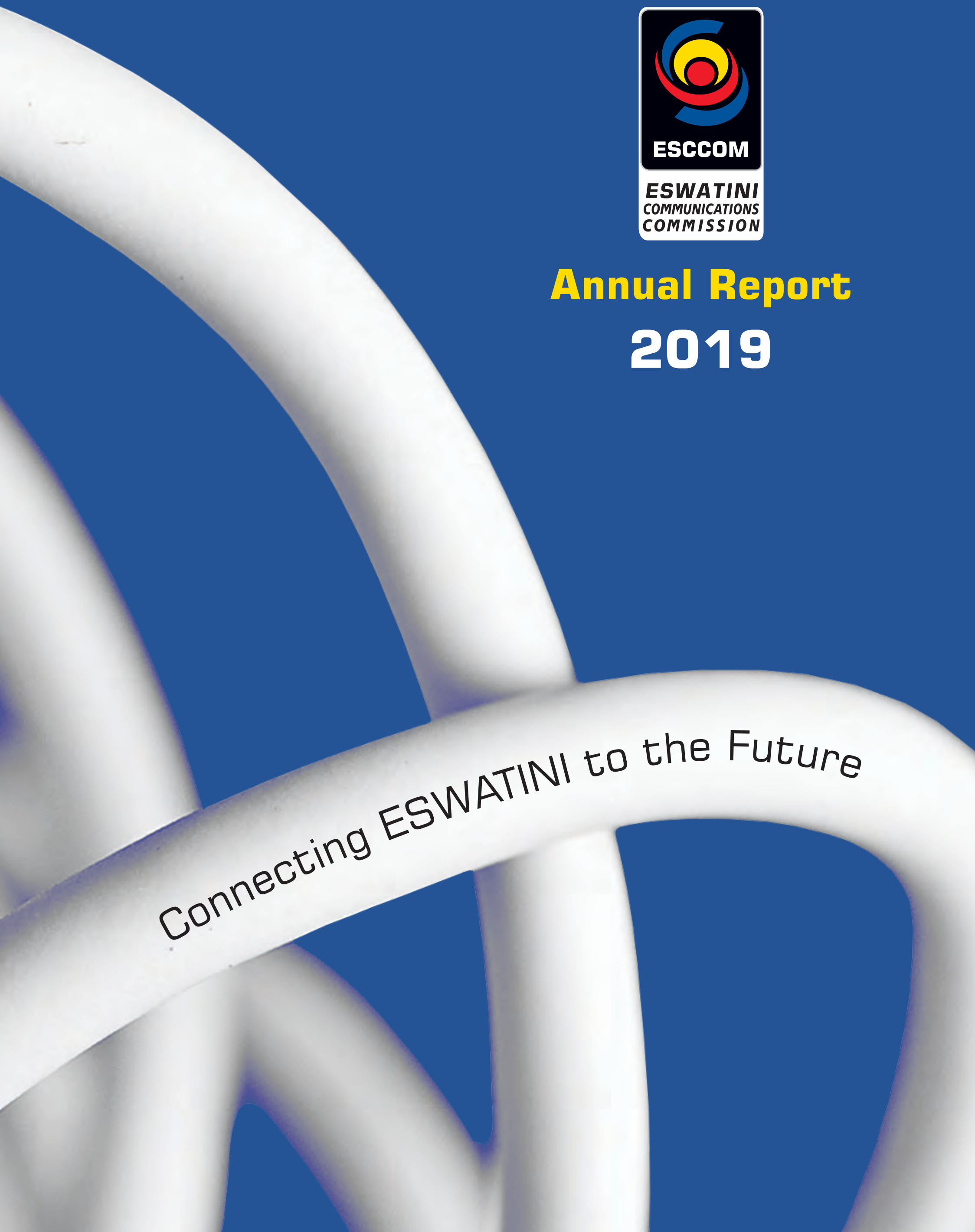
ESCCOM

ESWATINI COMMUNICATIONS COMMISSION

Annual Report 2019



Vision

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

Mission

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

Core values

- Integrity
- Transparency
- Accountability
- Teamwork
- Innovation
- Knowledgeable

Contents

Corporate information

Registered name
Eswatini Communications Commission

Registered office address
4th Floor, Sibekelo Building, North Wing

Postal address
PO Box 7811
Mbabane
H100

Telephone number: + 268 2406 7000

Email: info@esccom.org.sz

www.esccom.org.sz

Auditors
Kobla Quashie & Associates

Legislative mandate

The Eswatini Communications Commission (ESCCOM) is the regulatory authority for the information and communication technology sector in Eswatini. The Commission was established in 2013 by the Eswatini Communications Act, No 10 of 2013, to license and regulate telecommunications, radio communications, broadcasting and postal services in Eswatini. The Commission will play a critical role in the management and development of Eswatini's ICT sector. Through the Act, ESCCOM 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 Eswatini, 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 interests 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 thesectors 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

Themba Khumalo
Chairperson

Polycarp Dlamini
Vice Chairperson

Mvilawemphi Dlamini
Chief Executive

Bongiwe Dlamini
Board member

Zodwa Ginindza
Board member

Bheki Ndzinisa
Board member

December Mavimbela
Board member

Ozzie Thakatha
Company Secretary

Executive management

Mvilawemphi Dlamini
Chief Executive

Fikile Gama
Chief Financial Officer

Lindiwe Malaza
Director: Support Services

Thulani Fakudze
Director: Technical Services

Lindiwe Dlamini
Director: Strategy and
Economic Regulation

Ozzie Thakatha
Director: Legal and Compliance

Mbongeni Mtshali
Director: Universal Service
Obligation Fund

Chairperson's statement

Themba Khumalo
Chairperson

On behalf of the Board, it is my great pleasure to present the Eswatini Communications Commission's 2018/2019 Annual Report. In its quest to create and maintain an enabling regulatory environment for the sector, the Commission has again demonstrated diligence in its various operational activities. I am pleased to report that this financial year, the Commission has received unqualified audited financial statements, a trend that the Commission has maintained since its inception.

This past year saw the Commission engaging on a number of activities including the development of a five (5) year Strategy that will guide the operations of the Commission with requisite adaptations to a changing market landscape. The Strategy has identified several Key Perfomamce Areas for which the Commission will continue to be measured against thus ensuring that achievements and non-achievements are clearly identified, articulated and addressed accordingly. One of the mandates of the Commission is to secure universal service and access to electronic communications in the country. To this end, I am happy to report that during this financial year, the Commission operationalised the Universal Service and Access Fund by establishing a department to roll out the universal service and access agenda as reflected in detail in this report.

Key milestones achieved by the Commission during this financial year 2018/19, amongst others include;

- Reduction of communication costs at wholesale and retail level including roaming costs
- Successful implementation of national subscriber registration under the theme "vela"

- Renewal of the MTN Eswatini licence
- Coordination of annual stakeholder engagements as envisaged under the Electronic Communications Act (ECA)
- Active participation in local, regional and international regulatory forums, spectrum monitoring across the country, licencing of existing broadcasters in accordance with Section 50 of the ECA
- Acquisition of a Quality of Service monitoring system
- Engagement of stakeholders on number portability
- Investigation of the EPTC/MTN Joint Venture Agreement
- Provision of Connectivity to five (5) health centres under the UAS programme.

Considering the milestones achieved this year, I am confident that the Commission is well positioned to usher the country into "2022" in harmonised alignment with His Majesty's speech, when opening parliament this year, when the King remarked "...technology remains a key factor towards economic growth as it provides world-class access to information for all. Government should ensure that the entire nation enjoys proper connection in all urban and rural areas through the technologies made available. The nation should be able to get services through the different platforms that we have in ICT. This paradigm can also play a critical role in telemedicine, education and socio-economic development of our nation, to mention but a few".

The Commission is cognisant of the wide and crucial mandate with which it is entrusted and recognises that the passing of new Bills such as the Broadcasting, Postal, Computer Crime and Cyber Crime, and the Data Protection Bills, to name but a few, will all require the Commission to vigourously operationalise their provisions and ensure promotion of ICT in the country and offer the consumers the service and protection they deserve.

On behalf of the Board I would like to express my sincere gratitude to His Majesty's Government, the Honourable Minister of ICT Her Royal Highness Princess Sikhanyiso for her enlightening guidance, the ICT Ministry, Industry stakeholders, and the entire Eswatini nation who have supported and guided the Commission in the execution of its mandate.

We remain committed to the delivery of a connected nation through a forward-looking world class regulatory environment.

Thank you

Themba Khumalo
Board Chairperson

Chief Executive's report

Mvilawemphi Dlamini
Chief Executive

It is with great pleasure that I present the 2018/19 Annual Report of the Eswatini Communications Commission (ESCCOM). Sincere appreciation goes to the Ministry of ICT and the Board of the Commission, for the exemplary support and guidance over the years without which we would not have made inroads in the delivery of our mandate.

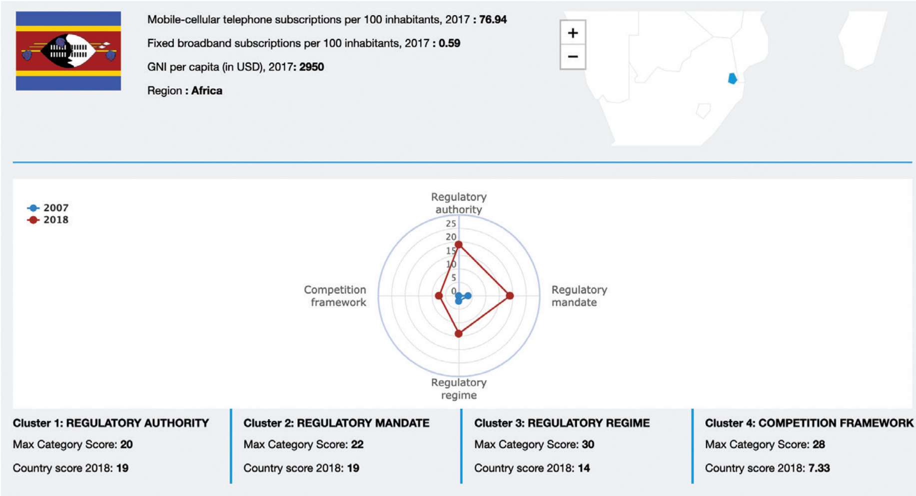
ICT development index

Since the establishment of the independent regulator ESCCOM five years ago there has been significant improvement in the execution of the regulatory authority and mandate. Within the Regulatory regime and competition framework there are still challenges that are expanded upon later but these include the delays in the passing of enabling legislation, i.e. Broadcasting, Postal, and Data Protection. Moreover, the dominance in fixed telephony and mobile gives rise to the constrained competitive landscape.

One of the most important considerations is that of broadband, which, in 2016, was declared by the United Nations Human Rights Commission (UNHRC) as a basic human right. By late 2018 it was reported that 50% global connectivity existed within the majority of developing countries and small island states, which is way below the global average expectations

Key to ESCCOM's deliverables, is to create an environment for the enhancement and broader development of ICT's in the country's economy. We do this predominantly by utilizing a regulatory ICT tracker from the United Nations specialized agency for information and communication technologies, the International Telecommunication Union (ITU). With this tool, various metrics monitor the progress, or lack thereof, in the advancement of ICT's in our nation.

Figure 1: Regulatory ICT Tracker



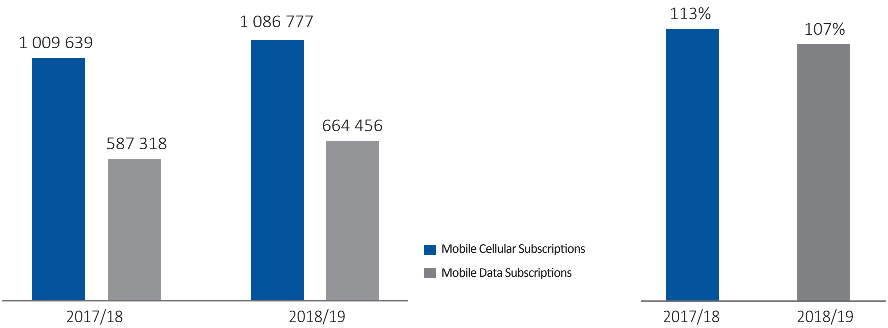
Source: International Telecommunications Union

Internet and broadband penetration

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

At the end of the 2018/19 financial year, total mobile subscriptions stood at 1 086 777, down from a total 1 155 079 subscriptions recorded in the 2017/18 financial year. The Mobile penetration rate consequently declined from 113% to 107%. The decline was observed in subscriptions for both MTN Eswatini and Eswatini Mobile, by 6% and 21%, as depicted in the figure on page 9, respectively.

Figure 2: Mobile Cellular Subscriptions and Market Penetration



Source: ESCCOM Data, March 2019

Fixed-broadband subscriptions increased from 14 922 recorded at the end of March 2018 to 15 906 in March 2019, recording a growth of 6.59%. This growth can be attributed to increased demand for internet services in the market, partly due to the affordability of services as a result of the price transformation program. The program has resulted in the reduced pricing of wholesale services by EPTC.

Chief Executive's report continued

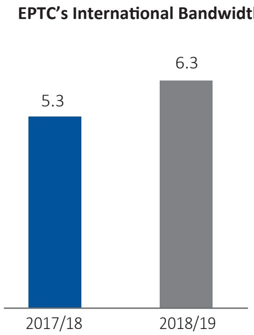
Table 1: Fixed Broadband Internet Subscriptions

	2018/19	2017/18	% Change
Fixed-broadband internet subscriptions	**15 906**	14 922	6.59

Source: ISPs Data, March 2019

Following the licensing of four new ISPs as reported in the previous year, introducing competition in the broadband market, a slight increase in the usage of broadband services has been observed. As such, EPTC has had to increase bandwidth capacity from 5 340 Mbit/s at the end of March 2018 to 6 340 Mbit/s in March 2019 to cater for the added demand.

Figure 3: EPTC's International Bandwidth in Mbit/s



Source: EPTC Data, March 2019

During the year under review, internet services totaled 15 906 as depicted in table 2 below.

Table 2: Fixed Broadband Internet Subscriptions by Internet Service Provider (ISP)

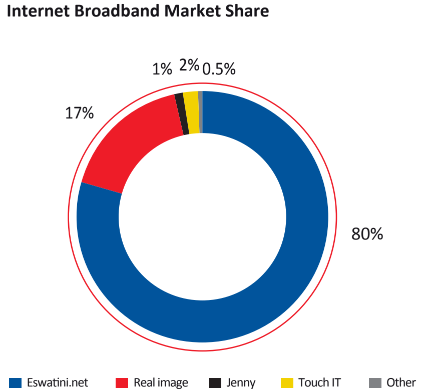
ISPs	Subscriptions
Eswatini.net	12 737
Real Image	2 652
Jenny	85
Touch IT	350
Posix	40
Computronics	17
Swazi Sat	18
Datanet	7
	15 906

Source: ISPs Data, March 2019

Broadband market share of stood as follows

Eswatini.net: 80%, Real Image: 17%, Touch IT: 2%, Jenny: 1% and other players: 0.5%.

Figure 4: Internet Broadband Market Share



Source: ESCCOM Data, March 2019

With reference to Coverage in the 2018/19 FY, the percentage of the population covered by mobile-cellular networks stood at 98% in the previous year, the percentage of the population covered by mobile networks – at least 3G stood at 93% and the percentage of the population covered by mobile networks – at least 4G/LTE stood at 37%.

These statistics are shown in Table 3 below.

Table 3: Mobile Network Coverage (%) by Technology FY 2018/19

Percentage of the land area (17,364 km^2) covered by mobile-cellular network	
2G	92%
3G	77%
4G/LTE	6%
Percentage of the population covered by a mobile-cellular network	
2G	98%
3G	93%
4G/LTE	37%

Source: Eswatini Mobile, MTN Eswatini

Cost of communication

Affordability remains the biggest challenge in Africa, from both a data and gadgets perspectives. Operator maps indicate 95% geographic coverage in Africa, whereas only 76% are connected, according to an ITU Statistics 2018 report. Closer to home the Southern African Development Community (SADC) heads and regulatory authorities have been working to ensure their 'roam-like-at-home' initiative slashes prices by up to 30% for those travelling in the region, be that for business or pleasure.

This has been addressed locally through a three-year glide path, ending in December 2019, between ESCCOM and EPTC, the fruition of which has yielded significant reductions in voice and data prices.

We acknowledge these concerted efforts to reduce the cost to communicate across the Kingdom, but the challenge remains that, despite a drop in the prices, the market remains non-competitive when compared to East and North Africa.

Competitive landscape

Competition remains subdued in the telecoms and broadcasting sectors.

Telecoms

Currently, the Commission has licensed three operators in the mobile space but only two are providing mobile services as a result of a Joint Venture restraint of trade clause, signed between the incumbent operator EPTC and MTN Eswatini. It was during this financial year that the Commission made a decision for EPTC to divest from MTN Eswatini and allow the State Owned Enterprise (SOE) to invest in mobile technology if it so wishes.

The Internet Service Provider (ISP) market is largely competitive with Real Image and Swazi.net having significant market share, along with a number of other smaller ISP's. During the year under review ESCCOM fined two ISP's for non-compliance as per the conditions of their license agreement, relating to the provision of their services to customers.

Broadcasting

Efforts to open up the market in broadcasting are at an advanced stage. Existing licenses have been converted to a new licensing framework, and additional licenses, inclusive of radio and television, will be issued. The emphasis is on promoting and improving locally-produced content and professionalizing the broadcasting standards.

