



Swaziland Revenue Authority



Raising the Standard

Annual Report 2011



*His Majesty King Mswati III
Officially launching the SRA
on 11 March 2011*



Swaziland Revenue Authority

HEADQUARTERS
2nd Floor, Imfembe Building
Mahlokohla Street
Mbabane
Swaziland

P.O. Box 5628
Mbabane, Swaziland
Tel.: +268 24064000 Fax: +268 24064001
E-mail: info@sra.org.sz
Website: www.sra.org.sz

Ref: SRA\CG\CMF\01

Letter of Transmittal

30 June 2011

The Honourable Mr. Majozi V. Sithole
Minister of Finance
P.O. Box 443
Mbabane

Dear Honourable Minister,

On behalf of the Swaziland Revenue Authority Governing Board I humbly present to you the 1st Annual Report, covering the financial year 2010/11. For the purposes of completeness, we have included the period from 1st April 2010 to 31st December 2010 before the coming into full operation of the Swaziland Revenue Authority.

This Report has been prepared in accordance with the requirements of the Revenue Authority Act and the Public Enterprise Act.

Yours Sincerely

A handwritten signature in black ink, appearing to be 'Ambrose Dlamini', is written over a circular official stamp.

AMBROSE DLAMINI
CHAIRMAN OF THE SRA GOVERNING BOARD

SWAZILAND REVENUE AUTHORITY

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LIST OF ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
FY	Fiscal Year
ICT	Information, Communication and Technology
IT	Information Technology
MIS	Management Information System
LIC	Low Income Country
PAYE	Pay As You Earn
SACU	Southern African Customs Union
SADC	Southern African Development Community
SRA	Swaziland Revenue Authority
VAT	Value Added Tax
WEF	With Effect From

SWAZILAND REVENUE AUTHORITY



*Hon. Minister Majozi V. Sithole
officially handing over the responsibility of Revenue
Administration to the SRA on the 30th December for
official takeover on the 1st January 2011*

CORPORATE PROFILE

The Swaziland Revenue Authority (SRA) is a semi-autonomous agency which is responsible for assessment and collection of all revenue on behalf of the Swaziland Government. SRA came into effect in 2009 through the Revenue Authority Act of 2008 and formally took over the responsibility of revenue administration on 1st January 2011, initially taking over Tax and Customs administration from the Government Departments previously responsible for this. SRA administers a wide range of legislation related to tax and customs administration.

There are currently three operational departments; Income Tax, Sales Tax and Customs with support from: Information and Communication Technology; Human Resources; Legal Services; Internal Audit; Analysis, Planning and Statistics; Finance; Internal Affairs; Public Relations; Estates and Administration.

The operations of SRA are overseen by a Governing Board which comprises of; a Chairman, the Principal Secretary in the Ministry of Finance, the Principal Secretary in the Ministry of Commerce, Industry and Trade (formerly Enterprise and Employment), the Governor of the Central Bank of Swaziland, three other members appointed by the Minister and the Commissioner-General (ex-officio). The Board has three (3) subcommittees: Audit, Human Resources and Ethics, Finance and Tender. The Governing Board elects a Vice-Chairman among its members. The Commissioner General is appointed through a recommendation of the Board by the Minister of Finance. The Secretary to the Governing Board is appointed by the Governing Board and currently is the Chief Legal Officer of SRA.

SWAZILAND REVENUE AUTHORITY

GOVERNING BOARD



- | | | |
|----|-----------------------|---|
| 01 | Mr. Ambrose Dlamini | Chairman |
| 02 | Mr. Sthofeni Ginindza | Vice Chairman |
| 03 | Ms. Khabonina Mabuza | Member - Principal Secretary, Ministry of Finance |
| 04 | Mr. Martin Dlamini | Member - Governor, Central Bank of Swaziland |

- | | | |
|----|----------------------------|--|
| 05 | Ms. Phumelele Dlamini | Member - Representing Principal Secretary, Ministry of Commerce, Industry and Trade, |
| 06 | Mr. Jobe Mashwama | Member |
| 07 | Mr. Dumisani Masilela | Member - Commissioner General |
| 08 | Mr. Mhlabuhlangene Dlamini | Member |

MANAGEMENT TEAM



01 Mr. Dumisani Masilela

Commissioner General
(Appointed wef May 2010)

02 Ms. Nompumelelo Dlamini

Chief Financial Officer
(Appointed wef March 2011)

03 Ms. Faith Mazani

Commissioner of Sales Tax/VAT
(Appointed wef November 2010)

04 Mr. Isheunesu V. Mazorodze

Commissioner of Customs
(Appointed wef January 2011)

05 Mr. Maxwell Lukhele

Commissioner of Income Tax
(Appointed wef November 2010)

06 Ms. Nomcebo Marrengane

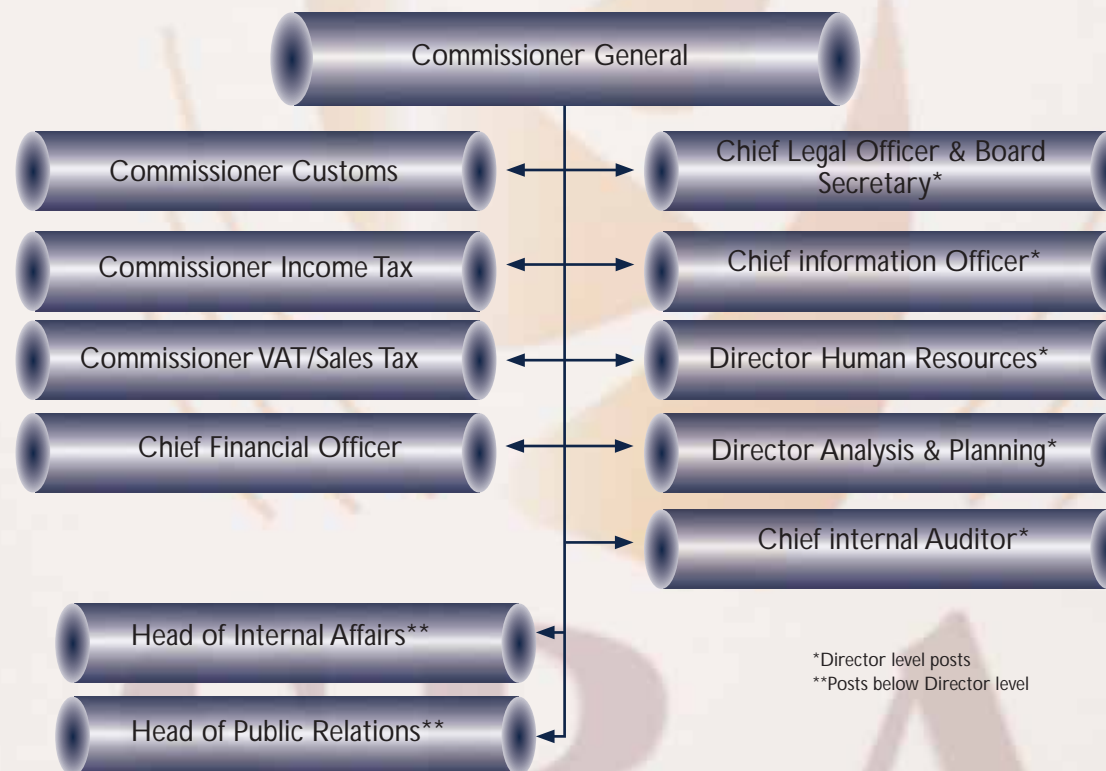
Chief Legal Officer
(Appointed wef October 2010)

07 Mr. Antony Nxumalo

Director of Human Resources
(Appointed wef October 2010)

SWAZILAND REVENUE AUTHORITY

SRA ORGANOGRAM



*Director level posts

**Posts below Director level



SWAZILAND REVENUE AUTHORITY

VISION, MISSION AND VALUES

OUR VISION

"To be a modernised, credible and customer centric Revenue Authority"

OUR MISSION

"To provide an efficient and effective revenue and Customs administration, driven by a professional and motivated staff, that promotes compliance through fair, transparent, and equitable application of the law"

OUR VALUES

Courtesy

We will treat all taxpayers and members of the public who we have dealings with, as well as our colleagues, with courtesy and respect being sensitive to their rights, expectations and responsibilities.

