SCCOM

SWAZILAND COMMUNICATIONS COMMISSION

# Annual Report 2018

# Contents



# Vision

**To be a dynamic regulator of communications services in Swaziland that facilitates the delivery of affordable, sustainable and quality services.**

# Mission

**To derive maximum socio-economic benefits for all Swazis from ICTs through the effective regulation of telecommunications, broadcasting and postal services in Swaziland.**

# Core values

**Integrity**
**Transparency**
**Accountability**
**Teamwork**
**Innovation**
**Knowledgeable**

# Corporate information

**Registered name**
Swaziland Communications Commission

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**Postal address**
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Mbabane
H100

**Telephone number**
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**Email**
info@sccom.org.sz

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www.sccom.org.sz

**Auditors**
Kobla Quashie & Associates

# Legislative mandate

The Swaziland Communications Commission (SCCOM) is the regulatory authority for the information and communication technology sector in Swaziland. The Commission was established in 2013 by the Swaziland Communications Act, No 10 of 2013, to license and regulate telecommunications, radio communications, broadcasting and postal services in Swaziland. The Commission will play a critical role in the management and development of Swaziland's ICT sector. Through the Act, SCCOM is mandated to carry out, among other things, the following:

a. regulate and supervise the operation of electronic communications networks and the provision of electronic communications service in Swaziland, including the regulation of data protection in electronic communications;
b. regulate and supervise the provision of postal service and electronic commerce;
c. regulate and supervise the provision of radio and television broadcasting services and the content of those services;
d. promote the development of innovative, secure, modern and competitive communications infrastructure and the delivery of related services;
e. ensure freedom of provision of communications services and further ensure that those services are not limited, except when strictly necessary;
f. ensure a wide range and variety of communications services;
g. ensure that all communications services are provided in a manner that will best promote economic and social development;
h. ensure non-discrimination and equality of treatment in all matters under the remit of the Commission;
i. promote efficient management and human resource development within the communications industry;
j. promote the interest of end-users and licensees as regards the quality of all communications services and equipment within the remit of the Commission;
k. administer certain aspects of the Competition Act, 2007, as they relate to the sectors regulated by the Commission; and
l. administer certain aspects of the Fair Trading Act, 2001, as they relate to the sectors regulated by the Commission.

# Board of directors

***Sipho J Shongwe***
Board Chairperson

***Gideon Mahlalela***
Vice Chairperson

***Mvilawemphi Dlamini***
Chief Executive

***Zodwa Ginindza***
Member of the Board and Chairperson of the Remuneration Committee

# Executive management

***Mvilawemphi Dlamini***
Chief Executive

***Fikile Gama***
Chief Financial Officer

***Lindiwe Malaza***
General Manager Support Services

***Bongiwe Dlamini***
Board member

***Bheki Ndzinisa***
Board member

***December Mavimbela***
Board member

***Sicelo Simelane***
Company Secretary

***Ozzie Thakatha***
General Manager Legal and Compliance

***Thulani Fakudze***
General Manager Technical Services

***Lindiwe Dlamini***
General Manager Strategy and Economic Regulation

# Chairperson’s foreword

**Sipho J Shongwe**
Chairperson

**"The Board is proud that once again, the Commission has produced a clean audit report which is a testimony that financial controls and systems within the Commission are watertight as they should be".**

The Eswatini Communications Commission (ESCCOM) is a regulatory authority established in terms of the Swaziland Communications Commission (SCCOM) Act, 2013, to regulate the electronic communications sector in the Kingdom. The electronic communications sector includes telecommunications networks and services, broadcasting services, postal services, the use and allocation of radio frequency spectrum, data protection and e-commerce. Regulation is a balancing act between the interests of the service providers in the sector and those of the end-user, the populace. Such regulation requires a great deal of skill and technical expertise which I have no doubt the Commission possesses in its human capital.

Sadly, this reporting period saw the passing of the Board's Vice Chairperson, Dr Gideon Mahlalela, who passed away in March 2018. May I take this opportunity to express the Board's tribute to the late Dr Mahlalela who was the long-serving member of the Commission's Board of Directors. He served the Commission with dignity from its inception until his untimely demise. The Commission will miss his guidance and insistence on corporate governance principles. May his soul rest in eternal peace.

As I present the Commission's annual report for the financial year 2017/2018, on behalf of the Board of Directors, I am pleased to report that the Commission once again produced an unqualified audit, a testimony of sound financial controls and application of good corporate governance within the Commission. The report sets out progress reports on the work undertaken during the course of the reporting year, as well as indicates the milestones achieved during the reporting period.

During the period under review, the Commission welcomed the appointment of the Universal Service Committee (USC). The USC is one of the statutory organs, an arm of the Commission, mandated with the delivery of electronic communication services to underserved and under privileged communities at affordable rates.

The Commission's steadfast zeal to reduce communications costs, which had been the highest in the SADC region, yielded positive results in that during this period, the downward trend of communications costs achieved in the previous year was maintained. I am pleased to report that the consumers have already enjoyed low data, voice and roaming costs due to the significant drop in prices during this period. The Board commends the ESCCOM management for ensuring such reduction is achieved.

The Commission still has a lot of work ahead to accomplish. More effort will need to be channelled towards the establishment of all the mandated institutions. This will translate to the effective regulation of the postal sector, which should incorporate courier services, the regulation and supervising of sound and television broadcasting, ensuring data protection in electronic communications, promoting and developing e-commerce regulatory frameworks. These will require dedication and requisite skills and expertise for the Commission to carry out.

The Commission joins the world in welcoming the 4th industrial revolution and in this regard will have to prepare the country to embrace new technologies like 5G, artificial intelligence, Internet of Things, drone technologies, and the ever changing OTT's that tend to be disruptive yet serve as supplementary services for the

# Chairperson's foreword continued

consumer. The Commission will need to develop the necessary frameworks and regulatory tools to foster advancement and embrace these technologies to ensure that the country derives maximum benefits from ICTs.

May I take this opportunity to express the Board's gratitude to the entire Government of the Kingdom of Eswatini, the Honourable Minister of ICT, the Ministry of Information Communications and Technology, industry stakeholders, consumers and the entire public for its unwavering support extended to the Commission as it carries out its regulatory mandate. We trust that such support will continue as the Commission strives to uplift the standard and uptake of ICTs in the country and continues to make ICTs a major contributor to the Kingdom's economic growth.

Thank you.

**Sipho J Shongwe**
*Board Chairperson*

# Chief Executive's report

**Mvilawemphi Dlamini**
Chief Executive

# Chief Executive's report continued

The Commission has continued to make inroads in the delivery of its mandate as envisaged in the Swaziland Communications Commission as well as the Electronic Communications Acts of Parliament, of 2013.

During the financial year 2017/2018, a number of key milestones were achieved, which were poised to take the Commission forward in the discharge of its duties. A number of key human capital were on-boarded during April 2017, which included the first substantive Chief Executive, since inception of the Commission in 2013. During the same period, the Chief Financial Officer, also commenced duty. These appointments have solidified the leadership of the Commission and thus enabled the undertaking of critical projects such as the following:

- The first ever ESCCOM 5-year Strategic Plan 2018 – 2022.
- Frequency Spectrum and National Numbering Plans.
- ESCCOM headquarters land acquisition.

The ICT sector in the Kingdom of Eswatini continued to grow, much-needed competition came about as a result of the introduction of competition brought about by the licensing of the second mobile operator (3rd telecommunications operator) in the previous year. Despite a number of ISP's being licensed and having started operating, however, there are still two dominant players (Real Image and Swazi.Net) with over 80% of market share. A major challenge remains, that of ensuring that there is effective and sustainable competition in the telecommunications market.

While efforts to reduce the cost of communication in the country have been somewhat successful, compared to some countries in the region, these are still relatively high and more work is needed to ensure that these are aligned with the Country's ambitions as outlined with Eswatini's Vision 2022 Strategy. In this regard ESCCOM continued with the implementation of the cost to communicate strategy, where phase 1 resulted in a 33% reduction in wholesale rates. The plan is to implement phase 2 in the coming period.

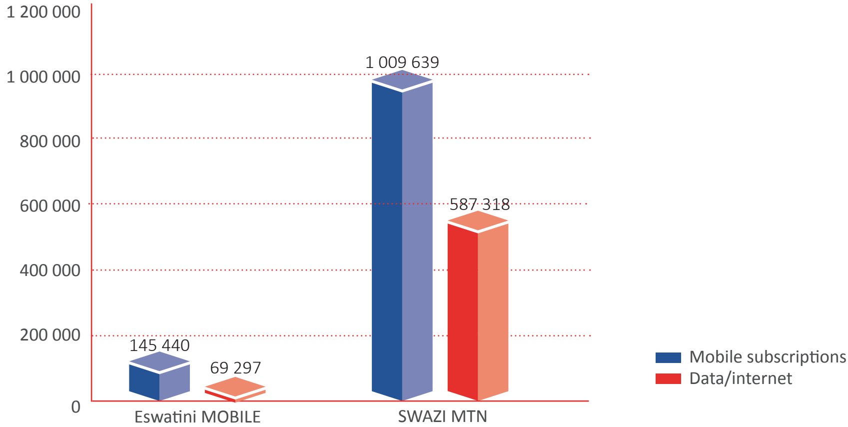
Studies undertaken in the previous cycle indicated that there is a need to put in place projects and programmes to stimulate internet broadband penetration, which currently stands at 32% of the population, which is largely through mobile 3G and 4G LTE. Efforts to give access to 800 MHz band to the operators are at an advanced stage and will be completed by September 2018. The 800 band propagation characteristics allow LTE to reach a wider subscriber base with fewer base stations. Household (fixed) broadband connections are very low partly due to the high data costs in the country. It is also worth mentioning that the penetration statistics are skewed towards accessing of social networks (WhatsApp, Facebook, Instagram, YouTube and others), and very low in areas related to e-commerce and e-government services. Development is still required in the broadcasting and postal sectors.

To conclude the organs of the Commission, the Honourable Minister also appointed members of the Appeals Board in January 2018, chaired by Mr Mzwandile Dladla.

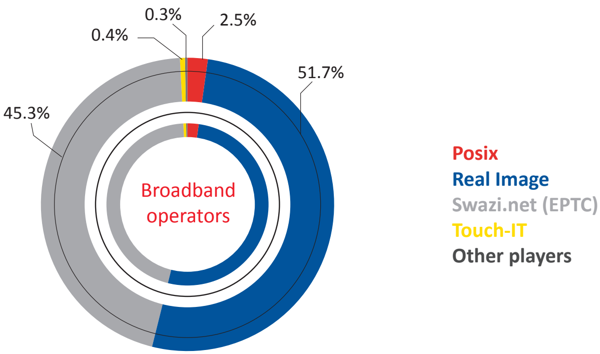
Towards the end of 2017, the Minister of ICT, Hon Christopher Ndlangamandla, appointed the Universal Services and Access Committee to oversee the operations of the Universal Service Fund being guided by the US and Access gap analysis study undertaken by the Commission in the previous year. As at 31 March 2018, the fund had a balance of E32 million which would prioritise rural schools and hospitals. We look forward to 2018 with zeal as we start implementing much-needed projects in the rural communities.