It is of utmost importance that such markets open up, in particular the community radio sector, whose role is to amplify and give voice to the voiceless.

Significant projects

- The VELA subscriber registration programme was the flagship project launched during the 2018/19 financial year. With over 95 percent of subscribers registered by end March 2019, the project has been classified as enormously successful. We thank the operators Eswatini Mobile and MTN Eswatini for their support and campaigns that made achieving such a feat possible.

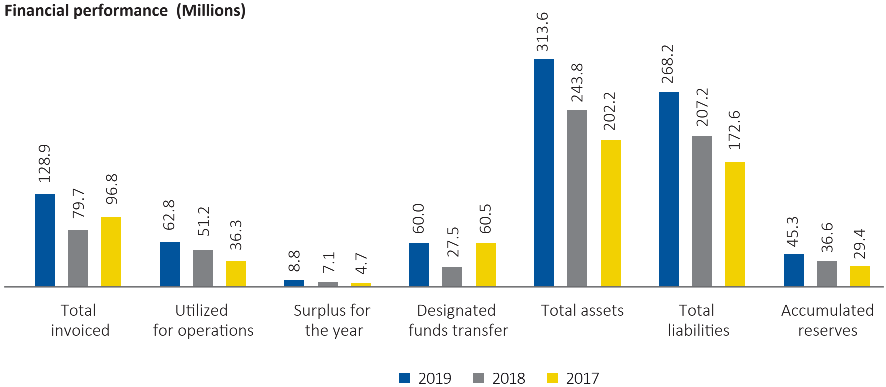
Chief Executive's report continued

- In November 2018, the MTN Eswatini ECN license was renewed for a further 10 years following a vigorous exercise of reviewing compliance of the previous licensing conditions. The expectation is that the operator will, at least, be testing/piloting 5G and other new technologies in the telecoms space in the 4th quarter of 2020.
- The Commission also completed the Infrastructure Sharing Guidelines that present ceiling rates for sharing of Base Transceiver Stations (BTS) sites. This ensures uniformity and transparency in the pricing/renting agreements, which in the past showed disparity in the rates by the infrastructure owners.
- The Commission continues to increase regulatory capacity through training and development initiatives as well as participating in national and international platforms, where we share ideas and are exposed to international best practice in the regulatory function from experts in the telecoms, postal and broadcasting areas.
- Child online protection continues to be everyone's business and as such the Commission has reserved the '116' short-code number for child helpline services. This is in-line with regional harmonization initiatives.

Mvilawemphi Dlamini
Chief Executive

Financial performance and highlights

For the fourth consecutive year, external auditors Kobla Quashie and Associates, have submitted an unqualified audit opinion with no significant findings, and no repeat findings. This is due to the diligent work from the finance directorate. From an operational perspective, we have observed reduced profitability but we are yet to unpack this trend.



Financial key performance indicators

	2019 E Million	2018 E Million	2017 E Million	2018/19 % Variance	2017/18 % Variance
Total invoiced	**128.9**	79.7	96.8	62%	(18%)
Utilised for operations	**62.8**	51.2	36.3	23%	41%
Surplus for the year	**8.8**	7.1	4.7	24%	51%
Designated funds transfer	**60.0**	27.5	60.5	118%	(55%)
Total Assets	**313.6**	243.8	202.2	29%	21%
Total Liabilities	**268.2**	207.2	172.6	29%	20%
Accumulated Reserves	**45.3**	36.6	29.4	24%	24%

The total invoiced amount comprises annual license fees and spectrum fees charged to EPTC, Eswatini Mobile, and MTN Eswatini. These license fees are used to fund the cost of regulation.

Other income, which comprises mainly of interest earned on investments for the year, amounted to E8.8-Million, showing an increase of 24% when compared to the previous financial year. This growth is attributable to an increase in investments during the year.

Those investments include a E40-Million Government Bond issued by the Central Bank of Eswatini. This investment has not only assisted in improving the Commission's investment portfolio, but has also significantly contributed to the improvement of fiscal challenges faced by the government. The interest received on investments is the maximum possible within the Commission's acceptable risk parameters. Financial assets include the Stanlib Eswatini Money Market Fund and the African Alliance Lilangeni Fund.

Operating expenses were in line with budgetary expectations. Other costs increased due to the increase in operational activities.

Designated funds represent license fees earmarked for future projects of the Commission.

The surplus for the year is reported at E8.8 Million, which is a 24% growth from the previous year's results.

In terms of Section 56 of the Eswatini Communications Act, 2013, the Commission holds in custody, funds that have been transferred for the Universal Service Obligation Fund (USOF) amounting to E24.9 Million. These funds have decreased by 26% from the previous year. The decrease is as a result of the establishment and operationalisation of the USOF office.

During the year under review the Commission has successfully grown its total assets to E313.6 Million. The acquisition of property, plant and equipment amounted to E11.6 Million with E9.2 Million of this directed at the purchase of a system to monitor the quality of service within the telecommunications industry.

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

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

CHALLENGES

Delayed payment of outstanding license fees

The working capital of the Commission is affected by delayed payment of outstanding debt from some operators.

Funding of the USOF

The USOF is funded by 0.05% of the operators' net operating income, which is insufficient in terms of catering for its intensive capital program.

FUTURE OUTLOOK

Revenue

License fees are expected to increase as Eswatini Mobile becomes more established in the market. Fees from the other two main operators are not expected to increase significantly.

Operating expenditure

Operating costs are expected to match the level of activity within the organization.

Capital expenditure

The Commission will invest in the construction of its corporate office building over the next three years. Designated funds will be utilized to fund this project.

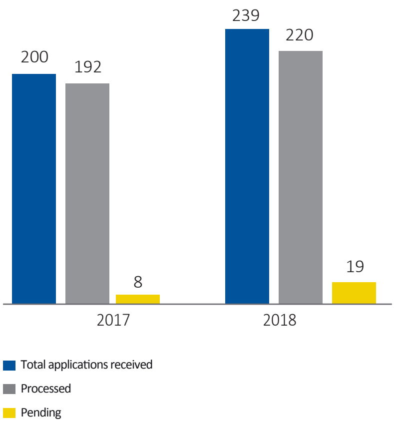
Technical services

The Technical Services Department's activities, carried out in the duration of the financial period/year 1st April 2018 to 31st March 2019, are aligned to the Commission's mandate and five-year strategy, which is to deliver on the following programmes:

Electronic communications equipment type approval

The Commission is charged with the responsibility to set standards and type approval of electronic communications equipment in the country while ensuring compliance to the set standards. This is to ensure safety and protection, the maintenance of the quality and integrity of communications services, and the quality of the end-user communication terminal. For the reporting period under review, the Department received 239 applications for processing. Of these, 220 were processed successfully and certificates issued, and 19 remain pending due to non-payment of applicable fees. The figure to the right provides a summary of the applications received and processed during the period under review:

Equipment Type Approval Applications



In accordance with the provisions of the Electronic Communications (Equipment Type Approval, Importation and Distribution) Regulations, the Commission publishes a list of all 'type-approved' equipment on its website: https://www.esccom.org.sz/mandate/typeapproval/Type-Approved-Equipment-List.php

Home About ▾ Mandate ▾ Legislation ▾ Regulations ▾ Licensing ▾ Tariffs ▾ Universal Service ▾ Consumer Protection ▾ ICT Statistics ▾ Media ▾ Publications ▾

Home / Mandate / Type Approval / Type Approved Equipment List

Type Approved Equipment List

Search Table... Go

No.	MANUFACTURER	AGENT/REP	MODEL DESCRIPTION	MODEL	Cert No.TA
1	Alps Alpine Co.LTD	Product Compliance Specialists	Hand Unit	TWB1G0090	2019/0134
2	Robert Bosch Car multimedia GmbH	consult-it-mathurin	Car Radio with Bluetooth	52R0	2019/0133
3	B&R Industrial Automation GmbH	Phoenix testlab-Chvi	Industrial Monitor 21.5" with NFC, Bluetooth and 2.4 GHz WLAN	5AP5130.215C-C00	2019/0132
4	B&R Industrial Automation GmbH	Phoenix testlab-Chvi	Industrial Monitor 21.5" with NFC, Bluetooth and 2.4 GHz WLAN	5AP1130.215C-C00	2019/0131

RELATED LINKS

- Telecommunications
- Frequency Spectrum
- Internet
- Broadcasting
- Postal
- Tariffs
- Type Approval

USEFUL RESOURCES

- Type Approval Procedure
- Type Approval Standards
- Type Approval Equipment List.pdf
- Type Approval Application Form

Additionally, the Commission convened a stakeholder engagement forum to sensitize all stakeholders, inclusive of the public, on the requirements for importing and certifying electronic communications equipment in the country, with the view to ensure compliance to the prevailing regulatory environment

Quality of service for electronic communications service providers

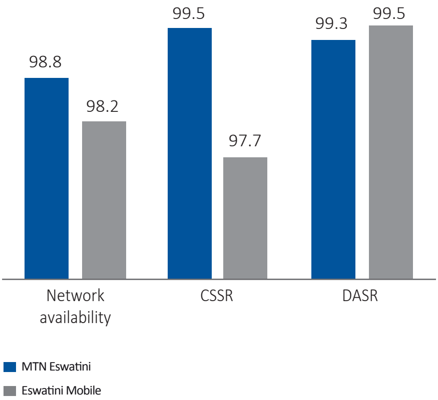
In line with the Commission's responsibility to ensure that service providers of electronic communications services offer quality services to its consumers, ESCCOM monitored and evaluated services provided by mobile network operators (MNO's), Eswatini Mobile and MTN Eswatini, measuring those against key performance indicators (KPIs) reflected in the Electronic Communications (Quality of Service) Regulations, and recommendations by the ITU-T. This directed the Commission's focus on four network KPIs: network availability; service accessibility; service retainability; and service integrity. In all the KPIs monitored and evaluated, both service providers' performance was above the set thresholds for their KPIs at national level.

Technical services continued

Henceforth, the exact KPIs reported on by the operators will be:

- Call setup success rate (CSSR);
- Call drop rate (CDR);
- Data access success rate (DASR); and
- Average User Data throughput.

Network performance quality of service evaluation – 2018/2019



Automated quality of service measurement and benchmarking solution:

During the period under review, the Commission initiated a project to automate the collection and analysis of mobile telecommunications service providers' key network performance indicators in accordance with Regulations. The Commission engaged Planet Network International (PNI), whose mandate was to provide a turnkey solution to measure and benchmark the quality of mobile telecommunications services in the Kingdom. The project is anticipated to be completed during the forthcoming financial year (2019/2020), and will assist the Commission to not only rely on the reports submitted by the operators, but to also independently assess the quality of service provided to consumers by the country's service providers.

Specifically, the objectives of the project include:

- monitoring the state of the mobile network as perceived by subscribers, and configured by operators on network counters, at near real-time monitoring;
- reporting on the network quality of all mobile network operators by site, cluster of sites, town, city, regions and national levels;
- the monitoring of the entire network in near real-time, and to evaluate the quality of service results that reflect all events throughout the MNOs' networks;
- an automatic monitoring and measuring of the quality of mobile voice calls and data services; and
- the automation of the development of network performance reports using data collected directly from network operators.

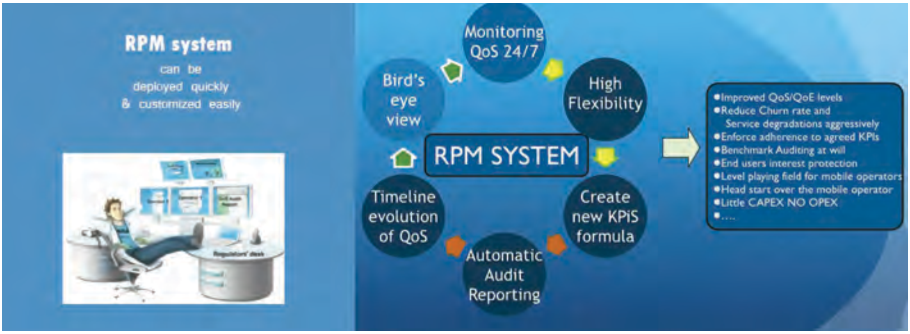
Market development initiatives:

All sectors that fall under the ESCCOM's responsibility, supervision and regulation, are also exposed to the Commission's mandate to develop the market.

This responsibility includes ensuring that electronic communications services are also used as a vehicle for socio-economic development, thereby creating opportunities for market growth. The Commission does this through intensive, and extensive, engagements and collaborations with the different stakeholders drawn from key sectors of the economy, as well as service providers.

During the 2018/2019 reporting period, ESCCOM:

- established cooperation with the Central Bank of Eswatini, Royal Science and Technology Park, and the Financial Services Regulatory Agency (FSRA) on the inaugural Fintech App Development Challenge; and
- engaged with all licensees and general electronic communication service providers, to discuss and identify challenges, market constraints, and opportunities for growth for the local market.



Information and Communications Technology (ICT)

The Technical Services directorate is tasked with providing all the computing and communication resources needed for ESCCOM to efficiently perform its mandate and duties. This includes ensuring that all systems are available and accessible, and contain the right information. During the reporting year, the Commission developed and/or adopted for implementation, a blueprint ICT Policy on how to effectively strengthen and manage its computing environment and resources. Furthermore, the department installed a firewall and upgraded antivirus protection solutions, which have strengthened the Commission's security architecture.

Number portability regulatory framework:

A discussion document on Mobile Number Portability has been developed by ESCCOM as a first step in the development of a regulatory framework related to number portability. Among the imperatives, the document seeks to engage stakeholders on the issue and to gather their views on how best it can be implemented in the Kingdom in an effort to stimulate competition in the mobile space, especially given the introduction to the marketplace of mobile operator Eswatini Mobile.

The document also includes a cybersecurity framework to help mitigate issues on cybersecurity, aligned to the development of a National Computer Emergency Response Team to address such challenges.

Radio frequency spectrum management:

The efficient management of the radio frequency spectrum, as a scarce national resource, is one of ESCCOM's core mandates. During the period under review, the Commission undertook a number of relative activities and programmes, inclusive of the development and implementation of appropriate frameworks for: more effective spectrum management; radio frequency spectrum usage auditing; development of detailed spectrum band plans; spectrum usage monitoring; and spectrum planning and licensing. These activities were largely undertaken in accordance with the Electronic Communications Act and Radio Communications and Frequency Spectrum Regulations, and include:

a. *Analysis and review of the Legislative and Regulatory Framework for Radio Frequency Spectrum:*

- The Commission initiated a process to identify gaps in the existing legislative and regulatory frameworks to ensure that an enabling regulatory environment is established and maintained. The Technical Services department focused on spectrum management and numbering related provisions in the existing Acts. A proposal was submitted to the Ministry of ICT on how identified gaps can be addressed through policy and legislation.

b. *Spectrum Audit Usage Study:*

- During this period, scheduled tests were carried out countrywide in order to present data for inclusion in the Spectrum Audit study report. The services considered include broadcasting, Private Mobile Radio (PMR), International Mobile Telecommunications (IMT) and the Fixed Services Bands.
- The study included the measuring of spectrum occupancy and presenting results for analysis, which revealed the current usage of spectrum in the country. Only strategic locations suitable to cover the entire country effectively were selected. These were also identified as police posts to ensure the security of the equipment, given that measurements were intended to be performed overnight.
- Despite completing the tests and analysis, challenges with the mobile system were experienced resulting in the duration of the tests being limited to a single day and not overnight. A draft report is currently being finalised for presentation to ESCCOM management for their consideration.

c. *Development of band plans for fixed and Private Mobile Radio (PMR) Services:*

In an effort to ensure the effective management of spectrum, and ensure the efficient use of spectrum resources, the Commission developed a detailed plan on how spectrum bands for Fixed Services (Microwave) will be used in the country. This exercise included a detailed desktop audit of the current utilisation of all the bands allocated for fixed services.

The Commission further initiated an exercise to develop a band plan for Private Mobile Radio services, a draft of which was produced and published for stakeholder inputs and public consultation. This activity is earmarked for completion during the forthcoming reporting period.

d. *Spectrum monitoring – interference investigations:*

During the 2017/18 financial year, the Commission performed two interference investigations related to private mobile radio and mobile communications services:

- Eswatini Railway:

  Eswatini Railway reported interference on 464.5875 – 467.0375 MHz, channel. This affected communication with its South African and Mozambican partners. Investigations by the Commission revealed the interference to be of a cross-border nature originating from Mozambique. The issue was resolved with cooperation from the Mozambican regulator, INCM, that was able to deactivate the identified site.

- Mozambique Regulator, INCM:

  The INCM reported interference on the frequencies 801 – 806 MHz, on the Mozambican side, identified as originating from Eswatini. Investigations and tests were undertaken proving that the interference originated from an Eswatini Mobile site in the Lubombo region. Eswatini Mobile is however licensed to use these frequencies. The Commission engaged with Eswatini Mobile that was receptive to temporarily switching off the site until a solution can be found.

