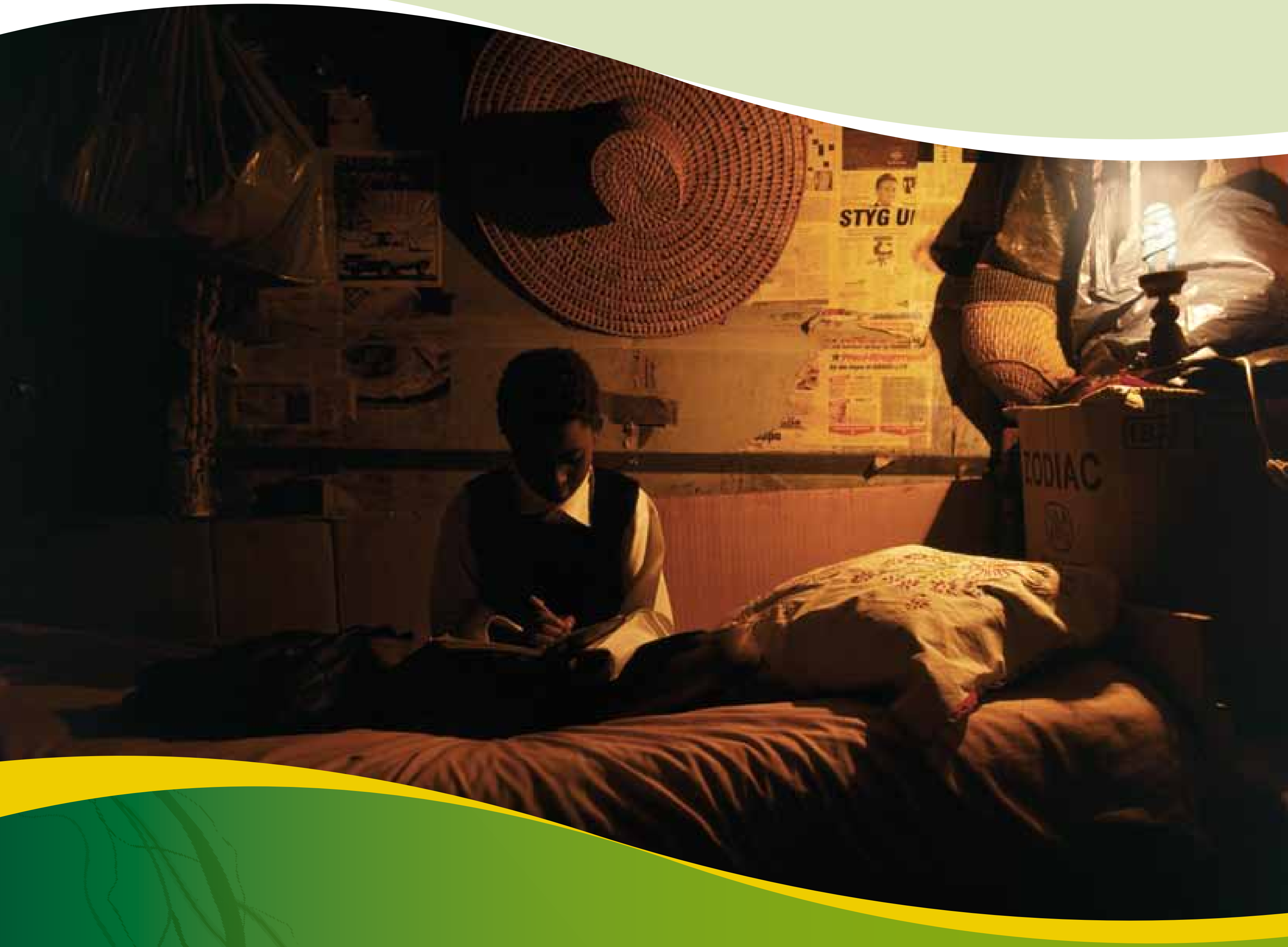
ANNUAL REPORT
2010/11



OUR QUEST FOR SERVICE EXCELLENCE CONTINUES

SEC
Swaziland Electricity Company

CONTENTS PAGE

VISION

To be a mojor player in the energy sector development, nationally and regionally.

MISSION

To meet the needs of our customers in a sufficiently profitable and environmentally sound way through providing a reliable and safe power supply of acceptable quality.

CORE VALUES

- Service Excellence
- Honesty and Integrity
- Respect
- Social Responsibility

FACTS AND FIGURES

YEAR ENDED 31 MARCH 2011

INCOME STATEMENT	2011	2010	2009	2008	2007
Energy Sales (GWh)	**976.8**	1018.6	981.9	977.1	943.5
Sales Revenue (E'000)	**973,444**	799,482	560,512	485,756	447,592
Other Income (E'000)	**16,061**	9,200	6,433	2,566	4,253
	989,505	808,682	566,945	488,322	451,845
Operating Expenses	**682,088**	613,730	468,662	358,430	332,902
Depreciation	**60,091**	47,073	46,491	34,665	43,722
Amortisation of Grants	**(5,119)**	(6,775)	(5,992)	(4,520)	(7,095)
Net Financial Cost/(Income)	**18,542**	(27,205)	(4,117)	44,495	1,797
Share of (Profit)/Loss in Joint Venture	**(20,417)**	(18,330)	(15,693)	4,626	(3,672)
Taxation	**51,674**	43,610	15,399	5,529	19,153
Total Costs	**786,859**	652,103	504,750	443,225	386,807
Profit	**202,646**	156,579	62,195	45,097	65,038

BALANCE SHEET	2011 E'000	2010 E'000	2009 E'000	2008 E'000	2007 E'000
Fixed Assets (Net)	**1,028,328**	882,574	698,808	557,268	521,290
Capital Work in Progress	**60,804**	38,571	117,265	203,782	137,331
Investment in Joint Venture	**137,737**	141,262	157,801	118,876	122,020
Unrealised Foreign Currency Hedging Gains	**26,238**	33,949	63,083	62,721	28,613
Counterpart & Electrification Funds	**45,683**	26,238	26,536	18,604	15,153
Retirement Benefits Asset	**3,612**	1,887	250	-	-
Prepayments	**40,000**	-	-	-	-
Current Assets	**487,982**	367,882	237,397	253,596	276,554
Total Assets	**1,830,374**	1,492,363	1,301,140	1,214,847	1,100,961
Current Liabilities	**(254,641)**	(220,263)	(198,548)	(193,667)	(145,519)
	1,575,733	1,272,100	1,102,592	1,021,180	955,442
Funds Employed:					
Long-term Loans	**284,539**	227,949	209,561	227,608	237,268
Embedded Derivative Liability	**18,360**	12,215	24,979	17,000	-
Deferred Income	**109,788**	105,978	106,796	111,465	114,166
Other Deferred Income	**45,682**	26,238	26,536	18,604	15,155
Funds Employed					
Unrealised Foreign Currency Hedging Losses	**4,549**	4,852	5,171	5,179	7,073
Employee Retirement Liability		-	-	5,430	16,810
Deferred Tax Liability	**145,655**	113,400	68,265	52,666	71,889
Shareholder's Funds	**967,160**	781,468	661,284	583,228	493,081
	1,575,733	1,272,100	1,102,592	1,021,180	955,442

KEY STATISTICS

		2011	2010	2009	2008	2007
1.	Revenue (E'000)	**973,444**	799,482	560,512	485,756	447,592
2.	Debtors' Collection Period (Days)	**74**	70	81	85	81
3.	Taxation (E'000)	**51,673**	43,610	15,599	(5,529)	19,153
4.	Capital Expenditure (E'000)	**28,080**	152,156	101,718	130,891	107,619
5.	Imported Power (GWh)	**805.50**	909.40	923.30	983	936
6.	Local Generation (GWh)	**333.4**	288.10	245.50	160	171
7.	Average Price per Unit Sold (c/kW)	**92.40**	74.90	56.99	49.70	47.40
8.	Number of Domestic Customers (000)	**88.5**	77.6	68.3	59.6	53.0
9.	Number of Non-Domestic Customers (000)	**11.1**	10.7	10.7	10.9	10.5
10.	System Maximum Demand (MW)	**200.77**	204.48	200.65	200.30	196.30
11.	Units Sold - Total (GWh)	**976.8**	1,018.6	981.9	977.1	943.5
	– Industrial (GWh)	**360.2**	389.6	405.8	414.7	412.5
	– Agricultural (GWh)	**211.1**	218.3	191.2	179.3	182.8
	– Commercial (GWh)	**100.9**	102.7	101.9	104.6	101.0
	– Domestic (GWh)	**304.6**	308.0	275.7	278.5	246.4
12.	Installed Capacity:					
	– Ezulwini Hydro Power Station (MW)	**20.0**	20.0	20.0	20.0	20.0
	– Edwaleni Hydro Power Station (MW)	**15.0**	15.0	15.0	15.0	15.0
	– Edwaleni Diesel Power Station (MW)	**9.5**	9.5	9.5	9.5	9.5
	– Maguduza Hydro Power Station (MW)	**5.6**	5.6	5.6	5.6	5.6
	– Mbabane Hydro Power Station (MW)	**-**	0.5	0.5	0.5	0.5
	– Maguga Power Station	**19.5**	19.5	19.0	19.0	-
13.	Transmission Lines					
	– 132kV (km)	**333**	333	329	329	329
	– 66kV (km)	**869**	869	846	836	828
14.	Distribution Lines					
	– 11kV (km)	**8 367**	8011	7437	7077	6766
15.	Employees (No)	**548**	620	652	739	776
16.	Permanent (No)	**571**	587	620	626	658
17.	Casual/Temporary	**53**	33	32	113	118
18.	Fixed Assets: Turnover (Times)	**0.97**	0.88	0.69	0.64	0.71
19.	Total Assets: Turnover (Times)	**0.59**	0.54	0.43	0.4	0.43
20.	Return on Total Assets (%)	**9**	7	4.2	3.7	3.2

TECHNICAL PERFORMANCE

		2011	2010	2009	2008	2007
1.	System Requirements (GWh) Sent Out	**1138.1**	1186.3	1162.8	1143.6	1105.7
2.	Units Sold (GWh)	**976.8**	1018.6	991.9	977.1	943.5
3.	System Losses (%)	**14.2**	14.9	15.5	14.6	14.6
4.	SEC Internal Generation (GWh)	**333.4**	288.1	246.14	160.2	173.1
5.	SEC internal Generation (%)	**29**	24	21	14	15
6.	System Maximum Demand (MW)	**200.77**	204.48	200.65	200.3	196.3
	Ratios and Statistics					
1.	Net Income to Revenue (%)	**20.8**	19.3	9.8	9.3	7.9
2.	Operating Income to Revenue	**25.9**	19.2	10.5	16.3	18.4
3.	Return on Equity	**21**	20	8.3	7.7	7.3
4.	Return on Capital Employed	**11.1**	10.5	4.2	3.3	3.7
5.	Return on Operating Assets	**12.3**	12	7.9	8	7.9
	Debt Management Ratios					
1.	Debt/Equity	**0.33**	0.33	0.4	0.54	0.49
2.	Annual Debt Service (Times)	**11**	7	4.2	3.3	2
	Liquidity Ratios					
1.	Current Ratio	**1.9**	1.7	1.2	1.3	1.8
2.	Acid Test Ratio	**1.6**	1.3	0.9	1	0.9
	Training					
1.	Number of Graduate Trainees	**8**	21	30	25	5
2.	Number of Trainees Sponsored	**28**	357	388	557	545
3.	Training Expenditure (E'000)	**3,619**	3,675	3,300	2,997	2,324
	Other					
1.	Consumer Price Index (%)	**5.5**	6.6	11.8	9.5	6
2.	SEC Tariff Increase (%)	**16**	28.2	21	4.3	3.8

FROM POWER STATION TO CUSTOMER

POWER STATIONS.

Input:

Water**– 880,279 Ml
Diesel – 10,660 l
** All water used is released back to river streams unpolluted.

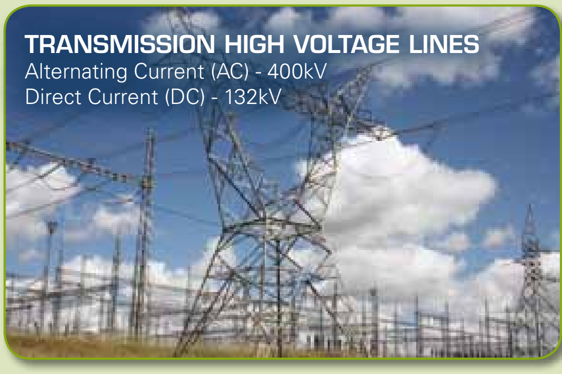
Output:

Total electricity generated – 333.4 GWh
Total electricity sold – 976.8 GWh
The balance of electricity is imported into the country.

Maguga Power Station

TRANSMISSION HIGH VOLTAGE LINES

Alternating Current (AC) - 400kV
Direct Current (DC) - 132kV



TRANSMISSION SUBSTATIONS

Substation high-voltage lines: 132, 66kV
Distribution: 11kV

Sikhuphe Substation

TRANSFORMERS

The voltage levels of electricity are stepped down to meet distribution requirements. (11kV stepped down to 400V)

CUSTOMERS

Our customer base consists of industrial, agricultural, commercial and domestic.

Industrial: 360, 2 GWh
Agricultural – 211, 1 GWh
Commercial – 110, 9 GWh
Domestic 304.6 GWh

An SEC Customer's House (Domestic)

Summerfield Botanical Gardens in Matsapha (Commercial)

HOW SEC GENERATES ELECTRICITY

POWER STATIONS

SEC mainly operates four hydropower stations; Maguga Hydropower Station, Ezulwini Hydropower Station, Edwaleni Hydropower Station, and Maguduza Hydropower Station. These all serve as peaking and emergency power stations. They are not a constant supply of electricity for normal daily consumption, which is a function of base load power stations like thermal power stations. This is due to the fact that there is limited dam/storage capacity, variable & unreliable rainfall patterns & intensity. Subsequently, there is insufficient water to run hydro turbines continuously all year round and ultimately supply the country's total energy demand.

These stations have a combined installed generation capacity of 60.4 MW, and contribute (SEC's internal generation) 29% of the total energy consumed in the country. The rest is imported largely from Eskom in South Africa, and a portion of it from EDM in Mozambique.

SEC's installed Hydro Capacity is distributed amongst the four power stations as follows:
1. Maguga Hydropower Station – 2 x 9.9 MW Hydro Units.
2. Ezulwini Hydropower Station – 2 x 10.0 MW Hydro Units.
3. Edwaleni Hydropower Station – 4 x 2.5 MW & 1 x 5.0 MW Hydro Units.
4. Maguduza Hydropower Station – 1 x 5.6 MW Hydro Units.

WATER SUPPLY RESERVOIRS

The three power stations, Ezulwini, Edwaleni and Maguduza are cascaded, with the Luphohlo Dam as their key water supply. The dam is built upon and is supplied by the Lusushwana River. Water supplied by the dam to the Ezulwini Hydropower Station is utilised further down by the Edwaleni Hydropower Station, and finally by the Maguduza Hydropower Station.

The Maguga Hydropower Station is supplied by the Maguga Dam, which is operated by the Komati Basin Water Authority (KOBWA). The dam is built upon and supplied by the Komati River. Since the primary function of the Maguga/Driekoppies Dam System is to supply water for irrigation downstream of the dam, the Maguga Hydropower Station operation is guided by "Hydropower Operating Guidelines" agreed upon, and signed by both SEC and KOBWA.

HYDROPOWER THEORY

Hydropower is a conventional renewable energy source which is clean, free from pollution and generally has a positive effect on the environment. One key operational advantage of hydropower stations is that they are capable of generating power within minutes.

A hydropower station utilises the potential energy of water stored in a dam higher than the power station by converting it into electric energy. The water flows through a high pressure conduit referred to as a penstock, into a water turbine, through a turbine runner, and discharged back into the river. As the water flows through the turbine runner, it spins the turbine shaft which drives the generator connected to it, thereby generating electricity. The electricity is then fed into the transmission network.

BOARD OF DIRECTORS

From right to left:

1. S'THOFENI GININDZA (44)
Chairman
- BA Economics – UNISWA
- MA Economics – Ottawa Canada
- Business Leadership – Stanford University

2. PIUS N. GUMBI (40)
Managing Director
- MEng, BEng (Hons) – UK
- Executive Development Programme – Stanford University
- Member of the Institute of Engineering and Technology – UK

3. TIMOTHY R.T. NHLEKO (58)
Non-Executive Director
- MBA – Florida International University, Miami, Florida, USA
- BA Economics – University of Botswana and Swaziland
- Diploma in Banking – Institute of Bankers, SA

4. DR WINILE NHLENGETHWA (55)
Deputy Chairman
- PhD – Manchester University
- MSN (Nursing) – Howard University
- BA (Nursing) – Howard University
- Dip. (Reproductive Health)

5. MRS LINDA NKWANYANA (34)
Non-Executive Director
- Human Resource Management (Mangosuthu Technikon)
- B-Tech Degree Human Resource Management (UNISA)

6. MS HLOBSILE NDZIMANDZE (36)
Non-Executive Director
- BA (Law)
- LLB (UNISWA)
- Legislative Drafting (Ghana Law School)

7. PRINCESS MSINDVOSE (51)
Non-Executive Director
- BSc Degree
- Business Administration (Management) – Northrop University, Los Angeles, USA

8. HENRY D. SHONGWE (53)
Non-Executive Director
- MSc Mechanical Engineering – UK
- BSc Hons in Energy Studies – UK

9. DR MIKE MATSEBULA (62)
Non- Executive Director
- BA (Economics and Accounting), 1972 – UBLS
- MA Economics, 1975 – Manitoba, Winnipeg, Canada
- PhD Economics, 1981, Queen's, Ontario, Canada

10. BHANGASE P.M. ZWANE (50)
Legal Advisor and Company Secretary
- Master of Laws (Wits) – Energy Law, Banking & Finance Law, Competition Law and Intellectual Property Law
- Bachelor of Laws (UNISWA) (Old UBS/Edinburgh University, UK Joint Programme)
- Attorney, Notary Public, Conveyancer (of the Courts of Swaziland and South Africa)

EXECUTIVE MANAGEMENT

PIUS N. GUMBI (40)
Managing Director

- MEng, BEng (Hons) – UK
- Executive Development Programme – Stanford University
- Member of the Institute of Engineering and Technology – UK
- Responsibilities
  - Corporate Strategy and Vision
  - Capital Allocation
  - Team Building

BANELE NYAMANE CA (SA) (32)
General Manager Finance

- Bachelor of Commerce (Accounting) – UNISWA
- Honours Degree in Accounting Science (CTA) – UNISA
- Post Graduate Diploma in Auditing – APT
- Chartered Accountant, South Africa, CA (SA) – SAICA
- Associate Chartered Accountant, ACA, ICAEW
- Chartered Accountant, Swaziland, CA (SD) – SIA
- Responsibilities
  - Finance
  - Information Technology
  - Procurement

MESHACK M. KUNENE (51)
General Manager Operations

- BEng (Electrical and Electronics Engineering)
- Executive Development Programme – Stanford University
- Member of the South African Institute of Electrical Engineering
- Responsibilities
  - Engineering
  - Transport
  - Projects

SKHUMBUZO S. TSABEDZE (47)
General Manager – Customer Service

- BSc – UNISWA
- Master of Arts (Info. Science) – UK
- Master of Business Leadership – UNISA
- Chartered Marketer – SA
- Responsibilities
  - Customer Service
  - Environment and Safety
  - Infrastructure Development
  - SHERQ

MAX MKHONTA (42)
General Manager Corporate Services

- BA Social Science – UNISWA
- Bachelor of Administration in Human Resource Management (Honours Degree) – UKZN
- Responsibilities
  - Corporate Communications
  - Legal Services
  - Facilities Management
  - Human Capital Management and Development
  - Industrial Relations

THE HISTORY OF SEC

Background: Edwaleni Power Station under construction – 1963.
Left: Edwaleni Power Station – 2011.