During the year under consideration, connectivity levels and penetration rates in the different markets stood as follows:

Mobile subscriptions stood at 145 440 (Eswatini MOBILE) and 1 009 639 (SWAZI MTN), translated to a penetration rate of 76%. This is inclusive of fixed mobile connectivity. Data/internet services stood at 69 297 (Eswatini MOBILE) and 587 318 (SWAZI MTN) with approximately 35 000 from traditional access.




Broadband operator's market share stood as follows: Posix: 2.5%, Real Image: 51.7%, Swazi.net (EPTC): 45.3%, Touch-IT: 0.4% and other players: 0.3%. Mobile money subscriptions for the same period stood at 533 101 (SWAZI MTN), while the number of active mobile money transfer agents was 1 287 (SWAZI MTN).




On behalf of management and staff, I wish to acknowledge and appreciate the continued support and guidance from the Board of Directors under the able leadership of Babe Sipho Shongwe. It is with deep regret that after a short sickness we lost the industrious and dedicated Vice Chairman of the Board, Dr Gideon Mahlalela. May his soul rest in eternal peace.

We remain steadfast in delivering on the mandate of the Commission, with particular focus on supporting the ambitions of the e-government strategy, as well as ensuring that all the people of Eswatini, including rural communities and other marginalised and unserved sections of the Kingdom, have access to reliable and affordable ICTs.

We look forward to a vibrant year as the sector diversifies as more activity is expected from the broadcasting and postal sectors. The 4th Industrial Revolution is characterised by a range of new technologies, embracing a new form of convergence, which combines the physical, digital and biological worlds. These have the potential of impacting all disciplines, industries and economies. ESCCOM has a responsibility to harness this connectedness through innovative regulatory frameworks.

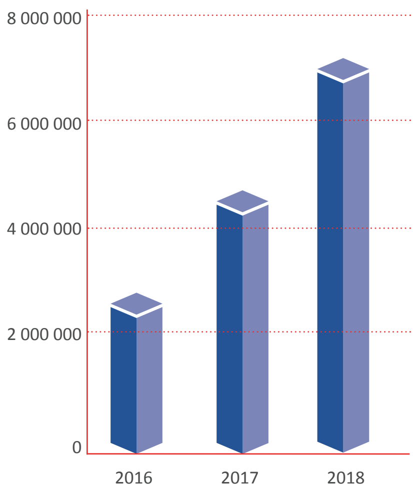
**Mvilawemphi Dlamini**
*Chief Executive*

# FINANCE

## Financial key performance indicators

| Figures in Emalangeni | 2018 | 2017 | Percentage increase/ (decrease) |
|---|---|---|---|
| Total invoiced | **79.7m** | 96.8m | (18) |
| Utilised for operations | **51.2m** | 36.3m | 41 |
| Surplus for the year | **7.1m** | 4.7m | 57 |
| Designated funds transfer | **27.5m** | 60.5m | (55) |
| Total assets | **243.8m** | 202.2m | 21 |
| Total liabilities | **207.2m** | 172.6m | 20 |
| Accumulated reserves | **24.7m** | 29.4m | (16) |

## Surplus (E)




The main source of revenue for the Commission comprises llicence fees from the three main operators: SWAZI MTN, (Eswatini Mobile) and Eswatini Post and Telecommunications Corporation (EPTC). These licence fees are used to fund the cost of regulation. The decrease in the amount invoiced during the year under review is as a result of the initial licence fees that were billed to Eswatini Mobile in 2017.

The Commission is also responsible for the management of radio frequency spectrum and renewal of annual licences for the various ICT operators. The licence fees collected from these entities contribute significantly to the revenue of the Commission, and this amounted to E17.8 million during the year under consideration.

Other income which comprises mainly interest earned on investments, amounted to E7 million, showing an increase of 51% when compared to the previous year. This growth is attributable to an increase in investments during the year. Investments include a E20 million seven-year government bond which has a floating rate coupon linked to the prime rate minus 1.5%, with the first coupon rate at 9%. The interest received is the maximum possible within the Commission's acceptable risk parameters. Other financial assets include the Stanlib Swaziland Money Market Fund and the African Alliance Lilangeni Fund.

Operating expenses were in line with budgetary expectations. The increase over the comparable period last year, primarily reflected increases in manpower costs. During the year under review, a total of 16 employees were recruited. These comprised two executive positions, being the Chief Executive and the Chief Financial Officer. In addition, seven managers and five officers were also hired. Other costs increased due to the increase in operational activities.

Employee costs increased significantly to E18.4 million.

Designated funds represent licence fees earmarked for 2018/19 special projects.

The surplus for the year is reported at E7.1 million, which is a 57% growth from the previous year's results.

In terms of Section 56 of the Swaziland Communications Act, 2013, the Commission holds in custody funds that have been transferred for the Universal Service Obligation Fund (USOF) amounting to E32.3 million. These funds have increased by 27.9% from the previous year. The Universal Service Obligation Committee (USOC) was established during the year and will from now on be responsible for the allocation of projects to this fund.

During the year under review, the Commission successfully grew its total assets to E243 million. Acquisition of property, plant and equipment amounted to E8 million. A total of E4.8 million of this amount was used to acquire land, for the construction of the Commission's offices in line with future expansion plans.

The Commission's cash resources are held to meet prudential liquidity targets, and the liquidity levels enable the Commission to respond effectively to changes in cash flow requirements.

The overall financial structure of the Commission shows a significant healthy improvement year on year.

## Challenges

The lack of documented financial policies and procedures is the main challenge faced by the department. The formal documentation of policies and procedures in finance is critical not only to provide a how-to guide for processing financial transactions, but for establishing strong internal controls that provide protection against potential fraud. The documentation will also ensure compliance with laws, regulations and requirements. For instance, the procurement process is weakened if the procurement procedures are not aligned with the Swaziland Public Procurement Act. The department is currently drafting this manual.

## Future outlook

The Commission's forecast for its future operations include, projections of net income to be received from the three main operators. Operating costs are expected to match the level of activity within the organisation. Financial instruments will decrease as more projects are undertaken using the designated funds.

# TECHNICAL SERVICES

The department is responsible for the development and implementation of technical policy and regulatory decisions and instruments in accordance with the ESCCOM, including telecommunications, broadcasting and postal sectors, as well as the management of radio frequency spectrum and numbering resources. The department also provides advice on issues relating to new and next generation technologies, technology standards, security standards and best practices in the communications sector, as well as providing ICT support to the organisation.

## ACTIVITIES FOR THE PAST YEAR

During the period under review, the following activities were undertaken:

### Development of National Frequency Allocation Plan

In accordance with the Electronic Communications Act, No 9 of 2013, the Commission developed and published the current NFAP. This plan is based on the outcomes and decisions of the last World Radio Conference (WRC-15) held in November 2015, which informs the worldwide usage of radio frequency spectrum resources until 2019. The plan also incorporates the SADC regional Frequency Allocation Plan, which was developed based on the outcomes of the WRC-15 to provide guidance on the allocation and management of radio frequency spectrum by member states. The NFAP 2017 ensures that, at a bare minimum, frequency spectrum is allocated to:

- public electronic communications and broadcasting networks and services;
- government services, including those aimed at furthering public interest;
- private electronic communications services and networks; and
- private amateur wireless operations.

The overall plan seeks to provide clarity and guidance on how the radio frequency spectrum is to be allocated for different services in the country.

### Development of the National Frequency Spectrum pricing framework

In accordance with the Electronic Communications Act, No 9 of 2013, and the Electronic Communications (Radio Communications and Frequency Spectrum) Regulations, 2016, the Commission developed and published a new spectrum pricing framework. This pricing framework is in line with the requirements of the Regulations with regard to spectrum pricing. Specifically, the developed pricing framework:

i. reflects the economic value of frequency spectrum in order to encourage efficient use of frequency spectrum and stimulate growth; and

ii. takes into account the:

(a) size of spectrum assigned;

(b) frequency band and level of congestion within the band;

(c) market demand;

(d) power output; and

(e) geographical usage of spectrum.

The developed framework is an administrative pricing model with incentives to promote the efficient use of spectrum and national development. Moreover, it is a unified pricing model that reflects the relative value of different spectrum bands and can be calibrated to cover regulatory costs or any other revenue target that may be specified.

The proposed model, developed through an extensive consultative process, charges licensees for the spectrum they use, incentivises them to only use the spectrum they need and to use such spectrum efficiently. It is also intuitively fair to all users, especially as a uniform unit price is charged.

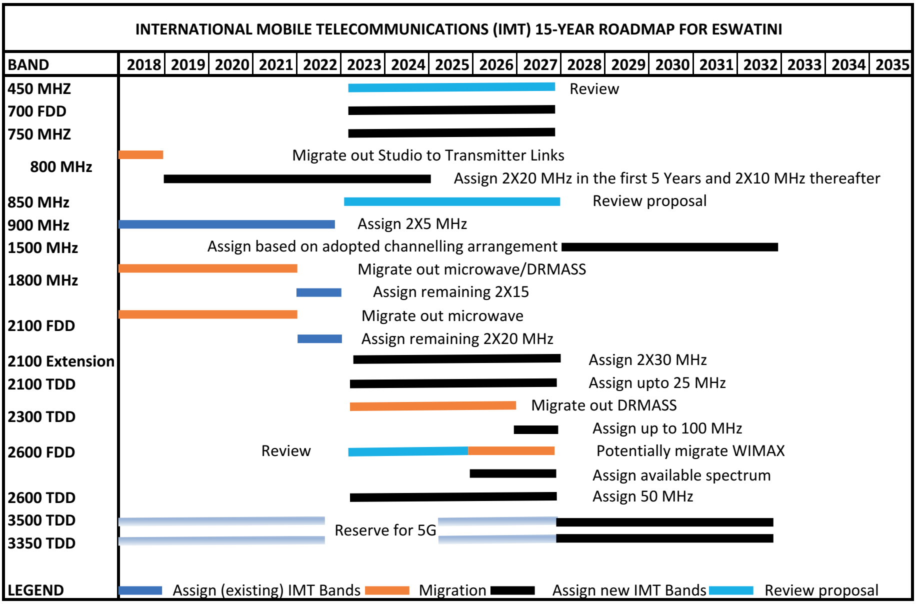
The model contains the following formulae consisting of several factors, as follows:

| FORMULAE | PARAMETER DESCRIPTION | |
|---|---|---|
| **Point-to-area formula**<br>Fee = (UNIT * FREQ * BW * HD * GEO * SHR * AF) | **UNIT** | Unit Price per MHz of assigned spectrum |
| | **BW** | Bandwidth in MHz being the total unpaired assigned bandwidth |
| | **FREQ** | Frequency factor that is based on the propagation characteristics of the frequency locations meaning that higher frequencies cost less than lower frequencies |
| | **GEO** | Geographic factor that gives a discount to any assignment that does not cover high density areas |
| **Point to point formula**<br>Fee = (UNIT * FREQ * BW * HD * GEO * SHR * HOPMINI) | **HD** | High Demand Factor set by the Commission for spectrum in High Demand which may include spectrum subject to congestion |
| | **SHR** | Sharing factor that gives a discount of 50% to licensees who are prepared to share spectrum |
| | **AF** | Area Factor that reflects the land area covered by a point to area assignment based on the radial distance that corresponds to the area in square kilometres |
| | **HOPMINI** | Minimum Hop Length, which will be applied to point to point links and penalises licensees who make undue use of low frequency bands for links with relatively short hop lengths |

## Development of a 15-year IMT roadmap and band plan

In accordance with the Electronic Communications Act, No 9 of 2013, and the Electronic Communications (Radio Communications and Frequency Spectrum) Regulations 2016, the Commission developed and published a band plan and a road map for International Mobile Telecommunications (IMT) frequency spectrum. The IMT band plan and roadmap gives channelling structure for currently assigned IMT frequency spectrum and also makes recommendations on how new IMT spectrum, which has been made available, will be used. The roadmap also indicates the time frames for implementation of the proposed spectrum assignments in line with international developments.