  Both the reported cases demonstrate an urgent need for the engagement and cooperation with Eswatini's neighboring countries, Mozambique and South Africa, particularly on cross-border coordination of radio frequency spectrum usage. This is highlighted as one of the Commission's priorities in the coming year.

e. *Radio Frequency Spectrum Licensing:*

- Digital dividend spectrum for International Mobile Telecommunications (IMT) services:
  In implementing the recommendations of the IMT band plan and roadmap that was issued in 2017, the Commission made available the digital dividend spectrum, 800MHz, for deployment. This availed 30MHz of spectrum, which was proposed to be issued in paired blocks of 5MHz. The Commission received much interest from mobile operators for this spectrum and therefore made it available to Eswatini Mobile on channels 3 and 4 and MTN Eswatini on channels 1 and 2, as follows:

Channel Number	Center Frequency – Uplink	Center Frequency – Downlink	Operator
1	834.50	793.50	MTN Eswatini
2	839.50	798.50	MTN Eswatini
3	844.50	803.50	Eswatini Mobile
4	849.50	808.50	Eswatini Mobile
5	854.50	813.50	Reserved for EPTC
6	859.50	818.50	Reserved for EPTC

- IMT services spectrum licenses renewal:
  In accordance with the Radio Frequency Spectrum Regulations, spectrum licenses are valid for a period of one year. The Commission renewed all annual spectrum licence's for the three individual licence holders, namely; Eswatini Mobile, Eswatini Posts and Telecommunications Corporation and MTN Eswatini.

	MTN Eswatini		Eswatini Mobile		EPTC	
Frequency Band	Bandwidth	Area of Operation	Bandwidth	Area of Operation	Bandwidth	Area of Operation
800 MHz	10	Nationwide	10	Nationwide	10	Nationwide
900 MHz	10	Nationwide	10	Nationwide	10	Nationwide
1800MHz	15	Nationwide	15	Nationwide	20	Nationwide
2100MHz	15	Nationwide	0	N/A	15	Nationwide

Additionally, the Commission processed the following new licence applications and renewals:

- Point-to-Point (Fixed) Links:
  - Eswatini Mobile: 88 links;
  - EPTC: 17 individual links;
  - MTN Eswatini: 394 individual links;
  - Other licensees: 5 licence holders (15 hops);
- Aeronautical radio licenses: 13;
- Amateur station license: 8;
- VSAT licence's: 16 (individual terminals – 88);
- Private Mobile Radio (PMR): 12; and
- FM Broadcasting services:
  - Voice of the Church: 5 additional FM channels for the newly introduced English Channel;
- Eswatini Broadcasting and Information Services (EBIS): 15 FM broadcasting channels.

Broadcasting guidelines and licensing framework

Following the adoption of the Broadcasting Guidelines 2017, the Commission engaged with all concerned stakeholders as a first step in the operationalisation of the guidelines. Stakeholders were informed and information shared in an effort to increase understanding on critical aspects of the guidelines as well as the relative new licensing process that the Commission expects to implement.

A new broadcasting licensing framework was developed and presented to stakeholders for adoption. To ensure the alignment of current licensed service providers licences, to the new licensing framework, the conversion process was initially undertaken and completed for the Voice of the Church (VOC) and Channel S TV Station. The conversion process for other service providers has begun and anticipated to be completed in the forthcoming financial reporting period.

Representation and participation in international fora

The Commission represents the country and participates in international forums related to the sector under the remit of the Government of Eswatini. During the year under review, the Commission participated in a number of conferences and forums including the International Telecommunications Union Plenipotentiary conferences (2018); and the World Radio Conference 2019 (WRC-19) Preparatory Meetings that comprised of SADC WRC-19 and Africa WRC-19.

CHALLENGES

Despite the Commission having met many of its targets as set at the beginning of the year, a number of challenges were however encountered that prevented resolution of some issues. These are inclusive of:

Being newly established in the country and thus still in a learning curve. This is, and continues to be, addressed by self-training, which in itself presents a challenge in that learning is acquired simultaneously while undertaking work. This results in some unpredictable outcomes, which can be time-consuming but do have ultimate value in hands-on knowledge acquisition. All individuals involved are heralded for their ongoing efforts to continuously improve.

Technical issues related to the Spectrum Monitoring Equipment disturbed the flow of work such that there was inconsistency in processes. This is being addressed with assistance from TCI.

Slow responses from stakeholders during public consultation processes. The Commission is required to extensively consult with stakeholders on all key decisions. In some cases, final decisions are dependent on the contribution and input from concerned parties that sometimes delay the decision-making process, impacting significantly on outputs.

Limited understanding by the general public, of the work and role of the Commission, resulting in resistance in the effective carrying out of its mandate.

Knowledge acquisition

Being exposed to sector initiatives remains crucial to the development of Eswatini's ICT, and in how ESCCOM delivers on its mandate. The Commission acknowledges that the industry is still in its infancy and therefore looks to the teachings and learnings to be had, regionally, continentally and globally, that will enhance deliverables. Three such platforms saw ESCCOM's participation over the past financial year:

- The Commission deployed three officers to the Zambia Information and Communications Technology Authority (ZICTA), the regulatory authority of Zambia. This attachment comprised of a two-week program of practical training and skills sharing and provided our officers with information related to the needs from our regulatory functions;
- The annual TCI technical seminar, hosted in the USA, to which the Commission sent an officer for training on new developments within the system and to be exposed to discussions around system experiences. A report on this seminar is available for interested parties.
- The Commission participated in the Technical Assistance of the Capacity Building Programme in Cooperation with Sweden (SPIDER), which provides ongoing initiatives that help to equip developing countries with the different activities related to the regulation of communications services. The Commission undertook a change initiative to review the regulatory framework for Spectrum Management and Licensing. The Programme is scheduled for completion in the coming financial year.

FUTURE OUTLOOK

For the year 2019/2020, the Commission intends to continue its focus on the following key activities:

1. Ensuring implementation and compliance of regulatory instruments, such as:
   - Radio Communications and Frequency Spectrum;
   - Electronic Equipment Type Approval;
   - Numbering Regulations;
   - Licensing Regulations;
   - Domain Name Regulations;
   - Broadcasting Services Guidelines; and
   - Postal Services Guidelines.
2. Ensuring the protection of consumers using electronic communication services in the country, by:
   - Performing electro-magnetic field/radiation measurements;
   - Service the monitoring quality;
   - Undertaking cyber-security-related activities within the sector; and
   - 'Type approving' all electronic communications equipment used, to ensure safety.
3. Promoting the development of innovative ICT solutions and capacity building.
4. Automated Spectrum Licensing:

   The Commission has introduced plans for an automated system used in the application and issuance of spectrum licenses. Certain features of the Automated Spectrum Management System (Web CP) will be utilized. To fulfil this objective, initial undertakings include:
   - Configuration of pricing framework;
   - Configuration of license templates on the system;
   - Configuration of invoices templates; and
   - Configuration and operationalization of the WEB-CP portal.

Legal and compliance

The Legal and Compliance directorate provides legal support to the Commission and the Board of Directors (inclusive of its sub-committees), and develops legal and regulatory instruments. The department is also responsible for issuing licences, decision-making and authorisations, interpretation and analysis of the law, contract drafting, and the provision of legal support to other departments.

As a regulatory authority, the Commission is obliged to enforce compliance by licensees to the Kingdom's applicable laws, regulations, directives, licence terms and conditions, guidelines and/or any other regulatory instrument. The directorate is thus responsible for ensuring such compliance as well as ensuring the Commission itself is likewise compliant with all relevant statutory requirements. This includes, for example, the Eswatini Communications Commission and Electronic Communications Acts, Public Enterprise Unit Act (PEU), Tax laws, Public Procurement Act, and the Employment Act.

The directorate liaises with the Commission's attorneys who provide external legal advice during legal proceedings for or against the Commission. The directorate further provides company-secretarial and administration support to the Commission's Board and its sub-committees.

Board administration

During the period under review, the Board held four ordinary meetings in accordance with PEU stipulations, and attended regional and international forums for governing bodies of regulatory authorities. These forums are crucial in terms of information sharing with other nation's governing bodies, particularly when devising strategies to ensure the effective regulation of the electronic communications sector.

UAS Fund Committee

The department provides company-secretarial and administration support to the Universal Access and Service (UAS) Fund Committee. During the 2017/2018 reporting period, the department facilitated the attendance of the Committee at a training event on Corporate Governance. This was held in Johannesburg, South Africa, and introduced attendees to the skills required to guide the business as a committee in-line with international best practice.

MTN Eswatini Licence renewal

On 28 November 2016, the Commission issued an Electronic Communication Service Licence (ECS Licence) and an Electronic Communications Network Service Licence (ECNS Licence) to MTN Eswatini Limited (hereinafter referred to as MTN), following the conversion of the operating licence issued to MTN in 2008 in accordance with Section 50 of Electronic Communications Act, 9 of 2013, into a converged licence environment. The two licences were an amalgamation of MTN's previous 2G, 3G, and 4G licences and collectively authorised MTN to construct networks and provide services on a "converged technologies" approach, subject to the limitations or restrictions imposed by the Act. The licence was due to expire during 2018 and as such MTN submitted an application for renewal of the operating licence on 4 August 2017.

In considering the application, the department facilitated an assessment to evaluate the level of compliance with the licence conditions. This process included requests for information and analysis of the information submitted, against licence terms and conditions, and the physical inspection of MTN operations. The evaluation process revealed that generally MTN had complied with the obligations set out in the previous and current licences, and other legislative and regulatory instruments.

The department found that services provided by MTN Eswatini were provided in a manner that was compliant with the scope of the licence, inclusive of all legislative instruments, regulations, decisions, guidelines, determinations, and authorisations issued by the Commission and recommended that the Commission renew the licence for 10 years. Consequently, through Decision 12/2018, which came into effect on 16 November 2018, the MTN Eswatini licence was renewed for a period of 10 years.

Investigation of EPTC/MTN JVA

In terms of Section 36 (1)(c) of the ESCCOM Act read with Sections 6(k) and 11(2) of the Competition Act, 2017, the Commission is empowered, of its own accord, to investigate an alleged contravention of law of licence terms and conditions. The Commission determined that clauses 18 - 22 of the Joint Venture Agreement signed by and between shareholders of MTN Eswatini, required investigation to ascertain whether or not it was in conflict with the prevailing legal and regulatory instruments.

The department facilitated this investigation and called on MTN Eswatini's shareholders and interested parties to make written submissions as to why the Commission should not find the said clauses unlawful and in contrast with the Commission's mandate of ensuring "freedom of provision of communications services and further ensure that those services are not limited except when strictly necessary". Having received written submissions, principally from MTN Eswatini shareholders, the department determined that there was a need for oral representations to allow the parties to amplify their submissions. Consequently, the Commission invited the parties for oral representation, wherein EPTC and MTN Eswatini made their respective submissions.

In light of those submissions, and taking into account the mandate of the Commission to administer certain aspects of the Competition Act, 2007, the Commission issued Decision 1/2019, which in essence ordered the divestiture of EPTC in MTN's shareholding within a period of six months from date of decision.

Judiciary training on telecommunications law and regulatory frameworks

In line with Programme 5, Activity 5 of the National Information and Communications Infrastructure (NICI) Policy, which provides for the training of judges on sector legislation and regulatory frameworks, the Commission hosted a four-day workshop at Summerfield, Matsapha for Supreme, High, and Industrial Court judges. This effort served to sensitise the judiciary on the legal and regulatory frameworks governing the ICT and electronic communications sector in the country given that the sector's regulation is relatively new. The training provided the Justices with an appreciation of the general components and principles that comprise the sector, how it evolves, what the law provides for in terms of regulation, resolution of disputes, and the role of the courts as final arbiters in sector disputes.

Investigation of contraventions of law or licence terms by licensees in terms of Section 36(1)(a) of the ESCCOM Act, 2013

Section 36(1)(a) of the ESCCOM Act empowers the Commission to investigate any alleged contravention by any licensee of a law or terms and conditions of a licence that the Commission is entitled to administer, and which contravention has been brought to the attention of the Commission through a complaint filed by another licensee of the same service or network.

During the 2017/18 year, the Commission investigated two licensees for an alleged contravention of Section 53 of the Electronic Communications Act (ECA) in that they were providing internet services without utilising the national telecommunications backbone infrastructure exclusively established, constructed, maintained and operated by EPTC in terms of Section 53(1) of the ECA.

The investigation found the two licensees were in contravention of the provisions of Section 53(1) and the Commission imposed an administrative fine in terms of Sections 42 and 43 of the ESCCOM Act and further directed the licensees to rectify the contravention.

Forum on draft bills

During this period, the Commission organised a stakeholder's forum to discuss and assess proposed Bills in the ICT sector, and to ascertain how they relate in their application to the ESCCOM and ECA Act that the Commission currently administers. The exercise also aimed at ensuring that the proposed Bills do not result in duplication of powers or roles. The forum was attended by officials from the Ministry of ICT, the Director of Public Prosecution, the Attorney General's Office, and the E-governance department. The following Bills were discussed:

- The Data Protection Bill, 2017;
- The Electronic Communications and Electronic Transactions Bill, 2017;
- Computer Crime and Cyber Crime Bill, 2017;
- The Eswatini Postal Services and Corporation Bill, 2018;
- The Eswatini Communications Infrastructure Corporation Bill, 2018; and
- The Broadcasting Services Bill, 2018.

The Bills have been validated and the Ministry of ICT is taking them through a process to promulgate and have them passed into effective legislation. This process involves consideration of the Bills by Cabinet, the Attorney General's office and Parliament.

Development of broadcasting licence frameworks and licensing of existing broadcasting service providers

In accordance with the general functions of the Commission to regulate and supervise the provision of radio and television broadcasting services and the content of those services, as provided under Section 6(c) of the ESCCOM Act, an exercise was undertaken to issue licences to existing service providers. The licences were issued in terms of Electronic Communications Act 9, 2013 and the Broadcasting Guidelines of 2017, as may be amended, and read with the Eswatini Communications Commission Act 2013.

Two categories of licences were issued, namely; Community Radio Licence; and a Commercial TV Licence. The following broadcasters were licensed during this period:

- Channel Yemaswati TV – Commercial Broadcaster; and
- Voice of the Church Radio – Community Radio Broadcaster.

Strategy and economic regulation

Since its establishment in 2013, the Commissions' focus had been on establishing the foundations of a functioning regulator such as the recruitment of adequate human resources and the adoption of clear internal processes, as well as ensuring a smooth transfer of all regulatory functions previously held by EPTC and ETVA in the key areas of telecommunications, postal, courier and broadcasting.

The development of the 5-year Strategic Plan is geared towards enabling delivery of the desired regulatory outcomes and results for Eswatini citizens, and contribute to the national aspirations and vision of the Kingdom. The Strategy aims to address the current challenges encountered by ESCCOM in the delivery of its mandate and objectives. It clearly articulates the vision, mission, values which underpin the Commission's activities. Furthermore, the Strategy spells out short and medium term priorities for in the next five years, and defines future performance targets. The Strategic Plan describes the Strategic Goals and activities to be implemented as well as the desired outputs/outcomes, responsible teams, time frames and resources for execution. The Strategy also sets out a monitoring and evaluation framework which underpins measures of success and performance reviews and thereby enable the effective and efficient execution of the Plan.

The first year of implementation has been concluded and the detailed reports from the directorates are an indication of the extent of the implementation of the first year of the Strategy Implementation Plan. process. Some of the highlights of the Strategy deliverables include;

- The Revision of legislative instruments and formulation of frameworks and guidelines in the regulated entities;
- The Development of policies for the management of national resources such as Spectrum and Numbering; and
- The containment of the Cost of Communication in the country as a precursor to the attainment of the country's vision 2022.

Consumer affairs and communications

The Consumer Affairs and Communication Unit coordinates all ESCCOM stakeholder engagements, with the aim of promoting the rights and responsibilities of ICT consumers, whilst also upholding the positive image of the organization. This entails organizing outreach initiatives, coordinating ESCCOM events, media relations, and branding activities.

Consumer protection handbook

In fulfilling the Commission's responsibility to disseminate information to consumers, the Consumer Affairs and Communications unit developed a Consumer Protection Handbook. This is aimed at inculcating consumer literacy, and the efficacy of electronic communication products and services, and to empower consumers to make the right choices, whilst also safe-guarding against deceptive and unfair market practices.

VELA registration

Upon launching the Sim Card Registration Exercise in April 2018, ESCCOM undertook an Education and Advertising Campaign encouraging consumers to register their sim cards with the respective telecommunication operators. The Commission undertook monitoring activities on this registration process and its progress. As at 15 March 2019, a cumulative total of 914,305 subscribers had been registered by MTN Eswatini and Eswatini Mobile combined.

Registration figures as at 15 March 2019

		MTN Eswatini		Eswatini Mobile	
#	Registration timeline	Subscribers	%	Subscribers	%
1	30 September 2018	619 460	64%	36 000	26%
2	31 December 2018	807 859	82%	67 000	49%
3	15 March 2019	817 578	86%	96 727	85%

Source: Eswatini Mobile and MTN Eswatini

Stakeholder engagement

The department is responsible for all ESCCOM branding and event coordination activities and in line with this task, facilitated the Commission's engagement with stakeholders on the electronic communications on the following:

- Type Approval, and Importation and Distribution of Communications Equipment Regulations;
- Radio Communications and Frequency Spectrum Regulations; and
- The Universal Service and Access Regulations.

Website revamp

The Communications unit undertook the redesign of ESCCOM's website to ensure it aligns to appropriate trends, and presents up-to-date content for all audiences.