1920s – 1950s
The first electric light to light up the night in Swaziland was installed at Mlilwane with a 52.5 kVA hydro-turbine by James Weighton Reilly. Reilly later installed this plant on the Mbabane River, below where the Swazi Inn was later built, to supply Mbabane with light. He subsequently sold it to Mercer Cox, who then sold it to the Swaziland Government. Mickey Reilly also brought electricity to Bremersdorp (present-day Manzini), where he created a roaring trade selling single light points to the town, and in particular to the families Howe and Stewart whose rivalry caused them to compete with each other. This escalated not only the price of electricity, but also the number of light points sold!

8 JUNE 1955
The process began for the Government of Swaziland to buy the Bremersdorp Electricity Supply from the Swaziland Power Company for £50,000.

1963
The Swaziland Electricity Board was officially launched and work commenced on the construction of Edwaleni Hydro-Electric Power Station.

19 SEPTEMBER 1964
The Edwaleni Hydro-Electric Power Station was inaugurated by Mr. H. F Oppenheimer in the presence of His Majesty King Sobhuza II.

1975
Hhelehhele 132/66kV Substation was constructed.

1980
Work commenced on the construction of the Luphohlo Power Station.

1985
Luphohlo Power Station was commissioned bringing the total installed internal generation to 51MW.

1987
Eskom III Incomer was constructed from Normandie to Kalanga.

1989
Nhlangano II and Kalanga 132/66kV Substations were constructed. This was a great relief to the Eskom I and II 132kV Incomers which were now operating at full capacity.

1989
Mhlosheni and Hluti 33/11kV Substations were constructed.

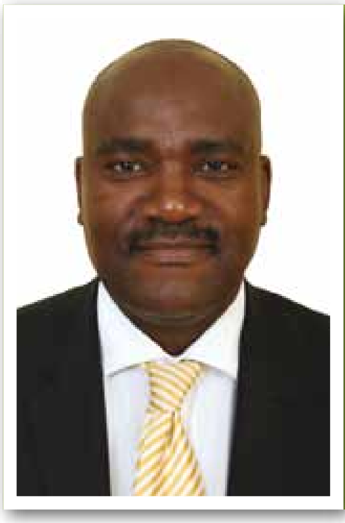
2000
Motraco 400kV joint venture as well as the Edwaleni II 400/132kV 500MVA (2by 250MVA) Substation was commissioned. This project, combined with the commissioning of a number of other 132/66kV substations brought a marked improvement to the quality of supply. Hhelehhele and Stonehenge Substations were brown field projects whilst Mkhinkomo II was a green field development.

2003 – 2010
A number of green field as well as new 66/11kV substations were constructed resulting in improved capacity in these substations. These substations included Big Bend, Bhalegane, Sihhoye, Kent Rock, Pine Valley, Lobamba, and Manzini North Substations.

DECEMBER 2007
The Swaziland Electricity Board changed its name and became the Swaziland Electricity Company.

13 MAY 2011
The Maguga Hydro-Electric Power Station was inaugurated by His Majesty King Mswati III.

CHAIRMAN'S REVIEW



It gives me great pleasure to present the Swaziland Electricity Company's Annual Report for the financial year ended 31 March 2011. Whilst the world's economies were recovering from the global financial crisis, Swaziland has been faced with enormous challenges as a result of the decline in SACU revenues. Considering the economic challenges faced by the country, the Company is dealing with a potential decline in business as a result of major customers opting for self-generation. This is due to the high increases in tariffs over the past three years, as well as the decline in the industrial base.

ECONOMIC REVIEW

The majority of economies around the world, the SADC region in particular, recorded increases in GDP over the year under review, whilst Swaziland remained stagnant. This was a result of the recovery from the global financial crisis. Our country's economy has come under severe pressure as a result of the significant decrease in SACU revenue. This has seen the country's deficit increasing and has forced Government to cut down on certain capital projects and expenditure.

Government's declining spending patterns have affected the Small and Medium Entities which relied heavily on Government projects. The reduction in economic activity has also had a negative effect on our business growth in the year under review. The closure of two big companies during the last financial year has unfortunately had a negative impact on our business. This is reflected in the 4.1% decrease in our sales volume. Despite negative macroeconomic challenges, the Company has performed exceptionally well.

The efforts of His Majesty King Mswati III, Parliament and Government, who worked tirelessly to ensure that this painful phase passed quickly, are gratefully noted. Our Company will also play a major role in assisting with the economic recovery and as a Board we are committed to delivering on this task effectively.

SAFETY AND ENVIRONMENT

Swaziland Electricity Company (SEC) remains committed to the issues of safety for its employees, contractors and the public at large. I am happy to report that during the year, we reviewed our Safety, Health, Environment, Risk and Quality (SHERQ) structures to ensure that we remain consistently alert to the challenges posed by our increasing network.

It is lamentable that during the year two fatalities were recorded; involving a contractor and a member of the public. As a Board we are confident that Management will continue to work tirelessly to ensure that these unfortunate incidents do not re-occur.

RESTRUCTURING

During the year under review, the Board approved a restructuring exercise to ensure that the Company will remain sustainable into the future. Emerging challenges include the increasing domestic network, which puts a strain on the quality of supply as well as the decline in large customers. This is due to a proportion of them closing down, others opting for self-generation as well as a decline in the industrial base. I would like to express my sincere gratitude to all stakeholders, labour organisations and

Management for working together to bring this exercise to a close. The Board acknowledges the very challenging nature of the exercise in the short term but is confident that it will bear fruit in the long term.

Other elements of the restructuring remain ongoing, in particular the remuneration review, whose objective is to address concerns about manpower costs. We remain positive that once all the ongoing initiatives are implemented, they will assist the Company to remain sustainable in these arduous economic times.

BUSINESS REVIEW

The process of converting our customers from the post paid to prepaid system is close to completion. Although it experienced some challenges in the beginning, the Board is proud to witness that Management and employees have worked tirelessly to ensure that all of our valued customers are serviced properly. I am confident that the Company has overcome all the challenges it has been confronted with and I am delighted with the reception from clients about this product.

In an effort to keep improving our efficiency and service to our customers, the Board has approved the establishment of four new depots. These depots will assist the Company in bringing service closer to its customers and also in responding to incidents promptly. This will be complemented by the establishment of a call centre, which is partially operating.

In response to His Majesty King Mswati III's call to lead the country towards attaining first world status, the Company has continued to invest heavily in capital projects. During the year under review, E228 million was spent on new projects, some of which were still in progress at year end. This will ensure stability in power supply.

It is regrettable that no progress has been made on the Thermal Power Station Project due to a delay in obtaining the Mining and Exploration Licence from the relevant body. We remain hopeful that this will occur soon as all the Company's necessary preparations have been concluded.

FINANCIAL PERFORMANCE

During the year under review, the Company recorded a total comprehensive income of E190 million which is an increase of 58% compared to the previous year. A major contributor to this increase is the revenue from customer contributions recognised in terms of IFRIC 18. Revenue increased by 22% to E973 million and this is attributed to the tariff increase. The stability of the local currency, the Lilangeni against the US Dollar and the Euro helped the Company to keep foreign exchange losses to a minimum.

Revenue per employee was E1.7 million, increasing from E1.2 million in the previous year and the impact of the drive to improve efficiency is beginning to bear fruit.

The balance sheet remains strong with a net gearing ratio of 1:10. I am happy to report that for the first time in the history of the Company, the Directors recommended a dividend declaration of E6 million which was approved by the shareholder. The Directors have also proposed another dividend declaration for the year under review, which is still subject to shareholder approval.

The Company's investment in the associate MOTRACO is beginning to produce results. During the year under review, this associate declared a dividend of US$1.5 million and as per the financing agreement for this investment, 50% of the dividend was remitted to the financier.

BOARD OF DIRECTORS

During the year, the Board continued to adhere to its terms of reference and subscribe to the principles of good corporate governance. The Board of Directors executes some of its responsibilities through Board Sub-Committees which include the Audit and Risk, Finance, Technical and Remuneration Sub-Committees. The Board attended relevant training and forums during the year which will help it to keep in touch with the constantly changing economic environment.

Two members of the board, Mr. S Motsa and Mr. F Graham retired during the year under review and were replaced by Ms. H Ndzimandze and Mrs. L Nkwanyana. I would like to extend my gratitude to the retired members for their enormous contribution to the success of SEC during the period that they served on the Board. I also welcome the new members and hope they will work tirelessly to succour the Company into the future.

The term of office of a number of our members comes to a conclusion on 31 October 2011. Looking back to 2007, when these valuable members joined the Board, we pride ourselves on a number of achievements during this period. A major achievement was bringing industrial harmony to the Company. Since 2008, there has not been conflict between Management and the labour formations. This was achieved through Management's role and existing policies not being interfered with by the Board. I would also like to show my appreciation for the role played by the Union and Staff Association in ensuring the accomplishment of this achievement.

Other achievements by the Board include the strong financial performance of the Company, strong management leadership and the stability of power supply in the country.

The record of attendance at Board and Sub-Committee meetings during the year is as follows:

Name	Board Meeting	Remuneration & Ethics Committee	Risk & Audit Committee	Technical Committee	Finance Committee
No. of Meetings	5	8	5	4	6
Mr S'thofeni Ginindza	4	n	n	n	n
Dr Winnie Nhlengethwa	5	8	n	3	n
Princess Msindvose	2	1	n	n	n
Dr Mike Matsebula	4	n	n	n	6
Mr Henry Shongwe	4	n	n	4	5
Mr Timothy Nhleko	4	1*	4	n	6
Mr Sibusiso Motsa	3	6	4	4	n
Mr Fitzgerald Graham	2	8	3	n	n
Mrs Linda Nkwanyana	2	n	1	n	n
Ms Hlobsile Ndzimandze	2	n	n	n	n
Mr Pius Gumbi	5	6	3	4	5

NOTE:
* Mr Nhleko attended the Remunerations Committee upon invitation.
* Mrs Linda Nkwanyana and Ms Hlobsile Ndzimandze are new members, they replaced Mr Sibusiso Motsa and Mr Fitzgerald Graham respectively.

n Not a member of the Sub-Committee.

APPRECIATION AND CONCLUSION

On behalf of the Board, I would like show my appreciation for the Minister of Natural Resources and Energy for her support and guidance that she has given the Board over the year under review. SEC continues to rely on the Ministry's support and guidance during these trying times. I would also like to express my gratitude for the support I received from my fellow Board members, Executive and Senior Management, Labour representatives and the entire SEC Staff in executing the Board and Company strategy during the year under review.

I also appreciate the families who support SEC staff members on a daily basis as they go about ensuring the satisfaction of customers whilst also making certain that the Company remains profitable and sustainable.

On behalf of the retiring Board members, I would like to appreciate the appointing authority for having had confidence in our abilities to execute our mandate. I am proud of the fact that we have achieved a substantial amount over the four year period.

We would like to wish the Minister well in her efforts to find new, replacement, Board members. SEC requires people with integrity; who are dedicated to their work and we have no doubt that she will find such candidates to ameliorate the Company's performance even further.

MANAGING DIRECTOR'S REPORT

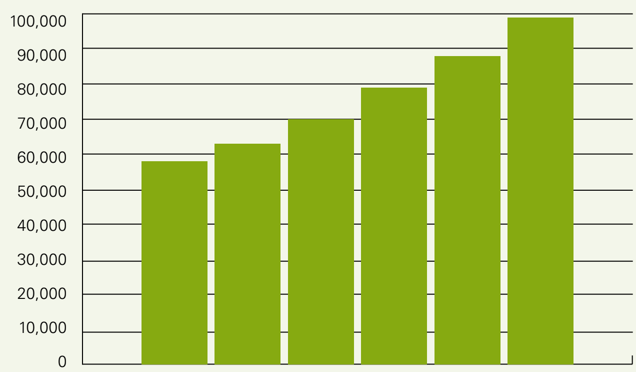
The Company's revenue increased by 22% during the year under review while revenue from unit sales increased by 18%, which is 2% higher than the tariff increase awarded by the regulator. The 2% extra is attributed to the large industrial customers who curtailed their operations but were still paying for the highest peak demand recorded in the previous year. Cost of sales only increased by 10% and this is attributed to the increase in internal generation.

CUSTOMER SERVICE

In the year under review, SEC's customer complement grew by 13%, bringing the total number to 99,631 from a previous customer base of 88,182. SEC continued to roll out the Prepayment Project resulting in 83.4% of SEC customers migrating to prepaid supply.

Customer growth by tariff category continued to be dominated by the domestic sector which constitutes 89% of SEC's customers. Growth was not realised in the industrial and irrigation sector in the year under review. This was due to the slow economic growth rate. Conversely, we witnessed a reduction in load as we lost one of our major industrial customers in the Lubombo Region.

Customer Growth

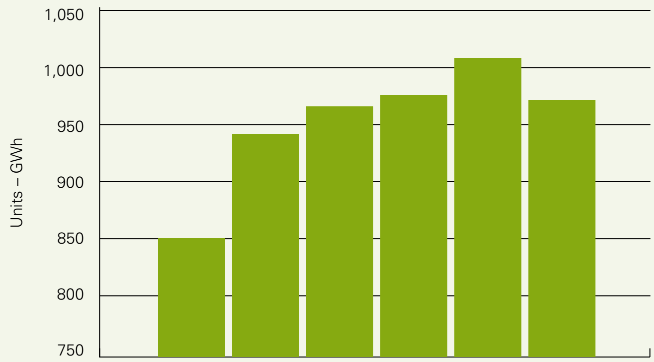


	2006	2007	2008	2009	2010	2011
Customers	58,716	63,798	70,517	79,055	88,182	99,631

Unit Sales

Unit sales recorded for the year were 976.8 GWh, compared to a previous record of 1,018.6 GWh. This represented a unit sales reduction of -4%. The major contributor to the decline in sales was the closure of two industrial customers and the Demand Side Management (DSM) programme. This programme is aimed at educating customers about ways and means to save energy. In addition, the introduction of the Time of Use Tariffs and Prepaid System has created awareness for customers to utilise electricity efficiently.

Annual Unit Sales

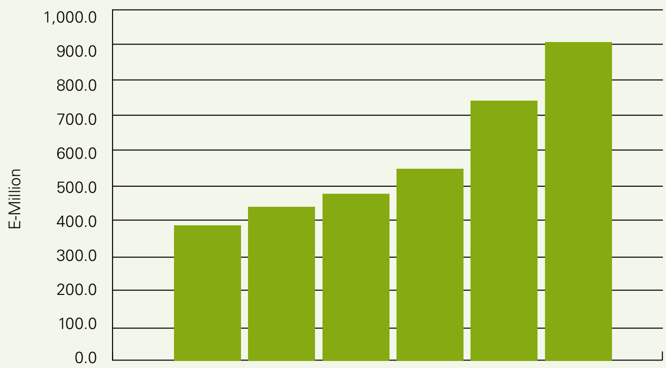


	2006	2007	2008	2009	2010	2011
Units	855.8	943.5	977.1	981.9	1,016.3	976.8

Revenue Sales

Despite the reduction in unit sales during the period under review, SEC revenue sales increased by 18% to E903 million. This relatively high growth rate was due to the application of the high season tariff rates which were not incorporated into the SEC tariff structure in previous years. SEC was also awarded a tariff increase of 16% during the same period.

Annual Revenue Sales



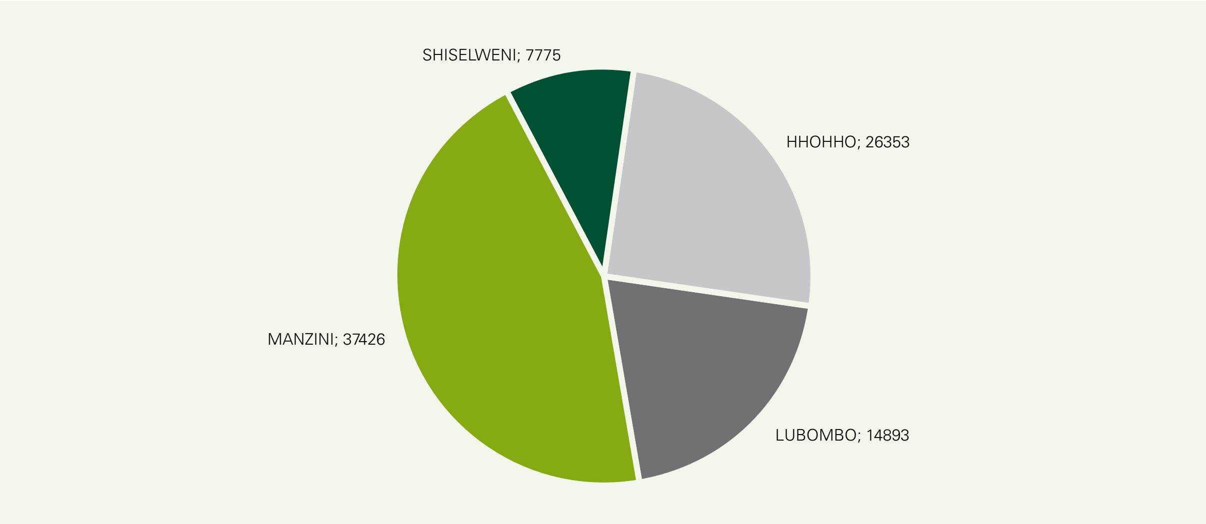
	2006	2007	2008	2009	2010	2011
Revenue	394.2	447.6	485.8	559.5	763	903

The Prepayment Project

The prepayment project was divided into two phases. The first phase began in 2008, in the Manzini Region under contract with Itron Metering Solutions and completion was in 2010. The second phase started in October 2010 in the Hhohho, Lubombo and Shiselweni Regions. The second phase was managed in-house and work was allocated to eleven contractors registered within the Swaziland Electricity Company's Commercial Department.

The total number of customers on the prepaid system is 86,447. The chart below indicates the number of customers that are utilising prepaid meters per region:

Figure 1: Customers on the Prepaid System by Region



When the prepaid electricity project was conceived, its main purpose was to minimise non-technical losses due to meter reading and data capturing errors. However, there are many benefits that the system can offer customers, including accurate billing. The prepaid electricity meter allows the customer to monitor their household consumption at their own convenience. Therefore, the customer can precisely budget for their household electricity needs on a monthly basis. The customer also has equanimity as a result of the prepaid electricity meter system, this is due to the fact that they utilise what has already been paid for instead of living on credit. For the discreet customer this has provided a high degree of privacy since there are no intrusions by meter readers arriving at irregular intervals.

The Swaziland Electricity Company has also established some value-add services within the portfolio of services. These services include the introduction of third party vendors and PIN vouchers. These services have allowed the customer the freedom to buy electricity at the most convenient point of sale. The aim is to reduce the travelling cost and time for customers to reach the nearest point of sale, inevitably increasing the customer's worth. PIN vouchers are even more convenient because they can be used for any meter, but only one meter for one PIN voucher.

This valuable project is expected to cost the Swaziland Electricity Company in the region of E70 million. However, it does provide major benefits, such as reliable customer consumption per unit installed. Customers do not have to wait for a bill before they realise how much their electricity costs are, but can now budget better and save wherever possible.

Safety, Health, Environment, Risk and Quality (SHERQ)

SEC has continued to commit itself to ensuring that it prioritises health, safety and environmental standards. All SHERQ Committees were re-established and the new SEC Occupational Health and Safely Policy was signed off during the period under review. Unlike the previous year, we recorded a significant reduction in fatal injuries, though regrettably experienced two fatalities – a contractor who was working on the power lines and a member of the public. We continue to educate the public on the aspects of safe use of electricity to minimise incidents of accidental electrocution.