Equity and Fairness

We will apply the provisions of the Tax and Customs laws in an even handed manner, free of personal, political, religious or other prejudices, and work to produce a level playing field for commercial competition.

Honesty and Integrity

The management and all staff of the Authority will act and take decisions in good faith, and in the best interests of the Authority and its stakeholders at all times. Staff will be expected to adhere to the SRA Code of Ethics and Conduct and exhibit high standards of personal probity at all times.

Transparency and Accountability

The SRA will ensure the full disclosure of information as required by law, and, whilst respecting the confidentiality of taxpayer information, explain clearly the reasons for decisions and actions taken. We will ensure that appropriate mechanisms exist to provide accountability for the decisions and actions of staff and managers.

Value for Money

We will use the resources at our disposal wisely, avoiding waste and extravagance.

Professionalism

We will invest in staff and encourage them to achieve their potential. In return we expect that they will perform their duties with skill, care and diligence and provide taxpayers and the public with advice and service in a consistent and professional manner.

Team Spirit

We will work as a team and support each other and build mutual trust and confidence to achieve the Authority's goals.

Social Responsibility

The Authority will strive to be a model of ethical business behaviour and will respect the legal rights of all taxpayers and uphold the obligations on us contained in the Taxpayer Charter.

MAIN RESPONSIBILITIES OF THE SWAZILAND REVENUE AUTHORITY

The responsibilities of SRA are to:

- | | |
|--|---|
| i) Assess and collect all revenue on behalf of the Government; | ii) The Companies Act, |
| ii) Administer and give effect to the laws or the specified provisions of the laws set out in the schedule and account for all revenue to which those laws apply; | iii) The Customs and Excise Act, 1971; |
| iii) Study the revenue laws and identify amendments which may be made to any revenue law for the purposes of improving the administration of, and compliance with, revenue laws; | iv) The Lotteries Act, 1943; |
| iv) Take measures as may be required to counteract tax or revenue fraud and other forms of tax or revenue evasion; | v) The Registration of Dogs Act, 1953; |
| v) Educating the tax payer on taxation and the value of voluntary compliance; | vi) The Road Transportation Act, 1963; |
| vi) Putting in place effective internal control systems that promote efficiency and effectiveness in the collection of revenue whilst minimising the risk of error and fraud; | vii) The Liquor Licence Act, 1964; |
| vii) Facilitation of trade. | viii) The Cattle Export and Slaughter Tax Act, 1968; |
| | ix) The Graded Tax Act, 1968; |
| | x) The Income Tax Order, 1975; |
| | xi) The Stamp Duties Act, 1970; |
| | xii) The Trading Licences Order, 1975; |
| | xiii) The Fuel Oil Levy Act, 1980; |
| | xiv) The Sales Tax Act, 1983; |
| | xv) The Sugar Export Levy Act, 1997; |
| | xvi) Such other laws as may be enacted from time to time for the purpose of mobilization and collection of revenue. |

Revenue laws to be administered by the Swaziland Revenue Authority

The Revenue Authority Act gives the Swaziland Revenue Authority the responsibility to administer the following revenue laws:

- i) The Transfer Duty Act, 1902;

However, some of these laws are still being administered by the relevant government institutions and SRA is in the process of initiating a roadmap on the transfer of such.





SWAZILAND REVENUE AUTHORITY

1. CHAIRMAN'S STATEMENT

The Swaziland Revenue Authority (SRA) is humbled by the confidence in its ability displayed by the Government of the Kingdom of Swaziland, in assigning it the arduous task of modernising revenue administration and collection in Swaziland.

We wish to assure the Government and the Swazi Nation that we are equal to the task before us and are resolute in our conviction to implement our mandate without fear or favour. We are equally aware of the challenges before us and we will tackle them with skill and passion. We aim to be a modernised, credible and customer-centric Revenue Authority whilst providing efficient and effective revenue and customs administration.

The environment within which we find ourselves is a challenging one. The achievement of Government's medium to long term objectives depends almost entirely on its ability to finance the various initiatives and activities it has prioritised. However, events over the last year or so have made it abundantly clear that public sector funding requires a conscientious effort towards ensuring efficiency in revenue administration and collection.

Our mandate is clear - modernise revenue administration and increase compliance. Spend less money in collecting taxes and widen the tax base.

The mandate of the SRA is not a short term one and we are in the process of building a strong and sustainable organisation, central of which are the development of our people and the modernisation of our processes.

We are grateful to our regional and international partners most notably the African Development Bank, the International Monetary Fund, the South African Revenue Service, the World Customs Organisation, the World Bank and many other friends of Swaziland who have assisted us in building the necessary expertise to put these grand schemes into motion. We implore you to maintain your commitment to this organisation and to this country as we go about getting our house in order.

We are also grateful to our Government and in particular to the Ministry of Finance in facilitating the assistance required to meet our objectives. We wish to assure you that we are committed to

CHAIRMAN'S STATEMENT - Continued

"The achievement of Government's medium to long term objectives depends almost entirely on its ability to finance the various initiatives and activities it has prioritised. However, events over the last year or so have made it abundantly clear that public sector funding requires a conscientious effort towards ensuring efficiency in revenue administration and collection."

contributing towards the implementation of the Fiscal Adjustment Roadmap and to being a key partner in the realisation of our national goals and visions. The Swaziland Revenue Authority is aware that achieving these goals will take a collective effort and we assure you of our commitment towards this end.

To the Nation, Business, Labour and the Residents of Swaziland we wish to assure you of our commitment to our guiding principles, which include transparency, accountability and equity. The Swaziland Revenue Authority ushers in a new era in the way taxes will be administered and we ask for your support.

We are also cognisant of the fact that revenue and customs administration cannot be conducted in a manner that diminishes the competitiveness of local business, and as we develop our ability we will be continuously interrogating the associated "cost" to both ourselves and the business community of various taxes, duties, levies and the like. We must however emphasise that we will not tolerate corruption and will root it out at all costs.

The Swaziland Revenue Authority is at the service of the people and institutions of Swaziland and we are resolute to this end. We will undertake our work with diligence and skill, and look forward to contributing to the growth and development of this great country.

2. STATEMENT BY THE COMMISSIONER GENERAL

The Swaziland Revenue Authority has officially been in existence for less than a year, and has in this period achieved significant results in the collection and modernisation of revenue and public finance administration. I must applaud all the members of the Swaziland Revenue Authority family for their efforts in contributing towards the successful take-off of the Authority and in cementing in the minds of our principals the importance and need for efficiency in the collection and administration of public finances.

The strategic drive of the Swaziland Revenue Authority is a simple one- maximizing the collection of public revenues in a manner that reflects maximum efficiency on both the revenue administration and the taxpayer. Modernization of our revenue administration processes therefore lies at the heart of our strategy. This needs to be coupled with a strong capacity building effort, performance management and careful forward planning to ensure that we take every one with us as we move.

THE CHALLENGES

From a tax collection and administration point of view, the contemporary environment continues to be characterised by several challenges, both internal and external. Globalisation continues to make the world smaller and bring people and economies closer together. Prominent among the many challenges that arise in seeking to secure the maximum advantage from globalisation - in both facilitating it and dealing with its consequences - are those for revenue mobilisation. Increased mobility of goods and factors means, to a large degree, increased mobility of tax bases, and hence, potentially downward pressure on tax rates and revenue. With levels of domestic resource mobilisation already low relative to spending needs, this is liable to be an especially significant concern in Swaziland and the wider SACU region. We must be aware of the fact that as trade liberalisation makes it easier to serve national markets from locations abroad, so firms' decisions as to where to invest are more likely to be affected by tax considerations.

STATEMENT BY THE COMMISSIONER GENERAL - Continued

Locally, the low levels of tax compliance place additional pressure on tax revenues whilst upward pressures remain apparent in financing the social and economic objectives of Swaziland. I allude to these challenges to emphasise the need to work in partnership with Government in order to implement innovative solutions to the revenue challenges we are faced with today. There must be convergence between tax policy and its administration to ensure that the collection of public funds is carried out in as efficient a way as possible.