Participation in sector events

ESCCOM participated in numerous events for the purpose of publicizing the mandate and activities of the organization, and also to contribute towards the development of the ICT sector through collaborative initiatives. During the year under review, the Commission were involved in the following initiatives:

- **The Eswatini International Trade Fair (EITF) 2018:**

  The Commission interacted with varied and numerous stakeholders, thereby creating a platform for educational dialogues and insights into prevailing stakeholder perceptions and expectations.

- **ITU Telecom World 2018:**

  ESCCOM gained massive visibility and exposure, whilst simultaneously learning from participating global ICT industry players.

- **ICT fair Eswatini:**

  Organised by the University of Eswatini (UNESWA) and the Royal Science and Technology Park (RSTP), this Fair provided the Commission with the opportunity to showcase its various activities undertaken in fulfilment of its mandate, to participating students and the general public.

- **MTN career fair:**

  250 students and out-of-school youth convened to learn of, and discover, the different career avenues available within the Kingdom's ICT sector.

- **Students ICT Fair:**

  Organized by the Eswatini Information Communication Technologies Teachers' Association (SICTTA) and its stakeholders, this Fair inspires innovation among Primary and High School students by showcasing ICT solutions, and the development thereof, for real life problems.

- **Fintech challenge:**

  ESCCOM partnered with the Central Bank of Eswatini (CBE) and Royal Science and Technology Park (RSTP) to stimulate financial sector innovation in the country, through the development of technical applications for financial services.

- **FinScope consumer survey:**

  ESCCOM partnered with the Centre for Financial Inclusion (CFI) and other stakeholders in conducting a FinScope Eswatini Consumer Survey. This Survey assessed the levels of financial inclusion and the financial capabilities of citizens, with a view to employing interventions to increase and deepen financial inclusion strategies in the Kingdom of Eswatini.

Economic regulation

The Economic Regulation unit has the responsibility of monitoring competition in the market and ensuring that communication services remain affordable. This is achieved by undertaking research of the various markets in the sector as well as conducting a thorough analysis of tariff structures of service providers at both wholesale and retail levels. It is also responsible for ensuring price transparency in the ICT market, through the publishing of reports and product catalogues. These interventions are aimed at ensuring that consumers of communication services and service providers benefit from the appropriate pricing of products and services

Another key function is the monitoring of market behaviour, competition, and the level of contribution of the ICT Industry to the Economic Development of Eswatini, through the collection, analysis and dissemination of market data.

Cost to communicate price reduction programme

In developing countries, communication costs play an pivotal role in the ease of doing business. In this regard, the Commission working together with the incumbent Wholesale Operator EPTC, continued to implement the second phase of the 3 year glide path of the Price Transformation Programme. Following from the first phase in the previous period where wholesale prices were reduced by an overall average of 33%, a reduction of an overall average of 35% was achieved during the year under consideration. At retail level, the reductions saw operators adopting a pricing philosophy where instead of reducing the price, they tended to increase the volumes, and where the volumes remained constant, the prices dropped.

A further benefit of the wholesale rates reduction programme has been the stimulation of competition and innovation, where operators have introduced more products and services in the market. The introduction of a second mobile operator in the market the previous financial year, also stimulated competition for market share in the mobile market for mobile voice, SMS and data services, thus increasing options for consumers at more competitive prices. The price of 1GB of data dropped from E230 to E150 in the year under review.

In this reporting period, there was an increase in International Voice Tariffs, attributable to the increase in transit rates imposed by international transit centres.

SADC roaming project

The Commission, being a member of the Communications Regulators Association of Southern Africa, continued with the work of finding a solution to the high cost of roaming in the SADC Region. A cost model to be used by operators in the setting of costs has been developed. It is currently undergoing validation in readiness for reporting to the SADC Ministers of ICT Meeting in September.

During the period under review, to ensure Operators are charging approved roaming tariffs, the Commission conducted two Roaming Test Buys. In the first Roaming Test Buy, a total of 10 test cases were failed by the two Mobile Network Operators in Eswatini combined. For the second Roaming Test Buy conducted, there were no failed test cases. In the upcoming financial year, the Roaming Test Buys will not only focus on the default roaming network, but will also look into the other available networks which offers roaming to Eswatini customers.

ICT Data collection project

The Commission embarked on a programme of developing a framework for collecting key ICT indicators, vital for tracking performance and growth in the Sector. This data will cover such information as the state of development and prevailing trends in the Sector and it will be foundational in informing economic growth strategies, investment decisions and National Development Plans.

During the period under review, the Committee completed developing the National Data Collection Framework which incorporates ITU, CRASA and SADC ICT indicators. In the financial period 2019/20, data collection of ICT Supply data will commence and developing ToR's for surveys for collecting demand data.

This data will be used publicised through annual statistical bulletins for access and use by both the local and international community.

SADC ICT Observatory project

In December 2018, the Commission participated in the first SADC ICT Observatory workshop in Gaborone, Botswana. The workshop launched Phase 1 of the SADC ICT Observatory Project, whose objectives are namely to: Build capacity on the ITU and SADC ICT Observatory Data Collection Framework, develop Terms of Reference (ToR's) for the SADC ICT Observatory Focal Points and record the Management Information System (MIS) in National Statistics Offices (NSOs) of Member States.

The Commission as the National Focal Point (NFP) is responsible for coordination of all activities of the National ICT Observatory Committee, which also consists of the Central Statistics Office (CSO) as the alternate NFP and the Ministry of Information, Communications and Technology (MICT).

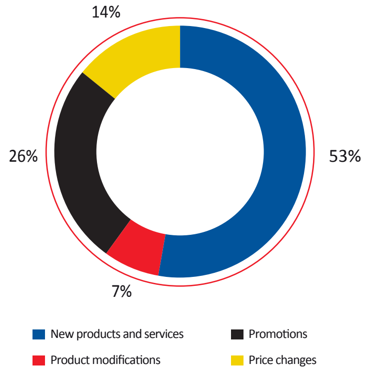
Products and services

As the regulator for electronic and postal communications, established in terms of the Eswatini Communications Commission Act No. 10 of 2013 ("Act"), the Commission amongst its general functions, is mandated to ensure that all communications services are provided in a manner that will best promote economic and social development. Section 7 (v) of the Act stipulates that the Commission shall establish a pricing system to protect end users from excessive price increase and to avoid unfair price competition. This will ensure retail tariff transparency, which encourages competition whilst minimising pricing and product information asymmetries in the sector.

ICT Data collection project continued

For the period under review the Commission approved 43 applications for Products and Services. Figure 1 depicts all the product applications approved by the Commission, New Products and Services accounted for 53%, Promotions accounted for 26%, Price Changes accounted for 14% whilst Product Modifications accounted for 7%.

Figure 1: Approved products and services 2018/19 financial year



Source: ESCCOM Data Base

Table 1: Approved products and services 2018/19 financial year

Mobile Operator	Price Changes	New Products and Services	Product Modifications	Promotions	Grand Total
Eswatini Mobile	4	13	2	6	25
MTN Eswatini	2	10	1	5	18
Grand Total	**6**	**23**	**3**	**11**	**43**

Source: ESCCOM Data Base

Bi-Annual Reports and product catalogues

In line with ensuring retail price transparency and minimising pricing and product information asymmetries in the sector, the Commission has simplified access to consumer information through the publication of two Bi-Annual Tariff Analysis Reports and Product Catalogues on the Commission's Website. The Bi-Annual Reports detail the products and services introduced by the Operators, price changes effected, product modifications and promotions launched on a half year period. The quarterly Product Catalogue, contains information on prices for the products and services currently on offer in the market.

CHALLENGES

Challenges to the ICT sector in Eswatini

Regulation has entered a new age where digital transformation is sweeping across all economies, thereby changing the regulatory outlook. The pace of enacting policies and regulatory frameworks most often fall behind the rapidly evolving technology developments and this poses challenges in ensuring that regulatory instruments and measures are responsive to prevailing needs. As such, regulators will need to be proactive and enact new regulations, which will keep pace with developments.

Quantifying economic activity in the ICT Sector is a challenge in the absence of comprehensive data to inform evidence based policy development, investment decisions, as well as promoting the country' ICT global profile. In this regard, the Commission has developed an ICT monitoring and evaluation framework and data collection tool, to collect quantitative data, that will give a clear picture of the status of the ICT Sector in the Kingdom of Eswatini.

FUTURE OUTLOOK

The Commission will, going forward, review and operationalize Consumer Protection Regulations in order to ensure end-user protection and privacy in the provision of ICT products and services. There is also a need to develop strategies to guide communication and stakeholder engagements, in alignment with the mandate and image of the Commission.

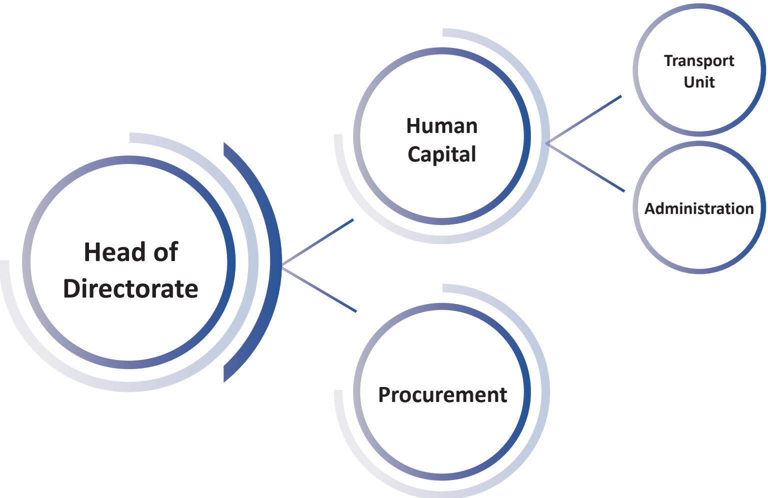
Support services

The Support Services Directorate is a key enabler of the delivery of the Commission's strategic goals. Its priority is to ensure that the needs of stakeholders are met by focusing on the delivery of quality services, innovation, and that capabilities are aligned to the changing demands of the institution.

The Directorate takes responsibility for the strategic direction of the Commission's human capital services, roles and functions related to recruitment, policies, procedures, and relative administrative processes.

The latest addition to the Directorate's functions, is to operationalize and oversee the Procurement Unit, the focus of which is on ensuring compliance with the dictates of the Public Procurement Act, 2011. This change was introduced after the endorsement of the Commission's five-year Strategic Plan.

The sections within the Directorate are as follows:



Achievements

The following key support services initiatives were implemented during the period under review:

Policy review

The Commission reviewed all its policies and procedures to ensure alignment to all current regulations, technology, and industry best practices. The following policies were reviewed and approved by the Board of Directors:

- Policy of Policies;
- Industrial Relations Policy & Procedures;
- Code of Ethics;
- Terms & Conditions of Service;
- Recruitment & Selection Policy;
- Human Resources Development Policy;
- Subsistence Allowance & Travel Rates Policy;
- Leave Administration Policy;
- Motor Vehicle Policy;
- Performance Management Policy;
- Information Technology (IT) Policy; and
- Finance Policy.

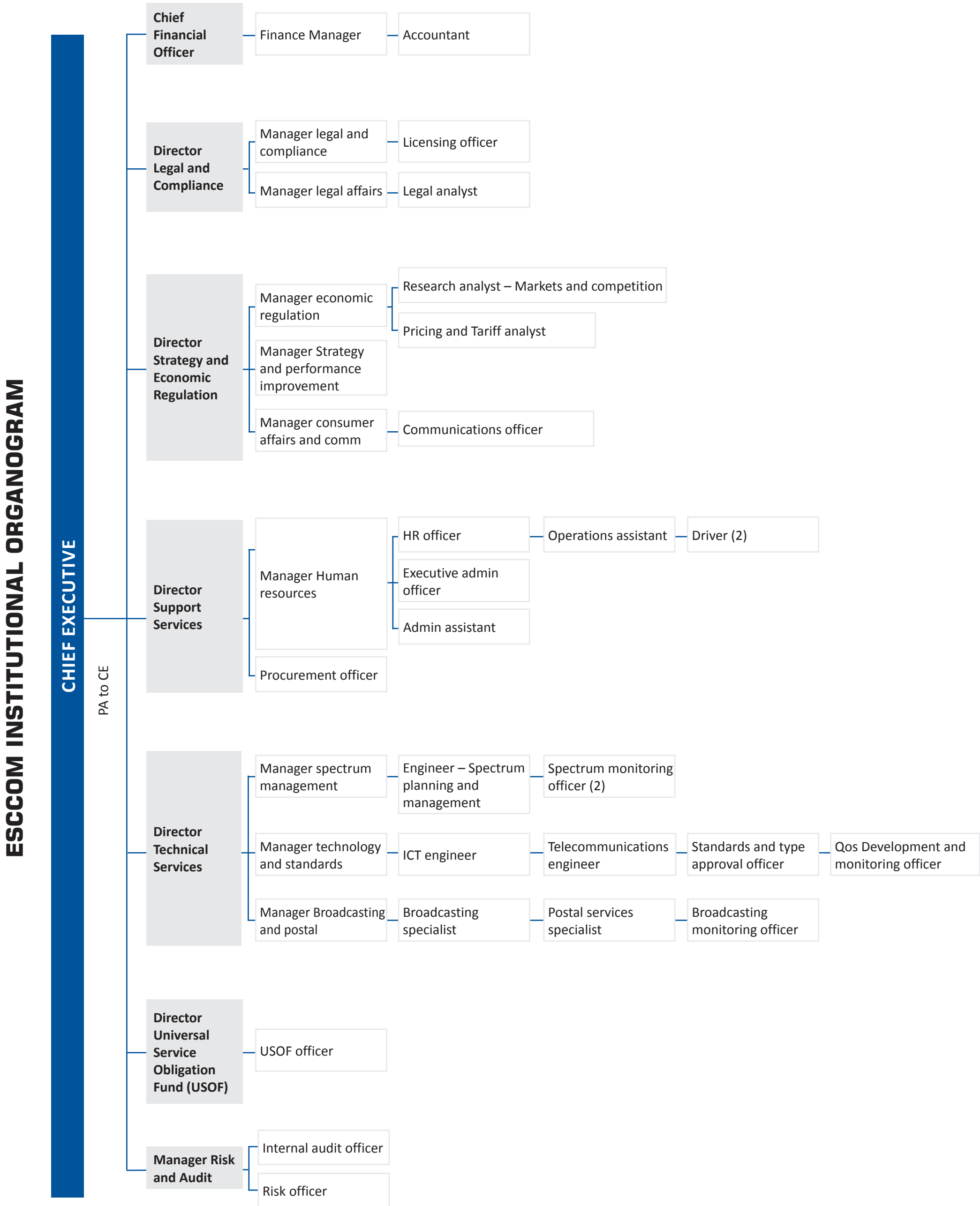
Human capital services

The Support Services Directorate continues to provide people-solutions that enable sustainable business performance by ensuring high-quality staff levels. It does this by recruiting diverse and well-qualified individuals, enhancing existing skill levels, and developing and maintaining a conducive working environment for all ESCCOM staff.

New organisational structure

In November 2018, the Commission endorsed its 5-year strategic roadmap with changes that altered the operations of the respective Directorates. Along with the changes, the Executive Committee (EXCO) job titles were converted from General Manager to Director. For compliance with the Eswatini Communications Commissions Act of 2013, the titles of the Chief Executive Officer and the Chief Financial Officer remained the same.

Support services continued



Recruitment and selection

To ensure that the right talent, at the right place, at the right time prevails, the following positions were filled during the 2018/2019 review period:

- Director Universal Access and Services;
- IT Engineer;
- Pricing and Tariff Analyst;
- Manager Broadcasting Services;
- Manager Economic Regulation (Replacement);
- Procurement Officer;
- Licensing Officer; and
- Research Analyst – Markets and0 Competition.

Employee wellness

ESCCOM strives to encourage healthy living among its employees with the ultimate aim of improving productivity. The Commission thus hosted a Men's Health dialogue (Sidla inhloko majaha!) and Women Health dialogue (Egumeni bo Make!) as part of an on-going employee wellness initiative. The main thrust at these deliberations was prostate cancer, inclusive of how women can support their male partner battling with the disease.

To aid employees to improve their personal health lifestyles, onsite health initiatives were presented, with health dialogues, counselling, monitoring, screening, and tests conducted for:

- HIV;
- TB;
- Hepatitis B;
- Blood Pressure;
- Blood Glucose; and
- Syphilis.

Apart from traditional wellness initiatives that focus on exercise and nutrition, the Commission also recognizes the importance of financial wellbeing in the workplace. In this regard a financial education and guidance forum was hosted as part of the broader wellbeing programme, to help employees budget more effectively and guide them to work towards a state of financial security. The program was tailored to address issues of personal finance, debt management, and investments.

Performance management

During the period under review, the Performance Management Policy, which sets a solid foundation for effectively implementing and managing the Performance Management Framework, after endorsement by the Board was operationalised. In its early stages, the Policy induced the development of performance contracts that were signed off by the respective Directorates. These contracts define the expected deliverables by both supervisor and employee. Performance appraisals were also conducted at end March 2019.