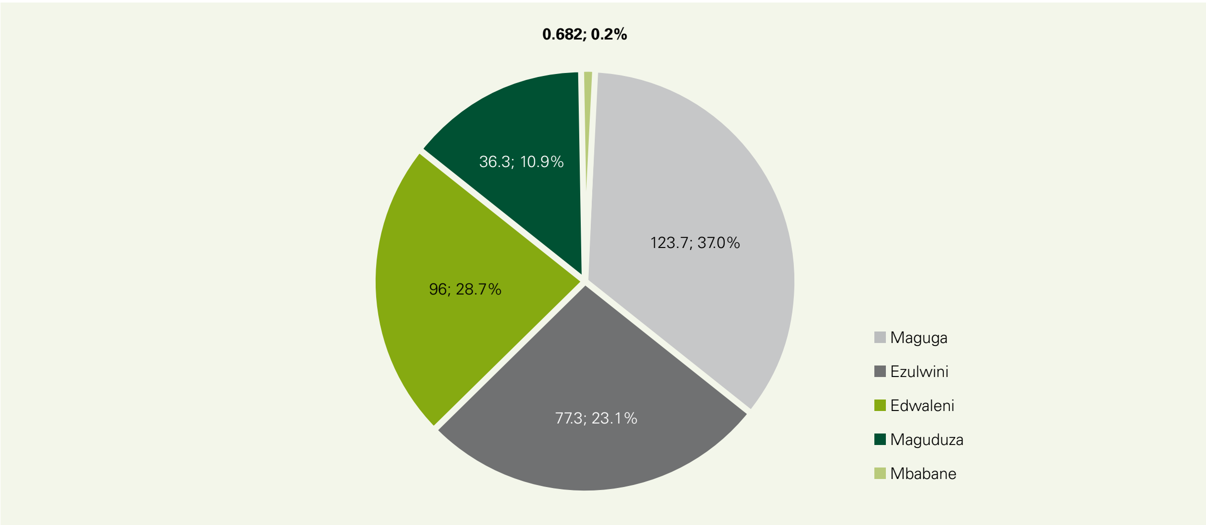
OPERATIONS

GENERATION DEPARTMENT

Table 1 - Annual Energy Summary

VARIABLES	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
1. System Requirement (GWh) – (sent out)	1131.6	1196.3	1162.90	1143.57	1107.40
2. Units Sold (GWh)	976.8	1018.6	981.86	977.15	941.47
3. System Losses (%)	14.2	14.85	15.6	14.6	14.98
4. SEC Internal Generation GWh	333.4	288.13	246.14	160.22	173.08
5. System Maximum Demand (MW)	200.77	204.48	200.65	200.32	196.32

2010/2011 Individual Plant Contributions to Internal Generation



Generation input from local sources was auspicious during the year as a result of good rains. Our machine availability was also exemplary as a result of excellent maintenance programmes that are in place.

Mbabane Hydro Station was mothballed in December 2010. It was no longer financially viable to continue investing in and running the power station. The mini hydro station, with an output of 0.5MW has been in operation since 1957. A substantial amount of capital was required to ensure the station remained safe and operable, yet there were no foreseeable returns.

Transmission

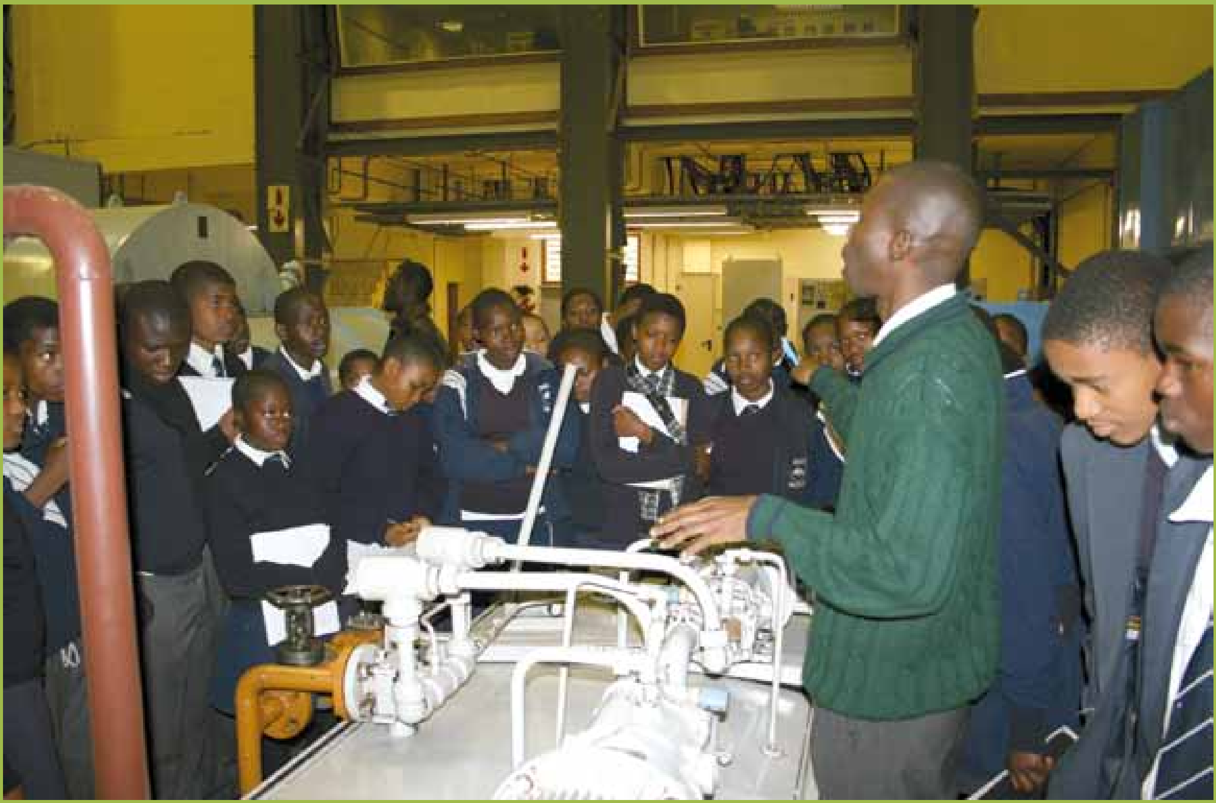
The quest to improve the transmission system's reliability during the course of the current year continued in line with the long term strategy of the organisation. A total of E14.6 million was invested in the acquiring, installation and commissioning of new equipment with the objective of further improving the system performance in the short term and the long term. A new 66kV line built on steel monopoles was constructed to supply reliable power to the new Sikhuphe Airport.

A new 66kV line (Lobamba – Ezulwini Power Station) was converted from wood pole structures to steel monopoles. This enhances the reliability of this critical link to the Matsapha Industrial Site. Several 66/11kV substations' (Ncandweni, Siphocosini) incoming lines have been converted into an in – out configuration in order to improve service reliability to customers.

Mbabane Hydro Power Station

Historic Machinery at Mbabane Hydro Power Station

Ezulwini Dual Steel Monopole



School Children Visiting Ezulwini Power Station

Substations

The Company has, over the last five years, been involved in infrastructure development throughout the country. The projects for 2011 included the construction of new substations in Mayiwane and Lawuba and the completion of Manzini North.

Manzini North Project was completed on schedule and commissioned in July 2010. The substation is expected to improve the quality of supply in the sub-region. The final cost for the project was within budget at E41 million.

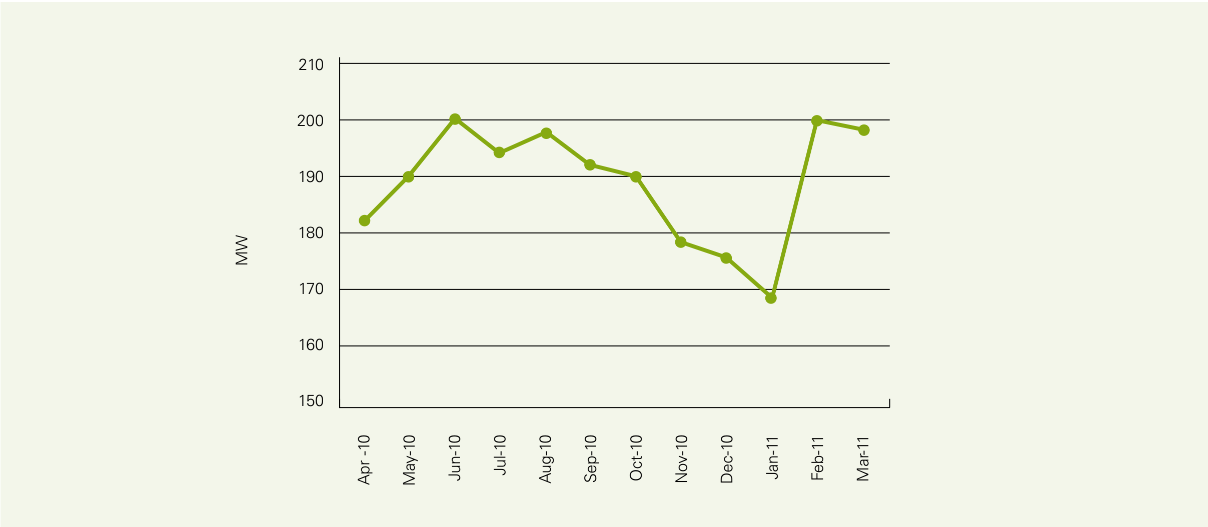
Mayiwane Substation and the feeder line from Sihhoye were awarded to Consolidated Power Projects (Pty) Ltd in October 2010 and the construction work began with the feeder line in February 2011. The total contract amount for this project is E27 million. This project is expected to be completed by December 2011.

System Operations & Control

Systems Outlook

The figure below shows the energy demand throughout the financial year 2010-2011.

SEC System Maximum Demands 2010 - 2011



Photographs of a Remote Terminal Unit (RTU) Cabinet at Manzini North Substation

Tele-Communications

Two projects have been undertaken in a bid to increase radio coverage for SEC. These include the Mdumezulu High Site which will improve Channels 4, 6, and 7 coverage once completed, as well as Mahlangatsha High Site which will address the coverage for Channel 5. The Department is also in the process of phasing out both voice and data radios which are now obsolete in the system.

Distribution Planning

The Planning Section conducted a Distribution System Study Project for the Stonehenge and Malkerns depot areas. An action plan was engineered to implement the recommendations of the study. Adopted as a result of the study was a method of mitigating lightning protection on the Distribution System. This method employs the use of lightning arrestors and effective earthing of the system to protect transformers from lightning.

It is envisaged that there will be great improvement in the performance of the system in terms of supply continuity. Service to our valued customers will also be more reliable.

Photograph of a Well-Installed Distribution Transformer

CORPORATE SERVICES

Part of SEC's strategic focus is to ensure effective and efficient performances by all employees. Our intention is to consistently provide customer satisfaction and impact the bottom line positively. One of the critical ways to ensure success within this objective is by training and developing staff in order for them to reach their full potential. During the 2010/2011 financial year, SEC continued to sponsor employee training and development under the auspices and patronage of the Training and Development Department utilising SEC, PEU and MOTRACO funds. Employees were exposed to training interventions both within Swaziland and outside the country.

SEC has focused upon developing customer care skills by conducting a series of workshops for our permanent and contracted frontline staff. Customer care workshops were undertaken during the year.

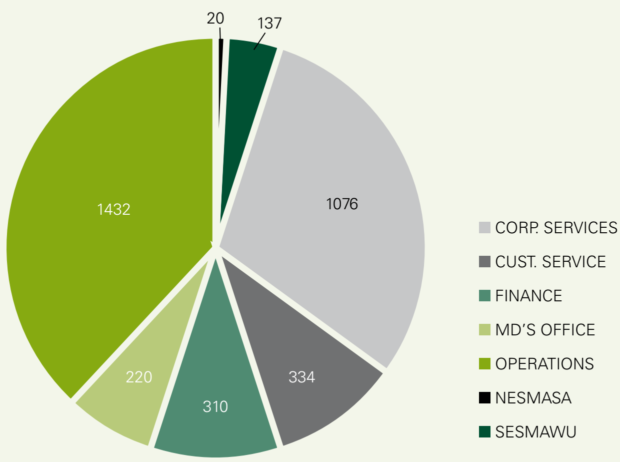
The number of permanent employees who are given the opportunity to acquire much needed skills and knowledge through short, medium and long term training and development in the form of seminars, workshops, conferences, part-time and full-time studies has increased.

A total of E3,7 million was spent on training in the 2010/2011 financial year. This is reflected in the table, pie chart and bar charts below; showing the breakdown and relationships amongst the divisions of expenditure.

Annual Training Expenditure 2010/2011 Table

DIVISION	NO. OF STAFF TRAINED	MAN DAYS SPENT	EXPENDITURE
CORPORATE SERVICES	55	1076	E818,213.13
CUSTOMER SERVICES	131	334	E393,582.98
FINANCE	29	310	E506,718.88
MD'S OFFICE	15	220	E371,323.89
NESMASA	5	20	E2,305.79
OPERATIONS	187	1432	E1,541,547.80
SESMAWU	16	137	E98,512.67
TOTAL	438	3529	E3,732,205.14

Man days spent on training per division



Manning levels

By the close of the 2010/2011 financial year, the Company's staff complement stood at 571. The following tabular presentation represents the breakdown of the staff complement by division, age and gender.

2010 - 2011 Manning Levels

AGE	MD'S OFFICE		CORPORATE SERVICES		CUSTOMER SERVICE		FINANCE		OPERATIONS		TOTAL		TOTAL
	M	F	M	F	M	F	M	F	M	F	M	F	
21-30	3		26	7	8	1	2		31	19	70	27	**97**
31-40	3	3	10	4	29	20	13	6	110	18	165	51	**216**
41-50	1	1	15	8	19	13	3	7	138	13	176	42	**218**
51-60	1				3	7	1		25	3	30	10	**40**
	8	**4**	**51**	**19**	**59**	**41**	**19**	**13**	**304**	**53**	**441**	**130**	**571**

Turnover

The Company's voluntary turnover was 10.9% and its involuntary turnover was 1.19%. The high voluntary turnover is as a result of the generous Early Retirement Scheme which has witnessed 58 employees voluntarily leaving; they felt that they had made a meaningful contribution to SEC and it was time for them to move on.

Performance Management System (PMS)

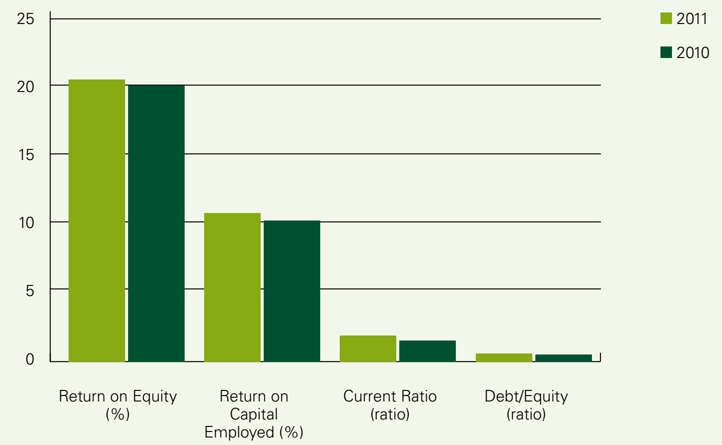
The Company continues to cement the development of a high performance culture and all senior management positions have new performance targets aligned to the Company's strategic plan of achieving customer excellence. The Performance Management System has also been reviewed to incorporate strategic people management functions in order to enhance managers' leadership capabilities. All stakeholders have adopted the improvements of the system. Additional initiatives aimed at addressing the incentive part of the PMS System will be finalized in the coming financial year.

Corporate Social Investment (CSI)

The company continued to invest in CSI activities, fully recognizing the need to remain sensitive to the broader socio-economic challenges facing the community we operate in. Specific efforts aimed at improving the overall CSI impact will be implemented in the coming financial year.

FINANCE DIVISION

Financial Review



Statement of Comprehensive Income

The Company's revenue increased by 22% during the year under review while revenue from unit sales increased by 18%, which is 2% higher than the tariff increase awarded by the regulator. The 2% extra is attributed to the large industrial customers who curtailed their operations but were still paying for the highest peak demand recorded in the previous year. Cost of sales only increased by 10% and this is attributed to the increase in internal generation.

Revenue from customer contributions increased by 94% compared to the previous year. This is due to the fact that for the year ended 2010, the revenue was only recognised for nine months as IFRC 18 was effective from 1st of July 2009. In terms of taxation, this is treated as a permanent difference.

Other income increased by 78% to E16 million. Disposal of assets, which included properties and vehicles, contributed E3 million. The Company also successfully recovered a long outstanding VAT refund amounting to E1.2 million.

Administrative expenses increased by 19% to E137 million; E40 million of this amount was used for the Early Retirement Scheme undertaken during the year. E13 million of this amount was accrued at year end. This is because all necessary requirements had been met at year end and the employees exited at the end of April 2011.

Finance costs reflect a debit amount of E19 million which is a decrease of 166% when compared to last year's E27 million credit. Last year's credit balance was attributed to the strengthening of the Lilangeni against the Euro and US Dollar. During the year under review, our local currency has maintained its strength.

The Company's current tax liability is E17 million which is a part of the E52 million disclosed. The balance is deferred tax liability. The Company anticipates that it will continue reflecting a deferred tax liability as it invests large amounts of money into capital projects.

Statement of Financial Position

The Company's total assets increased by 22% from last year's E1.5 billion. This is due to the increase in retained income. Net borrowings increased by E60 million. This was arrived at after deducting repayments from the E75 million that was drawn down from PSPF. The Company's Net debt to equity ratio remains healthy.

The E40 million prepayment relates to the co-generation partnership the Company entered into with Ubombo Sugar Limited, where the Company will pay E150 million for an exclusive right to buy excess power. Both parties signed a 15 year power purchase agreement.

Statement of Cash Flow

Net cash generated from operations increased by 69% to E282 million. This is a strong indication of the Company's capability to turn profits into cash. Cash utilised in investing activities was E265 million which is reflective of the Company's activities that require massive investment into infrastructure.

Information Technology

All systems used by the Company are managed in-house. All but one of the systems achieved more than 98% availability.

During the year under review, the system used for vending prepaid electricity experienced a high downtime which was replicated on the back-up system. This posed a huge inconvenience to the Company's customers as they could not buy tokens when the system was down. A major upgrade of the system was undertaken after year end and the system is now stable.

The Company has embarked upon rolling out a new system that will automatically read meters remotely. This will be for all the major customers and will improve the turnaround times in billing.

Commercial Services

Obsolete stock amounting to E2 million was written off during the year and will be sold off as scrap. These are items that are no longer utilised within the system. The Department continued to explore various ways of reducing the inventory holdings. These efforts remain pending and are anticipated to be implemented in the coming financial year.

CORPORATE ENVIRONMENTAL SUSTAINABILITY

Swaziland Electricity Company realises that environmental issues are a global concern and are startlingly real. Thus, the Company has adopted sustainable business practices. Businesses worldwide are moving towards a sustainable model. SEC is also taking steps in this direction. The Company is implementing an environmental policy that keeps with their commitment to sustainability.

The Company possesses an Environmental Department whose functions are to handle environmental and socio-economic issues pertaining to the operations of SEC. This ensures that SEC operates within the provisions of Swaziland's environmental regulations and the Company's environmental policy. Other functions of this valuable Department include: developing environmental guidelines and environmental operational plans for SEC regarding various aspects. These include advising other divisions within the Company about environmental and social issues; representing SEC on environmental and social issues within national and international fora; liaising with Government ministries and other institutions responsible for the management of the environment, conducting environmental impact assessments for SEC projects, recommending mitigation measures and monitoring implementation of recommended mitigation measures. The Department is also responsible for supervising consultants hired to do environmental work for SEC projects pertaining to power generation, transmission and distribution.

SEC always listens to their customers and the Swazi public at large about their concerns on environmental issues. Customer concerns are investigated and addressed whenever the need arises.

SEC has in the recent past presented itself as an environmental steward. The Company is implementing a demand-side management programme and this is extended to our customers. As part of this programme, on 26 March 2011, the company was involved in the Earth Hour 2011 initiative, where the demand for electricity decreased by 10% from normal consumption.

Public sensitisation to energy efficiency was made by utilising the various forms of media; newspapers, television, radio and in schools. Various stakeholders dealing with energy efficiency issues were involved. The Company is informing the public on environmental initiatives and promoting mutual understanding with its customers. Part of SEC's campaign to encourage the public to save electricity included tips for the public to implement:

ENERGY SAVING TIPS

- Switch lights off when they are not in use.
- Use internal lights when necessary.
- Use natural light as much as possible.
- Switch off your printer, laptops and all other hardware if not in use.
- Switch off all electrical appliances when not in use.
- Use energy saving light bulbs.