OUR PLANS

Challenges remain only if innovative solutions are not sought. As we take the first steps towards achieving the goals we have set ourselves, we have to think and do things differently in the following areas:

1. The manner in which we collect public funds;
2. The manner in which we interact with the taxpayers; and,
3. The manner in which we implement laws that govern taxes and duties in Swaziland.

These areas are critical to bringing us closer to our goals and to undoing the damage created by the manner in which we did things in the past.

In the first three (3) months of its operations SRA collected eighteen per cent (18%) more than the quarterly target for 2010/11. You will be aware that there has been a dramatic reduction in the revenues that the country receives from Southern African Customs Union (SACU). The country has lost over E2.5 billion this last year alone. As the SRA we have been tasked with closing this revenue gap, assisted by some tax policy changes, such as higher fuel taxes, the extension of sales tax to new services and the introduction of VAT in April next year. The fiscal gap is intended to be minimized further by reductions in Government expenditure. The revenue targets for the SRA that were announced in the National Budget for the 2011/12 financial year are 24% above what was collected in 2010/11, a very tough target by any standard.

SRA is in the process of finalising its three Year Strategic Plan, which outlines in great detail our activities in the medium term. We are looking to minimise the cost of collection, enforcement and compliance by streamlining our internal processes and developing IT-based and other modern solutions such as the introduction of a Value Added Tax supported by an Integrated Revenue Administration System (IRAS), a unified Taxpayer Identification Number (TIN) and the roll out of taxpayer education and awareness campaigns in the

SWAZILAND REVENUE AUTHORITY

STATEMENT BY THE COMMISSIONER GENERAL - Continued

medium term. We are also in the process of getting our house in order and tying up the loose ends we inherited from the previous Departments.

We are also engaging with our counterparts in South Africa and Mozambique in a bid to reaching agreements to contribute towards easier cross-border trade processes and to curb cross-border misconduct. We are all in agreement that our border processes need to be simplified and harmonised, and are working towards putting agreements in place to achieve this. Increased cooperation with our neighbours will significantly contribute to decreasing the cost of compliance for business and individuals.

SRA is also looking to increase voluntary compliance and enhance customer service levels by instilling in our staff and management a new work ethos based on accountability, transparency and equity. All staff members of the Swaziland Revenue Authority are accountable to a code of conduct which clearly stipulates the level of commitment required to being part of the SRA family. We are working tirelessly to ensure that our people are well equipped and adequately motivated to undertake the arduous tasks before them, and we have every confidence in their ability to do so. We are aware of the scepticism in our ability to deliver a world class tax administration and collection

agency, but we assure you that we are aware of the tasks before us and are making the necessary arrangements to address it.

Deviance in the form of avoidance, evasion and other activities individuals and commercial entities engage in to renege on their tax obligations, is a function of the ease of paying tax and the availability of concise and accurate information on various tax obligations. Therefore, we need to remove the constraints that encourage this type of behaviour and operate in a manner that is equitable, transparent and professional. This process, in my mind, brings about a change in the taxpaying culture, and begins to build the financial momentum and predictability needed to finance the national visions.

In the same vein we have to make it categorically clear that deviance will not be tolerated in any form, and as we modernise our operations we will be enforcing the full breadth of the laws we administer.

The concept of equitable revenue collection demands that all citizens and residents of Swaziland satisfy their respective tax obligations. There is therefore a need for the citizens and residents of Swaziland to be educated on issues of tax compliance, the lack of which, in my mind, exacerbates the 'pain' associated with paying tax and encourages deviance.

STATEMENT BY THE COMMISSIONER GENERAL - Continued

"SRA is also looking to increase voluntary compliance and enhance customer service levels by instilling in our staff and management a new work ethos based on accountability, transparency and equity. All staff members of the Swaziland Revenue Authority are accountable to a code of conduct which clearly stipulates the level of commitment required to being part of the SRA family. We are working tirelessly to ensure that our people are well equipped and adequately motivated to undertake the arduous tasks before them, and we have every confidence in their ability to do so."

The challenges that come with globalisation dictate that we be able to measure the impact of trade liberalisation and tax policy on the Government's ability to finance national goals. We are working on ensuring that we are indeed an Authority on trade and tax statistics. Lastly, as the SRA, we would like to encourage every taxpayer to come forward and put their tax matters in order. We need all in Swaziland to honour their tax and customs responsibilities and to cease any previous malpractices that they may have been involved in. The increase in revenues in our first 3 months was achieved by the SRA beginning to tighten up on its revenue collection processes. You have seen some examples already and more initiatives, including

increased audits, investigations and debt recovery measures are planned for future implementation.

As the Commissioner General, I would like to take this opportunity to thank all SRA staff members for their invaluable contribution to this achievement and we do believe that this is just the beginning and the best is yet to come. To His Majesty's Government and to the Swazi Nation we wish to assure you of our commitment to the tasks before us and living up to our motto of "Raising the Standard."

3. ECONOMIC PERFORMANCE

3.1 Global Developments

The global economy experienced a decline during the meltdown that started in 2007 which had an adverse impact especially on developing countries. The global economy started to recover in 2009 and the recovery continued in 2010. International trade also experienced a decline and developing countries were affected. The global economy grew by 5% in the second quarter of 2010 and expanded at an annualized rate of just over 3.5% in the third quarter of 2010. Stimulus measures were partly responsible for the strengthened outturn. Other factors that contributed to this are accommodative policy stances and resurging private consumption. Financial conditions are expected generally to remain stable or improve this year, 2011. Global output grew by an estimated 5.0% in 2010 and is projected to expand by 4.4% in 2011 and 4.5% in 2012.

3.2 Developing and Emerging Economies

In many emerging economies, economic activity remains buoyant, inflation pressures are emerging, and there are now some signs of overheating, driven in part by strong capital inflows. Together with real and financial activity, cross border financial flows from advanced

to emerging economies have picked up, primarily reflecting a recovery from deep retrenchment in 2008. In both 2011 and 2012, growth in emerging and developing economies is expected to remain buoyant at 6.5%, a modest slowdown from the 7% growth registered last year, 2010. Developing Asia (such as China, Indonesia, Taiwan and Philippines) continues to grow most rapidly, but other emerging regions are also expected to continue their strong rebound.

3.3 Sub Saharan Economies

Sub-Saharan Africa is weathering the global crisis well, and its recovery is expected to be stronger than previous global downturns. Most countries in Sub-Saharan Africa recovered quickly from the global financial crisis, output growth in most oil exporters and low income countries is now close to its pre-crisis level. The recovery in South Africa and its neighbours, however, has been more subdued, reflecting the more severe impact of the reduction in world trade and elevated unemployment levels that are proving difficult to reduce. Output growth has rebounded in South Africa, but high unemployment and subdued confidence are expected to continue to dampen the pace of recovery restricting growth to about 3.5% in 2011. Many countries supported output by injecting fiscal stimuli and lowering interest rates.

ECONOMIC PERFORMANCE - Continued

As a result Low Income Countries (LIC) in the region continued to grow by 5% in 2009, while output fell in the middle income countries, a group dominated by South Africa. Sub Saharan Africa growth which was 5% in 2010 is expected to reach 5.5% in 2011 and 5.8% in 2012.

3.4 Domestic Economy

The Swaziland economy has continued to be adversely affected by the effects of the global economic crisis. This is largely due to the openness of the economy and the slow recovery of major trading partners especially the Republic of South Africa. The growth in international output, declining interest rates and low inflation rates have contributed to the recovery of the economy through increasing private spending. Growth is expected to reach 2.0% for 2010 showing signs of recovery from 1.2% in 2009. Initial projections indicated a further improvement to 3.3% in 2011 as the global economy recovers. However, public sector investment continues to be constrained by the current fiscal challenges in particular the sharp decline in Southern African Customs Union (SACU) receipts. Similarly, the lack of significant new foreign direct investment in the domestic economy continues to deny the country a more vibrant stimulus. The country experienced closure and downsizing of some companies, which had negative effects in the domestic economy. It is for this reason that there are indications that

this growth rate might have to be significantly reduced.