Human Resources development

The Commission acknowledges that it operates in a dynamic environment that requires continuous capacity building. In this light, and in support of the Commission's core mandate, staff were capacitated in the following manner:

Training

- Strategic Human Resources Management;
- Implementation of the Technical Barriers to Trade/Sanitary and Phytosanitary (TBT/SPS) Annexes of the African Continental Free Trade Area (ACCFTA) and the Role of Harmonised Standards and Technical Regulation Workshop;
- International ICT Trends;
- Mini MBA in Telecommunications;
- Telecommunications, Policy, Regulation and Management Certification;
- Accounts Receivable and Credit Policies Management;
- Telecommunications Market Analysis, Number Plan and Tariff Regulations;
- International Financial Reporting Standards (IFRS);
- Advanced Leadership, Good Governance and Emotional Intelligence;

Support services continued

- Integrated Transport Planning, Maintenance Fleet Management;
- Customer Service for Logistics Officers;
- ISO 19600 Certified Lead Compliance Manager Course;
- Transition of Social Media to Digital Communications Master Class; and
- Capacity Building Programme for the ICT Regulators.

Benchmarking exercises with regional regulators

Beyond traditional training techniques, the Commission presented benchmarking exercises with national regulators from Lesotho, Zambia, and Botswana. Industry-best comparative business processes, performance metrics, and sharing of experiences were included, and focus was given to the Universal Service Obligation Fund, Spectrum Monitoring & Management, and Economic Regulation. The information derived from the sessions will be used to identify and improve gaps in ESCCOM's processes.

Meetings

The Commission participated in a number of industry events across the region, the continent, and internationally.

Regional: The SADC, and Communication Regulator for Southern Africa (CRASA)

Continental: African Telecommunications Union (ATU), Pan African Postal Union (PAPU) & African Advanced Level Telecommunications Institute (AFRALTI).

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

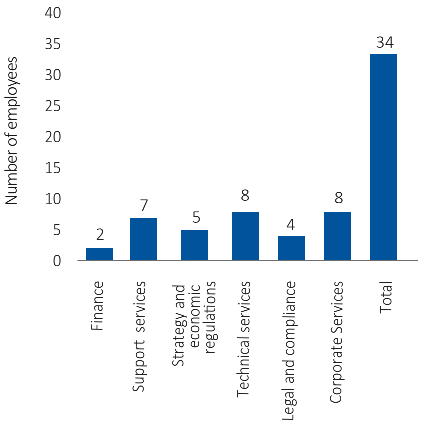
These events addressed topical issues inclusive of: Achieving Universal Broadband Access; Digital Broadcasting Technologies; Quality of Service and Quality of Experience; SADC roaming; and Postal Strategy for 2017 – 2020.

Organisational statistics

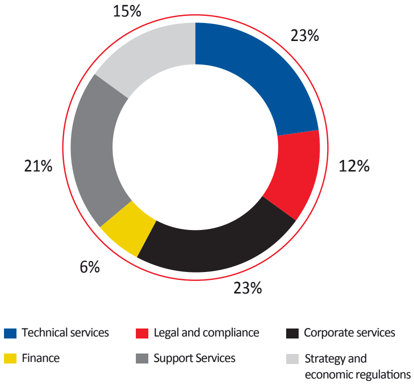
Departmental headcount

The Commission's departmental headcount as at 31st March 2019 was:

Headcount



Departmental headcount

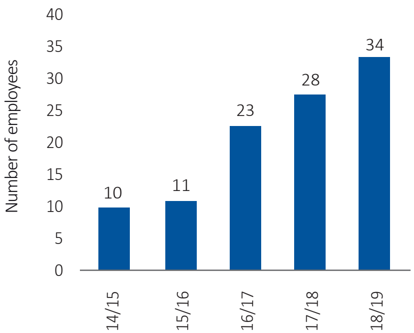


Source: ESCCOM Data Base

Staff complement over the past five years

The graph below indicates the staff complement since ESCCOMs inception:

Staff complement



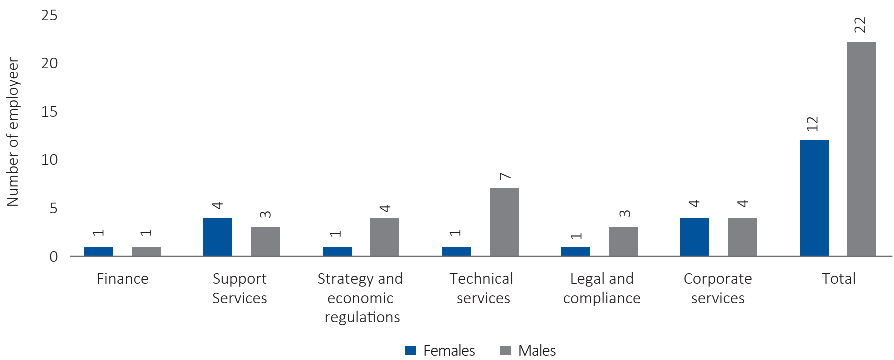
Source: ESCCOM Data Base

Organisational statistics continued

Gender analysis

The ITU, to which ESCCOM is affiliated, has the vision to become a model organization for gender equality, and to leverage ICT to empower all individuals. In support, ESCCOM endeavors to ensure an appropriate employee gender balance exists, and does this by prioritizing the recruitment of women and highlighting the values they bring to the technology sector. ESCCOMs gender analysis for the reporting period is:

Gender analysis

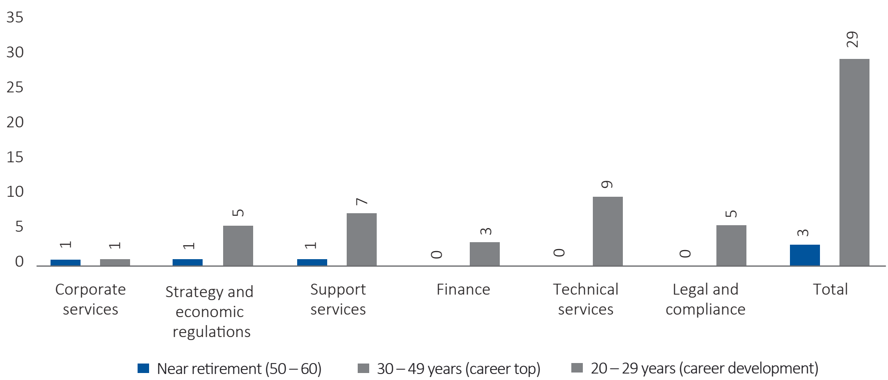


Source: ESCCOM Data Base

Age analysis

An Age Analysis report informs ESCCOM's executive management of the challenges related to the future of the organization's workforce. Detail includes the ageing of employees, early retirement, and the shortage of young employees. Going forward the Commission will be consciously ensuring that all age groups are well represented. For the period under review, the age analysis within the Commission was:

Age analysis



Source: ESCCOM Data Base

Resignations/terminations

The table below indicates staff resignations over the past three years:

Description	2019	2018	2017
Executive Management	**0**	0	0
Management	**1**	0	0
Professional Staff	**0**	0	0
Support Staff	**1**	0	0

Transport unit

When implementing the Commission's five-year Strategic Plan, the Transport unit migrated to the Support Services Directorate. To ensure seamless and effective operations of the Transport unit, the Motor Vehicle Policy was reviewed and consequently approved by the Board. The Human Resources Officer was appointed as the designated Transport Officer, to oversee the transport division. In our endeavor to continuously provide safe and friendly transport services to both our internal and external customers, the Commission has also prioritized the procurement of a Fleet Management System.

Future plans

The Commission has prioritized the way the organisation thinks, hires, engages, develops, rewards, and leads its workforce, aspiring for a dynamic work environment. In this vein human capital efforts are directed at producing a high return on the Commission's investment in its people. The following plans are set to be implemented:

Bridging the gender gap

Historically the ICT sector is predominantly male-dominated. The Commission aims to bridge this gap by ensuring the recruitment of as many qualified females as possible, meaning they will have an added advantage during the hiring stage.

20 – 29 age representation

To ensure business continuity and succession planning, there is a need to ensure appropriate representation within the 20 – 29 age group. This demographic is considered to be at the career development stage, given they are individuals that are eager to learn, build experience, and apply their skills in the workforce. Tapping into this enthusiasm is considered ideal for team building, increased productivity, and workplace moral, and more so in situations of change, which is when the youth adapt quickly. The Commission recognises that all organizations can benefit from this age sector especially in the shifting landscape of the modern-day workplaces where process, technology, and priorities are in constant flux.

Procurement

The Procurement Office was established in 2018 following an Eswatini Public Procument Regulatory Agency (ESPPRA) circular directing all procuring entities to conform to the dictates of the Public Procurement Act, 2011. In alignment with ESCCOM's strategy, the procurement function has been moved from Finance, to the Support Services Directorate.

To ensure uninterrupted procurement operations during the changeover, the Support Services Directorate was supported and guided by the Finance and Legal & Compliance Directorates. The Commission continues to develop the Procurement Office and is soon to embark on the next phase of the maturity journey, where further improvements will be delivered.

Vision

The Procurement department has the vision to deliver service that is compliant, responsive, professional and cost-effective, and aimed at meeting and exceeding internal and external customer's expectations.

Organisational statistics continued

Value for money

ESCCOM continually focuses on, and strives for, the provision of quality at the best value, which dictates how service, quality, and value is delivered to the market. Any savings achieved through the procurement process is directed towards easing the effect of budget reductions, which enables the Commission to continue to deliver excellent services.

Tenders

Seven tenders were presented during the period under review. Of those, five were completed and two remain pending, requiring further engagements with ESPPRA given a lack of response from market players. The five successful tenders were launched by open or selective tendering, under the approval of ESPPRA. Table 1 presents a summary of the seven tenders issued by the Commission during 2018/2019:

Table 1: Tenders issued in 2018/2019

Tender number	Tender name	Closing date
SCCOM/001/2018-2019	Supply, Installation and Commissioning of comprehensive solution to measure and benchmark the performance and quality of communication services	1 August 2018
ESCCOM/003/2018-2019	ESCCOM Stakeholder Management strategy development	14 December 2018
ESCCOM/USOF/004/2018-19	Mobile Network coverage expansion in under-served areas for voice and broadband services	14 December 2018
ESCCOM/USOF/005/2018-19	Supply, Installation and Commissioning of long distance air fibre Wi-Fi	14 December 2018
ESCCOM/006/2018-2019	Project management services for ESCCOM Head Office project	17 February 2019
ESCCOM/007/2018-2019	Provision of cleaning services	05 March 2019

Contracts

The Legal and Compliance Directorate currently manages all procurement contracts, with the Procurement department providing support on contract management through the supplier management function.

Reporting duties

In terms of monitoring procurement activities and contract implementation, the Commission is required to submit annual procurement plans to ESPPRA, which it failed to do during the reporting period because of the absence of a procurement office. The now-established Procurement unit has since conducted an audit where findings and areas of improvement were highlighted. This office is now working tirelessly to ensure compliance with all dictates of the Commission.

Procurement electronic system

There is currently no dedicated electronic procurement system within the Commission, although a request for such has been presented to the Technical Directorate. An electronic system will replace the current manual procurement process and realise benefits of end-to-end processing by fully supporting the purchase-to-pay process.

Procurement capability assessment

The Commission awaits ESPPRA capacity and workload assessment, the results of which will provide guidance on the levels of authority within the Commission and improve turnaround times for tendering processes. Historically ESPPRA has always been consulted for guidance on procurement of goods and services to avoid non-compliance.

Future plans

The Procurement office continues to aim for improvements in its functioning through a procurement delivery plan. The approval of the Procurement Procedures and Processes allows the department to explore alternative process solutions during the 2019/2020 financial year, which include (Table 2):

Table 2: Procurement plans

Procurement plan
Approval of Procurement Procedures
Stakeholder engagement and training on Procurement Procedures
Automation of the procurement process
ESPPRA audit findings
Advertisement of Expression of interest for the supply of goods and services
Supplier database management
Benchmarking procurement service delivery against other organisations in the sector
Communication and Reporting plan

General information

Eswatini Communications Commission

(Registration number Act No: 10 of 2013)
Annual Financial Statements
for the year ended 31 March 2019

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 Themba Khumalo – Appointed May 2019 Mr Sipho J Shongwe – Resigned May 2019 Dr Gideon Mahlalela – Deceased - April 2018 Mr Polycarp Dlamini – Vice chairperson – Appointed May 2018 **Members:** Mr December Mavimbela Mrs Zodwa Ginindza Mr Bheki Ndzinisa Mrs Bongiwe Dlamini Mr Mvilawemphi Dlamini (Chief Executive) **Secretary** Mr Ozzie Thakatha
Business address	4th Floor, Sibekelo Building, Mbabane Office Park, Mbabane, Eswatini
Postal address	PO Box 7811, Mbabane, H100
Bankers	Standard Bank (Eswatini) Limited Nedbank (Eswatini) Limited
Auditors	Kobla Quashie and Associates Chartered Accountants (Eswatini) Manzini
Registration number	Eswatini Communications Act No: 10 of 2013

Annual financial statements

For the year ended 31 March 2019

Contents

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 Eswatini Communications Act 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 annual 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 judgments 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 year to 31 March 2020 and, in the 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 pages 47 to 48.

The annual financial l statements set out on pages 49 to 73, which have been prepared on the going concern basis, were approved by the Board of Directors on 19 July 2019 and were signed on its behalf by:

Chairperson

Chief Executive

Report of the independent auditors

To the directors of Eswatini Communications Commission Opinion

We have audited the annual financial statements of Eswatini Communications Commission, which comprise the statement of financial position as at 31 March 2019, 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 49 to 73.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Eswatini Communications Commission as at 31 March 2019, 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 Eswatini 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 Responsibilities for the Audit of the financial Statement 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 (Part A and B) and in accordance with the ethical requirements applicable to performing audits in Eswatini. We have fulfilled our other ethical responsibilities in accordance with the International Ethics Standards for Accountants Code of Ethics for Professional Accountants (Part A and B) and in accordance with the ethical requirements applicable to performing audits in Eswatini.

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 Eswatini 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 connect ion 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 know ledge 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 Eswatini 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.

Auditor's Responsibilities 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 d decisions of users taken on the basis of these annual financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but 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 exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Kobla Quashie and Associates
Chartered Accountants (Eswatini)
Manzini

19 July 2019

Per: Daniel Bediako

Directors' report

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

Review of activities

Main business and operations

The Eswatini Communication Commission (ESCCOM) is an independent regulatory body established by an Act of Parliament (Eswatini Communications Commission Act 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 Eswatini. 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 amounts 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 Themba Khumalo – Chairman – Appointed May 2019
Mr Sipho J. Shongwe – Resigned May 2019
Dr Gideon Mahlalela – Deceased – April 2018
Mr Polycarp Dlamini – Vice chairperson – appointed May 2018
Mr December Mavimbela – Member
Mrs Zodwa Ginindza – Member
Mr Bheki Ndzinisa – Member
Mrs Bongiwe Dlamini – Member
Mr Mvilawemphi Dlamini – CE

Secretary

The Secretary of the Commission is Mr Ozzie Thakatha.

Auditors

Kobla Quashie and Associates
Chartered Accountants (Eswatini) Manzini.

Statement of financial position

For the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019	2018
ASSETS			
Non-current Assets			
Property, plant and equipment	2	**57 105 299**	50 862 751
Investments	3	**40 000 000**	20 000 000
		97 105 299	70 862 751
Current assets			
Accounts receivable	4	**133 097 656**	59 834 342
Financial assets	5	**82 907 784**	109 113 249
Cash and cash equivalents	6	**473 785**	3 971 753
		216 479 225	172 919 344
Total assets		**313 584 524**	243 782 095
RESERVES AND FUND BALANCES			
Reserves			
Accumulated reserves		**45 344 918**	36 574 256
Fund balances			
Designated funds	7	**228 495 142**	162 462 836
Universal Service Obligation Funds	8	**–**	32 342 406
Capital grant	9	**76 015**	91 217
		228 571 157	194 896 459
Current liabilities			
Accounts payable	10	**37 384 278**	9 790 435
Provisions	11	**2 284 171**	2 520 945
		39 668 449	12 311 380
Total liabilities		**268 239 606**	207 207 839
Total equity and liabilities		**313 584 524**	243 782 095

Statement of comprehensive income

For the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019	2018
Income		**71 613 420**	59 344 963
Operating expenses		**(62 842 759)**	(52 201 753)
Operating surplus	12	**8 770 661**	7 142 210
Surplus for the period		**8 770 661**	7 143 210
Other comprehensive income		**–**	–
Total comprehensive income		**8 770 661**	7 143 210
Surplus for the period		**8 770 661**	7 143 210

Statement of changes in funds

For the year ended 31 March 2019

Figures in Emalangeni	Accumulated reserves	Total reserves
Balance at 01 April 2017	29 431 047	29 431 047
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 01 April 2018	36 574 257	36 574 257
Changes in equity		
Total comprehensive income for the year	**8 770 661**	**8 770 661**
Total changes	**8 770 661**	**8 770 661**
Balance at 31 March 2019	**45 344 918**	**45 344 918**

Statement of cash flows

For the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019	2018
Cash flows from operating activities			
Cash generated from operations	13	**34 263 437**	20 579 604
Cash flows from investing activities			
Purchase of property, plant and equipment	2	**(11 609 262)**	(8 011 380)
Sale of property, plant and equipment	2	–	704 848
Purchase of financial assets		**(20 000 000)**	–
Investment in financial assets		–	(53 279 567)
Sale of financial assets		**26 205 465**	–
Net cash from investing activities		**(5 403 797)**	(60 586 099)
Cash flows from financing activities			
Movement in universal service obligation funds		**(32 342 406)**	7 051 640
Movement in capital grant		**(15 202)**	(15 203)
Net cash from financing activities		**(32 357 608)**	7 036 437
Total cash movement for the year		**(3 497 968)**	(32 970 058)
Cash at the beginning of the year		**3 971 753**	36 941 811
Total cash at end of the year	6	**473 785**	3 971 753

Summary of significant accounting policies

For the year ended 31 March 2019

1. Presentation of annual financial statements

Eswatini Communications Commission (ESCCOM) is a Government parastatal established in terms of the Eswatini Communications Act 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 the Emalangeni have been rounded to the nearest figure.

d) Use of estimates and judgments

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 judgment 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 judgments 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 judgments 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

Amendments mandatory effective for the year ended 31 March 2019

The following is a summary of the new and revised IFRSs that are mandatory effective for the annual periods beginning on or after 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 1: Annual Improvements to IFRS 2014 – 2016 cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Commission has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies. The new accounting policies are set out in note 1.10. In accordance with the transition provisions in IFRS 15, the Commission has not restated comparatives for the 2018 financial year. Management made an impact assessment and concluded that no adjustment was required. Refer to note 14 for more detailed explanation.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations and licensing) and provide some transition relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with respect to collectability or measuring non-cash considerations.