The figure below summarises the high-level roadmap and band plan for the next 15 years.



## Development of National Numbering Plan

In accordance with the Electronic Communications Act and the Numbering Regulation, 2016, the department also developed and published, after approval by the Minister of ICT, a new National Numbering Plan. The numbering plan was developed through an extensive consultative exercise with all stakeholders in the telecommunications sector. The Numbering Plan was further submitted to ITU for publishing to the global community.

## Development and operationalisation of Broadcasting Guidelines

The Commission is also mandated to regulate and supervise the provision of broadcasting services in the country. The absence of the necessary legislative instruments relating to broadcasting services has made the Commission's work a bit difficult. During the past year, the Ministry of ICT has been working on ensuring that the Eswatini Broadcasting and Corporation bills are passed into law to effectively deal with all broadcasting matters. As an interim measure, the Commission developed Broadcasting Guidelines, 2017 through a consultative process. The guidelines provide for, among other things, a general operational framework for broadcasting services in the country, including licensing, terms and conditions, programming, scheduling and advertising, broadcasting editorial policies and related fees.

## Radio frequency spectrum monitoring

This activity involved the use of spectrum monitoring equipment to carry out measurements to determine the usage of radio frequency spectrum and ensure compliance with the prevailing legislative and regulatory instruments relating to the use of radio frequency spectrum in the country. This was done for all FM channels where we were able to identify a number of channels in which there is unauthorised activity as a result of encroachment from South Africa and Mozambique. The Commission also carried out measurements on the 2.4 GHz ISM band as well as the 5 GHz band which has been earmarked for deployment of the WAS/RLAN service outdoors.

Spectrum occupancy tests were also to investigate the activity on the assigned channels on IMT bands.

## Radio frequency spectrum licensing

One of the main responsibilities of the spectrum planning and management unit is the authorisation of service providers for the use of national frequency spectrum in Swaziland. This includes new licences and renewal of licences.

## Issuance of new spectrum licences

During the reporting period, the number of new licence applications that were processed are listed in the table below:

| No | Type of licence | Total |
|---|---|---|
| 1 | Amateur | 6 |
| 2 | PMR | 1 |
| 3 | VSAT | 1 |

## Spectrum licence renewals

The number of spectrum licences that were renewed is as shown in the table below:

| No. | Type of licence | Total |
|---|---|---|
| 1 | Amateur | 8 |
| 2 | PMR | 3 |
| 3 | VSAT | 3 |
| 4 | Aircraft | 9 |
| 5 | Microwave | 3 |
| 6 | IMT | 3 |

## Quality of Service (QoS) monitoring

For the reporting period, the department developed and published a standard reporting template for operators, in accordance with the QoS Regulations, 2016, to use for reporting quality of service standards offered on monthly, quarterly and yearly basis. This is done to assess the performance of each service provider with regard to the quality of services being provided against the stipulated thresholds in the gazetted regulations. Moreover, this helps protect the interest of the consumers of the electronic services provided by the service providers. Additionally, the following QoS assessment was done for SWAZI MTN Limited and SWAZI Mobile Limited.

## Country representation in international meetings and forums

The Commission was represented by the department in different ITU working meetings and conferences, including the World Telecommunications Development Conference 2017 (WTDC-17) and preparatory meetings for the World Radio Conference of 2019 (WRC-19).

In these meetings, work is done on the different WRC-19 agenda items of which the Kingdom of Eswatini is representing the SADC and Africa regions on agenda item 1.16. This agenda item deals with investigation towards the allocation of spectrum for Wireless Access Systems (WAS) for outdoor use.

## Upgrade of the Commission's computing/ICT environment

The Commission upgraded its computing environment to meet the demands of its growing workforce. This activity was carried to ensure efficient and effective delivery of services for the Commission by ensuring that electronic data of the Commission is secure, and records are maintained regularly and that the Commission's website, email systems and ICT equipment are in good working condition at all times. The activity included upgrading of processing and storage capacity of servers, installation of a new firewall to strengthen network security and procurement of a board portal software to transition to paperless meetings for the SCCOM Board.

Additionally, the department carried out the website and intranet development project which looked at redesigning the layout (look and feel) of the website and design a new intranet portal altogether.

## Electronic equipment type approval and acceptance

The organisation has a responsibility to protect consumers and users of electronic communications services. One way to achieve this is to ensure that the equipment used for communication is certified safe for use by the Commission in the country through verification of the equipment's compliance with applicable technical requirements and standards. In this regard, the department processed and approved 142 type approval applications received from equipment manufacturers and distributors around the globe.

## Challenges

While the department managed to achieve many of the objectives that were initially set at the beginning of the year, a number of challenges were also faced resulting in failure to deliver on some of the Commission's responsibilities:

- Absence of the necessary legislative instruments for broadcasting, postal services and data protection in electronic communications: the bills for the listed sectors and services remained in draft format during the past reporting year, making it difficult for the Commission to effectively deal with all issues relating to these critical sectors. As mentioned earlier, the Commission developed specific sector guidelines as interim measures for providing regulatory oversight. The Commission is also appreciative of the efforts put by the Ministry of ICT in trying to ensure that the bills are passed in to law during the period under review.
- Provision of required information by spectrum users: For the period under review, one of the department's objective was to fully utilise and optimise the Spectrum Management and Monitoring System to ensure compliance with spectrum usage requirements, as specified in the spectrum regulations and licence conditions. This activity required that a lot of detailed information is obtained from spectrum users pertaining to the type and specifications of equipment used in order for the system to function efficiently. Unfortunately, many users were unable to provide such information, and not cooperative in some cases, leading to a number of spectrum licences not being renewed in time or at all. To address this challenge, the department embarked on an exercise to engage with all the stakeholders, with the view to educate and inform on the importance of providing such information for effective management of radio frequency spectrum resources in the country.

## Future outlook

- Review and analysis of the Electronic Communications Act, 2013 (Part VII), and the Electronic Communications Regulations, 2016, including radio frequency spectrum, quality of services, equipment type approval, interconnection and facilities sharing regulations, to ensure that they are still relevant and responsive to the ever-changing electronic communications sector. This exercise will also assist in addressing some of the shortcomings and gaps that have been identified as the Regulations were being operationalised.
- Carry out spectrum audit and develop report on the current spectrum use in Eswatini and conduct spectrum occupancy tests on all bands available. We will use spectrum planning information to determine planned spectrum usage and also analyse the information gathered to present an outlook of spectrum usage in the Kingdom.
- Develop Band channelling plans for private mobile radio (PMR) systems, fixed links and broadcasting services.
- Development of licensing framework for broadcasting services, conversion of existing services and issuance of new broadcasting licences.
- Operationalisation of the postal guidelines.
- Carry out radio frequency spectrum licensing and monitoring activities.
- Carry out electronic equipment type approval processes and activities.
- Implementation of a quality of service monitoring system.
- Provide ICT support to the organisation.


# LEGAL AND COMPLIANCE

The Legal and Compliance department is responsible for the provision of legal support to all the structures of the Commission and develops legal and regulatory instruments. Legal and Compliance is also responsible for issuing licences and authorisations, interpretation and analysis of the law, and the drafting of contracts.

As a regulatory authority, the Commission has to enforce compliance by licensees to the applicable laws, regulations, directives, licence terms and conditions, guidelines and/or any other regulatory instruments issued by the Commission from time to time. The department is responsible for ensuring that regulated entities, as well as the Commission, are in full compliance with relevant statutory requirements. These include the ESCCOM and Electronic Communications Act, PEU Act, Tax laws, Public Procurement Act, Employment Act, and all other relevant statutes.

The department is also responsible for liaising with the Commission's attorneys for external legal advice and in legal proceedings by or against the Commission. The department also provides legal advisory, secretarial and administrative support to the Commission's Board of Directors.

## Key activities undertaken

### Decisions

During the year under review, the Commission issued two major decisions aimed at harnessing regulation of the market. The Commission declared dominance on mobile voice and fixed-voice markets, and further pronounced that sharing of essential facilities by operators was mandatory.

### Declaration of dominance on mobile voice and fixed voice market

The Electronic Communications Act, 2013 (ECA), provides that where the Commission determines that a relevant market is not effectively competitive, the Commission shall identify and designate licensees with a dominant position in that market and shall impose upon those licensees the appropriate regulatory obligations. Market assessment is dealt with in Section 23 of the ECA, which sets out a process which entails market definition, analysis and the determination of dominance before ex ante regulation can be applied to a market with insufficient competition. The Commission must, in assessing markets, follow competition law principles and processes that involve among other activities, defining the relevant market and conducting a market analysis. Where the Commission determines that a relevant market is not effectively competitive, it must identify and designate licensees with a dominant position in that market and impose upon those licensees the appropriate regulatory obligations provided for in Sections 24 to 28 of the ECA in relation to transparency, non-discrimination, regulatory-accounting and cost-based pricing and price regulation.

During the year under review, the Commission undertook an analysis of the mobile and fixed voice markets and determined that SPTC is dominant in the fixed voice market and SWAZI MTN is dominant in the mobile voice market, and thus issued Decision 20/2017 declaring dominance and imposing appropriate regulatory obligations in terms of Sections 24 to 28 of the ECA.

## Pronouncement of essential facilities and finding control of essential facilities

The Electronic Communications Facilities Sharing Regulations define "essential facilities" as "infrastructure or resources that cannot be duplicated, and without which access to which operators cannot reasonably provide competitive services to end-users".

Section 24(b) of the Electronic Communications Act, 2013, read with Regulation 5(2)(b) of the Facilities Sharing Regulations, 2016, enjoins the Commission to publish a list of essential facilities from time to time, to which cost-based access shall be provided upon request.

Pursuant to this legal obligation, the Commission issued Decision 19/2017, accordingly declaring masts, towers, sites, backbone facilities, and international gateway as essential facilities to which sharing is mandatory.

## Enforcing the electronic communications subscriber registration regulations 2016

During this period, the Commission initiated the subscriber registration initiative by establishing the requirements for the registration of all subscribers. To this end, a task team comprising representatives from the Central bank of Eswatini, the Royal Police force, Ministry of Home Affairs, Eswatini MOBILE, SWAZI MTN and EPTC was estatblished. This team came up with the required documents to be used during the registration process, such as proof of residence and proof of identity.