Inflation over the year has remained relatively stable within single digits despite the economic downturn. The inflation rate in March 2011 for the country measured at 5.53%. This annual rate of inflation is slightly higher than the corresponding annual rate of 4.89% observed in March 2010. This higher inflation is largely due to increasing fuel and commodity prices including water, housing and electricity. Even though inflation seems to be slowly rising (due to rise in fuel and commodity prices) it is expected to remain within single digits.

Export earnings fell in the year under review due to the gained strength against foreign currencies (especially the US dollar) showed by the domestic currency and also the fall in trade because of slowdown in economic activity in the global economy, especially the major trading partners. At the beginning of the financial year the Lilangeni was at 7.3215 per US dollar, but it steadily gained strength. By March 2011 the local currency was at E6.7838 per US dollar with an average of E7.1677 over the financial year, while it was at E 6.6174 by end of 2010.

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4. OPERATIONAL PERFORMANCE

4.1 Revenue Collections

The 2010/11 financial year marked the beginning of a new era with the operationalisation of SRA. The SRA became operational in January 2011 (the last quarter of the financial year), replacing the previous Departments of Income Tax and Customs and Excise. Revenue targets for the 2010/11 financial year were already in place and the SRA continued to pursue the achievement of the set targets.

After taking over from the previous government departments, the SRA progressed satisfactorily towards achieving the overall revenue target of E5,421 billion. The progress is reported on the underlisted items below, which comprise: Income Tax, Sales Tax and Other Taxes.

4.1.1 Overview of total revenue collected

Table 1 below indicates actuals of revenue collected in the 2008/09 to 2010/11 financial years.

Table 1: Revenue Actuals for the period 2008/09 to 2010/11 (E'000)

Revenue Actuals for the period 2008/09 to 2010/11 (E'000)						
	2008/09	2009/10	2010/11			
REVENUE HEADING	Actual	Actual	Target	Actual*	Actual**	Total
INCOME TAXES				GoS (Apr-Dec)	SRA (Jan-Mar)	
Company Tax	622 472	707 838	659 927	537 682	225 542	763 224
Individuals	1 079 230	1 330 116	1 329 753	1 081 988	365 960	1 447 948
Other Income Tax	215 052	268 726	233 660	138 043	170 145	308 188
Grade Tax	3 258	3 089	3 400	3 442	658	4 100
TOTAL	1 920 012	2 309 769	2 226 740	1 761 155	762 304	2 523 459
SALES TAX	984 001	997 644	1 172 677	935 270	320 119	1 255 389
SACU RECEIPTS	6 009 858	5 191 517	1 968 941	2 737 784	492 235	2 630 019
OTHER TAXES						
Sugar Export Levy	26 968	17 462	-	-	-	-
Lotteries & Gaming	19 680	20 651	24 615	4 262	13 861	18 123
Road Toll	22 974	24 691	28 838	17 683	6 517	24 200
TOTAL	69 622	62 804	53 453	21 945	0 378	42 323
GRAND TOTAL	8 983 493	8 561 734	5 421 811	4 856 154	1 595 036	6 451 190

*2010/11 Revenue summary estimates from Govt (Apr - Dec) 2010

** Revenue collected by SRA 2010/11

Source: Swaziland Government Estimates and Swaziland Revenue Authority.

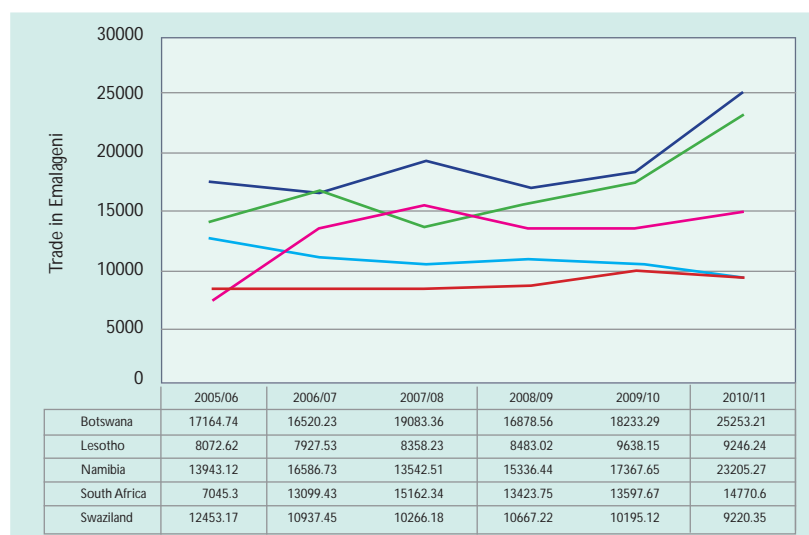
In comparison to the 2009/10 financial year revenue collected in the 2010/11 financial year declined by 25%.

SWAZILAND REVENUE AUTHORITY

OPERATIONAL PERFORMANCE - Continued

In the years preceding 2010/11, SACU receipts have been the highest contributor to Government revenue (refer to figure 1). However, the amount of revenue from the SACU revenue pool has significantly declined. The main reasons for the decline include the decline in the SACU pool from an estimate E52,040,000,000 in 2009/10 to E42,130,000,000 in 2010/11. Further-more, as seen in figure 1 another contributor to the decline is the fall in intra-SACU trade for the country while it was rising in the other member states except for Lesotho where it slightly declined.

Figure 1: Intra-SACU Imports since 2005/06



The overall performance of SRA in the fourth quarter of the 2010/11 Financial Year has been satisfactory, exceeding target by 18%. As indicated in table in below a total of E1.6 billion was collected against a target of E1.4 billion (including SACU receipts, which are obviously agreed in advance).

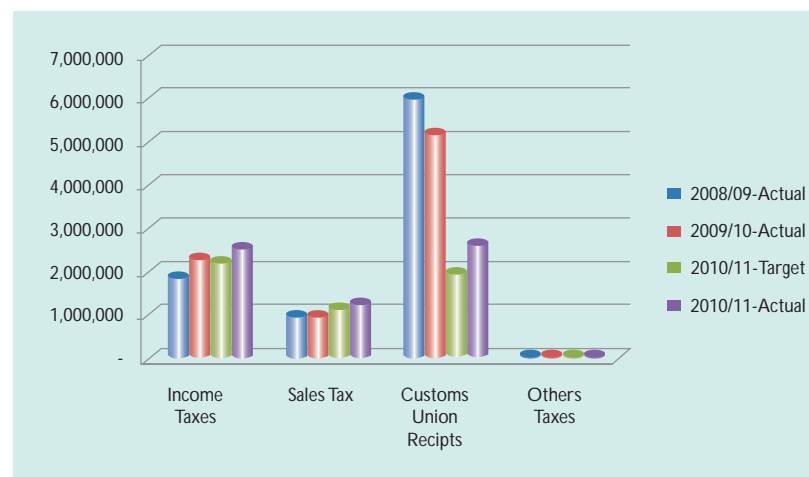
Table 2: Revenue Actuals against Targets for the 4th quarter of 2010/11 (Emalageni)

REVENUE HEADING	4 th Quarter Target	4 th Quarter Actual	Percentage Variance of target
INCOME TAXES			
Company Tax	164,981,750	225,542,047	37%
Individuals (PAYE)	332,438,250	365,959,730	10%
Other Income Tax	58,415,000	170,144,608	191%
Graded Tax	850,000	658,008	-23%
TOTAL	556,685,000	762,304,393	37%
SALES TAX	293,169,250	320,118,931	9%
CUSTOMS UNION RECEIPTS	492,235,250	492,235,250	0%
OTHER TAXES			
Lotteries and Gaming	6,153,750	13,861,131	125%
Road Toll	7,209,500	6,516,550	-10%
TOTAL	13,363,250	20,377,681	52%
GRAND TOTAL	1,355,452,750.00	1,595,036,255.00	18%

OPERATIONAL PERFORMANCE - Continued**4.1.2 Customs and Excise**

In the year under review with regard to Customs and Excise, SACU receipts totalled E2,630,019,000 compared to E5,191,517,000 in 2009/10 and E6,009,858,000 in 2008/09 (see figure 2 below). This represents a decline in the SACU receipts, mainly attributed to non-expansionary economic activities in the region and country level.