Amendments to IFRS 1: Annual Improvements to IFRS 2014 – 2016 cycle

The amendment deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. The amendments have no impact on the Commission's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The amendment has no impact on the Commission's financial statements.

1. Presentation of annual financial statements continued

1.2 Changes in accounting policies and disclosures continued

IFRS 9 Financial Instruments

The Commission has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Commission did not early adopt IFRS 9 in previous periods.

Classification and measurement

The IFRS 9 standard includes changes in the classification and measurement bases of the Commission's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Amounts owing by related parties, trade and other receivables, other financial assets and cash and cash equivalents are measured at amortised cost. There is therefore no change to classification of these assets.

IFRS 9 requires financial assets to be classified on the basis of two criteria:

– The business model within which financial assets are managed, and
– Their contractual cash flow characteristics (whether the cash flows represent solely payments of principal and interest).

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are required to be measured at fair value through profit and loss if they are held for the purposes of trading, if their contractual cash flows do not meet the 'solely payments of principal and interest criterion, or if they are managed on a fair value basis and the Commission maximises cash flows through sale. IFRS 9 allows an entity to irrevocably designate a financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (that is, an accounting mismatch).

Impairment calculation

The impairment model has been changed from an "incurred loss" model from IAS 39 to a forward-looking "expected credit loss" (ECL) model under IFRS 9.

IFRS 9 outlines a "three stage" model for impairment based on credit quality since initial recognition, as summarized below:

A financial asset/loan issued that is not credit impaired on recognition and has not undergone significant deterioration in credit risk (SICR) since initial recognition in classified in "Stage 1". If a significant increase in credit risk since initial recognition has been identified, the financial asset is classified in "Stage 2" but is not yet deemed to be credit impaired. If the financial asset is credit impaired then it is classified in Stage 3.

Within the Commission the following definitions exist for the classification of financial assets and identification of SICR:

– Any financial asset which is performing and up to 30 days in arrears is considered Stage 1
– Any financial asset with a maximum arrears level of between 31 and 90 days is considered Stage 2
– Any financial assets with a maximum arrears level of greater than 90 days is considered credit impaired and stage 3

Once the portfolio has been classified into the three given stages, IFRS 9 loss allowances are measured on either of the following bases:

– Stage 1: 12-month expected loss – A 12-month ECL implies the loss expected in the 12 months following reporting date
– Stage 2 and Stage 3: Lifetime ECLs – that is, the loss expected over the lifetime of loans falling within this category.

ECL Methodology

The methodology adopted by the Commission to calculate Expected Credit Losses relies on historical cash flow data across all jurisdictions. This data allows for an accurate estimation of historical losses, given certain levels of arrears reached. This data takes into account any recoveries made from accounts which rectify from arrears, as well as written off amounts from accounts which failed to rectify. The historical data is distilled into Expected Credit Loss rates which are applied to individual accounts, based on the level of arrears for that account.

In addition to the historical cash flow modelling, Expected Credit Losses are subjected to forward looking adjustments based on "upside" and "downside" scenarios. That is, the final ECL value is a weighted average of the current impairment number (given current portfolio dynamics), a projected value based on favourable conditions and a projected value based on unfavourable conditions. This is based on the IFRS 9 requirement that ECL estimates are based on multiple future scenarios encompassing with favourable and unfavourable economic conditions. Refer to note 14 for more detailed explanation.

Amendments not mandatory effective for the year ended 31 March 2019

The Commission has not yet adopted the following standards and interpretations, which have been published and are mandatory for accounting periods beginning on or after 1 January 2019:

– Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015-2017 cycle;
– Amendments to IAS 23 Borrowing costs: Annual Improvements to IFRS 2015-2017 cycle;
– IFRIC 23 Uncertainty over Income Tax Treatments, and
– IFRS 16 Leases.

Amendments to IAS 12 Income Taxes

These amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits. The amendments are not expected to have a significant impact on the Commission's financial statements. They apply for annual periods beginning on or after 1 January 2019.

1. Presentation of annual financial statements continued

1.2 Changes in accounting policies and disclosures continued

Amendments to IAS 23 Borrowing costs

These amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The amendments are not expected to have a significant impact on the Commission's financial statements.

They apply for annual periods beginning on or after 1 January 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used, and
- the potential impact of uncertainties that are not reflected.

The standards and interpretations are not expected to have a significant impact on the Commission's financial statements.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The Commission have begun assessing the potential impact of IFRS 16 on the financial statements.

The Commission enters into operating leases of relatively short duration (not more than 3 years) and with the overall lease expenditure not amounting to more than 5% of the operating expenditure. Operating lease expenditure will have a similar accounting treatment as finance lease. The right to use an asset is recognised by the lessee and a lease liability representing its obligation to make lease payments. The standard is not expected to have a significant impact on the results of the Commission.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

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 straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is 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 software	3 years
Spectrum monitoring equipment	15 years

1. Presentation of annual financial statements continued

1.3 Property, plant and equipment continued

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.

1.4 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 re-assessed 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 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.

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.

1.5 Tax

The Commission is exempt from income tax according to the Section 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.

Summary of significant accounting policies continued

For the year ended 31 March 2019

1. Presentation of annual financial statements continued

1.7 Impairment of assets continued

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.

1.8 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), are recognised in the period in which the service is rendered and are not discounted.

Terminal 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 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, Eswatini National Provident Fund (ENPF) in accordance with the Eswatini 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 ESCCOM and the amounts of revenue can be reliably measured.

License fees

License fee income consist of annual mobile license fees, spectrum fees type approval and renewals which is recognised in the period in which it relates.

Interest income

Interest is recognised, in the income statement using the effective interest rate method. When a receivable is impaired, ESCCOM 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 recognized 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 Eswatini which exercises a significant influence over its financial and operating decisions.

Notes to the annual financial statements

For the year ended 31 March 2019

2. Property, plant and equipment

	2019			2018		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	6 158 178	–	6 158 178	4 824 971	–	4 824 971
Plant and machinery	9 214 456	–	9 214 456	–	–	–
Furniture and fixtures	1 198 446	(380 321)	818 125	1 096 037	(277 103)	818 934
Motor vehicles	6 395 306	(3 033 404)	3 361 902	6 395 306	(1 794 599)	4 600 707
Office equipment	864 645	(183 699)	680 946	789 895	(101 444)	688 451
IT equipment and software	2 959 214	(2 001 154)	958 060	2 548 328	(1 254 523)	1 293 805
Spectrum monitoring equipment	44 377 787	(9 213 081)	35 164 706	44 035 631	(6 122 511)	37 913 120
Leasehold improvements	1 119 863	(370 937)	748 926	988 466	(265 703)	722 763
Total	72 287 895	(15 182 596)	57 105 299	60 678 634	(9 815 883)	50 862 751

Reconciliation of property, plant and equipment – 2019

	Opening balance	Additions	Depreciation	Total
Land	4 824 971	1 333 207	–	6 158 178
Quality of service	–	9 214 456	–	9 214 456
Furniture and fixtures	818 934	102 410	(103 219)	818 125
Motor vehicles	4 600 707	–	(1 238 805)	3 361 902
Office equipment	688 451	74 750	(82 255)	680 946
IT equipment and software	1 293 805	410 886	(746 631)	958 060
Spectrum monitoring equipment	37 913 120	342 155	(3 090 569)	35 164 706
Leasehold improvements	722 763	131 398	(105 235)	748 926
	50 862 751	11 609 262	(5 366 714)	57 105 299

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

Land is situated on Lot 10 of the Offices Township, District of Hhohho, Eswatini and measures 3 921 square meters.

Figures in Emalangeni	2019	2018

3. Investments

Held to maturity		
Eswatini government bond	**40 000 000**	20 000 000
Non-current assets		
Held to maturity	**40 000 000**	20 000 000

This is a 7 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

Trade receivables	**128 355 656**	59 734 477
Ministry of ICT – Set top boxes prepayment	**4 561 904**	–
Rental deposit	**79 101**	79 101
Fuel deposit	**44 573**	20 764
Universal Service Obligation Fund	**56 422**	–
	133 097 656	59 834 342

Figures in Emalangeni	2019	2018
5. Financial assets		
Stanlib Eswatini – Money Market Fund	**49 615 864**	56 125 490
African Alliance Eswatini – Lilangeni Fund	**33 291 920**	23 664 708
Stanlib Eswatini – Money Market Fund – USOF	–	29 323 051
	82 907 784	109 113 249
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	–	4 643
Bank balances	**473 785**	3 967 110
	473 785	3 971 753
Bank balances		
Nedbank (Eswatini) Limited – Current account	**174 139**	602 792
Nedbank (Eswatini) Limited – Call account	**87 496**	3 232 310
Nedbank (Eswatini) Limited – Universal current account	–	1 694
Nedbank (Eswatini) Limited – Universal call account	–	9 922
Standard Bank (Eswatini) Limited – Current account	**102 135**	100 377
Standard Bank (Eswatini) Limited – Call account	**110 015**	20 015
	473 785	3 967 110

Figures in Emalangeni	Opening balance	Received during the year	Utilised during the year	Closing balance
7. Designated funds				
Reconciliation – 2019				
Details				
Licensing fees	**162 462 836**	**128 859 864**	**(62 827 558)**	**228 495 142**
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

The designated funds represent government grants and license fees earmarked for future projects of the Commission.

Figures in Emalangeni	2019	2018

8. Universal Service Obligation Funds

Opening balance	**32 342 406**	25 290 766
Received during the period	–	7 051 640
Transferred out in the year	**(32 342 406)**	–
	–	32 342 406

These are funds transferred from the Universal Service Obligation Fund (USOF) in terms of Section 56 of the Eswatini Communications Act, 2013. In the year ended 31 March 2019, the USOF office was fully set up and all funds were transferred their respective account.

9. Capital grant

Opening balance	**91 217**	106 420
Realised in the income statement	**(15 203)**	(15 203)
	76 014	91 217

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	**21 052 752**	4 859 170
VAT payable	**16 331 526**	4 931 265
	37 384 278	9 790 435

Figures in Emalangeni	Opening balance	Additions	Utilised during the year	Total

11. Provisions

Reconciliation of provisions – 2019				
Bonuses and 13th cheque	**2 178 411**	**2 884 342**	**(3 239 544)**	**1 823 209**
Leave days	**342 534**	**992 114**	**(873 686)**	**460 962**
	2 520 945	**3 876 456**	**(4 113 230)**	**2 284 171**

11. Provisions continued

Reconciliation of provisions – 2018

Figures in Emalangeni	Opening balance	Additions	Utilised during the year	Total
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

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 to. 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 pre-determined 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 E8 770 660 is stated after accounting for the following:

Figures in Emalangeni	2019	2018
Operating lease charges		
Premises		
Contractual amounts	**1 019 443**	987 514
Depreciation on property, plant and equipment	**5 366 714**	5 154 338
Employee costs	**22 713 073**	18 434 235
Auditor's remuneration	**100 000**	96 000

Figures in Emalangeni	2019	2018
13. Cash generated from operations		
Surplus for the period	**8 770 661**	7 143 210
Adjustments for:		
Depreciation and amortisation	**5 366 714**	5 154 338
Movements in provisions	**(236 774)**	440 354
Changes in working capital:		
Accounts receivable	**(73 263 314)**	(19 135 756)
Accounts payable	**27 593 844**	(496 527)
Designated funds	**66 032 306**	27 473 985
	34 263 437	20 579 604

14. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the Commission have applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Commission's financial statements are described below.

The Commission has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification of financial assets

There has been no change in financial liabilities and they are still classified at amortised cost.

IFRS 15 Revenue from Contracts with Customers

In the current year, the Commission has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Commission's financial statements are described below. Refer to the revenue accounting policy for additional details.

The Commission has applied IFRS 15 with an initial date of application of 01 April 2018 in accordance with the cumulative effect method.

The Directors have reviewed, assessed and concluded that there is no change in revenue recognition. Consequently, this standard has no impact on the Commission.

15. Related parties

Relationships

Parastatal organisation	Government of Eswatini Sipho J Shongwe
Members of key management	Themba Khumalo Polycarp Dlamini December Mavimbela Zodwa Ginindza Bheki Ndzinisa Bongiwe Dlamini

Figures in Emalangeni	2019	2018
Related-party transactions		
Board expenses		
Retainer fees	**54 420**	108 840
Sitting allowances	**176 379**	106 410
Communication allowances	**139 520**	145 220

16. Capital commitments

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

1. Building Design Group

The Commission, in relation to the construction of its offices, awarded a contract valued at E5 785 499 (before VAT) for architectural services to the Building Design Group. At year end, work to the value of E4 628 399 (80% of the contract) was still outstanding and will be billed in proportion to work completed through out the construction of the Commission's offices.

2. 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 atE4 450 500.

3. 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 SZL 2 741 361) as detailed below:

Figures in Emalangeni		2019	2018
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	–

17. 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.

18. Comparative figures

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

Detailed statement of financial performance

Figures in Emalangeni	2019	2018
Income		
Licence fees	**62 827 558**	51 186 550
Eswatini Government subvention		1 000 000
Capital grant	**15 203**	15 203
Interest received	**8 770 659**	7 092 647
	71 613 420	59 294 400
Operating expenses		
Advertising	**2 320 211**	1 814 958
Auditors' remuneration	**100 000**	96 000
Bank charges	**122 745**	141 291
Board expenses	**979 455**	1 063 730
Cleaning expenses	**21 983**	32 059
Computer expenses	**30 824**	56 855
Depreciation	**5 366 714**	5 154 338
Donations	**128 000**	77 320
EBIS migration project funding	**1 900 000**	–
Employee costs	**22 713 073**	18 434 235
Insurance	**871 224**	989 375
Loss on assets disposal	**–**	(50 563)
Ministry of ICT expenses	**449 286**	215 752
Motor vehicle expenses	**504 661**	511 168
Office expenses	**184 339**	150 826
Printing and stationery	**222 939**	131 611
Professional fees	**2 802 924**	7 734 691
Rates	**38 298**	–
Rent	**1 019 443**	987 514
Repairs and maintenance	**986 228**	996 401
Staff welfare	**284 559**	123 342
Strategic plan expenses	**144 026**	1 066 589
Subscriptions	**3 082 495**	2 884 000
Telephone and fax	**1 456 978**	1 085 409
Travel, conferences and workshops	**9 130 863**	8 027 366
Uniforms and protective clothing	**27 960**	288 776
Universal Service Obligation Fund	**7 751 748**	–
Utilities	**201 783**	138 147
	62 842 759	52 201 753
Surplus for the year	**8 770 661**	7 143 210

Supplementary information

1. Auditors' remuneration

Kobla Quashie & Associates	100 000

2. Board expenses

Board training	595 877
Communication allowances	139 707
Retainer fees	54 420
Sitting allowances	176 379
Travel claims	13 233
	979 616

3. Rent

Destiny Music	6 325
Public Service Pension Fund	1 013 118
	1 019 443

4. Subscriptions

AFRALTI	222 254
African Telecommunications Union	170 688
CTO	851 937
Communication Regulators Association of South-Southern Africa	801 454
Multichoice Africa Ltd	6 028
Pan African Postal Union (PAPU)	274 575
Eswatini Institute of Accountants	3 190
The Law Society of Eswatini	10 500
Universal Postal Union (UPU)	675 217
	3 015 843

5. Professional fees

Capital Management Services Consultants	92 338
Robinson and Bertram	214 724
P M Kennedy SC (Pty) Ltd	21 000
KPMG Advisory	3 990
SPPRA	21 000
Mediation and Arbitration Conciliation	19 500
AM Consultancy	4 361
Pygma Consulting	2 290 000
Sage Pastel	11 701
Michelle M LeRoux	45 000
Laberry Agencies (Pty) Ltd	24 500
Katherine Harding	47 610
Nomagugu Jonga	7 200
	2 802 924

ESWATINI COMMUNICATIONS COMMISSION

UAS Report 2019

Annual financial statements

For the year ended 31 March 2019

Contents

Acting USOF Committee Chairman's statement

Ali Resting
Acting Chairperson

It is my pleasure to present the first USOF Annual Report for the 2018/2019 financial year.