Experience from other countries that have already implemented subscriber registration indicates that, over and above assisting in curbing crimes committed through the use of unregistered sim cards, mandatory registration may:

1. enable operators to create profiles about their subscribers so that they can better plan and develop "tailormade products and services to address the needs of the various user profiles and demographics";
2. support the government financial inclusion agenda, particularly in underdeveloped areas where a majority of the people are unbanked, registered sim card users can sign up for mobile money and other payment services;
3. create consumer access to e-government services as registered users can verify their identity and log in to such services using their mobile devices; and
4. facilitate the collation of data by the Commission about phone usage which will lead to pro-user policies.

## Development of postal guidelines

In terms of Section 6(b) of the Swaziland Communications Act, 2016, one of the functions of the Commission is to regulate and supervise the provision of postal services. In light of the fact that the Swaziland Postal Bill, 2016, is yet to be promulgated into law, the Commission developed and published the Swaziland Postal Guidelines, 2017 which will be used to regulate the postal sector while awaiting the passing of the Postal Act. The Guidelines provides for three categories of licences:

a) The national designated postal operator.

b) Domestic courier service.

c) International couriers.

The next steps will involve developing the licensing frameworks and ancillary regulatory terms and conditions for each of the licence categories.

## Board administration

During the reporting period, the Board of Directors held four ordinary meetings and two extraordinary meetings in line with PEU requirements. On corporate governance, the Board attended the 17th Corporate Governance Conference where they were trained on corporate governance principles outlined in the King IV Report. The Board also participated in regional and international regulatory forums which bring together regulatory bodies to discuss sector issues.

# Legal and Compliance continued

## Establishment of statutory bodies in line with the legislative frameworks

### Universal Service Committee

The Electronic Communications Act, 2013 (ECA), provides for the Minister of Information and Communications Technology (ICT), on the recommendation of the Commission, to appoint a committee consisting of not less than five and not more than seven members to implement the universal service and access obligations. To ensure compliance with this legal requirement, the Commission facilitated the appointment of the Committee. The Minister, through Legal Notice No 170/2017, appointed the following members for a period not exceeding 3 years:

1. Fana Mzwandile Dladla
2. Mvilawemphi Dlamini
3. Bongiwe Dlamini
4. Wandile Mtshali
5. Karen Phumzile Mbuyisa
6. Ali Sifiso Resting
7. Phumelela Shongwe

The function of the Committee is to ensure the implementation and affordability of universal service to all end-users in the Kingdom, making sure that communications services are universally available to all, regardless of geographic location and specific national conditions. The Committee is also tasked with the efficient implementation of Swaziland Communications' Commission approach and strategy for universal service and access obligations, the implementation of all the elements constituting universal service in terms of the Electronic Communication Act, including the introduction of specific measures for disabled users and low-income users. It is also the Committee's responsibility to ensure the revenues of the universal access fund are used for the development and expansion of electronic communications networks and services in underserviced areas to provide access to the widest number of users without discrimination.

### Communications Appeals Board

Section 45 of the of the Swaziland Communications Commission Act provides for the appointment of a Communications Appeals Board by the Minister. The function of the this body is to hear appeals against actions and decisions of the Commission. Through Legal Notice No 17/2018 the Minister appointed the following persons to be members of the Appeals Board for a period not exceeding 3 years:

1. Nonhlanhla Fortunate Shongwe *(Chairperson)*
2. Vusi Mkumane
3. Mbongeni Mbingo
4. Bongile P Simelane
5. Nhlanhla Vilakati
6. Elkan Makhanya
7. Sihle Zwane
8. Thobisa Simelane
9. Mbuso Dlamini *(Secretary)*

## Challenges

The Commission's operating environment is fast-paced, where technological advancement happens at an alarmingly fast rate. In such an environment, the regulatory considerations are often left behind and sometimes the lines between regulation and deregulation are blurred. The emergence of new technologies requires the development of appropriate regulatory frameworks, in order to facilitate the operationalisation of frameworks for artificial intelligence, over the top technologies, internet of things, 5G and many more.

The Commission's regulatory mandate is broad and requires the passing of other requisite legislations. Some of the legislations still remain in draft form, thus inhibiting full discharge of the Commission's mandate. Some of the laws needed to enable the Commission to function to its optimum mandate include the Data Protection Act, the Broadcasting Act, the Postal and the Cyber Security Act.

## Future outlook

The Commission urgently needs to undertake an analyses of the sector legislations and determine if they are in sync with the fast-changing world of technology. This is to ensure that the country benefits from technological advancements as they unfold. There is an urgent need for the development of regulatory instruments to cover the areas of data protection, e-commerce, postal services, cyber security, as well as sound and TV broadcasting.

# STRATEGY AND ECONOMIC REGULATION

## Strategy development

The strategy unit is responsible for the development and management of the ESCCOM strategy of the Commission. This process also involves communicating and monitoring the organisation's performance through the implementation of the set-out goals and objectives strategy. This function further demands the provision of strategic leadership in building strategic capabilities, identifying development opportunities, and generating insights from the external environment and market trends.

During the year under consideration, the unit commenced the process of developing the ESCCOM's five-year strategic plan. The Commonwealth Telecommunications Organisation (CTO) was contracted to undertake the strategy development project. The implementation of the strategy is scheduled to commence at the start of the coming financial year.

## Economic Regulation

The Commission is responsible for promoting competition in the ICT sector. This so as to ensure that both consumers and service providers reap maximum benefit from the provision of communication services. In the execution of this function, the economic regulation unit monitors market behaviour and competition to ensure the market is efficient and competitive. A competitive market essentially assures the efficient use of resources, availability of a variety of products and services, improved quality of standards, innovation and affordability.

### Cost to communicate reduction programme

The findings of the wholesale and retail benchmarking exercise undertaken in the previous year were implemented, where the first phase of the tariff transformation programme sought to reduce wholesale tariffs by 33%. Market developments have been observed, post the implementation of this phase, as the tariff reductions have improved consumer affordability, increasing their uptake of services from the resulting diversified service offerings. All this has ultimately enhanced the competitiveness of the markets, the quality of services and the vibrancy of the sector. The implementation of phase 2 will continue in the next cycle.

The Commission, as part of the SADC region, is desirous of developing a cost model to be used in determining the cost of roaming services. Consultants have been identified to develop the model and it is expected that the project will be completed during the third quarter of the coming financial year. The regional project will form a good benchmark for the Commission as it embarks on developing its own national cost model to inform local tariff structuring.

## Market studies

During the period under review, the Commission completed 3 studies, namely: ICT baseline study, baseline pricing study and the Universal Access and Service Gap analysis, whose aim was to improve activity in the ICT sector and to further encourage competition, especially in the market segments where competition was lacking.

## ICT market baseline

In undertaking this study, the Commission's intention was to get an overview of the status of the three key markets that it regulates – telecommunications, postal services and broadcasting. It was to identify market constraint factors which may be impending sector growth and development; to make evidence-based regulatory decisions; and to have a basis against which to measure progress and development in the ICT sector.

The results of the study revealed that in terms of the telecommunications regulatory framework, many, although not all, of the key regulations and regulatory tools are in place. In terms of broadcasting and postal regulation significant development was needed, some of which hinged on legislative developments such as the awaited Broadcasting Bill. The Commission was to ensure that the regulations were responsive to the industry and consumer needs and remain relevant to address the sector realities. Ultimately, ESCCOM has a responsibility to encourage competition in the sector.

The licensing of a 3rd electronic communications operator, namely Swazi Mobile, is indicative that competition has been introduced in the sector. The impact of the entry of the additional operator in the market will be reported upon in the next cycle, after one year of existence.

## Universal Access and Service Gap Analysis Study

The study aimed to identify access gaps in universal service and access, with particular focus on the support of the e-Government Strategy and ICT capacity building. The research findings identified infrastructure needs and areas underserved with ICT services. The study considered universal access to voice telephony and broadband internet and looked at the extent of access, availability and affordability of each. The analysis assessed the status, completeness and adequacy of ICT network access for 2G, 3G and 4G and coverage, an analysis of the most cost-effective and efficient mechanism for closing the gaps and ensuring universal ICT access in the country. It was also intended to identify sustainable funding mechanism/s (including the universal service and access fund) and the institutional framework for addressing the above access gaps.

As a consequence, the Commission has since established the Universal Service Obligation Fund (USOF) Committee, whose main function is to develop USOF strategic objectives and activities and implement programmes geared towards closing the identified gaps. Representation to the Committee comprises operators and internet service providers (ISP), as well as the Chief Executive of ESCCOM.

## Competition Regulation and potential abuses of dominance

The Commission participated in a workshop, whose objective was to capacitate ESCCOM personnel on competition law and the economic principles in the regulation of ICTs. The workshop further empowered the Commission in addressing the issues of dominance, how to identify anti-competitive behaviour in the market and develop possible pro-competitive remedies. It also looked at new issues and debates in areas such as digital competition and OTTs, fundamental competition policy and telecoms concepts.

## Broadband internet market review

During the period under consideration, the Commission commissioned a market review for the broadband internet market in the Kingdom of Eswatini. The review covers the analysis of competition within the broadband internet market from a fixed terminal and a mobile terminal, specifically focused on determining whether any provider has a position strong enough to influence market outcomes or cause anti-competitive activity in the market. The outcomes of this study will be used to determine cause of action, where anti-competitive behaviour will be identified and remedies to safeguard the competition will be developed. The results of this review will be reported in the next reporting cycle.

## Consumer affairs

ESCCOM is mandated by the Eswatini Communications Commission Act, 2013, to promote the interests of end-users and licensees. The consumer affairs function is responsible for ensuring end user protection and privacy, quality communication services and equipment, the resolution of complaints as well as education outreach initiatives. During the year under consideration the following activities were undertaken:

### Stakeholder engagement

The Commission held a Stakeholder Engagement Forum under the theme “Embracing e-Services for development”. The forum aimed to engage licensees and other industry players, with a view to provoke discussions on critical sector issues that will advance the growth of the ICT sector. The event attracted over a hundred participants who engaged in discussions around topics such as: Emerging Technologies, Quality of Service, the Digital Economy and e-Services, eTax and the role of ESCCOM in the rollout of e-Services. This engagement set a platform for stakeholders to dialogue, highlight bottlenecks and propose direction on vital sector issues.

### Outreach activities

The unit further raised awareness on the mandate and activities of the Commission in a number of third-party organisation public forums. The first being an Annual ICT Fair hosted by the University of Eswatini, where an ESCCOM information stall was pitched. Most stand visitors comprised tertiary and high school-going students and some members of the general public. The unit further participated in a Students ICT Competition hosted by the Eswatini ICT Teachers Association (SICTTA) at the University of Eswatini. The Commission made commentary remarks during the opening ceremony, highlighting its role and motivating participating students to take interest in ICT sector careers, it being the driver of change across all industries. ESCCOM further sponsored prizes for winning students during the fair.

### Child online protection

In fulfilling the Commission’s role of protecting the rights of ICT services end-users, especially vulnerable groups, the Consumer Affairs Unit formed part of a stakeholder working group for organisations working on Child Protection issues, under the leadership of UNICEF. The forum’s main agenda is to harmonise child-related toll-free lines in the country and operationalise the International Telecommunications Union’s (ITU) recommended international child online toll-free line (116).

Another initiative undertaken involved assisting the Ministry of Education (Guidance and Counselling Unit) in facilitating the accessibility of their toll-free line (9664) even through mobile networks.