SEC will continue with its commitment to sustainable development and expects inevitable new challenges. Currently there is an issue surrounding the phasing out of PCBs. The Company conducted an inventory on substation transformers and it was discovered that none of the transformers contained PCBs more than the maximum concentration allowed in oil. The Company went to the extent of constructing a shed where used transformers could be stored. This meets the UNEP standards. The company will therefore be sensitive to societal changes, and make environmental considerations a permanent part of its activities. Therefore, the quality of life for our customers shall be improved while we also make positive contributions to our environment and, most importantly, to our precious planet.

EARTH HOUR ARRIVES IN SWAZILAND

"LIVE BEYOND THE HOUR"

On 26th March 2011 between the hours 8:30pm and 9:30pm, Swaziland fell into darkness and candles lit across the nation, a demonstration of the country's support for climate change awareness.

Earth Hour started in 2007 in Sydney, Australia when 2.2 million individuals and more than 2,000 businesses turned their lights off for one hour to take a stand against climate change. In 2010, a record 128 countries and territories joined the global display of climate action. Iconic buildings and landmarks from Asia Pacific to Europe and Africa to the Americas 'switched off'. People across the world and from all walks of life turned off their lights and came together in celebration and contemplation of the one thing we all have in common, our planet. In 2011, Swaziland joined the ranks of this great initiative.

Earth Hour is organized by World Wildlife Foundation, one of the world's largest and most respected independent conservation organizations. Their mission is to stop the degradation of the Earth's natural environment and build a future where people live in harmony with nature.

On the 1st of February, 2011, the governing international organizing body for the 'Earth Hour' received an impassioned e-mail from a 15 year old boy in Swaziland named Nathi Mzileni, who, after being astonished by the country's non-participation in 2010, established an environmental organization determined to get his home nation on the Earth Hour map in 2011.

The Earth Hour Global team was so moved by Nathi's passion and commitment to conservation that they recognized him for his initiative.

"While young Nathi is not an official Earth Hour co-ordinator, the Earth Hour Global Team was so moved by his passion and commitment to conservation that we are making him an honorary member of the Global Earth Hour Network, and will support his efforts to make Earth Hour happen for the first time in Swaziland," stated the Global Team.

Swaziland Electricity Company did not hesitate to spearhead this worthwhile campaign, inspired by one of their own citizens, and proceeded to throw all their weight behind making it a great success. SEC's Managing Director, Pius Gumbi gave an interview on this subject, sensitising the public to the plight of climate change before Earth Hour took place. Mr Gumbi implored the public to use electricity responsibly and sparingly even after the commemoration of the Earth Hour.

Gumbi said SEC does not focus on generating profits at the expense of the lives of its customers and, in particular, the planet that humankind has a responsibility to preserve and protect. SEC has about 97 000 customers, and the number is growing daily with the roll-out of the rural electrification project.

The Managing Director said his prayer is for electricity consumers to look beyond 8.30pm to 9.30pm during which every citizen of the world is expected to switch off lights in unoccupied rooms and non-essential appliances.

"The Earth Hour concept is not about switching off for only the stipulated period, but it's just a reminder that it should become a culture for every person who cares about the environment to use electricity conservatively. Can you imagine how much contribution we can make as a nation if we were to use electricity sparingly daily?" he remarked.

Mr Gumbi added; "Let it be understood that we're not saying people should put their lives on hold and be deprived of the use of electrical gadgets and tools. This should come voluntarily from all concerned, particularly SEC customers."

The Managing Director stated that of major concern was the depletion of natural resources such as coal and oil in the production of energy. He recalled that the Earth Hour concept was as a result of a number of initiatives such as the Kyoto Protocol signed by nation states in which they committed to making significant input in the avoidance of carbon emissions, which impact negatively on climate change.

Asked if he was worried about whether SEC would lose considerable revenue by encouraging its customers to use less power, Gumbi said; "Our Company wants to rise above short-term issues and concentrate on long-term gains, which are in the interest of our customers. The benefits of using less electricity far outweigh any financial gains."

He said SEC encourages its customers to use alternative sources of energy such as solar panels, adding that those who can afford to should acquire solar-heated geysers.

On what SEC is doing to conserve the environment, Gumbi said they were complying with the country's environmental legislation as stipulated by the Swaziland Environment Authority (SEA).

Members of the public on Saturday 26th March 2011, joined the rest of the world in commemorating the Earth Hour global initiative.

The Swaziland Electricity Company (SEC), together with its partners and 200 members of the public, assembled at the Public Service Pensions Fund (PSPF) building in Mbabane to commemorate the Earth Hour between 8.30pm and 9.30pm.

The country's major electricity supplier was joined by the Swaziland Environment Authority (SEA), Renewable Energy Association of Swaziland, Nedbank as well as the Ministries of Natural Resources, Energy and Housing. One of the highlights of the commemoration was the showing of a documentary on the Earth Hour. The programme required that all households and businesses turned off their non-essential lights and electronic appliances for an hour in an effort to raise awareness about the need to take drastic action on climate change.

All SEC customers and the nation at large were requested to participate in this event to minimize the impacts of climate change. Electricity consumers were requested to switch off non-essential electronic gadgets such as radios, TVs, ovens, computers, geysers, heaters, chargers and stoves.

The event was a great success! During the Earth Hour Swaziland citizens saved 13.04 megawatts hours of electricity, a 9.6% reduction from the average daily usage of our tiny kingdom with a population of slightly above 1 million.

As part of its support to the Earth Hour campaign, SEC measured the reduction in electricity used from its national control centre in Mbabane.

Swaziland Electricity Company is proud of its major role in this great endeavour and will continue to support the Earth Hour into the future.


ACTOM

SWAZILAND ELECTRICITY COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

CONTENTS

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2011

The directors are responsible for the preparation, integrity and fair presentation of the consolidated financial statements of the Swaziland Electricity Company Limited. The consolidated financial statements presented on pages 30 to 100 have been prepared in accordance with Swaziland and International Financial Reporting Standards, and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the consolidated financial statements.

The directors are also responsible for the Swaziland Electricity Company Limited's internal financial controls. These are designed to provide reasonable, but not absolute assurance as to the reliability of the consolidated financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and any system has occurred during the year under review.

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

The consolidated financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of the directors and committees of the Company. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. PricewaterhouseCoopers' audit report is presented on page 29.

The annual consolidated financial statements which appear on pages 30 to 100 have been approved by the Board of Directors and are signed on its behalf by:

DIRECTOR	DIRECTOR
30 June 2011	30 June 2011
DATE	DATE

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF SWAZILAND ELECTRICITY COMPANY LIMITED

We have audited the accompanying consolidated financial statements of Swaziland Electricity Company Limited, which comprise the directors' report, the statement of financial position as of 31 March 2011, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 100.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Swaziland Companies Act 2009. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the company as of 31 March 2011 and of its financial performance and its cash flows for the year then ended in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Swaziland Companies Act 2009.

PricewaterhouseCoopers

PricewaterhouseCoopers
Partner: Paul Lewis
Chartered Accountant (Swaziland)
Mbabane
Date: 8 July 2011

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2011

1. NATURE OF BUSINESS

The Swaziland Electricity Company is engaged in the business of generation, transmission and distribution of electricity in the country. Customers include agricultural, industrial, commercial and residential households.

The Swaziland Electricity Company is governed by the three enabling legislations namely; The Electricity Company Act, 2007, The Energy Regulatory Act, 2007 as well as the Public Enterprises Unit (Control and Monitoring) Act, 1989.

2. BUSINESS ISSUES

The company is heavily reliant on agricultural and large industrial customers for its revenue stream. The top two customers of the company are currently pursuing self generation options as a result of significant increases in the price of electricity around the region and in the country.

The company is partnering with one of the customers, Ubombo Sugar Limited (USL) to buy excess power to be generated by USL.

Costs of imports continued to increase as a result of Eskom and Electricidade de Mozambique (EDM) tariff increases, Eskom's overall increases for the same period were 25.8%.

Revenue and expenditure

Electricity sales turnover for the period under review amounted to E903.1 million representing an increase of 18% from the previous year's figure of E763.4 million. Actual energy sold during the year was 976.8 GWh (2010: 1 018.6 GWh) resulting in a decline in energy sales of 4.1%.

The 18% increase in revenue for the year is as a result of the tariff increase applied during the year of 16%. Costs of sales for the year were E453.5 million (2010:410.7 million). The increased cost of sales was attributable to the Eskom tariff increase as well as EDM high cost of imports.

A change in accounting policy in the prior year resulted in additional revenue of E70.4 million (2010: E36.1million), representing contributions from customers towards the construction of electricity infrastructure, being recognised during the year. Total revenue for the year is therefore E973.4 million compared to E799.5 last year, representing an increase of 22%.

3. TECHNICAL PERFORMANCE

Internal generation for the year stood at 333.4 GWh representing 29% of total units sent out, an improvement from the previous year's figure of 24%. The increased generation output was a result of good rains experienced during the year leading to increased generation spell. The company's imports for both EDM and Eskom were 805.5 GWh (909.4 GWh) and the cost of these imports were E331 million (2010 : 297 million).The increased cost of imports were as a result of high tariff escalations imposed by Eskom and EDM. Wheeling charges decreased slightly to E16.1 million (2009: E17.4 million) due to a fairly stable exchange rate between the local unit and the US Dollar.

The volume of imports reduced from 909.4 GWh the previous year to 805.5 GWh during the year due to increased local generation. Total units sent out during the period were 1 138.1 GWh, units sold were 976.8 GWh resulting in system losses of 14.2% (2010: 14.9%). Management continues to focus on reducing system losses.

4. CAPITAL EXPENDITURE

Capital projects total cost incurred during the year amounted to E228.1 million (2010: 152.1 million). The Prepayment Project to install pre-paid meters in the country commenced in 2009 and an amount of E74.7 million had been incurred to date on this project. Capital Expenditure on the Transmission and Distribution network and other capital projects amounted to E190.7 million.

6. CASH FLOW FOR THE YEAR

Cash and cash equivalents at the end of the financial year increased to E208.5 million from E131.0 million the previous year. The increase is due to a second and last loan drawn down of E75 million from the Public Service Pension Fund (PSPF). An amount of E110 million was reserved for the payment of the prepayment as disclosed in note 44.

7. JOINT VENTURE

During the year under review the joint venture company declared its first dividend. The company's share was $1.5 million (E10 270 500). As per the financing agreement related to this investment, 50% of the dividend was remitted to EIB.

8. CORPORATE GOVERNANCE ISSUES

Corporate Governance

In compliance with good corporate governance principles, the company has operated and maintained the following Board Committees: Audit and Risk Committee, Finance Committee, Remunerations Committee, and the Technical Committee. These Committees remained effective throughout the accounting period.

Environmental Responsibility

In compliance with the relevant legislation all projects undertaken by the Board are carried out after full compliance with the Environmental Act of 2002. Hazardous substances are disposed of in full compliance with safety standards and environmental requirements as stipulated by the act.

Social Responsibility

The company is fully committed to minimize the impact of HIV/AIDS on its staff in order to save lives and ensure long term sustainability of the company. The company has continued to support initiatives by charity and similar organisations in their quest to eliminate poverty and the HIV/AIDS impact on Company in general.

9. SHARE CAPITAL

The share capital of the company amount to E433, 493,841.00 made up of 433,493,841 shares of E1 each.

10. DIVIDEND

The Directors recommended and paid a dividend of E6 million in respect of the financial year ended 31 March 2010.

11. DIRECTORS

The Directors are appointed by the Minister responsible for Natural Resources and Energy. The following directors served on the board during period under review:

Non-executive directors

Chairperson	**Appointed**
Mr. S'thofeni Ginindza	01 November 2007

Deputy Chairperson

Dr. Winnie Nhlengethwa	01 November 2007

DIRECTOR'S REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2011

Directors

Mr. Henry Shongwe	11 May 2004
Mr. Fitzgerald Graham	02 November 2006 (retired 03 February 2011)
HRH Princess Msindvose	01 November 2007
Dr. Mike Matsebula	01 November 2007
Mr. Sibusiso Motsa	02 September 2008 (retired 10 December 2010)
Mr. Timothy Nhleko	02 September 2008
Ms. Hlobsile Ndzimandze	03 February 2011
Mrs. Linda Nkwanyana	03 February 2011

Executive Director

Managing Director

Mr. Pius Gumbi	01 November 2005

Secretary

Mr. Mzabalazo Zwane	31 October 2009

12. BANKERS

The following financial institutions were the bankers of the company during the year:

Standard Bank Swaziland
Standard House
PO Box 667
Mbabane

Nedbank Swaziland Limited
P O Box 70
Mbabane

First National Bank
Sales House Building
Swazi Plaza
PO Box A267
Eveni

13. BUSINESS AND POSTAL ADDRESS OF THE COMPANY

Business address
Eluvatsini House
Mhlambanyatsi Road
Mbabane
Swaziland

Postal address
PO Box 258
Mbabane
H100
Swaziland

14. AUDITORS

The auditors of the company are:

Business address
PricewaterhouseCoopers
MTN OfficePark
Karl Grant Street
Mbabane
Swaziland

Postal address
PricewaterhouseCoopers
PO Box 569
Mbabane
H100
Swaziland

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 E	2010 E
Revenue	30	**973 444 221**	799 482 437
Cost of sales	31	**(453 455 947)**	(410 685 402)
Gross profit		**519 988 274**	388 797 035
Other income	32	**16 061 727**	9 200 458
Grant amortisation	36	**5 118 870**	6 775 492
Distribution costs		**(151 707 173)**	(134 751 319)
Administrative expenses		**(137 016 217)**	(115 367 694)
Operating profit	33	**252 445 481**	154 653 972
Finance (costs)/income - net	37	**(18 542 129)**	27 204 731
Share of profit of joint venture	40	**20 416 888**	18 329 753
Profit before income tax		**254 320 240**	200 188 456
Income tax expense	35	**(51 673 951)**	(43 609 807)
Profit for the year		**202 646 289**	156 578 649
Other comprehensive income			
Foreign exchange losses on translation of foreign joint venture	38	**(10 945 077)**	(36 395 026)
Other comprehensive losses for the year net of tax		**(10 945 077)**	(36 395 026)
Total comprehensive income for the year		**191 701 212**	120 183 623
Basic and diluted earnings per share (cents)		**44**	28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Note	2011 E	2010 E
Assets			
Non current assets			
Property, plant and equipment	39	**1 089 132 323**	921 145 323
Investment in joint venture	40	**137 727 295**	141 262 254
Derivative financial instruments	53	**26 238 488**	33 948 954
Other assets	41	**45 682 979**	26 237 588
Retirement benefit asset	54	**3 611 531**	1 887 368
Prepayment	44	**40 000 000**	-
		1 342 392 616	1 124 481 487
Current assets			
Inventories	42	**69 748 087**	69 762 614
Trade and other receivables	43	**209 739 232**	167 105 612
Cash and cash equivalents	45	**208 494 908**	131 013 121
		487 982 227	367 881 347
Total assets		**1 830 374 843**	1 492 362 834
Equity			
Capital and reserve attributable to equity holders of the company			
Share capital	46	**433 493 841**	433 493 841
Foreign exchange translation reserves	47	**5 317 015**	16 262 092
Retained earnings		**528 349 711**	331 711 647
		967 160 567	781 467 580
Liabilities			
Non current liabilities			
Borrowings	51	**284 538 511**	227 948 951
Embedded derivative liability	51A	**18 359 769**	12 215 136
Deferred grant income	48	**109 788 001**	105 977 552
Other deferred income	49	**45 682 979**	26 237 588
Derivative financial instruments	53	**4 549 080**	4 852 244
Deferred income tax liabilities	55	**145 655 123**	113 400 466
		608 573 463	490 631 937
Current liabilities			
Current income tax liabilities		**29 371 054**	12 688 029
Borrowings	51	**35 824 652**	29 105 739
Trade and other payables	56	**126 931 596**	141 270 762
Provisions for other employee benefits	52	**41 593 306**	24 539 668
Deferred revenue	50	**20 920 205**	12 659 119
		254 640 813	220 263 317
Total liabilities		**863 214 276**	710 895 254
Total equity and liabilities		**1 830 374 843**	1 492 362 834

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Note	Share Capital E	Foreign exchange translation reserves E	Retained Earnings E	Total E
Balance at 31 March 2011					
Balance at 01 April 2010		**433 493 841**	**16 262 092**	**331 711 647**	**781 467 580**
Profit for the year		**-**	**-**	**202 646 289**	**202 646 289**
Dividends paid		**-**	**-**	**(6 008 225)**	**(6 008 225)**
Exchange differences on translating foreign operations	38	**-**	**(10 945 077)**	**-**	**(10 945 077)**
Balance at 31 March 2011		**433 493 841**	**5 317 015**	**528 349 711**	**967 160 567**
Balance at 31 March 2010					
Balance at 01 April 2009		433 493 841	52 657 118	175 132 998	661 283 957
Profit for the year		-	-	156 578 649	156 578 649
Exchange differences on translating foreign operations	38	-	(36 395 026)	-	(36 395 026)
Balance at 31 March 2010		433 493 841	16 262 092	331 711 647	781 467 580

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 E	2010 E
Cash flows from operating activities			
Cash generated by operations	57.1	**283 251 955**	163 242 016
Tax paid		**-**	-
Interest received	37	**12 540 644**	17 661 434
Interest paid	37	**(13 587 387)**	(13 605 604)
Net cash generated by operating activities		**282 205 212**	167 297 846
Cash flows from investing activities			
Prepayment	44	**(40 000 000)**	-
Additions to property, plant and equipment to maintain operating capacity	57.2	**(228 080 497)**	(152 155 594)
Proceeds from disposal of property, plant and equipment	57.3	**3 292 611**	242 350
Proceeds from held-to-maturity investment	44	**-**	22 855 563
Net cash utilised in investing activities		**(264 787 886)**	(129 057 681)
Cash flows from financing activities			
Grants received	48	**8 929 319**	4 612 836
Net borrowings raised		**59 904 340**	56 621 909
Employer contributions to plan asset	54	**(8 757 949)**	(9 462 612)
Net cash utilised in financing activities		**60 257 710**	51 772 133
Net increase in cash and cash equivalents		**77 493 036**	90 012 298
Cash and cash equivalents at beginning of the year		**131 001 872**	40 989 574
Cash and cash equivalents at end of the year	45	**208 494 908**	131 001 872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1. GENERAL INFORMATION

Swaziland Electricity Company generates, purchases, transmits and distributes electricity to agricultural, industrial, commercial, mining and residential customers throughout the Kingdom of Swaziland. Swaziland Electricity Company is governed by The Electricity Company Act, 2007, The Energy Regulatory Authority Act, 2007 and The Public Enterprises (Control and Monitoring) Act, 1989. The Company comprises Swaziland Electricity Company and its joint venture Motraco.

Motraco's principal role is the supply of energy to Mozal Aluminium Smelters in Mozambique and the wheeling of electric energy to the Electricidade de Mozambique, Swaziland Electricity Company and Eskom South Africa.

Swaziland Electricity Company is a limited liability company incorporated and domiciled in Swaziland.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance and basis of preparation

The consolidated financial statements of Swaziland Electricity Company Limited have been prepared in accordance with International Financial Reporting Standards, IFRIC Interpretations and the Swaziland Companies Act of 2009. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 28.

2.1.1 Going-concern basis

The company meets its day-to-day working capital requirements through the use of its cash reserves and bank facilities. The company's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the company should be able operate within the level of its current resources and facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2010 or later periods, but the company has not early adopted them.

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted

IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the company's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities. The derecognition rules have been transferred from IAS 39, 'Financial instruments: Recognition and measurement', and have not been changed. The company has not yet decided when to adopt IFRS 9.

Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

The company will apply the revised standard from 1 January 2011. When the revised standard is applied, the company and the parent will need to disclose any transactions between its subsidiaries and its associates.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

IFRIC 18, 'Transfers of assets from customers' (effective 1 July 2009). This Interpretation clarifies the accounting treatment for transfers of property, plant and equipment received from customers. This Interpretation applies to agreements with customers in which the entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both.

3. CONSOLIDATION

Joint venture

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control.

Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost in the consolidated financial statements of the Company. The Company's investment in joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Company's share of its joint ventures post acquisition profits or losses are recognised in the statement of comprehensive income, and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in joint venture equals or exceeds its interest in the joint venture, including any other unsecurable receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Company.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

4. DIVIDEND DISTRIBUTION

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

5. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Freehold land is not depreciated.