Figure 2: Revenue Collections for the Financial Years 2008/09 - 2010/11



Customs Union Receipts and Sales Tax declined over the three year period, due to the decline in trade and low enforcement effort under

the former Departments. The highest decline was observed in the year 2010/11, where Customs Union Receipts declined by 49%.

4.1.3 Income Tax

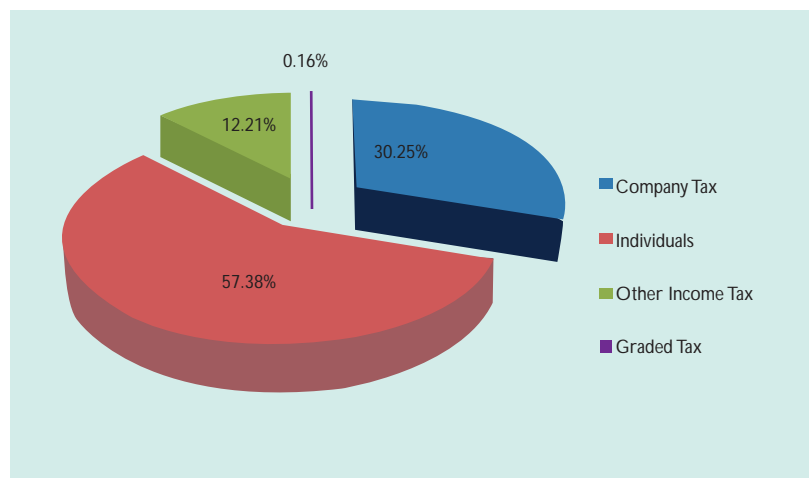
One of the principal tasks of SRA is to increase revenue collection by improving efficiency in the administration of Income Tax, expand the tax base and also to improve voluntary compliance.

Income Tax revenue was collected from the following: companies, individuals (PAYE); graded tax; and other incomes. Income tax collected in the last quarter of the 2010/11 Financial Year is indicated in Table 2. The annual revenue collection target for Income Tax for the 2010/11 financial year was E2,226,740,000 and the total tax collected in respect of that financial year amounted to E2,523,459,000. This translates to about 13% above the set annual target, resulting in over collection of E296,719,000.

Figure 3 below indicates that PAYE is the highest contributor to overall income tax at 57.38% of income tax revenue. Income Taxes have been the second largest contributor to revenue after SACU receipts.

OPERATIONAL PERFORMANCE - Continued

Figure 3: Income Tax Percentage Collections by Tax Type for 2010/11



4.1.4 Sales Tax

This comprises of Sales Tax derived from cash transactions at borders, from statements issued for tax deferred at importation, and from domestic transactions. Sales Tax increased by 26% to E1,255,389,000 compared to E997,644,000 collected in the previous year, as indicated in figure 4 below. The improved performance in the fourth quarter was a result of the clearing of import capturing backlogs and debt

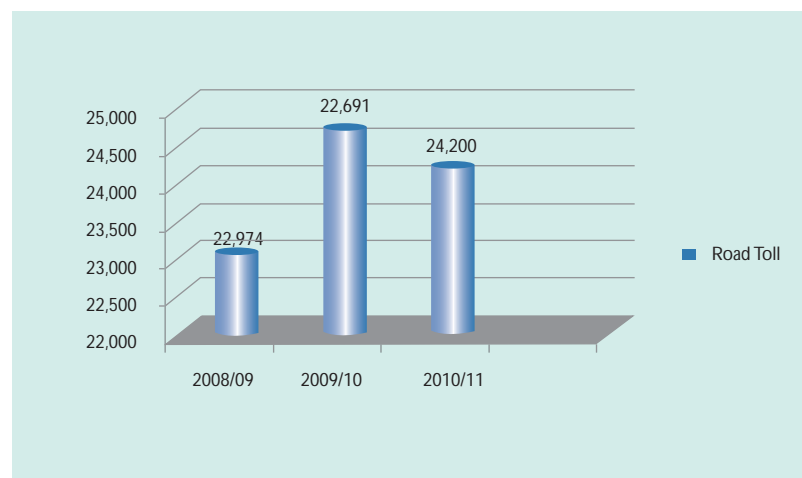
follow-up by SRA staff. Domestic sales tax performance, however, remained subdued as a result of the low compliance on registration, return submission and sales tax payments.

Figure 4: Sales Tax figures for the period 2008/09 – 2010/11 (E'000)



4.1.5 Road Toll

Revenue collected from road toll in the country's thirteen borders amounted to E24,200,000 in the reporting year, as indicated in figure 5 below. This represents a slight decline of 2% from the previous year's figure of E24,691,000, yet an improvement of 7% was realised in the period 2008/09 to 2009/10.

OPERATIONAL PERFORMANCE - Continued*Figure 5: Road Toll Tax for period 2008/09-2010/11 (E'000)***4.2 Support Services**

The achievements of the operational departments are complemented by the services provided by the Support Services Divisions. These include: Information and Communication Technology; Human Resources; Legal Services; Internal Audit; Analysis, Planning and Statistics; Finance; Internal Affairs; Public Relations; and, Estates and Administration. This section articulates achievements contributing to the realisation of improved revenue performance.

4.2.1 Information and Communication Technology

The Information, Communication and Technology (ICT) Division provided support through standardization of all information technology infrastructure and systems countrywide. Key areas covered included:

- i) The setting up of a wide area network to connect all SRA offices;
- ii) Taking over the network for Income Tax and Customs from Government Computer Services;
- iii) Full implementation of ASYCUDA in all commercial border posts;
- iv) Facilitation of organisation wide communications by providing access to email to all SRA computer users;
- v) Installation of network redundancy in commercial border posts to ensure high availability of systems that process trader transactions for imports and exports.

The main ICT challenges experienced by the SRA include the following:

- i) The systems for Sales Tax, Customs and Income Tax are not integrated. This makes the full visibility of the taxpayer across all the tax types very difficult and it hampers organisation wide taxpayer services initiatives. The SRA has initiated procurement of an Integrated Revenue Administration System (IRAS) which is

SWAZILAND REVENUE AUTHORITY

OPERATIONAL PERFORMANCE - Continued

expected to address most of the integration and client care needs. IRAS is also expected to bring the systems in-line with modern Revenue Administration processes such as e-filing, e-payments and client self-service activities.

- ii) There is no system for reporting management information. The lack of an MIS system leads to manual development of management reports by departments and this results in the presentation of conflicting information. The ICT division has started the development of a system to extract information from the systems in order to provide centralised management reporting.
- iii) General computer literacy is low. The ICT division has installed a Microsoft e-Learning system that is open to all SRA users. The training unit under the HR Division shall supervise general computer training through this system.
- iv) The current systems do not have functionality for supporting VAT implementation in April 2012. The SRA is looking up to the IRAS mentioned above.

4.2.2 Human Resources

The Human Resource Division facilitated the recruitment and deployment of staff to the various departments, divisions and units. At the end of the financial year the staff establishment in post was five hundred and eighteen (518), distributed among the departments/divisions as indicated in the

table below. Of these 348 were recruited from the former Income Tax and Customs Departments. A large component of the remainder still came from other Government departments.

Department / Division	Staff Establishment
Corporate	66
Finance	26
Sales Tax/VAT	55
Customs	215
Income Tax	156
Total	518

Staff training undertaken include: Induction Training on Revenue Administration; Basic Customs Training (Survival kit); Microsoft Project Management; Microsoft Office Suite; Customs Business Planning. Plans were underway to conduct further training in Performance Management System (PMS) and Senior Management Development Program (SMDP). HR Policies put in place include: Performance Management System; Training and Development; Compensation and Benefits; Disciplinary Code and Procedures; Grievance Policy; Leave Policy; and, Code of Ethics and Conduct.

In the period under review there were five resignations and one dismissal. There are a number of completed reports from Internal Affairs that

OPERATIONAL PERFORMANCE - Continued

are being looked at with a view to take measures against members of staff that are implicated in wrong-doing. While keen to enhance its employee value proposition, the SRA has adopted zero tolerance to corruption among its staff.