## Communications

The Communications Unit is responsible for the development and implementation of public relations and communication strategies designed to enhance organisational performance and effectiveness. The unit is also responsible for coordinating ESCCOM events, branding and the procurement of promotional items. It is also responsible for the dissemination of all public notices and statements to stakeholders while also managing the Commission’s website and publications.

### Events coordination

During the year under consideration, the unit facilitated the Commission’s participation in external events, geared towards creating an awareness of the Commission’s mandate. The communications unit is responsible for merchandising at all events where ESCCOM is involved.

## Media publications and advertising

During the period under review, the unit caused to be published a number of general notifications and advertisements in the different media according to set-out policies and procedures. General notices were published in the two local daily newspapers, namely *Times of Swaziland* and *Swazi Observer*, and also in the *Government Gazette* as appropriate. Promotional advertorials on the mandate of the Commission were published in various magazines and yearbooks. The Commission also publishes an annual report detailing strategic and operational activities undertaken in the related financial year.

## Website development and management

The ESCCOM deems the website as the most powerful and far-reaching media tool at the Commission's disposal for use in the sharing of valuable information to stakeholders worldwide. During the period under review, the process of revamping the ESCCOM website and intranet site commenced. The project aimed to redesign the graphical layout of the website, review existing content and provide new content where necessary.

### Challenges

A major challenge for the Commission is the lack of tools for the collection of statistical data, requisite for the development of the ICT sector. In cases where data exists, most is outdated and bound to create a false reflection of what is currently obtained in the sector.

Another challenge is the need to further reduce the cost to communicate in order to stimulate economic growth in the market.

The advent introduction of competition, the need for statistical analysis of the impact of competition on the sector has become necessary. The need to enact competition-related regulations has also become urgent if barriers to entry are to be eliminated.

The rapid evolution of ICTs resulting in rapid emergence of new technologies is another factor that requires the Commission to constantly develop strategies and regulations for effective management of the sector.

### Future outlook

The Commission will undertake more studies to inform policy and regulatory frameworks in the sector, paying particular focus to the broadcasting and postal sub-sectors, which are currently the least developed in the ICT sector of the Kingdom of Eswatini. More effort will be channelled towards empowering ICT consumers with education around their rights and the quality of service standards requirements of service providers in their provision of ICT services.

# SUPPORT SERVICES

## HUMAN RESOURCES

The Support Services division has the responsibility of ensuring that SCCOM is able to achieve its vision, mission and strategic goals through the availability of adequate and competent human capacity to deliver on its mandate while promoting equity and fairness in the treatment of its employees.

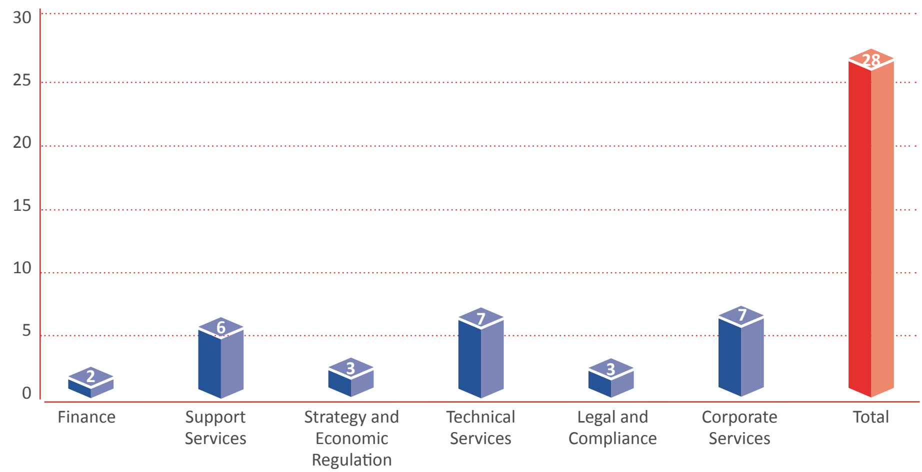
### Employee demographic data

#### Departmental distribution

As at 31st March 2018, the Commission's departmental distribution was as follows:

| Description | Number |
|---|---|
| Finance | 2 |
| Support Services | 6 |
| Strategy and Economic Regulation | 3 |
| Technical Services | 7 |
| Legal and Compliance | 3 |
| Corporate Services | 7 |
| Total | 28 |

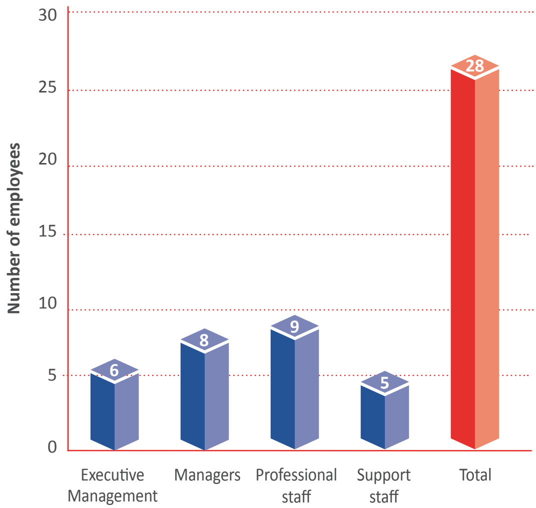
#### Surplus (E)



## Staff occupation groups

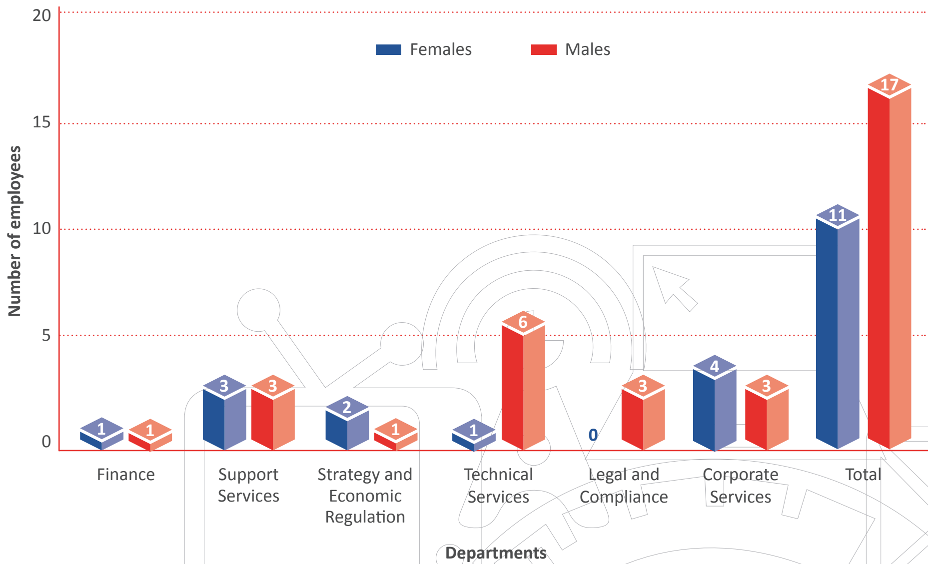
For the period under review, the staff occupation groups of the Commission were as follows:

| Description | Number |
|---|---|
| Executive Management | 6 |
| Managers | 8 |
| Professional staff | 9 |
| Support staff | 5 |
| Total | 28 |




## Gender Analysis

There are 11 female employees and 17 male employees in the Commission, with the distribution across divisions highlighted below:



# Support services continued

Based on the above statistics, it is clear that the Commission is a male-dominated organisation. Going forward, deliberate effort will be made to implement gender equity principles, especially in the functions that are historically male dominated, such as Technical Services and Legal and Compliance.

### Recruitment and selection

With the ongoing efforts to support the SCCOM Mandate, the following positions were filled during the period 2017/18:

- Manager Legal Affairs
- Driver/Messenger
- Human Resources Officer
- Communications Officer

## Performance management

During this period, a Performance Management System (PMS) was introduced to ensure that all employees carry out the duties and responsibilities which they are employed to do in an effective and satisfactory manner, which will contribute to the overall business objectives of the Commission.

The first step in this process was for the consultant to facilitate a comprehensive workshop on the operations of the Performance Management tool to all staff. Departmental meetings with the consultant to assist in the formulation of the performance objectives were then carried out.

Management opted for a trial run of the process in the 4$^{th}$ quarter of the financial period (January – March 2018) to enable the correction of any shortcomings in the system in preparation for a complete system run in the upcoming financial period 2018/19.

From the trial run, performance objectives for the 2018/19 financial year will be set with absolute clarity and precision.

## Employee wellness

The Commission is committed to creating a safe working environment, improve employee health and implement strategies that reduce medical costs, as well as increase employee morale and on-the-job efficiency. The Employee Wellness programme was launched on 13 October 2017 for the Commission's employees. The programme consisted of the following:

- Overall wellness and Mental Health Talk
- Health screening (glucose/HTS/TB/BP/ hepatitis B/STIs testing)
- Free condom delivery
- Breast cancer checking

To promote a healthy lifestyle and physical health of the employees, the Commission is contributing 50% towards gym fees for employees. Suitable service providers were identified for such services. More employee wellness initiatives are proposed for the current financial year.

## Human resources development

The development of human resources is an integral part of building capacity and meeting the regulatory challenges that the Commission is facing because of the dynamic nature of both the international and national telecommunication industry.

Durign this reporting period, capacity building initiatives focused on:

- ICT Regulation Policy and Practice;
- Best practices in cost modelling;
- Financial Management;
- Performance Management;
- Office Management and Administration;
- Information Technology;
- Spectrum Management; and
- Benchmarking with established regulators.

## Meetings

The Commission participated in industry events which take place at three levels:

**Regional:** CRASA and SADC,

**Continental:** ATU, PAPU and AFRALTI

**International:** Commonwealth Telecommunications Organisation (CTO), International Telecommunications Union (ITU) and the Universal Postal Union (UPU).

These events addressed topical issues such as Achieving Universal Broadband Access, Digital Broadcasting Technologies, Quality of Service and Quality of Experience, Roaming Like Home and Postal Strategy for 2017 to 2020.

## Knowledge transfer between industry and academia

As part of the linkage in knowledge transfer between industry and academia, the Commission provided internship/attachment opportunities to 2 students from the University of Eswatini (UNESWA) and Limkokwing University of Creative Technology.