It is with great sadness however, that the financial period was marred by the unfortunate demise of both the USOF's Committee Chairperson and his replacement. Mr Fana Dladla, the first Committee Chairperson, passed away in July 2018. Mr Phumelela Shongwe replaced him but he too died unexpectedly in April this year, leaving the Committee with no substantive leader. We extend our sincere condolences to the Dladla and Shongwe families.

Establishment of the USOF Committee

The USOF Committee was established under Section 29(3) of the Electronic Communications Act, 2013, which provides that the Minister shall, on the recommendation of the Commission, appoint a Committee consisting of not less than five and no more than seven members to implement the Universal Service and Access Obligations provided for in Section 30.

The functions of the Universal Service and Access Committee are:

(a) prepare and update a strategic plan, which will be made publicly available once it is approved by the Board, at least once every three years and is to be used by the Universal Service and Access Committee in carrying out its functions;

(b) conduct a needs analysis which will be subjected to a public consultation process and will, amongst other imperatives, identify the true access gap and the smart subsidy zone, resulting in the implementation of a process to address any gaps. This will be undertaken at least once every three years, and the report will be made available to the public;

(c) determine and make recommendations to the Board on achieving annual objectives, the purpose of which is to ensure that the services listed in Section 30 of the Act are appropriate. This must follow a Regulatory Impact Analysis (RIA), which may be revised from time to time.

Duty to report

In accordance with Clause 10.3 of the Universal Service Obligation Fund (USOF) Operational Manual, stakeholders shall be kept informed of the USOF activities through the dissemination of, among other documentation, an Annual Report. Such a report includes highlights of activities undertaken by the Fund's Committee, and includes an auditor's report and audited financial statements.

The essence of Universal Service and Access is to ensure that affordable electronic communications services including, broadcasting and postal services, are made available in good quality to all citizens of Eswatini, regardless of geographical location and any specific national circumstance.

Availability of services and access

In being accountable to the ESCCOM Board, and to ensure that the Fund delivers on its mandate, the Committee developed a three-year strategy which guides its programmes.

The strategy seeks to develop and strengthen the principles and foundation framework essential to achieving the long-term goal of Universal Access and Service (UAS) of broadband Internet, broadcast and postal services across Eswatini's four regions, for individuals, households, Small Medium and Micro Enterprises (SMMEs), schools, and health facilities.

In line with this strategy, the Fund has to date completed connectivity projects for five Health Centres at a cost E450 000, namely the clinics of Mkhulamini, Ncabaneni, Sigombeni, Manyeveni and Bhawini.

The Fund also established a network expansion programme, whereby it commits to the establishment of six new 3G/4G GSM network base station sites, at a cost of E15 million. Due for completion at end August 2019, those sites are Vulamehlo, Zindwendweni, Nsalitje, Godloza, Sigcineni and Moti.

Conclusion

My sincere gratitude goes to the Ministry of ICT and the ESCCOM Board of Directors, whose combined guidance has enabled the USOF Committee to deliver on its mandate. I also thank industry stakeholders for their unwavering support, be that their expert advice, contributions to the Fund, and/or responses to invitations to rollout projects.

The Committee trusts that such collaborations will continue beyond the implementation of the UAS strategy as we highly value their participation, and that of the individual citizens.

The Committee does not take lightly the task that the Fund is entrusted with; achieving universality is an enormous task because it is a basic right of every individual. We need and welcome all forms of support to ensure that the digital divide is completely eliminated in the Kingdom of Eswatini.

Thank you

Mr Ali Resting
Acting Chairperson

Universal access and service governance

The Minister shall, on the recommendation of the Commission, appoint a committee consisting of not less than five and no more than seven members, to implement the Universal Service and Access Obligations provided for in Section 30. S24 of the Electronic Communication Act of 2013.

Functions of the Universal Service Committee

The Universal Service Committee shall:

(a) prepare and update a strategic plan, which will be made publicly available once it is approved by the Board, at least once every three years and is to be used by the Universal Service and Access Committee in carrying out its functions;

(b) conduct a needs analysis which will be subjected to a public consultation process and will, amongst other imperatives, identify the true access gap and the smart subsidy zone, resulting in the implementation of a process to address any gaps. This will be undertaken at least once every three years, and the report will be made available to the public;

(c) determine and make recommendations to the Board on achieving annual objectives, the purpose of which is to ensure that the services listed in Section 30 of the Act are appropriate. This must follow a regulatory impact analysis (RIA), which may be revised from time to time.

Members of the Universal Service and Access Committee

Ali Resting

Alex Hlandze

Bongiwe Dlamini – Ministry of ICT Representative

Mvilawemphi Dlamini – ESCCOM Chief Executive

Wandile Mtshali

Karen Mbuyisa

Statement from USOF Director

Mbongeni Mtshali
USOF Director

I am honoured, as administrator of the USOF, to contribute to this, our inaugural Annual Report. Honoured particularly because of the progress and positive strides we have made in the period under review, all of which have resulted in improved universal access to communication technologies and development for the residents of the Kingdom of Eswatini.

Since the establishment of the USOF, its Directorate has, through collaboration and cooperation with stakeholders, been successful in executing the programmes of the USOF Committee; undertaken as per the stipulated functions and duties of the USOF Director's office, and as articulated in the USOF Operation Manual.

Executing duties

I am pleased to report that we have been able to formulate and execute our duties relative to the USOF's three-year strategy; a positive reflection of how the mandate of the Fund impacts on the society we serve.

The core strategic objective of the Fund is based on creating an environment for increased access to ICTs in Eswatini, with a key focus on broadband development. This translates into the following goals:

- To promote and increase the level of ICT and broadcasting services in households through the existing infrastructure and additional infrastructure by licensees.
- To increase the level of ICT and broadcasting services access in identified facilities, namely: health, education, and e-government.

To achieve these goals ESCCOM is required to fulfil and achieve Universal Service and Access to high-speed, high-capacity, high quality, reliable and affordable broadband Internet. It must be made clear however, that while mid-term programmes will realise fruition within the three-year strategy timeframe, there are other strategic programmes that require five-years or longer to manifest.

Statement from USOF Director continued

In terms of Electronic Communications (USA) Regulations 2016, the elements which constitute the USOF obligations are:

1) Voice communication;
2) Data communication/broadband;
3) Establishment of infrastructure for provision of voice and data services;
4) Equipment and end-user devices;
5) Postal services;
6) Broadcasting services; and
7) Training and skills development.

These factors align with the USOF strategy, as detailed in Programme 2, which includes a provision for the management of the Universal Service Committee (USC). The USC is obligated to lead in the identification, prioritisation, and implementation of Universal Access projects in line with the approved strategy.

Projects underway

It is encouraging to report that the Health Centre Connectivity project was motivated in the period under review. This project will assist in connecting health centres in the rural areas to the National Health Server hosted by Government Computer Services.

In the next phase, during 2018/2019, which forms part of Programme 1 of the strategy, five health facilities are to be connected to the Ministry of Health Management Information System (HMIS).

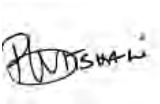
Programme 3 of the strategy is being delivered through the Network Extension project, which seeks to increase broadband coverage in rural and underserved areas. The Committee thus approved the construction and implementation of six BTS sites during 2018/2019.

Programmes 4 and 5 are on-going and focused on the development of Eswatini Digital Access Centres (EDACs) and Universal Broadcasting Access.

Gratitude

This Annual Report details more fully elsewhere, the progress made on the aforementioned projects and others that the ESCCOM have successfully implemented during the past financial year.

My sincere gratitude goes to all involved in the projects, from the officers working at the various sites, to management, the USOF Committee, the ESCCOM Board and stakeholders of the Commission, and the Ministry of ICT for their unwavering support in the successful implementation of the strategy.



Mbongeni Mtshali
Director USOF

USOF Committee

Ali Resting
Acting Chairperson

Bongiwe Dlamini
Ministry of ICT Representative

Mvilawemphi Dlamini
ESCCOM Chief Executive

Alex Hlandze

Wandile Mtshali

Karen Mbuyisa

The global view of UAS

Across the world, there is harmonisation with regard to the terminology within the ICT sector, which today comprises both telephony and Internet services. Universal Access Services (UAS) is one such, which is integral in appreciating the role of Eswatini's Universal Service Obligation Fund (USOF).

Underpinning ICT regulation is the International Technology Union (ITU), a platform that informs the dialogue around ICT, particularly concerned with security. Within the ITU are effective mechanisms and tools that assist ITU member states – Eswatini is a member – to set standards related to security and regulation.

One such instrument is the Information Communication Technology Tool Kit, a global resource for policy-makers, regulators, the telecoms industry and consumers. The Tool Kit provides crucial information including global policy, trends and developments, and how to integrate Universal Access and Services into programmes.

Origins of Universal Service (US)

Historically, the term and concept of US existed even before that of Universal Access (UA). US applied to telephonic services, first mentioned in the 1934 Communications Act of the United States, and described the concept of affordability of telephone services, as well as its universal availability for households desiring that service. UA is focused on public, community, or shared access to telecommunications.

US emerged with the advent of the market liberalisation and sector reform of telecoms, such as when British Telecom privatised in 1984, with the specific aim to serve all reasonable demands for basic telephony services. Prior to that, 'affordable service for all' was considered an implicit obligation to be met by the management of state-owned enterprises (SOEs), and applied across the international arena.

The advent of market liberalisation and competition triggered a global debate on US, specifically key questions of how to achieve it in a deregulated environment, its cost, and who should bear those costs. The debate highlighted that telephone service was an important basic right, essential for social cohesion and economic development; it was the 'how' of achieving US that introduced it to global communicators.

Universal Service and Access

The concepts of US and UA to telecommunications and ICT are distinct; US refers to service at the individual or household level, e.g. typically a telephone in homes, and UA relates to a publicly shared level of service, e.g. through public payphones or Internet telecentres. However, they are also intrinsically linked given that UA was the pre-cursor for US.

In the past, developing countries typically focused on universal access (UA), meaning community and publicly-shared access was the most appropriate and feasible target. However, with the maturity of mobile communications, which extended services further and lowered access barriers, many developing countries began to target US for expanded telephony in urban areas. This translated into adding and setting UA targets for rural areas with the objective of increasing rural penetration.

Some developing nations have achieved UA to telephony with a goal to achieve US, but it remains that for Internet, their goal must be UA. This means that any policy around UA must apply equally to US.

US policy goals became the standard for more developed nations, but the onset of broadband led to re-use of the term UA. It is recognised that universal availability of broadband services may not necessarily yield universal service-like household penetration for many reasons, though the provision of affordable access remains an important goal.

The reality dictated that UA and US were equally important so it made sense to use the generic term Universal Access and Service (UAS), particularly for those nations targeting both urban and rural areas.

The term USO refers to the obligations a nation makes towards maximising the utilisation of telecoms services, encouraging investment in infrastructure, and promoting competition.

Eswatini studies regional US benchmarks

The youth status of Eswatini's USOF presented ESCCOM with the ideal opportunity to apply from the start, best practices as determined in other similar developing nations; in this case, what the regulators in Zambia and Lesotho have applied. The Commission's Director Technical and Chief Executive visited, in October 2018, both the Zambia Information and Communications Technology Authority (ZICTA) and the Lesotho Communications Authority (LCA).

The purpose of the visit was to acquire knowledge on benchmarking USOF and how Universal Service Projects are formulated and delivered by regulators, inclusive of: the institutional frameworks/ operational models; the strategies; and the types of projects undertaken specifically by the two more established regulators and their Funds.

Findings

Both ZICTA and LCA take a different approach in terms of their operating USOF models. ZICTA's projects are managed and implemented by a project office; its USOF office was in the process of being created given it needs to be a stand-alone in terms of how it is funded by the Zambian government. LCA's model is similar to our USOF in that it has a Head of Fund and all other deliverables are undertaken in partnership with a technology department.

ZICTA and LCA select projects based on universally-adopted USOF strategy. The main differentiator between those nations and Eswatini is that they have larger countries with more operators to contribute to their Fund. ESCCOM's delegation visited a number of the operators' projects and interacted with the communities that are benefiting, finding that the support provided is greatly welcomed and appreciated.

Strategies and projects

Strategic pillars

These strategic areas form the four pillars that support the realisation of the strategy as follows:

- **Affordability:** To increase affordability of communications through enhanced competition and effective regulation
- **Accessibility:** To prioritise increase the access in new locations and facilities; and to improve the quality of access locations and facilities that already have access by upgrading internet quality to broadband
- **Subsidisation:** To use the Fund to create key interventions to address the market access gap
- **Research:** To ensure an evidence base strategy, programmes and projects; to facilitate tangible and quantifiable outcomes; and to enable ESCCOM to have baseline information to achieve and measure progress on the strategic objectives and targets

It should be noted that all strategies are 'rolling" mechanisms; so, they require routine monitoring and review and updating to take account of changing environment and the successes already achieved.

The global view of UAS continued

Goals

The core strategic objective is based on creating a foundation for increased access to ICTs Eswatini, with a key focus on broadband development. This implies the following goals:

- To promote that licensed operators, increase the level of ICT and broadcasting service in households through the existing infrastructure and additional infrastructure; and
- To increase the level of ICT and broadcasting access in identified facilities, namely health facilities, education facilities and e-government facilities.
- Build strategic partnerships that support the Universal Access and Service initiatives.

ESCCOM will focus on building strategic partnerships to promote access to broadband and support the implementation of the e-government programme across the country, working within its regulatory mandate. This includes:

- Creating the Eswatini Universal Access Initiative aimed at highlighting and finalising the required regulatory interventions, in conversation with the e-Government Office; the Ministry of ICT; the Ministries of Tinkhundla (Decentralisation programme), Education and Health; industry and other stakeholders;
- Positioning ESCCOM as the facilitator for all regulatory matters required for success of the e-government programme, a key beneficiary of a successful UAS strategy; and
- Positioning ESCCOM to establish the regulatory environment required for digital innovation, such as the development of applications and content that will support the e-government programme and other commercial start-up activities which will stimulate the economic activities in communities.

UAS programmes

The UAS programme defines the types of activities that ESCCOM will fund over the three-year period based on its existing financial resources.

The UAS programme consists of five parts:

Programme 1:	Connectivity for facilities, such as community centres, schools and health facilities (demand side measures)
Programme 2:	Management of the Universal Service Committee (USC)
Programme 3:	Network Infrastructure enhancement for backbone and last mile access to broadband Internet (supply side measures). This sub-programme will prioritise Lubombo and Shiselweni regions.
Programme 4:	Development of Eswatini Digital Access Centres (ICT Hub's)
Programme 5:	Universal Broadcasting Access

Health Centres connectivity project

The Universal Access & Service Fund has successfully initiated the Health Centres Connectivity Project which is one of the five (5) key programmes of our Strategy.

The UASF programmes identified are to be funded over a three-year period, based on existing financial resources. Programme 1 involves the connectivity for facilities, such as community centres, schools and health facilities (demand side measures) of which the UASF has started with the health facilities.

The Health Centres connectivity project will assist in connecting the health centres in the rural areas to the National Health Server hosted by the Government Computer Services. The Ministry of Health through the Health Management Information Systems (HMIS) unit, and working collaboratively with health sector partners, embarked on revamping and replacing its legacy hybrid paper/electronic system for collecting routine health information called the HMIS System through a project aimed at bringing in its place a new and modern system called the Client Information Management System (CMIS). The goal is to build and maintain a robust single integrated and operational Health Information System. This information system aims to capture clinical records for services given to clients of the health facilities.

As such the healthcare workers are expected to capture and record the service provided to client's in real time. In brief, CMIS is a modular software designed using system architecture approaches to overcome the challenges that made the HMIS system redundant. This included not having patient level data, uniquely identified cases, reduced burden of data collection, strengthening access to information to strengthen client/provider interactions and overall improving the continuum of health services, to mention some but not all.

In July 2018, ESCCOM partnered with the Ministry of Information Communication Technology to establish connectivity to different health centres. The programme is to be implemented in a number of phases. The First and Second phases will cover up to 20 health centres in Eswatini.

We have been able to successfully implement the connectivity of five (5) health facilities to the Ministry HMIS as part of the implementation of Programme 1 for the Financial Year 2018/2019. The health centres connected are: Mkhulamini, Ncabaneni, Sigombeni, Manyeveni and Bhahwini Clinics.

The cost for the projects is E90 000 per site which equates to E450 000 for the Financial year 2018/2019.

The UASF and the ESCCOM, remain committed in the roll out of this project and note that connectivity is not an end to itself but a means to an end – that is, access to services.

Network extension project

Under Programme 3, the UASF initiated the network infrastructure enhancement for backbone and last-mile access to broadband internet (supply-side measures) project.

This sub-programme will prioritise Lubombo and Shiselweni regions.

There are two projects in this programme. The first project is network expansion, which seeks to increase the broadband coverage in the rural and underserved areas. The second project is facility

The global view of UAS continued

connectivity which seeks to extend the network backbone infrastructure to the nearest point for ease of last mile connectivity. The second project requires more time to deliver and the proposal was that for past financial year we only consider the network extension project.

As a Commission, we engaged with the operators about a list of sites that they propose the Fund consider, when extending the network. These sites will be set-up with a dynamic network capable of covering all the available technology.

After completing the selective tender process, which included consultation with SPPRA, the ESCCOM tender evaluation committee and the Tender Board awarded the tender for Network Expansion project to MTN Eswatini that will be responsible for building four sites while Eswatini Mobile will be responsible for two sites.

The project timeline agreed with the two operators was 12 weeks, which means that we would be able to complete the projects mid-April.