Buildings on freehold land, plant, equipment 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:

Canal, weirs, conduits and valves	50 years
Dam and spillway	50 years
Luphohlo civil works	50 years
Buildings and staff housing	40 years
Generation plant	40 years
Leasehold buildings	30 years
Substations, transformers and switchgear	25 years
Distribution and transmission	25 years
Radio and communication equipment	10 years
Computer equipment	3 years
Motor vehicles	5 years
Office furniture and equipment	10 years

The costs of improvements to leasehold buildings are written off over the lesser of the periods of the leases or their useful lives.

Site works and roads, servitudes, small plant, tools and instruments are fully depreciated in the year of acquisition.

The basis of depreciation, useful lives and residual values are assessed annually.

The costs of distribution and transmission assets are stated after deducting consumers' contributions up to 30 June 2009.

Work-in-progress on capital projects is included at cost and is not depreciated until the relevant asset is brought into use. Borrowing costs incurred in financing work-in-progress on qualifying capital projects are included in the cost of the project until the project is commissioned.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of construction overheads of normal capacity.

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense.

Profits and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income within other income.

6. 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 Company. Where active development is interrupted for extended periods, capitalisation is suspended. All other borrowing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

7. IMPAIRMENT OF ASSETS

The carrying amounts of assets stated in the statement of financial position, other than inventories and deferred tax assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated as the higher of the fair value less costs to sell and its value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount exceeds the recoverable amount.

In assessing value in use, the expected future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses in respect of cash-generating units are allocated to assets in the cash-generating unit on a pro rata basis.

A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount and if there is an indication that the impairment loss may have been reversed. The reversal is limited to an amount equal to the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised in previous years.

8. SHARE CAPITAL

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

When such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in 'Total shareholders' equity', net of any directly attributable incremental transaction costs and related income tax effects.

9. FINANCIAL ASSETS

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position (notes 43 and 45).

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less any required impairment.

(4) Available-for-sale financial assets

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

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security.

The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 53. Movements on the hedging reserve in shareholders' equity are shown in note 47. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of comprehensive income within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the statement of comprehensive income within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'other gains/(losses) – net'.

Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within 'other gains/(losses) – net'.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'other gains/(losses) – net'.

Gains and losses accumulated in equity are included in the statement of comprehensive income when the foreign operation is partially disposed of or sold.

(d) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the statement of comprehensive income within 'other gains/(losses) – net'.

10. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown, estimated returns, rebates and discounts.

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

Revenue is recognised as follows:

(a) Electricity Revenue

Electricity revenue is recognised when electricity is consumed by the customer.

Revenue from customer contributions is recognised when the customer has been fully connected to the electricity grid and the lines energised.

(b) Sale of services

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Other revenue/income

Other revenue is recognised when the significant risks and rewards of ownership are transferred to the buyer and the amount of revenue can be measured reliably.

11. FINANCE INCOME

Finance income comprises interest receivable on loans, advances, trade receivables and income from financial market investments. Interest is only recognised where it is probable that the economic benefits associated with the transaction will flow to the Company. Finance income is recognised on a time-proportionate basis that takes into account the effective yield on assets.

12. FINANCE COST

Finance cost comprises interest payable on borrowings calculated using the effective interest rate method as well as interest resulting from the unwinding of discount on provisions.

13. DIVIDEND INCOME

Dividend income is recognised when the right to receive payment is established.

14. DIVIDEND DISTRIBUTIONS

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

15. OTHER RESERVES

(a) Insurance reserve

The insurance reserve was held to cover potential uninsurable or self-insured losses not covered externally. The value of the reserve was based on management's assessment of the possible exposure.

(b) Reserve for major maintenance

The reserve for major maintenance was held to cover future major maintenance costs and such costs were apportioned over the periods between the planned maintenance dates. The value of the reserve was based on management's assessment of future maintenance requirements. All movements were between reserves in equity and had no impact on the statement of comprehensive income.

16. FINANCIAL RISK MANAGEMENT

(1) Financial risk factors

The Company's activities expose it to a variety of financial risks including currency risk, fair value interest risk and price risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Company operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with the Euro. Foreign exchange risk arises from future long term repayments recognised as liabilities.

To manage the foreign currency exchange risk arises from future long term loans repayments, recognised liabilities, and the Company use cross currency interest rate swaps.

A change of +/-10% in exchange rates at the reporting date would have increased (decreased) profit or loss and foreign borrowings by the amounts shown below:

Borrowings	**E** **Statement of financial position**	**E** **Income statement**
Increase in exchange rate by 10%	**(34 853 231)**	**(34 853 231)**
Decrease in exchange rate by 10%	**34 853 231**	**34 853 231**

(ii) Price risk

Price risk includes equity price risk.

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company is currently not exposed to equity price risk because at the statement of financial position date there were no investments held by the Company and classified either as available for sale or at fair value through profit and loss.

(iii) Cash flow and fair value interest rate risk

Cash flow and interest rate risk is the risk that the value and cash flow of a financial instrument will fluctuate due to changes in market interest rates.

As the Company has significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in the market interest rates. The Company has no policies in place to hedge against fluctuating interest rate.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings and long-term loans issued at fixed rates expose the Company to fair value interest rate risk. Currently there are no loans issued at fixed interest rate, however, linked to prime lending rate and as such the Company is not exposed to fair value interest rate risk.

During 2010 and 2011, the Company's borrowings at variable rates were denominated in the Swaziland Lilangeni and Euros.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011:

Profit or loss	**E** **Statement of financial position**	**E** **Income statement**
Increase of 50 basis points	**(210 813)**	**(210 813)**
Decrease of 50 basis points	**210 813**	**210 813**

The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

The table below gives an indication of the Company's monetary sensitivity to changes in interest rates.

	E **Cash at bank**	**E** **Borrowings**
Base amounts	**208 494 908**	**320 363 163**
Interest plus 1%	**210 579 857**	**323 566 795**
Interest less 1%	**206 409 959**	**317 159 531**

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

The Company has exposure to credit risk, which is the risk that a counterpart will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Trade and other receivables
- Other assets
- Derivative financial instruments
- Cash and cash equivalents
- Deposits with banks and other financial institutions.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterpart, or Company's of counterparties. Such risks are subject to an annual or more frequent review.

The major concentration of credit risk arises from the Company's receivables and investment securities in relation to the nature of customers and issuers. No collateral is required in respect of financial assets. Reputable financial institutions are used for investing and cash handling purposes.

Mechanisms are in place to monitor the risk of default by individual loan holders. Exposures to individual loan holders and Company of loan holders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual loan holders, or homogenous group of loan holders, a financial analysis carried out by the Company.

Quality control and risk department makes regular reviews to assess the degree of compliance with the Company procedures on credit and the overall control environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

At statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

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

	Less than 1 year E	Between 2 and 5 years E	Over 5 years E	Total E
31 March 2011				
Financial Liabilities:				
Trade and other payables	**126 931 596**	**-**	**-**	**126 931 596**
Bank overdraft	**28 645**	**-**	**-**	**28 645**
Shareholders loan	**11 240 181**	**-**	**-**	**11 240 181**
Foreign borrowings	**9 402 326**	**26 093 981**	**122 894 031**	**158 390 338**
Local borrowings	**15 153 499**	**60 550 500**	**75 000 000**	**150 703 999**
	162 756 247	**86 644 481**	**197 894 031**	**447 294 759**
31 March 2010				
Financial Liabilities:				
Trade and other payables	141 270 762	-	-	141 270 762
Bank overdraft	11 249	-	-	11 249
Shareholders loan	11 240 181	-	-	11 240 181
Foreign borrowings	9 333 884	18 667 769	140 210 158	168 211 811
Local borrowings	8 520 424	16 174 025	52 897 000	77 591 449
	170 376 500	34 841 794	193 107 158	398 325 452

(2) Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or enter into further financing as applicable.

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

During 2011, the Company's strategy was to maintain the gearing ratio (before interest accrual is taken into account) within 25% and 50%. The gearing ratios before interest accrual at 31 March 2011 and 2010 were as follows:

	Note	2011 E	2010 E
Total Borrowings	51	**320 363 163**	257 054 690
Less: Cash and cash equivalents	45	**(208 494 908)**	(131 013 121)
Net debt		**111 868 255**	126 041 569
Total equity		**967 160 567**	781 647 580
Total capital		**1 079 028 822**	907 689 149
Gearing ratio		**1:10**	1:7

The increase in gearing ratio is primarily due to the valuation of foreign currency denominated long term loans. This is as a result of the appreciation of the Lilangeni against the Euro. Furthermore, there has been a significant increase on cash and cash equivalents as at 31 March 2011 compared to the previous year.

(3) Fair value estimation

The fair value of financial instruments traded in active market (such as trading and available for sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying value of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

For financial assets and liabilities with maturity of less than one year, the face value less any estimated credit adjustments are assumed to approximate their fair values.

17. TAXATION

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax liabilities and deferred tax assets are recognised for all temporary difference arising from the following differences:

i) The excess of book values of fixed assets over their written down values for tax purposes;
ii) The excess of book values of finance leases over their written down values for tax purposes;
iii) Income and expenditure in the consolidated financial statements of the current year dealt with in other years for tax purposes.

Current Tax

The charge for the current tax is the amount of income taxes payable in respect of the taxable profits for the current period. It is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date.

18. INVENTORIES

Inventories are stated at the lower of cost and 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. Cost is determined on the weighted average basis and includes expenditure incurred in acquiring inventories and bring them to their existing location and condition.

19. PROVISIONS

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

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

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

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, other short term high liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

21. TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

22. BORROWINGS

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

23. EMPLOYEE BENEFITS

(a) Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provision for employee entitlements to salaries and annual leave represent the amount that the Company has a present obligation to pay, as a result of employees' services provided up to the statement of financial position date. The provision has been calculated at undiscounted amounts based on current salary rates.

(b) Pension obligations

The Company operates a defined contribution plan. The Company pays contributions to a privately administered pension plan on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

(c) Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at statement of financial position date on high quality bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. The actuarial valuations are carried out on a yearly basis.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of comprehensive income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of comprehensive income.

In calculating the Company's obligation in respect of a plan, to the extent that any cumulative unrecognised in actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, it is recognised in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reduction in future contributions to the plan.

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

(e) Performance bonus

A liability for employee benefits in the form of performance bonus is recognised in current provisions when there is no alternative but to settle the liability, and at least one of the following conditions is met;

- there is a formal plan and the amounts to be paid are determined before the time of issuing the consolidated financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the consolidated financial statements.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(f) Statutory obligations

Provision is not made for statutory termination obligations in terms of the Employment Act, 1980. It is considered that the Company's contribution to the Pension Fund which can be recovered against such statutory obligations, at present, exceed any such liability.

24. GRANTS RECEIVED

Grants, including non-monetary grants at fair value, are recognised when there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received.

Property, plant and equipment acquired from the proceeds of grants is depreciated in accordance with the Company's property, plant and equipment accounting policy. Grants utilised to acquire property, plant and equipment are initially recognised as deferred income and subsequently recognised as in the statement of comprehensive income on a systematic and rational basis over the useful lives of the assets.

Grants received to defray operating expenditure are recognised in the statement of comprehensive income when the expenditure has been incurred.

Government and donor grants

Grants received by the Company from Government and donors to acquire assets are shown as deferred income and the relevant assets are brought to account at their actual cost.

Rural electrification fund

Funds contributed by Government, donors and consumers to rural electricity projects are held in the Rural Electrification Fund until expended, at which time these funds are transferred to consumer contributions and netted off the cost of related distribution or transmission assets.

Counterpart fund

Contributions received from interest differential on the Swaziland loan No. 4 and the European Investment Bank loan and interest received on deposits are held in the Counterpart Fund until expended. Capital items funded from the Counterpart Fund are transferred to grants received and the relevant assets are brought to account at their actual cost.

25. TRANSFERS FROM CUSTOMERS

Accounting policy for transfers received before 1 July 2009

Cash contributions made by the Company's customers to fund part of the installation equipment required to connect them to the electricity network were deducted in arriving at the carrying amount of the installation equipment. The statement of comprehensive income effect of the capital contributions is consequently recognised by way of a reduced depreciation expense.

Accounting policy for transfers received after 1 July 2009

Cash contributions made by the Company's customers to fund part of the installation equipment required to connect them to the electricity network are recognised as revenue in the statement of comprehensive income as soon as the connections are completed. The contributed assets are recognised initially at fair value, and the related income is recognised immediately or if there is a future service obligation, over the relevant service period. Electricity connection contributions for assets not yet completed are deferred and recognised as a liability in the statement of financial position.

26. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognised when the contractual right to receive cash flows from the assets has expired; or when the Company has transferred its contractual right to receive the cash flows of the financial assets, and either:

- Substantially all the risks and rewards of ownership have been transferred; or
- The Company has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

27. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The major area where management has used its judgment and accounting estimates are with regards to:

(a) Provision for post employment benefits disclosed under note 54

An actuary was appointed to perform the valuation to determine the Company's obligation in this regard. The assumptions and judgments used by the actuary were considered by the Company and were deemed reasonable in light of the prevailing and anticipated future economic conditions.

(b) Valuation of embedded derivative

The Company has used estimated future cash flows and market interest rates to estimate the value of the embedded derivative related to the EIB Motraco Equity Loan (Note 51A). The estimates used are management's best estimates.

(c) Estimated impairment of trade and receivables

The Company tests annually whether trade and other receivables suffered any impairment in accordance with the accounting policy stated in 21. The recoverable amounts of trade and other receivables have been determined based on discount cash inflows. These calculations require the use of estimates (Note 43).

(d) Depreciation

The Company charges depreciation as an expense on items of property, plant and equipment (Note 39) based on the useful lives of the different items of property, plant and equipment. The useful lives are management's best estimates. Management reviews the useful lives of assets on an annual basis.

(e) Income taxes

Significant judgement is required in determining the provision for income taxes. The Company recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax income of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

29. COMPARATIVE FIGURES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

30. REVENUE

	2011 E	2010 E
The analysis of electricity revenue is as follows:		
Domestic and Small Commercial	**360 999 886**	320 664 729
Irrigation, Industrial, and Large Commercial	**531 463 193**	436 781 591
Other	**10 596 511**	5 973 597
Contributions from customers towards infrastructure	**70 384 631**	36 062 520
	973 444 221	799 482 437

31. COST OF SALES

Cost of sales consists of electricity purchases, electricity wheeling charges and generation costs.

	2011 E	2010 E
Electricity purchases	**331 007 325**	296 995 923
Electricity wheeling charges	**16 071 918**	17 416 256
Electricity generation cost	**25 398 425**	23 379 001
Electricity transmission costs	**80 978 279**	72 894 222
	453 455 947	410 685 402

32. OTHER INCOME

	2011 E	2010 E
Rental income	**1 166 206**	1 222 933
Profit on disposal of property, plant and equipment	**3 290 153**	232 102
Profit on sale of scrap	**2 458**	726 693
Bad debt recovery	**21 031**	35 705
Reconnection fees	**3 409 131**	3 067 601
Other income (Discounts, VAT refund)	**7 863 024**	3 352 332
Tampering charges	**215 454**	146 952
Tender fees	**94 270**	416 140
	16 061 727	9 200 458

33. INCOME FROM OPERATION BEFORE INCOME TAX

	2011 E	2010 E
Income from operations before income tax is arrived at after taking into account the following items:		
Auditors remuneration – audit fees	**1 005 258**	883 519
Current year annual audit fees	**297 222**	260 030
Prior year annual audit fees	**708 036**	623 489
	1 005 258	883 519
Depreciation on property, plant and equipment (Note 39)	**60 091 039**	47 073 111
Net impairment charges and other credit risk		
Electricity receivable impairment charges (Note 43)	**-**	12 390 836
Bad debts recovered (Note 32)	**(21 031)**	(35 705)
	(21 031)	12 355 131
Director expenses	**383 075**	467 834
Donations	**203 247**	169 812
Legal fees	**644 317**	1 091 571
Insurance expenses	**7 209 146**	7 002 665
Motor vehicle expenses	**11 275 426**	12 268 828
Professional fees and consultancy	**3 165 949**	3 651 867
Repairs and maintenance	**39 407 855**	34 601 201
Employee compensation and benefits (Note 34)	**177 744 510**	174 163 534
Travelling and disbursements expense	**1 828 267**	1 548 452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

34. EMPLOYEE BENEFIT EXPENSE

	2011 E	2010 E
Salaries and wages	**93 791 710**	83 591 690
Pension costs – defined benefit plan (Note 54)	**7 033 786**	7 825 243
Early retirement plan	**27 747 912**	21 891 402
Other employment benefits and costs	**49 171 102**	60 855 199
	177 744 510	174 163 534

The average number of persons employed by the Company during the year was 548 (2010: 620). During the year 17 employees left the company as part of the early retirement programme.

35. INCOME TAX EXPENSE

	2011	2010
Current tax – Swaziland normal taxation	**16 683 025**	-
Deferred tax (Note 55)	**34 990 926**	43 609 807
Income tax expense	**51 673 951**	43 609 807

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Company's profit as follows:

	2011	2010
Profit before tax	**254 320 240**	200 188 456
Tax calculated at company tax rate	**76 296 072**	60 056 537
Tax effects of: Legal fees	**193 294**	327 471
Donations	**60 974**	50 944
Utilisation of tax losses	**-**	(5 375 748)
Capital foreign exchange gains and losses	**(664 605)**	(2 186 246)
Net income from joint venture	**(6 125 066)**	(5 498 926)
Grant amortised	**(1 535 661)**	(1 629 410)
Non-deductible portion of interest on EIB Motraco loan	**(1 530 526)**	3 179 375
Fair value adjustment on EIB loan embedded derivative	**1 843 390**	(3 829 291)
Fair Value adjustment on interest rate and currency swaps	**2 222 190**	661 685
Withholding tax on Motraco unremitted earnings	**2 029 278**	8 672 172
Contributions from customers towards infrastructure	**(21 115 389)**	(10 818 756)
Tax charge	**51 673 951**	43 609 807

35. INCOME TAX EXPENSE (CONTINUED)

	2011 E	2010 E
Other comprehensive income (continued):		
Accumulated foreign exchange gains on translation of Motraco Investment		
Before tax	**(6 051 189)**	7 630 158
Deferred tax effect	**2 736 269**	(1 526 032)
After tax	**(3 314 920)**	6 104 126
Total tax charge on statement of comprehensive income	**48 937 682**	45 135 839

36. GRANT AMORTISATION

	2011 E	2010 E
Grants realized during the year (Note 48)	**5 118 870**	5 431 367
Grants received to defray operating expenditure	**-**	1 344 125
	5 118 870	6 775 492

37. FINANCE INCOME AND COSTS

	2011 E	2010 E
Finance costs		
Interest in foreign currency denominated EIB loan which contains an embedded derivative	**(9 347 316)**	(3 280 596)
Interest – other foreign currency denominated loans	**(5 809 198)**	(9 980 923)
Interest – local currency denominated loans	**(7 778 189)**	(3 624 681)
	(22 934 703)	(16 886 200)
Finance income		
Interest on investments	**8 537 955**	6 331 883
Interest on accounts receivable	**4 002 689**	3 074 140
	12 540 644	9 406 023
	(10 394 059)	(7 480 177)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

37. FINANCE INCOME AND COSTS (CONTINUED)

	2011 E	2010 E
Foreign Exchange Gains		
Net foreign exchange gains	**5 403 864**	50 735 966
Fair value (loss)/gain – EIB loan embedded derivative	**(6 144 633)**	12 764 304
Net fair value losses on other derivatives		
Swaps		
– foreign exchange derivatives	**(7 710 466)**	(27 472 592)
– interest rate derivatives	**303 165**	(1 342 770)
	(7 407 301)	(28 815 362)
Net foreign exchange gains – net	**(8 148 070)**	34 684 908
Finance (costs)/income – net	**(18 542 129)**	27 204 731

38. FOREIGN EXCHANGE LOSSES ON TRANSLATION OF FOREIGN OPERATION

	2011 E	2010 E
Net foreign exchange losses – Motraco Joint Venture (Note 47)	**(13 681 346)**	(34 868 994)
Tax effect	**2 736 269**	(1 526 032)
After tax effect foreign exchange losses	**(10 945 077)**	(36 395 026)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