### Challenges

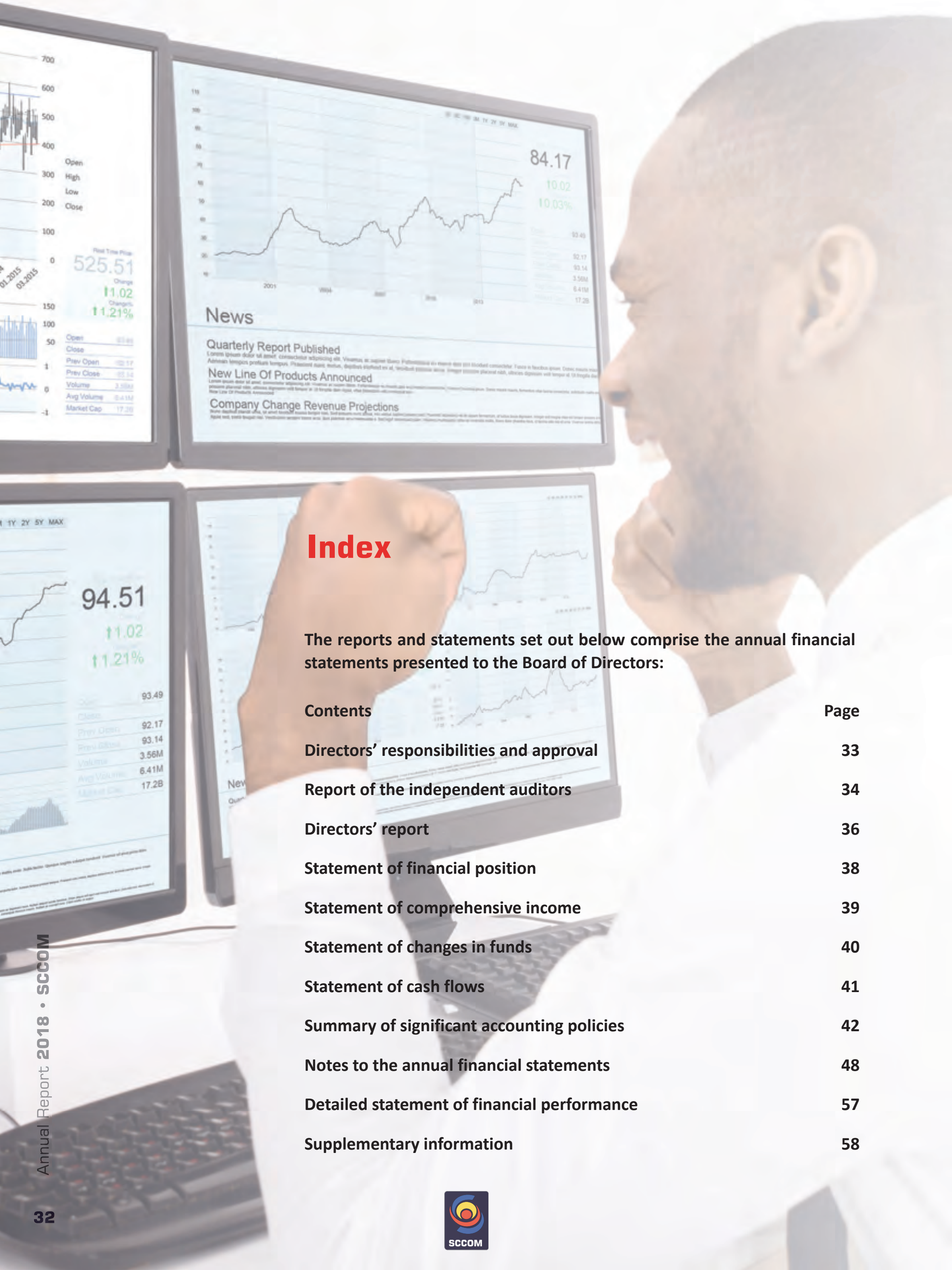
During the past two financial years, the Public Enterprises Unit (PEU) pronounced the following circulars which have created challenges where remuneration and talent retention strategies are concerned:

- Circular No 3 of 2016 – Controls on Pay Packages for Public Enterprises
- Circular No 3 of 2017 – Guidelines on the Payment of Performance Bonuses for Public Enterprises

The implementation of the above circulars have made it difficult for the Commission to successfully carry out its responsibility to attract the relevant and qualified skill due to low remuneration packages. This results in the recruitment of semi-skilled staff, thus the need for huge investment in capacity development to meet the Commission's regulatory mandate.

### Future outlook

With the rapid change and complexity that characterises the ICT industry, there is an ever-increasing demand to keep abreast with the innovations and technology. As part of its strategic deliverables, the Commission will monitor the human capital management and development practices within the sector to ensure that they are in compliance with the legal requirements of the country while being dynamic enough to respond to the continuous human capital requirements of the sector.




# Index

**The reports and statements set out below comprise the annual financial statements presented to the Board of Directors:**

# Directors' responsibilities and approval

The Directors are required in terms of the Swaziland Communications Act, No 10 of 2013, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Commission as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Commission and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Commission and all employees are required to maintain the highest ethical standards in ensuring the Commission's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and monitoring all known forms of risk across the Commission. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Commission's cash flow forecast for the 12 months to 31 March 2018 and, in light of this review and the current financial position, they are satisfied that the Commission has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Commission's annual financial statements. The annual financial statements have been examined by the Commission's external auditors and their report is presented on page 34 to 35.

The annual financial statements set out on pages 36 to 58, which have been prepared on the going-concern basis, were approved by the Board of Directors on 31 July 2018 and were signed on its behalf by:

Chairperson

Chief Executive Officer

# Report of the independent auditors

## To the Directors of Swaziland Communications Commission

### Opinion

We have audited the annual financial statements of Swaziland Communications Commission, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 36 to 58.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Swaziland Communications Commission as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Communications Commission Act, No 10 of 2013.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibility for the audit of the financial statements section of our report.

We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) and in accordance with the ethical requirements applicable to performing audits in Swaziland. We have fulfilled our other ethical responsibilities in accordance with the International Ethics Standards for Accountants Code of Ethics for Professional Accountants (Parts A and B) and in accordance with the ethical requirements applicable to performing audits in Swaziland.

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

### Other information

The Directors are responsible for the other information. The other information comprises the Directors' report as required by the Swaziland Communications Commission Act, No 10 of 2013. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial statements

The Commission's Directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Communications Commission Act, No 10 of 2013, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the annual financial statements, the Directors are responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless management and the Directors either intend to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but for the purpose of expressing an opinion on the effectiveness of the Commission's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Kobla Quashie and Associates**
*Chartered Accountants (Swaziland)*
*Manzini*
Per: Daniel Bediako

31 July 2018

# Directors' report

The Directors submit their report for the year ended 31 March 2018.

## Review of activities

### Main business and operations

The Swaziland Communication Commission (SCCOM) is an independent regulatory body established by an Act of Parliament (Swaziland Communications Commission Act, No 10 of 2013) as part of Government's reform strategy for communications. The Commission is engaged in the business to regulate and supervise functions of all electronic communications, postal, radio and television broadcasting services and operates principally in Swaziland. It is charged with the responsibility for policy, regulation, oversight, professional development and information management and dissemination in the field of electronic communications.

The operating results and state of affairs of the Commission are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

## Going concern

The ability of the Commission to continue as a going concern depends on the long-term sustainability of such results and further improvements.

## Events after the reporting period

The Directors are not aware of any matter or circumstance arising since the end of the financial year period that could impact the amounts presented in the financial statements, and:

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

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

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

## Board of Directors

The Directors of the Commission during the year and to date of this report are as follows:

Mr Sipho J Shongwe – Chairman
Dr Gideon Mahlalela – Deceased April 2018
Mr December Mavimbela – Member
Mrs Zodwa Ginindza – Member
Mr Bheki Ndzinisa – Member
Mrs Bongiwe Dlamini – Member
Mr Mvilawemphi Dlamini – Official CE

## Secretary

The Secretary of the Commission is Mr Ozzie Thakatha.

## Auditors

Kobla Quashie and Associates Chartered Accountants (Swaziland) Manzini.

# Statement of financial position

For the year ended 31 March 2018

| Figures in Emalangeni | Note(s) | 2018 | 2017 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 2 | **50 862 751** | 48 710 557 |
| Investments | 3 | **20 000 000** | 20 000 000 |
| | | **70 862 751** | 68 710 557 |
| **Current Assets** | | | |
| Accounts receivable | 4 | **59 834 342** | 40 689 586 |
| Financial assets | 5 | **109 113 249** | 55 833 682 |
| Cash and cash equivalents | 6 | **3 971 753** | 36 941 811 |
| | | **172 919 344** | 133 474 079 |
| **Total Assets** | | **243 782 095** | 202 184 636 |
| **Reserves and Fund balances** | | | |
| **Reserves** | | | |
| Accumulated reserves | | **36 574 256** | 29 431 046 |
| **Fund balances** | | | |
| Designated funds | 7 | **162 462 836** | 134 988 851 |
| Universal Service Obligation Funds | 8 | **32 342 406** | 25 290 766 |
| Capital grant | 9 | **91 217** | 106 420 |
| | | **194 896 459** | 160 386 037 |
| **Current Liabilities** | | | |
| Accounts payable | 10 | **9 790 435** | 10 286 962 |
| Provisions | 11 | **2 520 945** | 2 080 591 |
| | | **12 311 380** | 12 367 553 |
| **Total Liabilities** | | **207 207 839** | 172 753 590 |
| **Total Equity and Liabilities** | | **243 782 095** | 202 184 636 |

# Statement of comprehensive income

For the year ended 31 March 2018

| Figures in Emalangeni | Note(s) | 2018 | 2017 |
|---|---|---|---|
| Income | | **59 344 963** | 41 041 832 |
| Operating expenses | | **(52 201 753)** | (36 351 115) |
| **Operating surplus** | 12 | **7 142 210** | 4 690 717 |
| **Surplus for the period** | | **7 143 210** | 4 690 717 |
| Other comprehensive income | | **–** | – |
| **Total comprehensive income** | | **7 143 210** | 4 690 717 |
| Surplus for the period | | **7 143 210** | 4 690 717 |

# Statement of changes in funds

For the year ended 31 March 2018

| Figures in Emalangeni | Accumulated reserves | Total reserves |
|---|---|---|
| Balance at 01 April 2016 | 24 740 329 | 24 740 329 |
| Changes in equity | | |
| Total comprehensive income for the year | 4 690 717 | 4 690 717 |
| Total changes | 4 690 717 | 4 690 717 |
| **Balance at 01 April 2017** | 29 431 046 | 29 431 046 |
| Changes in equity | | |
| Total comprehensive income for the year | **7 143 210** | **7 143 210** |
| **Total changes** | **7 143 210** | **7 143 210** |
| **Balance at 31 March 2018** | **36 574 256** | **36 574 256** |

# Statement of cash flows

For the year ended 31 March 2018

| Figures in Emalangeni | Note(s) | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 13 | **20 579 604** | 37 592 752 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 2 | **(8 011 380)** | (8 660 646) |
| Sale of property, plant and equipment | 2 | **704 848** | 81 324 |
| Sale of financial assets | | **–** | (20 000 000) |
| Purchase of financial assets | | **(53 279 567)** | (4 159 250) |
| **Net cash from investing activities** | | **(60 586 099)** | (32 738 572) |
| **Cash flows from financing activities** | | | |
| Movement in universal service obligation funds | | **7 051 640** | 4 938 841 |
| Movement in capital grant | | **(15 203)** | (15 203) |
| **Net cash from financing activities** | | **7 036 437** | 4 923 638 |
| **Total cash movement for the year** | | **(32 970 058)** | 9 777 818 |
| Cash at the beginning of the year | | **36 941 811** | 27 163 993 |
| **Total cash at end of the year** | 6 | **3 971 753** | 36 941 811 |

# Summary of significant accounting policies

For the year ended 31 March 2018

## 1. Presentation of annual financial statements

Swaziland Communications Commission (SCCOM) is a Government parastatal established in terms of the Swaziland Communications Act, No 10 of 2013. It is a corporate body with perpetual succession capable of suing and being sued, subject to the provisions of the Act.

