect of 10 % decrease
Trade and other payables	(54 382)	54 382

(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 2023 E	Surplus or deficit 2022 E
Base amounts- Borrowings	442 993 922	501 981 967
Increase of 50 basis points	(2 214 967)	(2 509 910)
Decrease of 50 basis points	2 214 967	2 509 910
Base amounts – Cash and bank	46 002 280	112 895 642
Increase of 50 basis points	230 011	564 478
Decrease of 50 basis points	(230 011)	(564 478)

(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 2023

	2023 E	2022 E
3. Grant funding for recurring expenditure		
Government grant realised during the year	501 026 747	453 465 466
4. Other income	414 004	324 607
Other income	414 004	324 607
5. Operating surplus		
Results from operating activities for the year is stated after charging/(crediting) the following items:		
Amortisation of intangible assets (note 9)	4 294 492	4 832 045
Auditors' remuneration	370 300	572 442
Depreciation on property, plant, and equipment (note 8.1)	31 660 816	31 091 068
Depreciation on right of use (note 8.2)	5 919 661	5 814 523
Board Members' Fees	464 199	401 954
Professional fees and consultancy	2 317 421	2 621 159
(Profit)/Loss on disposal of assets	(809 328)	320 237
Staff salaries and benefits (note 7)	316 930 579	289 564 272
6.1 Finance income		
Interest income from financial assets held for cash management purposes:		
Interest received – Nedbank Eswatini Limited	2 953 859	3 773 810
Interest received – Stanlib Eswatini Limited	786 210	511 728
Interest received – African Alliance	2 703	39 803
Fair value gains on forward exchange contracts	232 050	-
Total interest received	3 974 822	4 325 341
6.2 Finance costs		
Interest and finance charges paid/payable for lease liabilities and financial liabilities at amortised cost		
Interest expense		
PSPF Loan	39 708 622	36 738 914
Eswatini Bank Loan	393 624	398 712
Eswatini National Provident Fund loan	-	72 621
Leases	1 003 454	1 299 681
	41 105 700	38 509 928
7. Staff salaries and benefits		
Salaries & wages and other allowances	272 836 793	248 341 135
Provident Fund contribution	41 673 887	36 788 161
Pension contributions	1 980 109	3 905 148
Leave pay provision	439 790	529 828
	316 930 579	289 564 272

The average number of employees during the year was 616 (2022:628)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

	Land and Buildings E	Containers E	Office Equipment E	Office furniture & fittings E	Motor Vehicles E	Leasehold Improvem-ents E	Computer Equipment E	Work in progress E	Total E
8. Property, plant and equipment and right-of-use assets									
8.1 Property, plant, and equipment									
Year ended 31 March 2023									
Cost or valuation									
Opening balance	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
Transfer from WIP	813 828	42 992	4 297 592	109 149	-	-	2 053 383	-	7 316 944
Additions	-	-	9 006 561	-	-	-	-	89 099 191	98 105 752
Disposal	-	-	(1 191 060)	(981 895)	(1 049 271)	-	(1 309 774)	-	(4 532 000)
WIP Expensed	-	-	-	-	-	-	-	(5 524 295)	(5 524 295)
Transfer to PPE	-	-	-	-	-	-	-	(9 185 537)	(9 185 537)
At 31 March 2023	1 021 589 242	2 498 845	51 518 394	23 658 640	11 802 024	8 810 668	12 956 603	75 938 322	1 208 772 738
Accumulated depreciation									
Opening balance	(79 986 413)	(794 315)	(32 408 820)	(11 070 316)	(7 931 589)	(5 393 151)	(7 129 654)	-	(144 714 258)
Charge for the year	(19 457 723)	(168 656)	(3 579 833)	(2 271 110)	(1 801 734)	(1 269 477)	(3 112 283)	-	(31 660 816)
Disposals	-	-	1 191 055	892 134	1 049 023	-	1 301 482	-	4 433 694
At 31 March 2023	(99 444 136)	(962 971)	(34 797 598)	(12 449 292)	(8 684 300)	(6 662 628)	(8 940 455)	-	(171 941 380)
Net carrying amount	922 145 106	1 535 874	16 720 796	11 209 348	3 117 724	2 148 040	4 016 148	75 938 322	1 036 831 358

Land under Deed Transfer Number 790/2014 (Portion290, 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 2023

	Land and Buildings E	Containers E	Office Equipment E	Office furniture & fittings E	Motor Vehicles E	Leasehold Improvem-ents E	Computer Equipment E	Work in progress E	Total E
8. Property, plant and equipment and right-of-use assets *(continued)*									
8.1 Property, plant, and equipment (continued)									
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
Transfer 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 2023	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 2023	(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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 March 2023

8. Property, plant and equipment and right-of-use assets *(continued)*
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:

	2023 E	2022 E
Right of use assets		
Acquisition cost	27 134 185	25 969 556
Accumulated depreciation	(20 585 579)	(14 665 918)
Net value	6 548 606	11 303 638
At 01 April 2022	11 303 638	13 720 868
Additions	1 164 629	3 397 293
Depreciation	(5 919 661)	(5 814 523)
Balance at year end	6 548 606	11 303 638
Maturity analysis of lease liabilities		
Less than one year	5 075 436	8 412 994
One year to five years	6 729 482	10 543 275
	11 804 918	18 956 269
Less future finance charges	(1 240 506)	(2 028 260)
	10 564 412	16 928 009
Lease Liabilities at the beginning of the year	16 928 009	15 358 698
Current	7 353 435	5 367 170
Non – current	9 574 574	9 991 528
Transfer from Borrowings	-	3 853 520
Cash flows	(6 363 597)	(2 284 209)
Non-Cash additions	1 164 629	3 397 293
Interest on Lease liabilities	1 003 454	1 299 681
Repayment of Lease Liabilities	(8 531 680)	(6 981 183)
Lease Liabilities at the end of the year	10 564 412	16 928 009
Current	4 370 622	7 353 435
Non – current	6 193 790	9 574 574

(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.

	2023 E	2022 E
Depreciation charge for right of use assets	5 919 661	5 814 523
Interest expense (included in finance cost)	1 003 454	1 299 681

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 March 2023

8. Property, plant and equipment and right-of-use assets *(continued)*
8.2 Right of use of assets and lease liabilities (continued)
(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 Revolving Credit Line (RCL) facility and full comprehensive insurance over the vehicles with Nedbank Eswatini Limited noted as first loss payee.

	2023 E	2022 E
9. Intangible assets		
Capitalised computer software costs for the year ended:		
Cost		
At the beginning of the year	93 918 107	92 261 856
Additions	-	46 010
Transfers from Work in Progress (WIP)	1 868 593	1 610 241
At the end of the year	95 786 700	93 918 107
Accumulated amortisation		
At the beginning of the year	(85 696 801)	(80 864 756)
Charge for the year	(4 294 492)	(4 832 045)
At the end of the year	(89 991 293)	(85 696 801)
Net carrying amount	5 795 407	8 221 306
10. Inventory		
Consumables	164 077	131 842
11. Trade and other receivables		
Prepayments and deposits	11 643 739	15 261 399
Other entities	90 013 244	67 848 879
Staff loans	599 473	398 862
Expected credit loss	(271 350)	-
	101 985 106	83 509 140

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

	2023 E	2022 E
12 Derivative Assets		
Forward exchange contract held for trading.	370 508	-

The Service has forward exchange contract with Nedbank Eswatini Limited expiring 6 April 2023.

These forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated.

The forward exchange contracts are measured at fair value level 2 of the fair value hierarchy. The level 2 valuation technique was adopted by the Service because the contracts are not traded in active markets. These contracts have been fair valued using observable forward exchange rates corresponding to the maturity of the contract sourced directly from Nedbank Eswatini Limited. The effects of non-observable input are not significant for foreign currency forward contracts.

During the year ended 31 March 2023 a gain of E232 050 (2022: E Nil) was recognised in profit and loss.

13. Cash and cash equivalents

	2023 E	2022 E
Petty cash	40 750	6 633
Nedbank Eswatini Limited	33 025 119	100 741 514
African Alliance	42 509	39 803
Stanlib Eswatini Limited	12 893 902	12 107 692
	46 002 280	112 895 642

Facilities

The Service has an overdraft facility of E30 million and revolving credit line of E10 million held with Nedbank Eswatini Limited.

14. Provisions

	2023 E	2022 E
Long term Provisions:		
Staff retention	2 586 896	1 308 861
Provision for CIC levy	1 454 426	1 454 426
	4 041 322	2 763 287
Reconciliation		
31 March 2023		
At the beginning of the year	2 662 204	2 662 204
Amount utilised during the year	(156 601)	(156 601)
Additions	314 200	314 200
At the end of the year	2 819 803	2 819 803
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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

14. Provisions *(continued)*

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 Construction Industry Council (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.

	2023 E	2022 E
Short term provisions:		
Leave pay	2 819 803	2 662 204
Staff retention	370 656	-
	3 190 459	2 662 204

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.