4.2.3 Legal Services

During the year under review, Legal Services led the process of reviewing, amending and drafting several SRA legislation and policy documents. Contracts and various forms of other third party agreements to facilitate the SRA's relationship with Government Departments and other institutions have also been drawn up.

The various services to the Board are also done under the Legal Services Division, which has facilitated the Board meetings that have taken place during the year.

The Division also handled various lawsuits. These include cases that were previously handled by the Attorney General's office on behalf of the Departments; however since inception the SRA is now directly responsible for all cases. The cases handled include those initiated by the SRA and those initiated by third parties against the SRA.

The majority of cases were still in the early stages of the court process. However there has been a judgement in the SRA's favour for the payment of €3.3m in outstanding sales tax.

A number of Court applications were also made following the SRA's exercise on imported second hand vehicles. In these instances the cases were withdrawn by the Applicants.

The Division also facilitated access to up-to-date legislation on the SRA website.

4.2.4 Internal Affairs

Thirty six (36) cases were reported to the Unit during the period under review. All these cases are on fraud and corruption. Six (6) of these were finalised and reports submitted to the Commissioner General, eight (8) are on-going investigations and twenty two (22) are yet to be investigated. The Unit conducted 17 training sessions on ethics and integrity, which was facilitated for 447 SRA staff during the induction workshops. A number of gifts received were disposed of in accordance with the Code of Ethics and Conduct. Some were handed over to the DPM's Office to distribute to needy members of our society.

4.2.5 Internal Audit

Risk identification and assessments were conducted with each operational department and division within SRA. The risks were subsequently rated, and each department, division and unit developed its own risk register, including the assignment and responsibility as well as the deadlines within which to address the identified risks.

OPERATIONAL PERFORMANCE - Continued

Plans were developed incorporating the risks identified within the risk assessment process.

4.2.6 Analysis, Planning and Statistics

The Analysis, Planning and Statistics Division assisted in the refining of the strategic plan for various Departments, Divisions and Units. Annual monthly revenue figures were also forecasted for the operational departments to help set monthly revenue targets. Capturing of trade data for 2009/10 was undertaken for purposes of reconciling the SACU trade data with Member States for SACU revenue sharing purposes. The Division also consolidated monthly revenue collections and revenue trends into a revenue database: this will be used as historic data for revenue analysis and forecasts to better inform policy direction.

4.2.7 Estates and Administration

Estates and Administration Division supported all departments within the Revenue Authority to acquire, procure and safeguard assets. Focus was on establishing working policies/procedures, acquiring office space, procurement, transfer of contracts and drawing a roadmap in line with the Revenue Authority's key strategic themes.

For purposes of ensuring security, a risk assessment was carried out at all SRA facilities and measures were developed to improve security of assets.

4.3 Major Policy Developments and Initiatives

A number of major policy developments and initiatives were undertaken during the reporting year, which include:

- i) The establishment of Swaziland Revenue Authority through the Revenue Authority Act No.1 of 2008. SRA effectively came into being in 2010 and became operational on 1 January 2011. SRA was officially launched by His Majesty King Mswati III on 11 March 2011.
- ii) Amendment of the Sales Tax Act to update and improve some of its provisions to enable effective administration of sales tax was prepared.
- iii) The Authority spearheaded a consultation process for the introduction of Value Added Tax (VAT) in place of Sales Tax. A draft VAT Bill has been prepared and submitted to Cabinet for consideration.
- iv) The Authority participated in the on-going review of the SACU Revenue Sharing formula.

Major initiatives undertaken include:

- i) **Development of SRA Strategic Plan for the period 2011/12 – 2013/14:** The Strategic Plan sets out a roadmap for SRA to provide efficient and effective systems in the collection of revenues and administration of customs, tax and revenue laws. The modernisation of Revenue Administration has been identified

OPERATIONAL PERFORMANCE - Continued

as one of the priority areas. The Strategic Plan also provides for the implementation and consolidation of a Value Added Tax to replace the existing Sales Tax and to ensure migration towards full integration of the administration of this tax with other domestic taxes.

- ii) **Securing of SRA Headquarters offices:** SRA engaged processes to secure office space for the organisation so that during 2012 the Head Office and Mbabane operations can be centralised to increase efficiency and effectiveness.
- iii) **Roll out of ASYCUDA to all commercial borders:** ASYCUDA was fully rolled out and was operational at all commercial border locations and points of entry before the end of the year.
- iv) **Development of an Integrated Revenue Administration System (IRAS):** work was started to secure a system to manage the administration of SRA's revenues in an integrated manner. This is a priority project as it ties in with the introduction of VAT.

4.4 Challenges

Some of the challenges encountered by SRA in relation to revenue mobilization include the following:

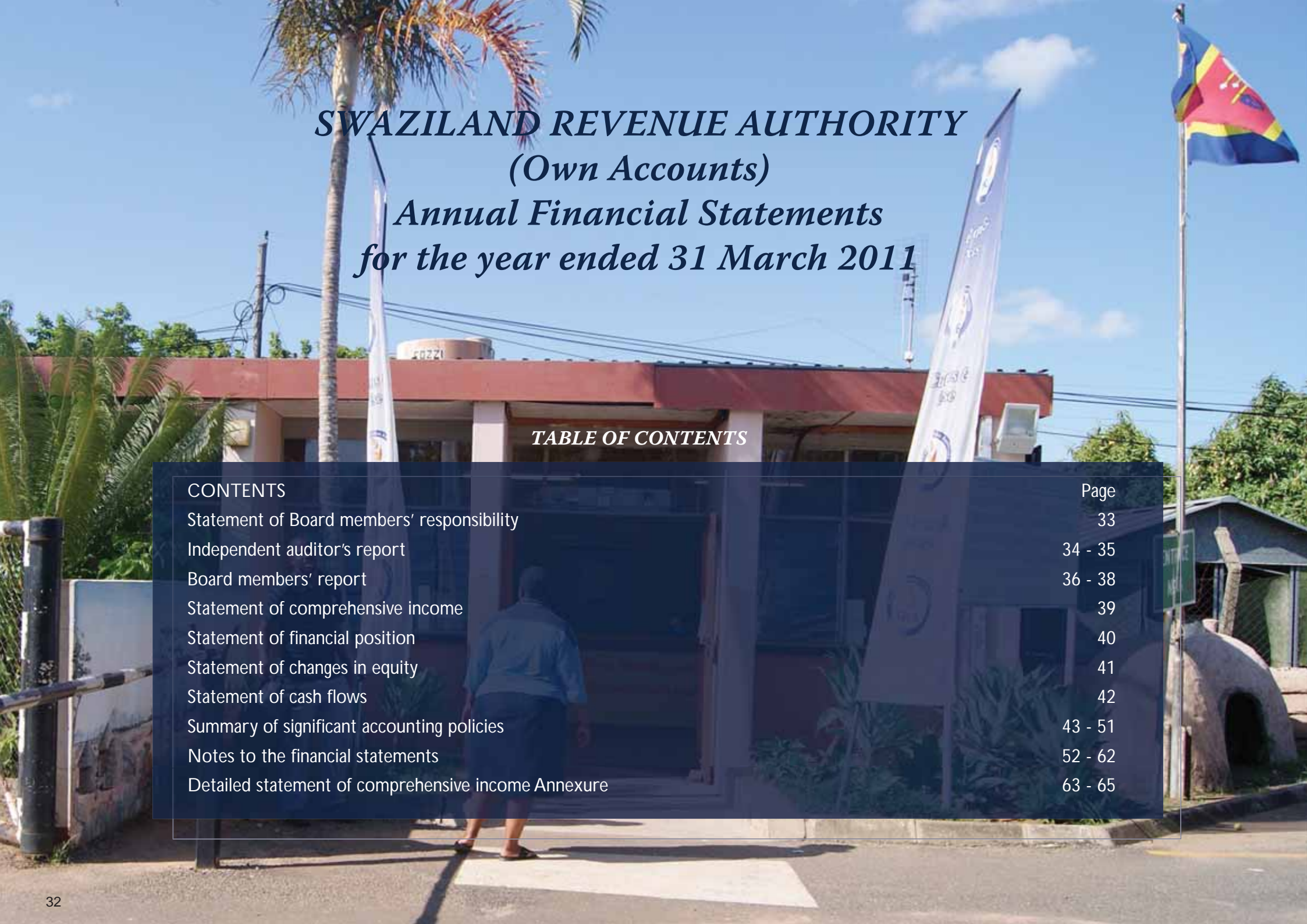
- i) **Government funding** – Government is faced with a fiscal

challenge, particularly low financial resources. As an agency entirely dependent on Government for funding this inadvertently affects the operations of SRA to mobilise revenue.