The addresses of the office and principal place of business are disclosed in the introduction of the annual report on page 2.

### Statement of compliance

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

The following are the principal accounting policies adopted in the preparation of these financial statements as set out below:

## 1.1 Basis of preparation

### a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

### b) Basis of measurement

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

### c) Functional and presentation currency

These financial statements are presented in Emalangeni, which is the entity's functional currency. All financial information presented in Emalangeni have been rounded to the nearest figure.

### d) Use of estimates and judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

### Receivables

The Commission assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the income statement, the Commission makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

## 1.2 Changes in accounting policies and disclosures

### a) New and amended standards adopted by the Commission

No new standards have been adopted by the Commission for the first time for the financial year beginning on or after 1 April 2017 that have a material impact on the Commission:

## b) New standards, amendments and interpretations not yet effective and not early adopted by the Commission

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these annual financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Commission, except the following set out below:

### *Amendment to IAS 12 – Income taxes*

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. The standard is effective for annual periods beginning on or after 1 January 2017. The Commission is assessing the impact of this amendment.

### *Amendment to IAS 7 – Cash flow statements*

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities. The standard is effective for annual periods beginning on or after 1 January 2017. The Commission is assessing the impact of this amendment.

### *IFRS 9 – Financial Instruments (2009 and 2010) – Financial liabilities, derecognition of financial instruments, Financial assets, General hedge accounting*

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The IASB has updated IFRS 9 – *Financial instruments* to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 – *Financial instruments: Recognition and measurement*, without change, except for financial liabilities that are designated at fair value through profit or loss.

### *Amendment to IFRS 9 – Financial instruments, on general hedge accounting, effective 1 January 2018*

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

## 1. Presentation of annual financial statements continued

### 1.2 Changes in accounting policies and disclosures continued

Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- The own credit risk requirements for financial liabilities.
- Classification and measurement (C&M) requirements for financial assets.
- C&M requirements for financial assets and financial liabilities.
- The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

IFRS 15 – *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 – *Revenue* and IAS 11 – *Construction contracts* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Commission is assessing the impact of IFRS 15.

#### *IFRS 16 – Leases, effective 1 January 2019*

After 10 years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17 – *Leases*, IFRIC 4 – *Determining whether an Arrangement contains a Lease*, SIC 15 – *Operating Leases – Incentives* and SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Commission.

## 1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Commission; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|---|---|
| Leasehold improvements | 10 years |
| Furniture and fixtures | 10 years |
| Motor vehicles | 5 years |
| Office equipment | 10 years |
| IT equipment and softwares | 3 years |
| Spectrum monitoring equipment | 15 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## 1. Presentation of annual financial statements continued

### 1.4 Financial instruments

#### Classification

The Commission classifies financial assets and financial liabilities into the following categories:

- Loans and receivables.
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Commission has transferred substantially all risks and rewards of ownership.

#### Loans to managers and employees

These financial assets are classified as loans and receivables.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

### Trade and other payables

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

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Commission's accounting policy for borrowing costs.

## 1.5 Tax

The Commission is exempt from income tax according to sSection 12(1) (a) (iii) read together with section 2 of the Income Tax Order, 1975, as amended.

## 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

## 1.7 Impairment of assets

The Commission assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Commission estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

## 1. Presentation of annual financial statements continued

### 1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.9 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and is not discounted.

#### Termination benefits

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

#### Statutory obligations

The Commission contributes to a statutory fund, Swaziland National Provident Fund (SNPF), in accordance with the Swaziland National Provident Fund Order of 1974. .

#### Pension obligation

The Commission operates a provident fund for all its employees. This fund is a defined contribution plan. A defined contribution plan is a pension plan under which the Commission pays fixed contributions into a separate entity. The Commission has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

### 1.10 Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to SCCOM and the amounts of revenue can be reliably measured.

#### Licence fees

Licence fee income consists of annual mobile licence fees, spectrum fees type approval and renewals which are recognised in the period to which it relates.

#### Interest income

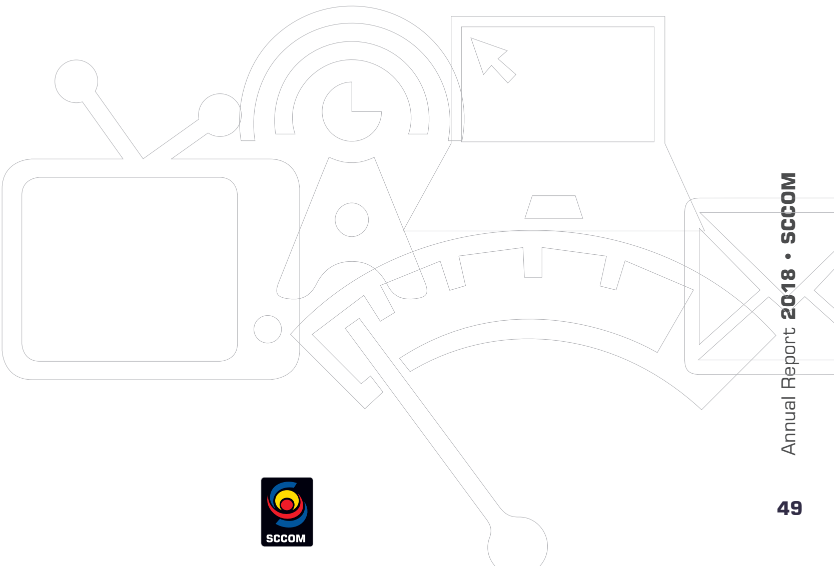
Interest is recognised in the income statement using the effective interest rate method. When a receivable is impaired, SCCOM reduces the carrying amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

## 1.11 Government grant

Grants from Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Commission will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the cost they intended to compensate. Government grants relating to purchase of property, plant and equipment are included in non-current liabilities and credited in the income statement proportion to which depreciation to those assets is charged.

## 1.12 Related parties

The major related party to the Commission, apart from its Directors, is the Government of Swaziland which exercises a significant influence over its financial and operating decisions.



# Notes to the annual financial statements

For the year ended 31 March 2018

## 2. Property, plant and equipment

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Cost/ Valuation** | **Accumulated depreciation** | **Carrying value** | Cost/ Valuation | Accumulated depreciation | Carrying value |
| Land | **4 824 971** | **–** | **4 824 971** | – | – | – |
| Furniture and fixtures | **1 096 037** | **(277 103)** | **818 934** | 1 103 852 | (182 893) | 920 959 |
| Motor vehicles | **6 395 306** | **(1 794 599)** | **4 600 707** | 5 722 136 | (1 038 871) | 4 683 265 |
| Office equipment | **789 895** | **(101 444)** | **688 451** | 444 272 | (38 139) | 406 133 |
| IT equipment and software | **2 548 328** | **(1 254 523)** | **1 293 805** | 1 667 832 | (688 294) | 979 538 |
| Spectrum monitoring equipment | **44 035 631** | **(6 122 511)** | **37 913 120** | 43 948 088 | (3 044 102) | 40 903 986 |
| Leasehold improvements | **988 466** | **(265 703)** | **722 763** | 988 466 | (171 790) | 816 676 |
| **Total** | **60 678 634** | **(9 815 883)** | **50 862 751** | 53 874 646 | (5 164 089) | 48 710 557 |

**Reconciliation of property, plant and equipment – 2018**

| | **Opening balance** | **Additions** | **Disposals** | **Depreciation** | **Total** |
|---|---|---|---|---|---|
| Land | **–** | **4 824 971** | **–** | **–** | **4 824 971** |
| Furniture and fixtures | **920 959** | **18 300** | **(20 200)** | **(100 125)** | **818 934** |
| Motor vehicles | **4 683 265** | **1 791 387** | **(663 634)** | **(1 210 311)** | **4 600 707** |
| Office equipment | **406 133** | **345 623** | **–** | **(63 305)** | **688 451** |
| IT equipment and software | **979 538** | **943 556** | **(21 014)** | **(608 275)** | **1 293 805** |
| Spectrum monitoring equipment | **40 903 986** | **87 543** | **–** | **(3 078 409)** | **37 913 120** |
| Leasehold improvements | **816 676** | **–** | **–** | **(93 913)** | **722 763** |
| | **48 710 557** | **8 011 380** | **(704 848)** | **(5 154 338)** | **50 862 751** |

**Reconciliation of property, plant and equipment – 2017**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Furniture and fixtures | 746 912 | 253 103 | – | (79 056) | 920 959 |
| Motor vehicles | 2 399 769 | 2 989 232 | – | (705 736) | 4 683 265 |
| Office equipment | 165 031 | 268 886 | – | (27 784) | 406 133 |
| IT equipment and software | 864 789 | 508 297 | (81 324) | (312 224) | 979 538 |
| Spectrum monitoring equipment | 39 459 669 | 4 488 420 | – | (3 044 103) | 40 903 986 |
| Leasehold improvements | 742 461 | 152 708 | – | (78 493) | 816 676 |
| | 44 378 631 | 8 660 646 | (81 324) | (4 247 396) | 48 710 557 |

| Figures in Emalangeni | 2018 | 2017 |
|---|---|---|

## 3. Investments

| | | |
|---|---|---|
| **Held to maturity** | | |
| Swaziland government bond | **20 000 000** | 20 000 000 |
| **Non-current assets** | | |
| Held to maturity | **20 000 000** | 20 000 000 |

This is a seven-year Government treasury bond which has a floating rate coupon linked to prime rate minus 1.5% with the first coupon rate at 9%. Interest payment date is 28 February and 31 August in each year.