	2023 E	2022 E
15. Deferred grant income	654 647 363	602 061 687
15.1 Current		
Balance at beginning of year	360 506 520	234 523 408
Received from Government – cash	463 612 420	486 343 682
Receivable from Government	90 000 003	67 268 740
Grants realised in profit or loss for funding recurring expenditure excluding depreciation and amortisation	(459 151 778)	(411 727 830)
Asset disposals for the year	98 305	572 848
Grants utilised to defray capital expenditure	(99 270 381)	(16 474 328)
	355 795 089	360 506 520
15.2 Noncurrent		
Balance at beginning of year	241 555 167	267 391 323
Grants utilised to defray capital expenditure	99 270 381	16 474 328
Asset disposals for the year	(98 305)	(572 848)
Transfer of depreciation and amortisation on funded assets (Note 8 & 9)	(41 874 969)	(41 737 636)
	298 852 274	241 555 167

The Service received grants amounting to E463 612 420 (2022: E486 343 682) from the Government of Eswatini to facilitate the funding of recurring and capital expenditure incurred and for its daily operations. A total of E90 000 003 remained outstanding from government for the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 March 2023

		2023 E	2022 E
16. Trade and other payables			
Accruals		13 607 122	1 310 635
Other Payables		4 578 063	5 957 792
		18 185 185	7 268 427
17. Borrowings			
Current			
Eswatini Development and Savings Bank	(a)	868 797	845 301
Public Service Pension Fund	(b)	81 272 630	88 546 346
		82 141 427	89 391 647
Non-current			
Eswatini Development and Savings Bank		3 323 448	4 182 923
Public Service Pension Fund		357 529 047	408 407 397
		360 852 495	412 590 320
Total borrowings		442 993 922	501 981 967

(a) Eswatini Development and Savings Bank – E8.04 million
The loan attracts an interest rate of prime per annum (Prime currently 10.25%) 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 10.25%). 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 March 2023

	Notes	2023 E	2022 E
18. Cash flow from operating activities			
Surplus for the year		3 801 076	2 558 697
Adjustment for:			
Depreciation and amortisation	8.9	41 874 969	41 737 636
(Profit)/Loss on disposal of assets	5	(809 328)	320 237
Interest paid	6.2	41 105 700	38 509 928
Interest received	6.1	(3 974 822)	(4 325 341)
Amortisation of Government grant	3	(501 026 747)	(453 465 466)
Impairment on trade receivables	11	271 350	-
Non-cash – Property, plant, and equipment		-	416 583
Non-cash-WIP expensed from PPE	8.1	5 524 295	505 042
		(413 233 507)	(373 742 684)
Changes in working capital		83 943 500	3 359 482
Increase in trade and other payables		10 916 758	876 176
Increase in employee benefits provision		528 255	97 493
Increase in other provisions		1 278 035	1 308 861
(Increase)/decrease in inventory		(32 235)	18 297
Increase in deferred grant income		90 000 003	67 268 740
Increase in trade and other receivables		(18 747 316)	(66 210 085)
Cash utilised in operating activities		(329 290 007)	(370 383 202)
18.1 Cash flow from financing activities			
Borrowings at the beginning of the year		501 981 967	547 654 434
- Current		89 391 647	39 832 755
- Non – current		412 590 320	507 821 679
Transfer to lease liabilities		-	(3 853 520)
Cash flows		(58 988 045)	(41 818 947)
- Repayment of borrowings		(58 988 045)	(41 818 947)
Borrowings at the end of the year		442 993 922	501 981 967
- Current		82 141 427	89 391 647
- Non – current		360 852 495	412 590 320

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

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	FVTP	Total Carrying Amount E
As at 31 March 2023			
Financial assets			
Trade and other receivables excluding prepayment	90 612 715	-	90 612 715
Derivative asset	-	370 508	370 508
Cash and cash equivalents	46 002 280	-	46 002 280
Total financial assets	136 614 995	370 508	136 985 503
Financial liabilities			
Trade and other payables	18 185 185	-	18 185 185
Borrowings	442 993 922	-	442 993 922
Total financial liabilities	461 179 107	-	461 179 107
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
Total financial assets	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
Total financial liabilities	509 250 394	-	509 250 394

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2023

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:

	2023 E	2022 E
20.1 Government of Eswatini		
Grant Received – Cash	463 612 420	486 343 682
Grant receivable	90 000 003	67 268 740
20.2 Board members' remuneration and other expenses		
Board Members remuneration & Expenses	464 199	401 954
20.3 Remuneration to Key Management		
Salaries & Other allowances	8 714 338	9 216 379
Provident Fund Contributions	1 582 595	1 723 184
The following balances were due to related parties for loans made to the Service: -		
20.4 Related party payable		
Public Service Pension Fund	438 801 677	496 953 743
Eswatini Development and Savings Bank	4 192 245	5 028 224

21. Capital commitments

The Service entered into contracts to purchase property, plant and equipment and intangible assets of E68 528 365 (2022: E8 221 853).

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 E6.9m 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.............. Organization for Economic Cooperation and Development
OPCOM........... Operations Committee
PAYE .... Pay As You Earn
PIT................... Personal Income Tax
POS................. Purchase Order Sundry
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 Organization

We Promise

to ensure that our physical and virtual points of contact are identifiable and easily accessible for all our clients

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