39. PROPERTY, PLANT AND EQUIPMENT

AS AT 31 MARCH 2011	Carrying amount at 01 April 2010	Additions	Disposals	Transfers	Depreciation for the year	Net carrying Amount at 31 Mar. 2011	Cost at 31 Mar. 2011	Accumulated Depreciation at 31 Mar. 2011
	E	E	E	E	E	E	E	E
Dam and Spillway	17 188 742	-	-	-	(723 737)	16 465 006	36 181 968	(19 716 962)
Power station civil works	361 801	-	-	-	(70 076)	291 775	1 746 852	(1 455 077)
Freehold land	1 410 931	-	-	-	-	1 410 931	1 410 931	-
Buildings and staff housing	20 090 257	-	-	2 862 998	(702 706)	22 250 549	30 879 791	(8 629 241)
Leasehold buildings	-	-	-	-	-	-	74 277	(74 277)
Canal, weirs, conduits and valves	12 210 906	-	-	-	(562 775)	11 648 131	26 886 102	(15 237 971)
Generation plant	92 882 970	-	-	734 912	(2 597 454)	91 020 427	104 597 772	(13 577 344)
Substations, transformers and Switchgear	303 110 198	-	-	45 955 300	(16 773 307)	332 292 191	461 721 400	(129 429 208)
Distribution and transmission	411 112 549	-	-	135 626 024	(27 639 802)	519 098 771	690 562 598	(171 463 826)
Motor vehicles	840 268	-	(2 458)	11 707 833	(1 912 045)	10 633 598	35 841 902	(25 208 303)
Radio and communication equipment	12 066 835	-	-	2 017 829	(5 189 800)	8 894 864	70 488 413	(61 593 548)
Computer equipment	10 466 426	-	-	4 586 718	(3 434 126)	11 619 019	44 929 967	(33 310 948)
Site works and roads, servitudes, furniture, small plant, tools and instruments	832 147	-	-	2 356 438	(485 261)	2 703 324	34 307 461	(31 604 137)
Capital work-in-progress	38 571 292	228 080 497	-	(205 848 053)	-	60 803 736	60 803 736	-
	921 145 323	228 080 497	(2 458)	-	(60 091 039)	1 089 132 323	1 600 433 168	(511 300 844)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

39. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

AS AT 31 MARCH 2011	Carrying amount at 01 April 2010	Additions	Transfers	Net carrying Amount at 31 Mar. 2011	Cost at 31 Mar. 2011
Capital work-in-progress comprises:-					
- Rural Electrification Project	1 433 801	1 136 407	(2 570 208)	-	-
- Other projects (maintained)					
Operating – capacity	11 287 514	136 848 765	(107 008 523)	41 127 756	41 127 756
- Prepayment Project	-	37 362 308	(37 362 308)	-	-
- Sikhuphe Internat Supply System	-	5 977 848	-	5 977 848	5 977 848
- Manzini North Substation & Lines	25 849 978	5 334 368	(31 184 346)	-	-
Environmental Survey	-	9 210 106	-	9 210 106	9 210 106
Rural electrification – Phase 9	-	2 113 787	(2 037 273)	76 514	76 514
Microwave radio project	-	4 411 512	-	4 411 512	4 411 512
Services	-	24 554 705	(24 554 705)	-	-
Partitions	-	1 130 690	(1 130 690)	-	-
	38 571 293	228 080 497	(205 848 053)	60 803 736	60 803 736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

39. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in the entity's property, plant and equipment are assets with zero net book values which are still being used by the entity. Summarised details of these assets are as follows:

	2011	2010
	E	E
Cost	**123 429 320**	117 662 842
Accumulated depreciation	**(123 429 320)**	(117 662 842)
Net carrying amount	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

39. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

AS AT 31 MARCH 2010	Carrying amount at 01 April 2009	Additions	Disposals	Transfers	Depreciation for the year	Net carrying Amount at 31 Mar. 2010	Cost at 31 Mar. 2010	Accumulated Depreciation at 31 Mar. 2011
	E	E	E	E	E	E	E	E
Dam and Spillway	17 912 479	-	-	-	(723 736)	17 188 743	36 181 968	(18 993 225)
Power station civil works	431 827	-	-	-	(70 026)	361 801	1 746 852	(1 385 051)
Freehold land	949 580	-	-	461 351	-	1 410 931	1 410 931	-
Buildings and staff housing	16 430 926	-	-	4 280 909	(621 577)	20 090 258	28 083 400	(7 993 142)
Leasehold buildings	-	-	-	-	-	-	74 277	(74 277)
Canal, weirs, conduits and valves	11 857 953	-	-	906 729	(553 776)	12 210 906	26 886 102	(14 675 196)
Generation plant	11 604 907	-	-	82 835 209	(1 557 146)	92 882 970	103 862 860	(10 979 890)
Substations, transformers and switchgear	286 295 003	-	-	29 751 676	(12 936 481)	303 110 198	415 766 099	(112 655 901)
Distribution and transmission	326 936 731	-	-	98 890 284	(14 714 467)	411 112 548	554 936 573	(143 824 025)
Motor vehicles	2 528 642	-	(10 247)	-	(1 678 127)	840 268	29 013 121	(28 172 853)
Radio and communication equipment	16 456 239	-	-	2 733 487	(7 122 891)	12 066 835	68 470 583	(56 403 748)
Computer equipment	4 182 760	-	-	8 528 235	(2 244 569)	10 466 426	40 343 249	(29 876 823)
Site works and roads, servitudes, furniture, small plant, tools and instruments	3 221 456	-	-	2 461 006	(4 850 315)	832 147	31 951 023	(31 118 876)
Capital work-in-progress	117 264 584	152 155 594	-	(230 848 886)	-	38 571 292	38 571 292	-
	816 073 087	152 155 594	(10 247)	-	(47 073 111)	921 145 323	1 377 298 330	(456 153 007)
Capital work-in-progress comprises:-								
- 400kV Integration Project Phase II	-	3 490 900	-	(3 490 900)	-	-	-	-
- Maguga Hydroelectric Project	80 679 386	2 155 823	-	(82 835 209)	-	-	-	-
- Rural Electrification Project	3 042 167	2 421 647	-	(4 030 013)	-	1 433 801	1 433 801	-
- Other Projects (maintained) operating capacity)	16 774 585	82 994 635	-	(88 481 706)	-	11 287 514	11 287 514	-
- Prepayment Project	16 768 446	20 557 709	-	(37 326 155)	-	-	-	-
- Sikhuhe Internat Supply System	-	14 684 903	-	(14 684 903)	-	-	-	
- Manzini North Substation	-	25 849 977	-	-	-	25 849 977	25 849 977	-
	117 264 584	152 155 594	-	(230 848 886)	-	38 571 292	38 571 292	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

39. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Distribution and transmission assets are stated after deducting consumers' contributions of E286 218 655 (2010: E255 719 050).

Land costing E23 288 (2010: E23 288) on which buildings costing E443 520 (2010: E443 520) have been erected, has not yet been registered in the name of the Company.

Buildings costing E173 307 (2010: E173 307) have been erected on land which has not yet been acquired by the Company but which the Swaziland Government has consented to transfer to the Company. The Government is in the process of transferring the land in question to the Company.

Parts of the Luphohlo-Ezulwini and Maguga Dam hydro-electric schemes are situated on land owned by the Swazi Nation. The Company has authority to use land on which the hydroelectric schemes are situated.

As a condition of a loan, the Company has undertaken to retain title to and possession of all assets acquired under the 400 kV Integration Project until the loan is fully repaid by 15 October 2020.

40. INVESTMENT IN JOINT VENTURE

	2011 E	2010 E
Balance at beginning of year	**141 262 254**	157 801 495
Share of profit for the year (Note 40.1)	**20 416 888**	18 329 753
Exchange differences	**(13 681 347)**	(34 868 994)
Dividends received	**(10 270 500)**	-
Balance at end of year (Note 40.1)	**137 727 295**	141 262 254
The carrying value of the investment comprises:		
Cost of investment	**90 271 236**	90 271 236
Accumulated post-acquisition gains	**53 507 248**	43 360 860
Accumulated foreign exchange gain on translation of Company's interest	**(6 051 189)**	7 630 158
	137 727 295	141 262 254

The investment in joint venture does not include any goodwill as at 31 March 2011.

40. INVESTMENT IN JOINT VENTURE (CONTINUED)

40.1 In terms of a shareholders' agreement signed on 20 May 2000, the Company agreed to acquire a one third interest in a Mozambiquean company Motraco-Companhia de Transmissao de Mozambique S.A.R.L. ("Motraco").

The authorized share capital of Motraco is US$39.5 million (E373.6 million). At 31 March 2011 share subscription requests totalling US$13 166 667 (E97.8 million) had been made by Motraco and the subscriptions have been paid in full. The company's 33% interest in Motraco was translated at average and closing exchange rates of E7.07 and E6.77 (2010:E7.83 and E7.43) respectively.

	Aggregate amount US$	Company's 33% interest US$	Company's 33% Interest E
Statement of financial position – 31 December 2010			
Non current assets	103 176 425	34 392 142	232 982 685
Current assets	48 603 515	16 201 172	109 751 597
Total assets	151 779 940	50 593 314	342 734 282
Non current liabilities	(53 931 021)	(17 977 007)	(121 782 548)
Current liabilities	(36 856 361)	(12 285 454)	(83 224 439)
Total liabilities	(90 787 382)	(30 262 461)	(205 006 987)
Net asset value	60 992 558	20 330 853	137 727 295
Statement of comprehensive income – year ended 31 December 2010			
Revenue	22 790 078	7 596 693	53 706 845
Gross profit	12 729 431	4 243 144	29 998 037
Net finance costs	(2 959 948)	(986 649)	(6 975 381)
Tax	(1 105 737)	(368 579)	(2 605 768)
Profit for the year	8 663 746	2 887 916	20 416 888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

40. INVESTMENT IN JOINT VENTURE (CONTINUED)

40.1 The Company's share of the results of its principal joint venture, which is unlisted, and its share of the assets (including goodwill and liabilities) are as follows:

	Aggregate amount US$	Company's 33% interest US$	Company's 33% interest E
Statement of financial position – 31 December 2009			
Non current assets	104 407 444	34 802 481	258 537 193
Current assets	34 917 718	11 639 239	86 464 417
Total assets	139 325 162	46 441 720	345 001 610
Non current liabilities	(61 416 392)	(20 472 131)	(152 082 227)
Current liabilities	(20 861 172)	(6 953 724)	(51 657 129)
Total liabilities	(82 277 564)	(27 425 855)	(203 739 356)
Net asset value	57 047 598	19 015 865	141 262 254
Statement of comprehensive income – year ended 31 December 2009			
Revenue	22 110 473	7 370 158	57 689 971
Gross profit	12 037 341	4 012 447	31 407 453
Net finance costs	(4 530 316)	(1 510 105)	(11 820 362)
Tax	(481 892)	(160 631)	(1 257 338)
Profit for the year	7 025 133	2 341 711	18 329 753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

41. OTHER ASSETS	2011 E	2010 E
Other assets comprise balances for Rural electrification and Counterpart funds at bank contributed by the Swaziland Government and the Republic of China through the Swaziland Government for the Rural Electrification Project.		
Rural electrification funds (Note 41.1)	**30 333 301**	11 753 867
Counterpart funds (Note 41.3)	**15 238 118**	14 477 209
Probec call account (Note 41.2)	**111 560**	6 512
	45 682 979	26 237 588

41.1 Rural electrification fund

The analysis of the balance on the fund at 31 March 2011 is as follows:		
Cumulative contributions received from the Swaziland Government	**18 453 425**	17 710 663
Cumulative contributions received from consumers	**18 375**	18 375
Cumulative contributions received from Republic of China through the Government of Swaziland for the Rural electrification project	**62 269 111**	36 049 250
	80 740 911	53 778 288
Total interest received to date	**6 326 991**	5 780 861
Deduct costs of projects capitalized	**(56 734 601)**	(47 805 282)
	30 333 301	11 753 867
The analysis of movements fund bank balances during the year is as follows:		
Fund balance at beginning of year	**11 753 867**	12 757 784
Add interest received for the year	**546 130**	673 294
To finance capital expenditure	**(8 929 319)**	(4 612 836)
Fund received from the Republic of China through the Government of Swaziland for the Rural electrification project	**26 962 623**	2 935 625
Fund balance at the end of the year	**30 333 301**	11 753 867

		2011 E	2010 E
41.2	**Probec call account**		

This relates to money received by the company from Probec to assist low income groups in SADC with improved access to sustainable and affordable electricity. During the year the financing agreement came to an end. The project will now be financed by the government of Swaziland. The balance of the account as at 31 March 2011 was E111 560 (2010: E6 512).

41.3 Counterpart fund

The analysis of the balance on the fund at 31 March 2011 is as follows:

	2011 E	2010 E
Balance at beginning of the year	**14 477 209**	13 470 728
Contributions received from interest differential on loans to the Company (refer notes (i) and (ii) below)	**-**	130 425
Interest received on deposits	**760 909**	876 056
	15 238 118	14 477 209
Balance at end of year	**15 238 118**	14 477 209

(i) Swaziland Government Loan No.4
In terms of the agreements for Swaziland Loan No.4 (from Kreditanstalt fur Wiederaufbau, Germany, and lent by the Swaziland Government), the difference between interest calculated at 2% and interest charged at 3% on the loan is not to be paid to lenders, but is to be used by the Company for projects particularly worthy of promotions from the aspect of development policy. The balance at year end is set to be used by the Company for this purpose. The loan was settled by March 2011.

(ii) European Investment Bank – 400 KV Integration Project
In terms of the agreements for European Investment Bank – 400 KV Integration Project loan, the difference between interest calculated at 3% and interest charged at 5.57% on the loans is not to be paid to lenders, but is to be used by the Company for projects particularly worthy of promotions from the aspect of development policy.

Capital items funded from the Counterpart fund are transferred to grants received and the relevant assets are brought to account at their actual cost.

42. INVENTORIES

	2011 E	2010 E
Stores	**70 346 709**	72 361 236
Write-down for obsolete stock	**(598 622)**	(2 598 622)
Net realisable value	**69 748 087**	69 762 614

The Company sold scrapped inventory to independent retailers amounting E2 458 (2010: E726 693). The amount received has been included as “other income” in the statement of comprehensive income.

43. TRADE AND OTHER RECEIVABLES

	2011 E	2010 E
Electricity receivables	**183 741 455**	184 361 730
Provision for impairment of electricity receivables	**(32 127 988)**	(56 820 916)
Net electricity receivable	**151 613 467**	127 540 814
Other receivables (refer to 43.1)	**50 428 707**	27 216 560
Provision for impairment of other receivables	**(4 225 735)**	(4 225 735)
Net other receivables	**46 202 972**	22 990 825
Prepayments	**11 922 793**	16 573 973
	58 125 765	39 564 798
	209 739 232	167 105 612

43.1 Other receivables include the following:

	2011 E	2010 E
Capital contribution debtors	**32 461 606**	14 111 190
Staff debtors	**864 000**	1 120 535
Projects prepayments	**5 469 517**	1 344 124
Other sundry debtors	**11 633 584**	10 640 711
	50 428 707	27 216 560

The fair values of trade and other receivables are as follows:

	2011 E	2010 E
Net electricity receivable	**151 613 467**	127 540 814
Net other receivable	**46 202 972**	22 990 825
Prepayments	**11 922 793**	16 573 973
	209 739 232	167 105 612

The above values of trade and other receivables approximate fair value. There is no concentration of credit risk with respect to trade and other receivables, as the Company has a large number of customers that are industry dispersed. The Company's historical experience in collection of trade and other receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade and other receivables. The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivables mentioned above.

43. TRADE AND OTHER RECEIVABLES (CONTINUED)

Electricity receivables and other receivables that are less than three months past due are not considered impaired. As of 31 March 2011, Electricity and other receivables of E97 941 161 and E3 761 740 (2010: E32 663 526 and E3 761 740) respectively were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default.

The ageing analysis of these trade and other receivables that are past due but not impaired is as follows:

	Electricity receivables		Other trade receivables	
	2011 E	2010 E	**2011 E**	2010 E
1 - 2 months	**61 651 376**	24 007 807	**1 736 520**	2 332 678
3 months	**36 289 785**	8 655 719	**14 880 670**	1 429 062
	97 941 161	32 663 526	**16 617 190**	3 761 740

As of 31 March 2011, Electricity receivables and other receivables of E32 127 988 and E4 225 735 (2010: E56 820 916 and E4 225 735) were impaired and provided for. The amount of the provision for electricity receivable and other receivables was E32 127 988 and E4 225 735 (2010: E56 820 916 and E4 225 735) respectively. The individually impaired trade and other receivables were mainly relating to domestic, industrial, commercial and irrigation customers which are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

The ageing analysis of these trade and other receivables is as follows:

	Electricity receivables		Other trade receivables	
	2011 E	2010 E	**2011 E**	2010 E
0 - 3 months	**-**	12 168 692	**-**	-
Over 3 months	**32 127 988**	44 652 224	**4 225 735**	4 225 735
	32 127 988	56 820 916	**4 225 735**	4 225 735

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

Emalangeni (SZL)	**209 739 232**	167 105 612

43. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the Company's provision for impairment of electricity receivables and other receivables are as follows:

	Electricity receivables		Other trade receivables	
	2011 E	2010 E	**2011 E**	2010 E
At 1 April 2010	**56 820 916**	44 430 080	**4 225 735**	4 225 735
Provision for trade and other receivables impairment	**-**	12 390 836	**-**	-
Trade and other receivables written off during the year as uncollectible	**(20 640 560)**	-	**-**	-
Unused amounts reversed	**(4 052 368)**	-	**-**	-
At 31 March 2011	**32 127 988**	56 820 916	**4 225 735**	4 225 735

Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

44. PREPAYMENT

	2011 E	2010 E
Ubombo Sugar Limited Power Purchase Agreement Prepayment	**40 000 000**	-

Swaziland Electricity Company Limited has purchased an exclusive right to buy surplus electricity from Ubombo Sugar Limited (USL). The total cost of that exclusive right will amount to E150 000 000. As at 31 March 2011 the entity had paid E40 000 000 to Ubombo Sugar Limited. The contract period is 15 years, that is, up to 30 April 2026. However, either party can elect to terminate the contract early after 8 years with a portion of E150 000 000 being refunded based on the number of years of the 15 that were not taken up.

USL needs to lodge a performance security in favour of SEC to the value of E150 000 000. This will be achieved by issuing mortgage bond sureties over USL property up to the total value of the payment received. For every year that elapses the performance security can be reduced to the unamortized portion of the E150 000 000. As at 31 March 2011 USL had issued guarantee provided by its parent company, Illovo Sugar Limited for an amount of E40 000 000.

45. CASH AND CASH EQUIVALENTS

	2011 E	2010 E
Cash at bank	**12 099 313**	9 759 796
Short-term bank deposits	**196 314 845**	121 186 575
Petty cash	**80 750**	66 750
	208 494 908	131 013 121

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2011 E	2010 E
Cash and cash equivalents	**208 494 908**	131 013 121
Bank overdrafts (Note 51)	**-**	(11 249)
	208 494 908	131 001 872

Available cash is invested in interest generating bank accounts.

46. SHARE CAPITAL

The share capital of the Company consists of the following:

	2011 E	2010 E
Authorised		
433 493 841 ordinary shares at E1 each	**433 493 841**	433 493 841
Issued		
433 493 841 ordinary shares at E1 each	**433 493 841**	433 493 841

There were no authorised and unissued shares at year end.

47. FOREIGN EXCHANGE TRANSLATION RESERVE

	2011 E	2010 E
Foreign exchange translation reserve	**5 317 015**	16 262 092

The foreign exchange translation reserve arises from the translation of Motraco, a Joint Venture Company, which is a Mozambican registered company that uses the US Dollar as its reporting currency (refer to note 40).

48. DEFERRED GRANT INCOME

	2011 E	2010 E
Balance at beginning of year	**105 977 552**	106 796 083
Grants realised in statement of comprehensive income (Note 36)	**(5 118 870)**	(5 431 367)
Rural electrification grant received	**8 929 319**	4 612 836
	109 788 001	105 977 552

49. OTHER DEFERRED INCOME

Other deferred income comprises unutilised balances of Rural electrification and Counterpart funds at bank contributed by Swaziland Government and Republic of China through the Government of Swaziland for the Rural Electrification Project.