- ii) **Lack of policies and standard operating procedures** – as a new agency entrusted with mobilising revenue, SRA is faced with the challenge of lack of policies and standard operating procedures to guide and direct operations. We have made this our priority and have enlisted assistance from a number of cooperating partners to correct this situation.

- iii) **Low skills base** – while there are formal courses on Taxation at University level, the broader issues in Revenue administration are not taught as a subject at this level. It is for this reason that we find ourselves with a rather low skills base to effectively fulfil our mandate. The Revenue Authority is lining up an intensive capacity building program which includes in-house training and attendance by our staff of relevant workshops and courses. We are also developing relationships with other administrations to facilitate learning through attachments.

In addressing the challenges being faced by SRA, more effort will be directed towards executing the following: increasing revenue mobilisation; minimising costs of collection, enforcement and compliance; promoting voluntary compliance; improving customer service; building a strong and sustainable organisation; and, encouraging staff professionalism and motivation.



SWAZILAND REVENUE AUTHORITY

(Own Accounts)

Annual Financial Statements

for the year ended 31 March 2011

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***STATEMENT OF RESPONSIBILITY BY THE BOARD MEMBERS
for the year ended 31 March 2011***

The Board Members are responsible for the preparation, integrity and fair presentation of the financial statements of the Swaziland Revenue Authority. The financial statements presented on pages 36 to 62 have been prepared in accordance with Swaziland and International Financial Reporting Standards, and include amounts based on judgements and estimates made by management. The Board Members also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

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

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

The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of the Board Members and Committees of the Authority. The Board Members believe that all representations made to the independent auditors during their audit are valid and appropriate. PricewaterhouseCoopers' audit report is presented on page 34 to 35.

The annual financial statements which appear on pages 36 to 62 have been approved by the Board Members and are signed on its behalf by:



BOARD CHAIRPERSON

21st June 2011

DATE



COMMISSIONER GENERAL

21 June 2011

DATE

SWAZILAND REVENUE AUTHORITY

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Swaziland Revenue Authority

We have audited the accompanying financial statements of Swaziland Revenue Authority, which comprise the Board Members' report, the statement of financial position as of 31 March 2011, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 62.

Board Members' Responsibility for the financial statements

The Authority's Board Members are responsible for the preparation and fair presentation of these financial statements in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Revenue Authority Act, 2008. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial statements.

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

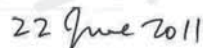
INDEPENDENT AUDITOR'S REPORT (Continued) ***To the Governing Board of Swaziland Revenue Authority***

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of 31 March 2011 and of its financial performance and its cash flows for the year then ended in accordance with Swaziland and International Financial Reporting Standards, and in the manner required by the Revenue Authority Act, 2008.



PricewaterhouseCoopers
Partner: Paul Lewis
Chartered Accountant (Swaziland)
Mbabane



Date

BOARD MEMBERS' REPORT ***for the year ended 31 March 2011***

1. Nature of business

Swaziland Revenue Authority (SRA) is a semi-autonomous statutory body established by an Act of Parliament (Revenue Authority Act, 2008) as part of the Government's reform strategy for revenue administration. SRA is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax, and the Sales Tax Act, respectively.

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

2. Financial performance

The recurring expenditure excluding depreciation for the year amounted to E48 639 820 (2010: E1 058 308). The Authority incurred capital expenditure of E5 966 922 (2010: E73 140) on property plant and equipment. Full details of the financial results are set out on pages 6 to 29.

3. Cashflow for the year

Cash and cash equivalents at the end of the financial year were E41.903 million (2010: E52.099 million). Of this balance, E27 million was received as a grant from the government of Swaziland and E54.607 million was spent in the current year on recurring and capital expenditure.

4. Transfer of Fixed Assets to the Authority by Government

In terms of the Memorandum of Agreement between the Government of Swaziland and the Swaziland Revenue Authority, the former is supposed to transfer all assets occupied and utilised by the Department of Customs and Excise and the Department of Taxes in accordance with any legal requirement that pertains to ceding associated property rights by the Government to the Revenue Authority. Even though these assets were being utilised by the Revenue Authority at 31 March 2011, the formal transfer process had not been undertaken by Government. This is expected to be undertaken and finalised in the next financial year.

BOARD MEMBERS' REPORT (Continued)
for the year ended 31 March 2011

5. Corporate governance issues

Corporate Governance:

In compliance with good corporate governance principles, the Authority has operated and maintained the following Board Committees: Audit Committee, Finance and Tender Committee, Human Resource and Ethics Committees remained effective throughout the accounting period.

Social Responsibility:

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

6. BOARD MEMBERS

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

Non-executive Board Members

Chairperson

Mr. Ambrose Dlamini

Board Members

Mr. Sthofeni Ginindza	-	Vice Chairperson
Mr Martin Dlamini	-	Member
Ms Khabonina Mabuza	-	Member
Mr. Jobe Mashwama	-	Member
Mr Mhlabuhlangene Dlamini	-	Member
Ms Phumelele Dlamini	-	Member

SWAZILAND REVENUE AUTHORITY

BOARD MEMBERS' REPORT for the year ended 31 March 2011

Executive Member

Commissioner General

Mr. Dumsani Masilela

7. Bankers

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

Nedbank Swaziland Limited

P O Box 70

Mbabane

8. Business and postal address of the Authority

Business address

Imfumbe Building

MBABANE

Swaziland

Postal address

P O Box 5628

MBABANE

H100 Swaziland

9. Auditors

The auditors of the Authority are:

Business address

PricewaterhouseCoopers

MTN Office Park

Karl Grant

Street

MBABANE

Swaziland

Postal address

PricewaterhouseCoopers

P O Box 569

MBABANE

H100

Swaziland

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2011

	Note	2011 E	2010 E
Revenue			
Government funding for recurring expenditure		48 639 820	1 058 308
		<hr/>	<hr/>
Total revenue		48 639 820	1 058 308
Expenses			
Administrative expenses		(15 101 980)	(1 058 918))
Staff costs	4	(33 860 111)	-
		<hr/>	<hr/>
Operating deficit	1	(322 271)	(610)
Finance income	2	1 724 428	3 173 465
Other income	3	31 200	-
		<hr/>	<hr/>
Surplus for the year		1 433 357	3 172 855
		<hr/>	<hr/>
Total comprehensive income for the year		1 433 357	3 172 855
		<hr/>	<hr/>

SWAZILAND REVENUE AUTHORITY

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

Assets	Notes	2011 E	2010 E
Noncurrent assets			
Property, plant and equipment	7	5 703 981	72 530
Intangible assets	8	13 200	-
		<u>5 717 181</u>	<u>72 530</u>
Cash and cash equivalents	9	41 902 707	52 099 438
Other Assets	10	491 059	112 810
		<u>42 393 766</u>	<u>52 212 248</u>
Total assets		<u>48 110 947</u>	<u>52 284 778</u>
Reserves			
Capital reserves	6	5 717 181	72 530
Accumulated surplus		4 929 093	3 173 465
		<u>10 646 274</u>	<u>3 245 995</u>
Liabilities			
Non current liabilities			
Provisions	12	4 519 257	-
		<u>4 519 257</u>	<u>-</u>
Current liabilities			
Other payables	11	9 891 128	170 231
Deferred grant income	5	21 261 810	48 868 552
Provisions	12	1 792 478	-
		<u>32 945 416</u>	<u>49 038 783</u>
Total liabilities		<u>37 464 673</u>	<u>49 038 783</u>
Total reserves and liabilities		<u>48 110 947</u>	<u>52 284 778</u>