The sites chosen are common between the two lists, and are St Philips, Kontjingila/Godloza, Manjengeni, Mhlahlweni/Gege, Kaphunga and Nsalitje.

In the six communities, at least 2 080 people will be connected. The Kontjingila/Godloza community has the most residents, at 600, while Nsalitje, the smallest at 230.

The minimum service provided will be a Universal Mobile Telecommunications System (UMTS), operating at data rates of up to 14 Mbit/s in the downlink and 5.76 Mbit/s in the uplink.

This intervention will provide expansion of network coverage for voice and broadband. The infrastructure components (including hardware equipment) that will be set up to provide network coverage to the specified areas includes:

- Radio equipment;
- Transmission equipment;
- Power supply equipment; and
- Access road.

The constitution of access roads requiring during the implementation of the programme has the added benefit of improvement of road infrastructure to the communities, helping to improve their quality of life.

General Information

Universal Service Obligation Fund

(Registration number Act No: 10 of 2013)
Annual Financial Statements
for the year ended 31 March 2019

Nature of business and principal activities	Monitoring and enforcing compliance with specific obligations, Licence Conditions and objectives; designating universal service providers with obligations to provide universal services; monitoring and enforcing compliance with and the carrying out of universal service plans by the universal service providers
Committee	Ali Resting Alex Hlandze Bongiwe Dlamini – Ministry of ICT Representative Mvilawemphi Dlamini – ESCCOM Wandile Mtshali Karen Mbuyisa **Secretary** Mr Ozzie Thakatha
Business address	4th Floor, Sibekelo Building, Mbabane Office Park, Mbabane, Eswatini
Postal address	PO Box 7811, Mbabane, H100
Bankers	Nedbank (Eswatini) Limited
Auditors	Kobla Quashie and Associates Chartered Accountants (Eswatini) Manzini
Registration number	Eswatini Communications Act No: 10 of 2013


ESCCOM

Contents

The reports and statements set out below comprise the annual financial statements presented to the Committee

Directors' responsibilities and approval

The Directors are required in terms of the Eswatini Communications Act 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 y 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 annual 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 judgments 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 responsibility 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 year to 31 March 2020 and, in the light t 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 pages 91 to 92.

The annual financial statements set out on pages 93 to 112, which have been prepared on the going concern basis, were approved by the Board of Directors on 19 July 2019 and were signed on its behalf by:

Chairperson

Chief Executive Officer

Report of the independent auditors

To the directors of Eswatini Communications Commission

We have audited the annual financial statements of Eswatini Communications Commission, which comprise the statement of financial position as at 31 March 2019, and the statement of c 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 93 to 112.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Eswatini Communications Commission as at 31 March 2019, 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 Eswatini 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 Responsibilities for the Audit of the financial Statement 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 (Part A and B) and in accordance with the ethical requirements applicable to performing audits in Eswatini. We have fulfilled our other ethical responsibilities in accordance with the International Ethics Standards for Accountants Code of Ethics for Professional Accountants (Part A and B) and in accordance with the ethical requirements applicable to performing audits in Eswatini.

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 Eswatini 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 connect ion 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 l 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 Eswatini 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.

Auditor's Responsibilities 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations , or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but 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 exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statement t s 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.
- 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 a significant deficiencies in internal control that we identify during our audit.

Kobla Quashie and Associates
Chartered Accountants (Eswatini)
Manzini

19 July 2019

Per: Daniel Bediako

Directors' report

The Committee submit its report for the year ended 31 March 2019.

Review of activities

Main business and operations

The Universal Service Obligation Fund is a body established by an Act of Parliament (Eswatini Communications Commission Act 10 of 2013) as part of Government's reform strategy to increase access to communication services. The Fund is engaged in the business of monitoring and enforcing compliance with specific obligations, licence conditions and objectives; designating universal service providers with obligations to provide universal services; monitoring and enforcing compliance with and the carrying out of universal service plans by the universal service providers and operates principally in Eswatini. 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 Fund 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 Fund to continue as a going concern depends on the long term sustainability of such results and further improvements.

Events after the reporting period

The Committee is 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 amounts 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;
c) have not required adjustments to the fair value measurements and disclosures included in the financial statement.

Universal Service Committee

The Universal Service Committee during the year and to date of this report are as follows:

Ali Resting
Alex Hlandze – appointed August 2019
Bongiwe Dlamini – Ministry of ICT Representative
Mvilawemoi Dlamini – ESCCOM Chief Executive
Wandile Mtshali
Karen Mbuyisa
Fana Dladla – deceased June 2018
Phumelela Shongwe – deceased April 2019

Auditors

Kobla Quashie and Associates
Chartered Accountants (Eswatini) Manzini.

Statement of financial position

For the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019
ASSETS		
Non-current assets		
Property, plant and equipment	2	**670 291**
Current assets		
Accounts receivable	3	**15 519 214**
Financial assets	4	**24 896 135**
Cash and cash equivalents	5	**6 721 637**
		47 136 986
Total assets		**47 807 277**
RESERVES AND FUND BALANCES		
Fund balances		
Capital reserves	6	**29 970 751**
Current liabilities		
Accounts payable	7	**17 731 832**
Provisions	8	**104 694**
		17 836 526
Total liabilities		**47 807 277**

Statement of comprehensive income

For the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019
Income		19 056 731
Operating expenses		(19 056 731)
Operating surplus	9	—

Statement of cash flows

For the year ended 31 March 2019

Figures in Emalangeni	Note(s)	2019
Cash flows from operating activities		
Cash generated from operations	10	**2 371 951**
Cash flows from investing activities		
Purchase of property, plant and equipment	2	**(724 930)**
Investment in financial assets		**(24 896 135)**
Net cash from investing activities		**(25 621 065)**
Cash flows from financing activities		
Movement in capital reserves		**29 970 751**
Total cash movement for the year		**6 721 637**
Total cash at end of the year	5	**6 721 637**

Summary of significant accounting policies

For the year ended 31 March 2019

1. Presentation of annual financial statements

The Universal Obligation Service Fund (USOF) was established in terms of the Eswatini Communications Act 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

TThe 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 the Emalangeni have been rounded to the nearest figure.

d) Use of estimates and judgments

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 judgment 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 judgments include:

Receivables

The Fund 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 Fund makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

1. Presentation of annual financial statements continued

1.2 Changes in accounting policies and disclosures

Amendments mandatory effective for the year ended 31 March 2019

The following is a summary of the new and revised IFRSs that are mandatory effective for the annual periods beginning on or after 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 1: Annual Improvements to IFRS 2014 – 2016 cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Commission has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies. The new accounting policies are set out in note 1.10. In accordance with the transition provisions in IFRS 15, the Commission has not restated comparatives for the 2018 financial year. Management made an impact assessment and concluded that no adjustment was required. Refer to note 14 for more detailed explanation.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations and licensing) and provide some transition relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with respect to collectability or measuring non-cash considerations.

Amendments to IFRS 1: Annual Improvements to IFRS 2014 – 2016 cycle

The amendment deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. The amendments have no impact on the Commission's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The amendment has no impact on the Commission's financial statements.

IFRS 9 Financial Instruments

The Commission has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Commission did not early adopt IFRS 9 in previous periods.

Classification and measurement

The IFRS 9 standard includes changes in the classification and measurement bases of the Commission's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Amounts owing by related parties, trade and other receivables, other financial assets and cash and cash equivalents are measured at amortised cost. There is therefore no change to classification of these assets.

IFRS 9 requires financial assets to be classified on the basis of two criteria:

- The business model within which financial assets are managed, and
- Their contractual cash flow characteristics (whether the cash flows represent solely payments of principal and interest).

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are required to be measured at fair value through profit and loss if they are held for the purposes of trading, if their contractual cash flows do not meet the 'solely payments of principal and interest criterion, or if they are managed on a fair value basis and the Commission maximises cash flows through sale. IFRS 9 allows an entity to irrevocably designate a financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (that is, an accounting mismatch).

Impairment calculation

The impairment model has been changed from an "incurred loss" model from IAS 39 to a forward-looking "expected credit loss" (ECL) model under IFRS 9.

IFRS 9 outlines a "three stage" model for impairment based on credit quality since initial recognition, as summarised below:

A financial asset/loan issued that is not credit impaired on recognition and has not undergone significant deterioration in credit risk (SICR) since initial recognition in classified in "Stage 1". If a significant increase in credit risk since initial recognition has been identified, the financial asset is classified in "Stage 2" but is not yet deemed to be credit impaired. If the financial asset is credit impaired then it is classified in Stage 3.

1. Presentation of annual financial statements continued

1.2 Changes in accounting policies and disclosures continued

Impairment calculation continued

Within the Fund the following definitions exist for the classification of financial assets and identification of SICR:

- Any financial asset which is performing and up to 30 days in arrears is considered Stage 1
- Any financial asset with a maximum arrears level of between 31 and 90 days is considered Stage 2
- Any financial assets with a maximum arrears level of greater than 90 days is considered credit impaired and stage 3

Once the portfolio has been classified into the three given stages, IFRS 9 loss allowances are measured on either of the following bases:

- Stage 1: 12-month expected loss – A 12-month ECL implies the loss expected in the 12 months following reporting date
- Stage 2 and Stage 3: Lifetime ECLs – that is, the loss expected over the lifetime of loans falling within this category.

ECL Methodology

The methodology adopted by the Fund to calculate Expected Credit Losses relies on historical cash flow data across all jurisdictions. This data allows for an accurate estimation of historical losses, given certain levels of arrears reached. This data takes into account any recoveries made from accounts which rectify from arrears, as well as written off amounts from accounts which failed to rectify. The historical data is distilled into Expected Credit Loss rates which are applied to individual accounts, based on the level of arrears for that account.

In addition to the historical cash flow modelling, Expected Credit Losses are subjected to forward looking adjustments based on “upside” and “downside” scenarios. That is, the final ECL value is a weighted average of the current impairment number (given current portfolio dynamics), a projected value based on favourable conditions and a projected value based on unfavourable conditions. This is based on the IFRS 9 requirement that ECL estimates are based on multiple future scenarios encompassing with favourable and unfavourable economic conditions. Refer to note 11 for more detailed explanation.

Amendments not mandatory effective for the year ended 31 March 2019

The Fund has not yet adopted the following standards and interpretations, which have been published and are mandatory for accounting periods beginning on or after 1 January 2019:

- Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015-2017 cycle;
- Amendments to IAS 23 Borrowing costs: Annual Improvements to IFRS 2015-2017 cycle;
- IFRIC 23 Uncertainty over Income Tax Treatments, and
- IFRS 16 Leases.

Amendments to IAS 12 Income Taxes

These amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits. The amendments are not expected to have a significant impact on the Fund's financial statements. They apply for annual periods beginning on or after 1 January 2019.

Amendments to IAS 23 Borrowing costs

These amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The amendments are not expected to have a significant impact on the Fund's financial statements.

They apply for annual periods beginning on or after 1 January 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used, and
- the potential impact of uncertainties that are not reflected.

The standards and interpretations are not expected to have a significant impact on the Fund's financial statements.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

Summary of significant accounting policies continued

For the year ended 31 March 2019

1. Presentation of annual financial statements continued

1.2 Changes in accounting policies and disclosures continued

IFRS 16 Leases continued

The Fund has begun assessing the potential impact of IFRS 16 on the financial statements.

The Fund enters into operating leases of relatively short duration (not more than 3 years) and with the overall lease expenditure not amounting to more than 5% of the operating expenditure. Operating lease expenditure will have a similar accounting treatment as finance lease. The right to use an asset is recognised by the lessee and a lease liability representing its obligation to make lease payments. The standard is not expected to have a significant impact on the results of the Commission.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

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 Fund; 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 straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is 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
Furniture and fixtures	10 years
Motor vehicles	5 years
IT equipment and software	3 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.

1.4 Financial instruments

Classification

The Fund 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 re-assessed 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 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 Fund has transferred substantially all risks and rewards of ownership.

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.

1. Presentation of annual financial statements continued

1.4 Financial instruments

Trade and other receivables continued

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.

1.5 Impairment of assets

The Fund 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 Fund 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.

1.6 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.

1.7 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), are recognised in the period in which the service is rendered and are not discounted.

Terminal 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 Fund 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 offer made to encourage voluntary redundancy. Benefits falling due more than 12 months are discounted to present values.

Statutory obligations

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

Pension obligation

The Fund 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 Fund pays fixed contributions into a separate entity. The Fund 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.

1.8 Revenue

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

Universal Service Levy

Universal Service Levy income consist of annual levies charged to all licensees subject to the Regulations which is recognised in the period in which it relates.

Interest income

Interest is recognised, in the income statement using the effective interest rate method. When a receivable is impaired, the Fund 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.

1.9 Related parties

The major related party to the Fund apart from the Committee is the Government of Eswatini which exercises a significant influence over its financial and operating decisions.

2. Property, plant and equipment

	2019		
	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	45 297	(2 413)	42 884
Motor vehicles	627 505	(41 834)	585 671
Office equipment	1 999	(83)	1 916
IT equipment and software	50 129	(10 309)	39 820
Total	724 930	(54 639)	670 291

Reconciliation of property, plant and equipment – 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	–	45 297	(2 413)	42 884
Motor vehicles	–	627 505	(41 834)	585 671
Office equipment	–	1 999	(83)	1 916
IT equipment and software	–	50 129	(10 309)	39 820
	–	724 930	(54 639)	670 291

Figures in Emalangeni	2019
3. Accounts receivable	
Trade receivables	7 767 466
ESCCOM	7 751 748
	15 519 214
4. Financial assets	
Stanlib Eswatini – Money Market Fund	24 896 135
5. Cash and cash equivalents	
Cash and cash equivalents consist of:	
Bank balances	6 721 637
Bank balances	
Nedbank (Eswatini) Limited – Current account	88 930
Nedbank (Eswatini) Limited – Call account	6 631 707
	6 720 637

Figures in Emalangeni	2019

6. Capital reserves

Received in the current year	32 221 410
Realised in the income statement	(2 250 659)
	29 970 751

7. Accounts payable

Accrued expenses	16 734 699
VAT payable	997 133
	17 731 832

Figures in Emalangeni	Opening balance	Additions	Total

8. Provisions

Reconciliation of provisions – 2019	Opening balance	Additions	Total
Bonuses and 13th cheque	–	79 855	79 855
Leave days	–	24 839	24 839
	–	104 694	104 694

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 to. 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 Fund.

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 pre-determined key performance measures. Bonuses are payable annually after the Fund's annual results have been approved. Payment of bonus has to be approved by the Board of Directors.

9. Operating surplus

Operating surplus for the period amounting to ENil is stated after accounting for the following:

Figures in Emalangeni	2019
Operating lease charges	
Premises	
Contractual amounts	42 615
Depreciation on property, plant and equipment	54 639
Employee costs	947 166
Auditor's remuneration	15 000

Figures in Emalangeni	2019
10. Cash generated from operations	
Surplus for the period	
Adjustments for:	
Depreciation and amortisation	54 639
Movements in provisions	104 694
Changes in working capital:	
Accounts receivable	(15 519 214)
Accounts payable	17 731 832
	2 371 951

11. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the Fund have applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Fund's financial statements are described below.

The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification of financial assets

There has been no change in financial liabilities and they are still classified at amortised cost.

IFRS 15 Revenue from Contracts with Customers

In the current year, the Fund has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Fund's financial statements are described below. Refer to the revenue accounting policy for additional details.

The Fund has applied IFRS 15 with an initial date of application of 01 April 2018 in accordance with the cumulative effect method.

The Committee has reviewed, assessed and concluded that there is no change in revenue recognition. Consequently, this standard has no impact on the Fund.

12. Related parties

Relationships

Parastatal organisation	Government of Eswatini
Members of key management	Ali Resting
	Alex Hlandze
	Bongiwe Dlamini
	Mvilawempi Dlamini
	Wandile Mtshali
	Karen Mbuyisa

Figures in Emalangeni	2019
Related-party transactions	
Committee expenses	
Retainer fees	186 275
Sitting allowances	82 010
Communication allowances	122 038
Committee trainings	198 531

13. Risk management

Capital risk management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for Fund 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 Fund's risk to liquidity is a result of the funds available to cover future commitments. The Fund 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 Fund only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Detailed statement of financial performance

Figures in Emalangeni	2019
Income	
USO levy	**6 770 420**
ESCCOM	**7 751 748**
Capital reserves amortisation	**2 250 659**
Interest received	**2 283 904**
	19 056 731
Operating expenses	
Advertising	**37 839**
Auditors’ remuneration	**15 000**
Bank charges	**2 472**
Base station projects	**16 200 481**
Committee expenses	**588 855**
Depreciation	**54 639**
Employee costs	**947 166**
Insurance	**42 647**
Long distance air fibre	**574 808**
Motor vehicle expenses	**32 076**
Office expenses	**13 000**
Printing and stationery	**53 004**
Professional fees	**19 128**
Rent	**42 615**
Security	**8 910**
Staff welfare	**550**
Telephone and fax	**50 401**
Travel, conferences and workshops	**358 108**
Uniforms and protective clothing	**8 000**
Utilities	**7 032**
	19 056 731

Supplementary information

1. Auditors' remuneration

Kobla Quashie & Associates	15 000

2. Board expenses

Board training	198 531
Communication allowances	122 038
Retainer fees	186 275
Sitting allowances	82 010
	588 854

ESCCOM

ESWATINI COMMUNICATIONS COMMISSION