Rural Electrification funds (Note 41)	**30 333 301**	11 753 867
Counterpart funds (Note 41)	**15 238 118**	14 477 209
Probec call account (Note 41)	**111 560**	6 512
	45 682 979	26 237 588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

50. DEFERRED REVENUE

	2011 E	2010 E
Deferred electricity revenue (50.1)	**11 547 496**	2 368 183
Deferred contributions from customers towards infrastructure (50.2)	**9 372 709**	10 290 936
	20 920 205	12 659 119

50.1 Deferred electricity revenue

Deferred electricity revenue comprises unearned prepaid electricity revenue from domestic and small commercial customers. The company utilizes an internally generated model to establish an estimate of unearned revenue from prepaid customers.

50.2 Deferred contributions from customers towards infrastructure

Deferred contributions from customers towards infrastructure relate to fees for connection received in advance from prospective electricity customers. These fees are recognised as revenue when the connections are completed.

51. BORROWINGS

	2011 E	2010 E
Current		
Bank overdrafts (Note 45)	**28 645**	11 249
Shareholder's loan (Note 51.1)	**11 240 181**	11 240 181
Current portion of long term borrowings (Note 51.2)	**24 555 826**	17 854 309
	35 824 652	29 105 739
Non current		
Long term borrowings (Note 51.2)	**284 538 511**	227 948 951
Total borrowings	**320 363 163**	257 054 690

51. BORROWINGS (CONTINUED)

	2011 E	2010 E
51.1 Shareholder's loan		
Liability for the civil works component of the Maguga Dam Hydroelectric Project.	**11 240 181**	11 240 181

The E11.2 million above was paid by the Government of Swaziland during the construction of the Maguga Dam Hydroelectric Project. There is uncertainty regarding the treatment of this amount but it is currently disclosed as borrowings and is payable to the Government of Swaziland. It is not certain what precise charge, if any, will be levied on the Company by the Government of Swaziland as there are no specified terms regarding the amount.

	2011 E	2010 E
51.2 Long term borrowings		
Current portion	**24 555 826**	17 854 309
Non current portion	**284 538 511**	227 948 951
Total long term loans (Note 51)	**309 094 337**	245 803 260

51. BORROWINGS (CONTINUED)

51.2.1. Long term borrowings analysis (continued)

	Term in years	Interest rate %	Final Redemption Date	Opening amount E	Received E	Repaid E	Foreign Exchange and interest Adjustment E	Closing Balance E
As at 31 March 2011								
Foreign currency								
Swaziland Loan No.4 – 51.3.2 (a)	30	2.0	31.12.2011	-		-	-	-
Swaziland Loan No.6 – 51.3.2 (b)	30	8.0	30.06.2015	2 041 839	-	(379 666)	(26 534)	1 635 639
European Investment Bank-Motraco Project loan - 51.3.2 (c)	20	*	10.06.2019	54 621 542	-	-	1 496 765	56 118 307
European Investment Bank – 400 kV Integration Project loan - 51.3.2 (d)	20	5.57	15.10.2020	69 353 803	-	(3 918 200)	(2 774 227)	62 661 376
European Investment Bank – 400 kV Integration Project loan (Phase 1) – 51.3.2 (e)	17	3.0	16.11.2020	31 908 412	-	(2 573 529)	(911 354)	28 423 529
				157 925 596	-	(6 871 395)	(2 215 350)	148 838 851
Local currency								
Swaziland Government Loan No.7 – 51.3.2 (f)	17	2.0	1.04.2011	1 733 948	-	(1 733 948)	-	-
Swaziland Government Loan No.10 – 51.3.2 (g)	25	8.0	1.04.2014	317 500	-	(63 500)	-	254 000
Swaziland Government Loan No.11 - 51.3.2 (h)	25	8.0	1.04.2015	540 000	-	(90 000)	-	450 000
Development Bank of Southern Africa 400 kV Integration Project - 51.3.2 (i)	20	**		10 286 216	-	(734 730)	-	9 551 486
Public Service Pension Fund – 51.3.2 (j)	10	***	15.09.2021	75 000 000	75 000 000	-	-	150 000 000
				87 877 664	75 000 000	(2 622 178)	-	160 255 486
Total long term borrowings				245 803 260	75 000 000	(9 493 573)	(2 215 350)	309 094 337

* This loan contains an embedded derivative liability. Refer to note 51A.

** Floating rate at 6 months ZAR- JIBAR- SAFEX plus 135 basis points.

*** Floating rate at prime minus 2% per annum, with a floor of 8% and a cap of 12% per annum.

51. BORROWINGS (CONTINUED)

51.2.1. Long term borrowings analysis (continued)

	Term in years	Interest rate %	Final Redemption Date	Opening amount E	Received E	Repaid E	Foreign Exchange and interest Adjustment E	Closing Balance E
As at 31 March 2011								
Foreign currency								
Swaziland Loan No.4 – 51.3.2 (a)	30	2.0	31.12.2011	5 043 454	-	(4 026 133)	(1 017 321)	-
Swaziland Loan No.6 – 51.3.2 (b)	30	8.0	30.06.2015	3 095 639	-	(379 665)	(674 135)	2 041 839
European Investment Bank-Motraco Project loan - 51.3.2 (c)	20	*	10.06.2019	65 974 063	-	-	(11 352 521)	54 621 542
European Investment Bank – 400 kV Integration Project loan – 51.3.2 (d)	20	5.57	15.10.2020	95 210 278	-	(3 803 800)	(22 052 675)	69 353 803
European Investment Bank – 400 kV Integration Project loan (Phase 1) – 51.3.2 (e)	17	3.0	16.11.2020	44 425 059	-	(2 573 529)	(9 943 118)	31 908 412
				213 748 493	-	(10 783 127)	(45 039 770)	157 925 596
Local currency								
Swaziland Government Loan No.7 – 51.3.2 (f)	17	2.0	1.04.2011	2 600 872	-	(866 924)	-	1 733 948
Swaziland Government Loan No.10 – 51.3.2 (g)	25	8.0	1.04.2014	381 000	-	(63 500)	-	317 500
Swaziland Government Loan No.11 – 51.3.2 (h)	25	8.0	1.04.2015	630 000	-	(90 000)	-	540 000
Development Bank of Southern Africa 400 kV Integration Project – 51.3.2 (i)	20	**	11 020 945	-	(734 729)	-		10 286 216
Public Service Pension Fund – 51.3.2 (j)	10	***	15.09.2021	-	75 000 000	-	-	75 000 000
				14 632 817	75 000 000	(1 755 153)	-	87 877 664
Total long term borrowings				228 381 310	75 000 000	(12 538 280)	(45 039 770)	245 803 260

* This loan contains an embedded derivative liability. Refer to note 51A.

** Floating rate at 6 months ZAR- JIBAR- SAFEX plus 135 basis points.

*** Floating rate at prime minus 2% per annum, with a floor of 8% and a cap of 12% per annum.

51. BORROWINGS (CONTINUED)

51.2.2 Long term borrowings descriptions

(a) Swaziland Government Loan No.4

This loan was secured with assistance of the Government of Swaziland for the construction of the hydro-electric plant at Ezulwini. The amount received for this loan was DM 19 000 000. The term of the loan is 30 years.

Interest which is at a rate of 2% per annum, is payable on 30 June and 31 December each year. The loan is repayable in equal 41 instalments payable on 30 June and 31 December each year. This loan was settled in 31 December 2009.

The Company accounts for this loan at amortised cost.

(b) Swaziland Government Loan No.6

This loan was secured with assistance of the Government of Swaziland for the rehabilitation of the national electricity network after Cyclone Demonia. The amount received for this loan was DM 1 500 000. The term of the loan is 20 years. Final redemption of this loan is 30 June 2015.

Interest which is at a rate of 8% per annum, is payable half yearly. The loan is repayable in 40 equal half yearly instalments.

The spot rate when the loan was secured was E1 = DM 1.6376. The Company had an agreement with the Government of Swaziland that if the Lilangeni appreciates against the Deutsche Mark, the amount payable by the Company would remain fixed at the exchange rate of E1 = DM 1.6376. This agreement further stated that should the Lilangeni depreciate against the Deutsche Mark, the additional foreign exchange losses incurred by the Government of Swaziland would be converted into a loan to the Company at an annual interest rate of 8%.

The Company accounts for this loan at amortised cost

(c) European Investment Bank – Motraco Project Loan

On 15 July 1999, the Company signed an €8 200 000 loan agreement with the European Investment Bank (EIB). The purpose of this loan was to enable the Company to finance a significant part of its investment in the shares of Companhia de Transmissão de Moçambique, S.A.R.L. (Motraco). Motraco is a joint venture between Electricidade de Moçambique (EDM), Swaziland Electricity Company (SEC) and Eskom of South Africa. The principal objective of the joint venture is the transportation of electricity via its power transmission system from South Africa to the Mozal Alumunium Smelter.

The Company's original subscription in the shares of Motraco is €8 200 000.

EIB's return on the loan was not structured like a normal loan where a stated rate of interest would be payable by the Company on a periodic basis until the full settlement of the loan. Instead EIB described this loan as a Conditional Loan on Risk Capital Resources with the following key terms:

- If the Company sells the shares in Motraco before 10 June 2019, the Company will repay EIB an amount in Euros equal to the Company's original subscription in Motraco equity plus 50% of any gain arising from the proceeds of the sale of the Company's shares in Motraco.
- If the Company holds the shares in Motraco until 10 June 2019, the Company will repay EIB an amount in Euros equal to the lesser of the current value of Company's shares in Motraco and an amount equal to the Company's original drawdown in EIB plus 50% of any notional gain arising from the valuation of Company's shares in Motraco. On an annual basis, the Company will remit to EIB 50% of any dividends received from Motraco. This will happen until 10 June 2019 or until sale of the shares in Motraco or until voluntary early settlement of the loan.

- If the Company decides to voluntarily settle the loan early without disposing the shares in Motraco, the amount payable by the Company would be the higher of the outstanding balance and an amount equal to the Company's original subscription in Motraco equity plus 50% of any notional gain arising from the valuation of Company's shares in Motraco.
- If Motraco becomes insolvent, is liquidated or wound up, no further remuneration will accrue to EIB and the Company will make no further repayments of the principal on the loan. However, the Company will have to remit to EIB any final distributions arising from the liquidation or winding of Motraco.

The Company received the loan in two instalments: a €5 400 000 instalment received on 30 November 1999 and a €2 800 000 instalment received on 20 August 2002.

The Company intends to hold the investment in Motraco shares until at least 10 June 2019, the maturity date of the EIB loan.

The Company has adopted the following accounting treatment in terms of International Accounting Standard 39 – "Financial Instruments: Recognition and Measurement" (IAS 39) regarding the EIB loan:

- To account for the original subscription of €8 200 000 which is at least repayable on 10 June 2019 as a borrowing accounted for at amortised cost. The €1 000 000 difference between the €8 200 000 disbursements received and the €9 200 000 repayable, would be considered to constitute a nominal interest equivalent on the €8 200 000 principal. On initial recognition, the Company discounted the two loan disbursements at market related rates on the dates they were received. Applying amortised cost, the Company is accruing interest on these discounted values until 10 June 2019, at which point in time the discounted loan values plus the accumulated interest will equal €9 200 000. The Company is charging the interest to the statement of comprehensive income on an annual basis and crediting it to the loan.
- To separate the cash outflows related to the loan that are dependent on the company value of Motraco on 10 June 2019 when the loan is settled, because they meet the definition of an embedded derivative. Refer to note 50A for the values attached to this embedded derivative and how it has been determined and accounted for.
- In the year under review the Company paid European Investment Bank E4.015 million as part of the financing arrangement.

(d) European Investment Bank – 400kV Integration Project Loan

This loan was secured for the purposes of funding the Company's Transmission Project. The amount received for this loan was €10 000 000. The term of the loan is 20 years. Final redemption of this loan is on 15 October 2020.

Interest is payable on 15 April and 15 October each year. The agreement states that the interest rate should be the greater of 3% and a rate determined by subtracting the 3.06% interest rate subsidy from the standard rate of interest applicable at the date the loan was issued. The loan is repayable in semi-annual instalments payable on 15 April and 15 October each year.

The Company has to maintain a ratio of at least 1:3 for its own funds to borrowings and a ratio of at least 1.5:1 for its annual debt service coverage.

The Government of Swaziland guarantees the Company's performance of its obligation in relation to this loan and indemnifies the European Investment Bank against all losses.

The company accounts for this loan at amortised cost.

(e) European Investment Bank – 400KV Integration Project Loan Phase 1

This loan was secured for the purposes of funding the 400KV Integration Project. The amount received for this loan was €5 000 000. The term of the loan is 17 years commencing on 02 July 2001. Final redemption of this loan is on 16 November 2020.

Interest which is at a rate of 3% per annum, is payable on 15 November each year. The loan is repayable in equal 17 instalments payable on 15 November each year.

The Company has to maintain a ratio of at least 1:3 for its own funds to borrowings and a ratio of at least 1.5:1 for its annual debt service coverage.

The Government of Swaziland guarantees the Company's performance of its obligation in relation to this loan and indemnifies the European Investment Bank against all losses.

The company accounts for this loan at amortised cost.

(f) Swaziland Government Loan No.7

This loan was secured for the purposes of funding infrastructure improvements. The amount received for this loan was E15 171 174. The term of the loan is 20 years. This loan was fully settled on 31 March 2011.

Interest which is at a rate of 2% per annum, is payable in April and November each year. The loan is repayable in equal 35 semi-annual instalments payable in April and November each year.

The company accounts for this loan at amortised cost.

(g) Swaziland Government Loan No.10

This loan was secured for the purposes of funding infrastructure improvements. The amount received for this loan was E1 270 000. The term of the loan is 20 years. Final redemption of this loan is on 01 April 2014.

Interest which is at a rate of 8% per annum, is payable on 31 March each year. The loan is repayable in 20 equal instalments of E63 500 payable on 31 March each year.

The company accounts for this loan at amortised cost.

(h) Swaziland Government Loan No.11

This loan was secured for the purposes of funding infrastructure improvements. The amount received for this loan was E1 800 000. The term of the loan is 20 years. Final redemption of this loan is on 01 April 2015.

Interest which is at a rate of 8% per annum, is payable on 31 March each year. The loan is repayable in 20 equal instalments of E90 000.

The company accounts for this loan at amortised cost.

(i) Development Bank of Southern Africa (DBSA) Loan

This loan was secured for the purposes of funding the 400kV Integration Phase II Project. The amount received for this loan was E97 135 000. The term of the loan is 20 years commencing from 05 March 2003 with a two years grace period.

Interest which is at a rate of 6 months ZAR-JIBAR-SAFEX plus 135 basis points for the risk margin, is payable on 01 April and 01 October each year. The Company has an option to convert the rate from the floating rate to fixed rate of interest. The fixed rate of interest is determined at the DBSA base rate plus 135 basis points. The DBSA base rate is market related rate.

The loan is repayable in 36 equal half yearly instalments payable on 01 April and 01 October each year.

The company accounts for this loan at amortised cost.

(j) The Public Service Pension Fund loan

This loan was secured for the purposes of funding capital projects which will promote and facilitate economic growth and development in Swaziland.

The loan bears interest at a floating rate; at the prime rate then prevailing from time to time minus 2% per annum; such said floating rate being subject to a fixed interest range with a floor of 8% per annum and a cap of 12% per annum. The loan is repayable in 10 equal instalments of E15 million starting 31 December 2011.

The loan was drawn down as follows;
- E75 000 000 on the 18th of September 2009.
- E75 000 000 on the 17th of December 2010.

51.3 Maturity of borrowings

The maturity of the borrowing is as follows:

	Within 1 year	2 to 5 years	Over 5 yrs	Total
	E	E	E	E
At 31 March 2011				
Bank overdraft	**28 645**	**-**	**-**	**28 645**
Shareholders loan	**11 240 181**	**-**	**-**	**11 240 181**
Foreign borrowings	**9 402 326**	**26 093 981**	**122 894 031**	**158 390 338**
Local borrowings	**15 153 499**	**60 550 500**	**75 000 000**	**150 703 999**
Total borrowings	**35 824 651**	**86 644 481**	**197 894 031**	**320 363 163**
At 31 March 2010				
Bank overdraft	11 249	-	-	11 249
Shareholders loan	11 240 181	-	-	11 240 181
Foreign borrowings	9 333 884	18 667 769	140 210 158	168 211 811
Local borrowings	8 520 424	16 174 025	52 897 000	77 591 449
Total borrowings	29 105 738	34 841 794	193 107 158	257 054 690

Foreign borrowings totalling E91 084 905 (2010: E101 262 215) are guaranteed by the Swaziland Government.

51A. Embedded derivative liability – EIB loan

Management has confirmed that the Company has the intention and ability to hold the investment in the Motraco shares until 10 June 2019, which is the maturity of the EIB Project loan. Based on this representation from management, the Company has determined the value of the embedded derivative as presented below:

	2011 **E**	2010 E
Fair value at beginning of the year	**12 215 136**	24 979 440
Fair value adjustment based on changes in the company value of Motraco and passage of time	**6 144 633**	(12 764 304)
Fair value at end of the year	**18 359 769**	12 215 136

The fair value of the embedded derivative liability represents an estimate of the present value of the EIB loan cash outflows that will be dependent on the market value of Motraco when the Company settles the EIB loan on 10 June 2019.

To estimate the market value of Motraco on 10 June 2019 for purposes of determining the embedded derivative, the Company has applied the discounted cash flow method. Discount rates used were market related rates. The value of the embedded derivative will be reassessed at each statement of financial position date until 10 June 2019.

Changes in the fair value of the embedded derivative liability are recognised in the statement of comprehensive income.

52. PROVISIONS FOR OTHER EMPLOYEE BENEFITS

	2011 **E**	2010 E
Leave pay provision (52.1)	**16 648 217**	17 869 503
Gratuity provision (52.2)	**3 362 733**	702 101
Performance bonus provision (52.3)	**8 703 144**	5 968 064
Voluntary Exit Scheme Provision (52.4)	**12 879 212**	-
	41 593 306	24 539 668

52.1 Leave pay provision

The leave pay provision relates to vested leave pay to which employees are entitled. The provision arises as employees render services that increase their entitlement to future compensated leave. The provision is utilised when employees, who are entitled to leave pay, leave the employment of the Company or when accrued entitlement is utilised, by taking day(s) off.

52.2 Gratuity provision

Provision is made for payments in accordance with an Executive and Senior Management employee contracts for the year ended 31 March 2011. The gratuity provision consists of 25% of executive management and 20% of senior management's total cost to the employer, which is determined by reference to the contractual agreements. The cash flow is expected to occur at the end of employment contract.

52.3 Performance bonus provision

The bonus provision consists of performance-based bonuses, which are determined with reference to the overall company performance with regard to a set of pre-determined key measures. Bonuses are payable annually.

52.4 Voluntary Exit Package provision

Provision is made for payments in accordance with the entity's policy on voluntary exit scheme. The Voluntary Exit Package provision consists of 4 days notice pay, severance pay, ex-gratia pay and one month basic salary, which is determined by reference to the contractual agreements. The cash flow is expected to occur within the next 12 months from year end.

53. DERIVATIVE FINANCIAL INSTRUMENTS

	Financial assets		Financial liabilities	
	2011 E	2010 E	**2011 E**	2010 E
Cross currency interest rate swaps:-				
Foreign currency swaps	**26 238 488**	33 948 954	**45 229**	176 177
Interest rate swaps – fair value hedges	**-**	-	**4 503 851**	4 676 067
	26 238 488	33 948 954	**4 549 080**	4 852 244

At 31 March 2011, Borrowings included an amount of E100 636 391 (2010: E111 548 431) in respect of a long term loan due in foreign currency, which has been hedged using the cross currency and interest rate swap as stipulated above.

Derivatives are classified as non-current asset or liability. The full fair value of the hedge derivative is classified as non-current asset and liability if the remaining maturity of hedged item is more than 12 months, as current asset or liability of maturity of hedged item to less than 12 month.