## 4. Accounts receivable

| | 2018 | 2017 |
|---|---|---|
| Trade receivables | **59 734 477** | 40 149 777 |
| Prepayments – subscriptions | **–** | 423 088 |
| Rental deposit | **79 101** | 95 726 |
| Fuel deposit | **20 764** | 29 995 |
| | **59 834 342** | 40 698 586 |

| Figures in Emalangeni | 2018 | 2017 |
|---|---|---|
| **5. Financial assets** | | |
| Stanlib Swaziland – Money Market Fund | **56 125 490** | 26 849 957 |
| African Alliance Swaziland – Lilangeni Fund | **23 664 708** | 28 924 624 |
| Stanlib Swaziland – Money Market Fund – USOF | **29 323 051** | 59 101 |
| | **109 113 249** | 55 833 682 |
| **6. Cash and cash equivalents** | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | **4 643** | 480 |
| Bank balances | **3 967 110** | 36 941 331 |
| | **3 971 753** | 36 941 811 |
| **Bank balances** | | |
| Nedbank (Swaziland) Limited – Current account | **602 792** | 1 409 690 |
| Nedbank (Swaziland) Limited – Call account | **3 232 310** | 10 299 976 |
| Nedbank (Swaziland) Limited – Universal current account | **1 694** | 2 552 290 |
| Nedbank (Swaziland) Limited – Universal call account | **9 922** | 22 679 375 |
| Standard Bank (Swaziland) Limited - Current account | **100 377** | – |
| Standard Bank (Swaziland) Limited - Call account | **20 015** | – |
| | **3 967 110** | 36 941 331 |

| Figures in Emalangeni | Opening balance | Received during the year | Utilised during the year | Closing balance |
|---|---|---|---|---|
| **7. Designated funds** | | | | |
| **Reconciliation – 2018** | | | | |
| **Details** | | | | |
| Government subvention | **1 000 000** | **–** | **(1 000 000)** | **–** |
| Licensing fees | **133 988 851** | **79 660 535** | **(51 186 550)** | **162 462 836** |
| | **134 988 851** | **79 660 535** | **(52 186 550)** | **162 462 836** |
| **Reconciliation – 2017** | | | | |
| **Details** | | | | |
| Government subvention | 1 000 000 | – | – | 1 000 000 |
| Licensing fees | 73 476 566 | 96 769 126 | (36 256 841) | 133 988 851 |
| | 74 476 566 | 96 769 126 | (36 256 841) | 134 988 851 |

The designated funds represent Government grants and licence fees earmarked for future projects of the Commission.

| Figures in Emalangeni | | 2018 | 2017 |
|---|---|---|---|
| **8.** | **Universal Service Obligation Funds** | | |
| | Opening balance | **25 290 766** | 20 351 925 |
| | Received during the period | **7 051 640** | 4 938 841 |
| | | **32 342 406** | 25 290 766 |
| | These are funds transferred from the Universal Service Obligation Fund (USOF) in terms of section 56 of the Swaziland Communications Act, 2013. | | |
| **9.** | **Capital grant** | | |
| | Opening balance | **106 420** | 121 623 |
| | Realised in the income statement | **(15 203)** | (15 203) |
| | | **91 217** | 106 420 |
| | Capital grant received represent a grant in a form of depreciable fixed assets which were bought by Government to help set up the Commission. The grant is recognised in the income statement on a straight-line basis over the useful life of the assets. | | |
| **10.** | **Accounts payable** | | |
| | Accrued expenses | **4 859 170** | 1 119 899 |
| | VAT payable | **4 931 265** | 9 167 063 |
| | | **9 790 435** | 10 286 962 |

| Figures in Emalangeni | | Opening balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|---|
| **11.** | **Provisions** | | | | |
| | **Reconciliation of provisions – 2018** | | | | |
| | Bonuses and 13th cheque | 2 080 591 | 1 687 608 | (1 589 788) | 2 178 411 |
| | Leave days | – | 342 534 | – | 342 534 |
| | | 2 080 591 | 2 030 142 | (1 589 788) | 2 520 945 |

## 11. Provisions continued

**Reconciliation of provisions – 2017**

| Figures in Emalangeni | Opening balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Bonuses and 13th cheque | 408 444 | 2 488 848 | (816 701) | 2 080 591 |
| Leave days | 160 112 | – | (160 112) | – |
| | 568 556 | 2 488 848 | (976 813) | 2 080 591 |

The provisions for leave pay and bonuses have been raised in terms of the following International Accounting Standards: IAS 19 – *Employee Benefits*:

**Leave pay provision**

The leave pay provision relates to the 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 also utilised when employees, who are entitled to leave pay, leave the employment of the Commission.

**Bonus provision**

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the Commission's annual results have been approved. Payment of bonus has to be approved by the Board of Directors.

## 12. Operating surplus

Operating surplus for the period amounting to E7 143 210 is stated after accounting for the following:

| Figures in Emalangeni | 2018 | 2017 |
|---|---|---|
| **Operating lease charges** | | |
| Premises | | |
| Contractual amounts | **987 514** | 915 474 |
| Depreciation on property, plant and equipment | **5 154 338** | 4 247 394 |
| Employee costs | **18 434 235** | 9 115 956 |
| Auditor's remuneration | **96 000** | 96 900 |

| Figures in Emalangeni | 2018 | 2017 |
|---|---|---|

## 13. Cash generated from operations

| | | |
|---|---|---|
| Surplus for the period | **7 143 210** | 4 690 717 |
| **Adjustments for:** | | |
| Depreciation and amortisation | **5 154 338** | 4 247 394 |
| Movements in provisions | **440 354** | 1 512 035 |
| **Changes in working capital:** | | |
| Accounts receivable | **(19 135 756)** | (39 350 776) |
| Accounts payable | **(496 527)** | 5 981 097 |
| Designated funds | **27 473 985** | 60 512 285 |
| | **20 579 604** | 37 592 752 |

## 14. Related parties

**Relationships**

| | |
|---|---|
| **Parastatal organisation** | Government of Swaziland<br>Sipho J Shongwe |
| **Members of key management** | Gideon Mahlalela<br>December Mavimbela<br>Zodwa Ginindza<br>Bheki Ndzinisa<br>Bongiwe Dlamini |

| Figures in Emalangeni | 2018 | 2017 |
|---|---|---|
| **Related-party transactions** | | |
| **Board expenses** | | |
| Retainer fees | **108 840** | 71 550 |
| Sitting allowances | **106 410** | 133 050 |
| Communication allowances | **145 220** | 98 880 |

# Notes to the annual financial statements continued

For the year ended 31 March 2018

## 15. Capital commitments

The commitments represent expenditure contracted for at balance date but not yet incurred.

### ICT market studies – Pygma Consulting (Pty) Ltd

The Commission awarded a contract for the ICT Market Studies on 6 June 2016 elapsing on 31 July 2018 valued at **E4 450 500**.

### Maintenance and support – TCI International

A maintenance and support contract for the maintenance of the Spectrum monitoring equipment was signed on 12 May 2017, covering years 2018 – 2020 to the value of **USD210 874 (approximately SZL2 741 361)** as detailed below:

| Figures in Emalangeni | | 2018 | 2017 |
|---|---|---|---|
| Within 1 year (1 April 2017 – 30 March 2018) | @ USD70 291 | **913 787** | – |
| Second year (1 April 2018 – 30 March 2019) | @ USD70 291 | **913 787** | – |
| Third year (1 April 2019 – 30 March 2020) | @ USD70 291 | **913 787** | – |
| | | **2 741 361** | – |

## 16. Risk management

### Capital risk management

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

There are no externally imposed capital requirements.

### Liquidity risk

The Commission's risk to liquidity is a result of the funds available to cover future commitments. The Commission manages liquidity risk through an ongoing review of future commitments and credit facilities.

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Commission only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

## 17. Comparative figures

Certain comparative figures have have been reclassified, where necessary, to afford a proper presentation.

## 18. Post-balance sheet events

There are no events which have occurred between the balance sheet date and the date of the audit report, which have a material impact on the financial statements.

# Detailed statement of financial performance

| Figures in Emalangeni | 2018 | 2017 |
|---|---|---|
| **Income** | | |
| Licence fees | **51 186 550** | 36 335 912 |
| Swaziland Government subvention | **1 000 000** | – |
| Capital grant | **15 203** | 15 203 |
| Interest received | **7 092 647** | 4 690 717 |
| Profit from asset disposal | **50 563** | – |
| | **59 344 963** | 41 041 832 |
| **Operating expenses** | | |
| Advertising | **1 814 958** | 1 432 709 |
| Auditors' remuneration | **96 000** | 96 900 |
| Bank charges | **141 291** | 137 017 |
| Board expenses | **1 063 730** | 595 741 |
| Cleaning expenses | **32 059** | 23 295 |
| Computer expenses | **56 855** | 43 437 |
| Depreciation | **5 154 338** | 4 247 394 |
| Donations | **77 320** | 110 000 |
| Employee costs | **18 434 235** | 9 115 956 |
| Insurance | **989 375** | 1 086 610 |
| Loss on assets disposal | **–** | 79 071 |
| Ministry of ICT expenses | **215 752** | 3 241 017 |
| Motor vehicle expenses | **511 168** | 303 365 |
| Office expenses | **150 826** | 112 692 |
| Printing and stationery | **131 611** | 296 126 |
| Professional fees | **7 734 691** | 2 418 692 |
| Rent | **987 514** | 915 474 |
| Repairs and maintenance | **996 401** | 233 157 |
| Staff welfare | **123 342** | 81 827 |
| Strategic plan expenses | **1 066 589** | – |
| Subscriptions | **2 884 000** | 5 801 594 |
| Telephone and fax | **1 085 409** | 801 476 |
| Travel, conferences and workshops | **8 027 366** | 5 076 440 |
| Uniforms and protective clothing | **288 776** | – |
| Utilities | **138 147** | 101 125 |
| | **52 201 753** | 36 351 115 |
| **Surplus for the year** | **7 143 210** | 4 690 717 |

*The supplementary information presented does not form part of the annual financial statements and is unaudited.*

# Supplementary information

## 1. Auditors' remuneration

| | |
|---|---|
| Kobla Quashie & Associates | 96 000 |

## 2. Board expenses

| | |
|---|---|
| Board training | 690 564 |
| Communication allowances | 145 220 |
| Retainer fees | 108 840 |
| Sitting allowances | 106 410 |
| Travel claims | 12 696 |
| Travel claims | **1 063 730** |

## 3. Rent

| | |
|---|---|
| Destiny Music | 5 790 |
| Public Service Pension Fund | 959 924 |
| Swaziland Investment Promotion Agency | 21 800 |
| | 987 514 |

## 4. Subscriptions

| | |
|---|---|
| AFRALTI | 246 246 |
| African Telecommunications Union | 163 750 |
| CTO | 423 088 |
| Communication Regulators Association of South-Southern Africa | 587 880 |
| International Telecommunications Union | 542 117 |
| Pan African Postal Union (PAPU) | 279 545 |
| Pastel payroll | 6 568 |
| Swaziland Television Authority | 3 290 |
| Universal Postal Union (UPU) | 631 516 |
| | **2 884 000** |

## 5. Professional fees

| | |
|---|---|
| Capital Management Services Consultants | 36 271 |
| Detecon | 2 024 188 |
| FHT Consultants | 7 750 |
| KQ Consulting | 50 000 |
| Moore Advice | 4 000 |
| OnSwaziline Investments | 80 000 |
| Pygma Consulting | 4 643 500 |
| Sage Pastel | 30 243 |
| Solisani Investments | 309 988 |
| Sypher Technologies | 88 400 |
| TCI International | 199 042 |
| Universal Postal Union | 21 309 |
| Wits Commercial Enterprises (Pty) Ltd | 240 000 |
| | **7 734 691** |

# General information

| | |
|---|---|
| **Nature of business and principal activities** | To regulate and supervise functions of all electronic communications, postal, radio and television broadcasting services |
| **Board of Directors** | Mr Sipho J Shongwe – Chairman<br>Dr Gideon Mahlalela – Deceased April 2018<br><br>**Members:**<br>Mr December Mavimbela<br>Mrs Zodwa Ginindza<br>Mr Bheki Ndzinisa<br>Mrs Bongiwe Dlamini<br>Mr Mvilawemphi Dlamini (Chief Executive)<br><br>**Secretary:**<br>Mr Ozzie Thakatha |
| **Business address** | 4th Floor, Sibekelo Building, Mbabane Office Park, Mbabane, Swaziland |
| **Postal address** | PO Box 7811, Mbabane, H100 |
| **Bankers** | Nedbank (Swaziland) Limited |
| **Auditors** | Kobla Quashie and Associates Chartered Accountants (Swaziland) Manzini |
| **Registration number** | Swaziland Communications Act, No 10 of 2013 |

# Notes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