The ineffective portion of the derivative is recognized in the profit or loss. There was no ineffectiveness recognized during the year.

a) Foreign currency swaps – fair value hedge
Gains and losses on the foreign currency swaps are recognized in the statement of comprehensive income since the swaps are used as a fair value hedge.

b) Interest rate swaps – fair value
At 31 March 2011, the fixed interest rates varied from 2% to 8% (2010: 2% to 8%), and the main floating rates are at 6 months ZAR – JIBAR-SAFEX minus 315 basis points. Gains and losses are recognised in the statement of comprehensive income since the swaps are used as a fair value hedge.

53. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Movements and analysis of gains or losses arising from fair value hedges is as follows:

	Financial assets		**Financial liabilities**	
	2011 **E**	2010 E	**2011** **E**	2010 E
Fair value at the beginning of the year	**33 948 954**	63 083 437	**4 852 244**	5 171 366
Utilised or terminated fair value hedging instruments	**-**	-		(1 026 341)
Fair value gains or losses on fair value hedges	**(7 710 466)**	(29 134 483)	**(303 164)**	707 219
Fair value at the end of the year	**26 238 488**	33 948 954	**4 549 080**	4 852 244

The maximum exposure to credit risk at reporting date is the fair value of the derivative asset in the balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

54. EMPLOYEE RETIREMENT BENEFITS OBLIGATION

	2011 E	2010 E
Retirement benefit asset	**(3 611 531)**	(1 887 368)

The amount of employee retirement benefit obligation recognised in the statement of financial position is determined as follows:

	2011 E	2010 E
Present value of plan obligations	**156 263 977**	152 553 307
Fair value of plan assets	**(146 396 046)**	(144 790 772)
Present value of unfunded obligations	**9 867 931**	7 762 535
Unrecognised actuarial loss	**(13 479 462)**	(9 649 903)
Asset in the statement of financial position	**(3 611 531)**	(1 887 368)

The Company makes contributions to a defined benefit plan that provides pension benefits for permanent employees upon retirement. As at 31 March 2011 the company converted all current employees to a defined contribution plan. The last actuarial valuation was carried out at 31 March 2011.

The movements in asset recognised in the statement of financial position are as follows:

	2011 E	2010 E
(Asset)/Liability at beginning of year	**(1 887 368)**	(250 000)
Contributions to the fund	**(8 757 949)**	(9 462 611)
Expense recognised in the statement of comprehensive income (Note 34)	**7 033 786**	7 825 243
Asset in the statement of financial position	**(3 611 531)**	(1 887 368)

Movement in the defined benefit obligation over the year is as follows:

	2011 E	2010 E
Beginning of year	**152 553 307**	131 188 859
Current service cost	**6 848 545**	7 955 626
Interest cost	**12 780 529**	11 670 510
Contributions by plan participants	**2 950 792**	3 188 211
Benefits paid	**(24 754 776)**	(17 070 005)
Actuarial losses	**5 885 580**	15 620 106
End of year	**156 263 977**	152 553 307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

54. EMPLOYEE RETIREMENT BENEFITS OBLIGATION (CONTINUED)

	2011 E	2010 E
The movement in the fair value of plan assets of the year is as follows:		
Beginning of year	**144 790 772**	126 379 389
Expected return on assets	**12 595 288**	11 800 893
Employer contributions	**8 757 949**	9 462 611
Employee contributions	**2 950 792**	3 188 212
Benefits paid	**(24 754 776)**	(17 070 005)
Actuarial gains	**2 056 021**	11 029 672
End of the year	**146 396 046**	144 790 772
The amounts recognised in the statement of comprehensive income are as follows:		
Current service costs	**6 848 545**	7 955 626
Interest on obligation	**12 780 529**	11 670 510
Expected return on plan assets	**(12 595 288)**	(11 800 893)
Total, included in employee costs (Note 34)	**7 033 786**	7 825 243
The principal actuarial assumptions for defined benefit obligations as at statement of financial position date (expressed as weighted averages):		
Discount rate at 31 March 2011	**9.1%**	9.5%
Expected return on plan assets at 31 March 2011	**9.1%**	9.5%
Future salary increases	**6.5%**	7%
Future pension increases	**2.1%**	3.5%
Inflation	**4.5%**	5%

Plan assets are comprised as follows:

	2011 E	**%**	**2010 E**	%
Managed funds	**147 590 744**	**102**	**147 003 561**	102
Net current liabilities	**(1 194 698)**	**(2)**	**(2 212 789)**	(2)
	146 396 046	**100**	**144 790 772**	100

54. EMPLOYEE RETIREMENT BENEFITS OBLIGATION (CONTINUED)

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investments. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date.

The actuarial position of the fund as at year end was as follows:

	2011 E	2010 E
Present value of defined benefit obligation	156 263 977	152 553 307
Fair value of plan assets	(146 396 046)	(144 790 772)
Deficit	9 867 931	7 762 535

55. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2011 E	2010 E
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	(28 536 643)	(27 787 048)
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	174 191 766	141 187 514
Deferred tax liabilities (net)	145 655 123	113 400 466
The gross movement on the deferred income tax account is as follows:		
Beginning of year	113 400 466	68 264 627
Statement of comprehensive income charge (Note 35)	34 990 926	43 609 807
Statement of other comprehensive income charge (Note 35)	(2 736 269)	1 526 032
End of year	145 655 123	113 400 466

55. DEFERRED TAXATION (CONTINUED)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax liabilities	**Accelerated tax depreciation**	**Pre-payments**	**Retirement benefit asset**	**Withholding tax on Motraco unremitted earnings**	**Total**
	E	E	E	E	E
At 1 April 2009	94 479 860	531 580	75 000	-	95 086 440
Charged/(credited) to the statement of comprehensive income	30 971 047	4 440 612	491 211	10 198 204	46 101 074
At 31 March 2010	125 450 907	4 972 192	566 211	10 198 204	141 187 514
Charged to the statement of comprehensive income	22 589 349	10 604 646	517 249	(706 992)	33 004 252
At 31 March 2011	148 040 256	15 576 838	1 083 460	9 491 212	174 191 766

Deferred tax assets	**Provisions for other employee benefits**	**Doubtful debt allowance**	**Tax losses**	**Interest on EIB loan**	**Deferred revenue**	**Total**
	E	E	E	E	E	E
At 1 April 2009	(4 515 142)	(14 596 745)	(5 401 025)	(2 308 901)	-	(26 821 813)
Foreign exchange adjustment	-	-	-	255 980	-	255 980
(Credited)/charged to the statement of comprehensive income	(2 846 758)	(3 717 250)	5 375 748	677 500	(710 455)	(1 221 215)
At 31 March 2010	(7 361 900)	(18 313 995)	(25 277)	(1 375 421)	(710 455)	(27 787 048)
(Credited)/charged to the statement of comprehensive income	(5 116 092)	7 407 878	25 277	(312 864)	(2 753 794)	(749 595)
At 31 March 2011	(12 477 992)	(10 906 117)	-	(1 688 285)	(3 464 249)	(28 536 643)

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

The Company has recognised deferred tax on the unremitted earnings of the joint venture company (note 40) because there is a 20% withholding tax payable when these earnings are distributed by the joint venture company.

56. TRADE AND OTHER PAYABLES

	2011 E	2010 E
Trade payables and accrued expenses	**92 844 625**	106 646 613
Project payables	**-**	11 734 830
Capital contribution deposit	**34 086 971**	22 889 319
	126 931 596	141 270 762

57. NOTES TO THE CASH FLOW STATEMENT

57.1 Reconciliation of cash generated by operations to net income:-

	2011 E	2010 E
Profit before income tax	**254 320 240**	200 188 456
Adjustment for non-cash items:		
Grant amortization (Note 36)	**(5 118 870)**	(5 431 367)
Share of profits of joint venture company	**(20 416 888)**	(18 329 753)
Employer contribution to employee benefit obligation expense	**7 033 786**	7 825 243
Depreciation (Note 39)	**60 091 039**	47 073 111
Fair value gains on derivative financial instruments (Note 37)	**7 407 301**	28 815 362
Fair value adjustment – EIB loan embedded derivative (Note 51A)	**6 144 633**	(12 764 304)
Non cash interest on EIB loan (Note 37)	**9 347 316**	3 280 596
Unrealised foreign exchange gains – loans	**(5 931 932)**	(42 480 555)
Finance cost on local and foreign denominated loans	**13 587 387**	13 605 604
Interest income (Note 37)	**(12 540 644)**	(17 661 434)
Profit on disposal of property, plant and equipment (Note 57.3)	**(3 290 153)**	(232 102)
	310 633 215	203 888 857
Changes in working capital:	**(27 381 260)**	(40 646 841)
Increase in trade and other receivables	**(42 633 620)**	(60 766 519)
Decrease/(increase) in inventories	**14 527**	(6 949 326)
Increase in provisions for other employee benefits	**17 053 638**	9 489 194
Increase in deferred revenue	**8 261 085**	12 659 119
(Decrease)/increase in trade and other payables	**(10 076 890)**	4 920 691
Net cash outflows from operating activities	**283 251 955**	163 242 016

57. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

	2011 E	2010 E
57.2 Additions to property, plant and equipment		
Total additions (Note 39)	**228 080 497**	152 155 594
	228 080 497	152 155 594
57.3 Proceeds from disposal of property, plant and equipment		
In the cash flow statement, proceeds from sale of property, plant and equipment comprise:		
Net carrying amount (Note 39)	**2 458**	10 247
Profit on disposal of property, plant and equipment	**3 290 153**	232 103
Proceeds on disposal	**3 292 611**	242 350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

58A ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in IAS 39 and by statement of financial position heading.

	Loans and receivables	Financial assets and liabilities at amortised cost	Derivatives	Available For sale investment	Total
	E	E	E	E	E
As at 31 March 2011					
Financial assets					
Other assets	-	-	-	45 682 979	45 682 979
Cash and cash equivalents	-	-	-	208 494 908	208 494 908
Derivative financial instruments – swaps	-	-	26 238 488	-	26 238 488
Trade and other receivables	209 739 232	-	-	-	209 739 232
	209 739 232	-	26 238 488	254 177 887	490 155 607
Financial liabilities					
Borrowings	-	320 363 163	-	-	320 363 163
Embedded derivative liability	-	-	18 359 769	-	18 359 769
Derivative financial instruments – swaps	-	-	4 549 080	-	4 549 080
Trade and other payables	-	126 931 597	-	-	126 931 597
Other deferred income	-	-	-	45 682 979	45 682 979
	-	447 294 760	22 908 849	45 682 979	515 886 588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

58A ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONTINUED)

	Loans and receivables	Financial assets and liabilities at amortised cost	Derivatives	Available For sale investment	Total
	E	E	E	E	E
As at 31 March 2011					
Financial assets					
Other assets	-	-	-	26 237 588	26 237 588
Cash and cash equivalents	-	-	-	131 013 121	131 013 121
Derivative financial instruments – swaps	-	-	33 948 954	-	33 948 954
Trade and other receivables	167 105 612	-	-	-	167 105 612
	167 105 612	-	33 948 954	157 250 709	358 305 275
Financial liabilities					
Borrowings	-	257 054 690	-	-	257 054 690
Embedded derivative liability	-	-	12 215 136	-	12 215 136
Derivative financial instruments – swaps	-	-	4 852 244	-	4 852 244
Trade and other payables	-	141 270 762	-	-	141 270 762
Other deferred income	-	-	-	26 237 588	26 237 588
	-	398 325 452	17 067 380	26 237 588	441 630 420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

58B CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to internal credit risk ratings. The entity's financial assets, grouped according to internal credit risk ratings, are as follows:

	Trade and other receivables	Other assets	Cash and cash equivalents	Derivatives designated as fair value hedging instruments	Total
	E	E	E	E	E
As at 31 March 2011					
Counterparties without external credit ratings:-					
- Low Risk	152 367 491	45 682 979	208 494 908	26 238 488	437 783 866
- General Credit risk	37 082 784	-	-	-	37 082 784
- High risk	20 288 957	-	-	-	20 288 957
	209 739 232	45 682 979	208 494 908	26 238 488	490 155 607
As at 31 March 2010					
Counterparties without external credit ratings:-					
- Low Risk	83 429 233	26 237 588	131 013 121	33 948 954	274 628 896
- General Credit risk	52 578 462	-	-	-	52 578 462
- High risk	31 097 917	-	-	-	31 097 917
	167 105 612	26 237 588	131 013 121	33 948 954	358 305 275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

58B Credit quality of financial assets (continued)

The credit risk rating of financial assets is based on the following:

Low risk – This category is utilised for fully performing accounts that are classified as current and a month due. All accounts for the Government of Swaziland are included in this category.

General risk – This category is for all customer accounts that are 60-91 days, where a moderate risk taken, exclusive of Government of Swaziland accounts.

High risk – This category is for all high risk customers and comprises all customers that are over 91 days due exclusive of Government of Swaziland accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

59. FINANCIAL INSTRUMENTS – MATURITY ANALYSIS

The Company's financial instruments are made up of the following financial assets and liabilities classified by maturity dates:

	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
	E	E	E	E
31 March 2011				
Financial assets:				
Other assets	45 682 979	-	-	45 682 979
Trade and other receivables	209 739 232	-	-	209 739 232
Cash and bank	208 494 908	-	-	208 494 908
Derivative financial instruments	-	-	26 238 488	26 238 488
	463 917 119	-	26 238 488	490 155 607
Financial liabilities:				
Trade and other payables	126 931 597	-	-	126 931 597
Bank overdraft	28 645	-	-	28 645
Shareholder's loan	11 240 181	-	-	11 240 181
Other deferred income	45 682 797	-	-	45 682 797
Derivative financial instrument		-	4 549 080	4 549 080
Long term liabilities	24 555 825	86 644 481	197 894 031	309 094 337
Embedded derivative liability		-	18 359 769	18 359 769
Deferred revenue	20 920 205	-	-	20 920 205
	229 359 250	86 644 481	220 802 880	536 806 611
31 March 2010				
Financial assets:				
Other assets	26 237 588	-	-	26 237 588
Trade and other receivables	167 105 612	-	-	167 105 612
Cash and bank	131 013 121	-	-	131 013 121
Derivative financial instruments	-	-	33 948 954	33 948 954
	324 356 321	-	33 948 954	358 305 275
Financial liabilities:				
Trade and other payables	141 270 762	-	-	141 270 762
Bank overdraft	11 249	-	-	11 249
Shareholder's loan	11 240 181	-	-	11 240 181
Other deferred income	26 237 588	-	-	26 237 588
Derivative financial instrument	-	-	4 852 244	4 852 244
Long term liabilities	17 854 308	34 841 794	193 107 158	245 803 260
Embedded derivative liability	-	-	12 215 136	12 215 136
Deferred revenue	12 659 119	-	-	12 659 119
	209 273 207	34 841 794	210 174 538	454 289 539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

60. COMMITMENTS	2011 E	2010 E
60.1 Capital Commitments		
Capital expenditure approved at statement of financial position date but not yet incurred is as follows:		
Approved capital expenditure (Note 60.1.1)	**192 205 350**	327 995 949

This expenditure will be financed from debt and internally generated funds and is expected to be incurred and due for completion within the next three years.

Details of capital commitments are as follows:-

60.1.1 Network upgrades

The Company has an approved capital expenditure budget of E192 million (2010: E40 million) to cater for routine additions to the network during the 2010/2011 financial year. E71 million of the capital expenditure have been contracted for at year end all this capital expenditure will be financed from current resources and external borrowings.

60.2 Right of use for electricity wheeling on 400kV line

For the next 8 years, the Company has committed to a fixed monthly charge of US$89 755 (2009: US$89 755) for right of use of the 400kV line. These monthly charges are being funded from internal resources.

60.3 Motraco wheeling agreement

In terms of an electricity wheeling agreement between Motraco and Swaziland Electricity Company, the Company pledged shares to the value of US$2 million to Motraco as security that the electricity wheeling service at Edwaleni II will not discontinue. On the fourth anniversary date of Swaziland Electricity Company taking supply at Edwaleni II and every year thereafter, the amount of such secured shares shall be reduced by US$ 200 000.

60.4 Power Purchase Agreement

In terms of the power purchase agreement with Ubombo Sugar Limited, the company paid E150 million for an exclusive right to purchase all excess power guaranteed by USL up to 2026 at a base price agreed to from 2011. This commitment will be funded from internally generated resources.

60. COMMITMENTS (CONTINUED)

60.4 Derivative financial instruments

The Company entered into a range of derivative instruments, foreign currency swaps and interest rate swaps, arrangement with Standard Corporate and Merchant Bank and Investec Capital Market to hedge against foreign exchange risk on its foreign currency based commitment with the European Investment Bank and Kreditanstalt fur Wiederaufbau.

60.5 Supply of energy

Swaziland Electricity Company entered into long-term agreements with, Eskom, a supplier for electricity purchases.

In January 2011 the company signed a Power Purchase Agreement with USL until 2016. The agreement was an exclusive right to the company to purchase excess electricity from USL.

61. GUARANTEES AND CONTINGENCIES

61.1 Litigations	**2011** **E**	2010 E
Legal cases pending with potential liability for claims were in process against the Company at year end. The Company is disputing these claims and has indicated that it intends to defend any legal action which may be instituted. On the basis of the evidence available it appears that no obligation is present and the claims are therefore disclosed as a contingent liability.	**4.8 million**	2.5 million

62. RELATED PARTY TRANSACTIONS

The Company is wholly owned and controlled by the Swaziland Government, which own 100% of its shares.

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

The related parties of Swaziland Electricity Company Limited consist mainly of government departments, state-owned enterprises, subsidiaries of Swaziland Electricity Company Limited, as well as key management personnel and members of board of directors of Swaziland Electricity Company Limited or its shareholder and close family members of these related parties.

In addition, related parties comprise a joint venture company, Motraco, and post-retirement benefit plans for the benefit of employees.

The following transactions were carried out with related parties:-

		2011 E	2010 E
62.1	**Government grant funding for electrification**		
	Cumulative contributions received for Rural Electrification Projects (Note 41.1)	**18 453 425**	17 710 663
62.2	**Purchases of goods and services**		
	Joint venture, Motraco, wheeling charges (Note 31)	**16 071 918**	17 416 256
	Employee pension fund costs (Note 54)	**7 033 786**	7 825 243
		23 105 704	25 241 499
	Goods and services are bought from related parties on an arm's length basis at market-related prices.		
62.3	**Interest expenses**		
	Shareholder, Government of Swaziland	**101 110**	130 730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

62. RELATED PARTY TRANSACTIONS (CONTINUED)	**2011 E**	2010 E
62.4 Year-end balances arising from transactions		
(i) Receivables from related parties		
Government Departments	**12 055 558**	8 525 602
Joint venture, Motraco		
- Costs incurred on behalf of Motraco	**1 075 830**	1 443 937

Electricity sales income is normally receivable within 15 or 30 days of invoice date. In most cases, electricity customers have provided the Company with a guarantee or a cash deposit which approximates three months of electricity sales. All other sales income is receivable within 30 days of invoice date.

Interest receivable on financial market instruments is in accordance with normal market practice.

(ii) Provision for doubtful debts for related parties

There is no provision for doubtful debt, nor bad debts written off during the year that relates to related parties.

(iii) Payables to related parties:

	2011 E	2010 E
Shareholder, including Government Departments		
- Long term loans	**704 000**	2 591 448
- Shareholders loan	**11 240 181**	11 240 181
Joint venture, Motraco		
- Electricity wheeling charges	**1 263 642**	1 270 072
Employee Pension Fund (contributions)	**8 757 949**	9 462 612

The provision of funds to the Swaziland Electricity Company Limited by the Government of Swaziland is based on long term agreement that enable the Company to obtain financing below the normal market interest rate (prime lending rate). The Swaziland Government offer financing with interest rate ranging between 2% and 8%, which is below the prime lending rate of 9% (2010:10%).

62. RELATED PARTY TRANSACTIONS (CONTINUED)

62.5 Transactions with key management personnel

Key management are those charged with planning, directing and controlling the activities of the company, directly or indirectly. Transactions with key management personnel include salaries, bonuses, gratuities and director's fees. Compensation paid to key management is shown below:

	2011 E	2010 E
Board fees	**383 075**	467 834
Executive Management:		
Short term employee benefits	**5 926 669**	4 435 991
Gratuity-net (Provision)	**1 223 745**	970 225
	7 533 489	5 874 050

63. 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 balance sheet;

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

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