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2011

		Accumulated Surplus	Capital reserves	Total
		E	E	E
Balance at 01 April 2010		3 173 465	72 530	3 245 995
Government funding utilised for capital expenditure	7 & 8	-	5 966 922	5 966 922
Transfer of depreciation on funded assets	7	322 271	(322 271)	-
Total comprehensive income for the year		1 433 357	-	1 433 357
Balance at 31 March 2011		<u>4 929 093</u>	<u>5 717 181</u>	<u>10 646 274</u>
Balance at 31 March 2010				
Balance at 01 April 2009		-	-	-
Government funding utilised for capital expenditure	7	-	73 140	73 140
Transfer of depreciation on funded assets	7	610	(610)	-
Total comprehensive income for the year		3 172 855	-	3 172 855
Balance at 31 March 2010		<u>3 173 465</u>	<u>72 530</u>	<u>3 245 995</u>

SWAZILAND REVENUE AUTHORITY

STATEMENT OF CASH FLOWS for the year ended 31 March 2011

	Notes	2011 E	2010 E
Cash flows from operating activities			
Cash utilised by operations	13.1	(31 229 809)	2 172 578
<i>Net cash generated by operating activities</i>		<u>(31 229 809)</u>	<u>2 172 578</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(5 953 722)	(73 140)
Acquisition of intangible assets	8	(13 200)	-
<i>Net cash utilised in investing activities</i>		<u>(5 966 922)</u>	<u>(73 140)</u>
Cash flows from financing activities			
Net grant funding received from the Government	5	27 000 000	50 000 000
<i>Net cash utilised in financing activities</i>		<u>27 000 000</u>	<u>50 000 000</u>
Net (decrease)/ increase in cash and cash equivalents and bank overdrafts		(10 196 731)	52 099 438
Cash and cash equivalents at beginning of the year		52 099 438	-
Cash and cash equivalents and bank overdrafts at end of the year	9	<u>41 902 707</u>	<u>52 099 438</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2011

1 General information

Swaziland Revenue Authority (SRA) is a semi-autonomous statutory body established by an Act of Parliament (Revenue Authority Act, 2008) as part of the Government's reform strategy for revenue administration. SRA is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax, and the Sales Tax Act, respectively.

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

2. Basis of preparation

The financial statements of Swaziland Revenue Authority have been prepared in accordance with International Financial Reporting Standards, IFRIC Interpretations, the Companies Act of 2009 and in compliance with the authority act of 2008. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

3 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Office furniture and equipment, Computer equipment and motor vehicles are depreciated on a straight line basis over their current anticipated useful lives. The rates of depreciation used are based on the following estimated current useful lives:

Computer equipment	3 years
Motor vehicles	5 years
Office furniture and equipment	10 years

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) ***for the year ended 31 March 2011***

3 Property, plant and equipment (continued)

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

The Office furniture and equipment, Computer equipment and motor vehicles are stated after deducting government grants.

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

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

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

4 Capitalisation of borrowing costs

Borrowing costs attributable to the construction of qualifying assets less all investment income on the borrowings are capitalised as part of the cost of those assets over the period of construction to the extent that the assets are financed by financial instruments. The capitalisation rate applied is the weighted average of the net borrowing costs applicable to the net borrowings of the Authority. Where active development is interrupted for extended periods, capitalisation is suspended. All other borrowing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

5 Impairment of assets

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

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses in respect of cash-generating units are allocated to assets in the cash-generating unit on a pro rata basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 March 2011

5 Impairment of assets (continued)

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

6 Financial assets

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

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

A Financial assets at fair value through profit or loss

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

B Loans and receivables

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

C Held-to-maturity investments

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

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

D Available-for-sale financial assets

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2011

6 Financial assets (continued)

D Available-for-sale financial assets (continued)

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

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

7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Authority's activities.

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

Revenue is recognised as follows:

(i) Government funding

a) *SRA is funded* through funds appropriated by Parliament on an annual basis and disbursed by the Ministry of Finance and Development Planning.

b) Government funding relating to the recurrent expenditure of SRA, disbursed for the purpose of giving immediate financial support to SRA with no future related costs, are recognised in the Statement of Comprehensive Income in the period in which they become receivable.

c) Capital and development funds, whose primary purpose is to construct, or otherwise acquire non-current assets, are recognised in the statement of changes in reserves and an amount equivalent to the depreciation determined on a historical cost basis is transferred from capital reserve to the accumulated surplus/(deficit).

(ii) Interest income

Interest income includes interest on bank deposits and is recognised in the Statement of Comprehensive Income on an accrual basis using effective interest method.

(iii) Commissions, auction sale proceeds, and other income earned

Commissions, auction sale proceeds and all other incomes are recognised on an accrual basis when it is probable that SRA will receive the income and the income can be measured reliably.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 March 2011

8 Finance income

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

9 Finance cost

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

10 Financial risk management

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

10.1 Currency Risk

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

10.2 Interest rate risk

Financial Instruments that are sensitive to interest rate risk are bank balances and cash. A 1% increase in interest rates would result in an additional surplus for the year of E419 027 while a decrease in interest rates by a similar margin would result in an equal opposite effect.

10.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. SRA is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments as follows:

(i) Cash and cash equivalents - all deposits and cash balances are placed with reputable financial institutions.

SWAZILAND REVENUE AUTHORITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) *for the year ended 31 March 2011*

10 Financial risk management (continued)

ii) Staff debts are recovered in terms of the applicable policy and procedures directly from the employee's salary.

10.4 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. SRA manages its liquidity to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources. Since SRA is funded through Government subvention, it does not regard the liquidity risk to be high. With the exception of long term employee benefit provisions, all liabilities are current and will be settled within 12 months.

	1 year E	Less than and 5 years E	Between 2 5 years E	Over Total E
31 March 2011				
Financial Liabilities:				
Long term provisions	-	4 519 257	-	4 519 257
Other payables	9 891 128	-	-	9 891 128
Provisions	1 792 478			1 792 478
Deferred Government Grant	21 261 810	-	-	21 261 810
	<u>32 945 416</u>	<u>4 519 257</u>	<u>-</u>	<u>37 464 673</u>

11 Provisions

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 March 2011

12 Cash and cash equivalents

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

13 Trade receivables

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

14 Borrowings

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

15 Employee benefits

Short-term employee benefits

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

16 Grants received

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2011

systematic and rational basis over the useful lives of the assets. Grants received to defray operating expenditure are recognised in the statement of comprehensive income when the expenditure has been incurred.

17 Derecognition of financial assets and liabilities

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

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

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

18 Offsetting financial assets and financial liabilities

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

19 Critical accounting estimates and judgements

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

(a) Depreciation

The Authority charges depreciation as an expense on items of property, plant and equipment (Note 7) based on the useful lives of the different items of property, plant and equipment. The useful lives are management's best estimates. Management reviews the useful lives of assets on an annual basis.

20 Foreign Currencies

The financial statements of SRA are prepared and presented in Emalangeni(E), the currency of the primary economic environment in which SRA operates and the functional currency. Transactions in currencies other Emalangeni are recorded at functional currency rate ruling at the date of the transaction.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 March 2011

Monetary items denominated in foreign currencies are translated at the rates prevailing at the statement of financial position date. All differences are taken to the statement of comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are retranslated.

21 Terminal gratuities

Employees on contract employment terms receive terminal gratuities in accordance with their contracts of employment. An accrual is made for estimated liability towards such employees up to the statement of financial position date. For employees on a daily rate terms, an accrual is made for the severance benefits.

22 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to lessee. All other leases are classified leases.

- (a) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.
- (a) Operating lease payments as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.
- (b) Deposits and advance payments of operating leases are recognised in the statement of financial position under trade and other receivables.

23 Comparative Figures

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

SWAZILAND REVENUE AUTHORITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

	2011 E	2010 E
1 Operating deficit		
The operating deficit is arrived at after taking into account the following items:		
Depreciation on property, plant and equipment (Note 26)	322 271	610
Member expenses	234 068	167 489
General Expenses	9 314	78 823
Professional fees and consultancy	4 172 438	438 064
Staff salaries and benefits (note 4)	33 860 111	-
2 Finance income		
Interest received	1 724 428	3 173 465
Finance income is interest received on cash balances held in the Authority's call account with Nedbank Swaziland Limited.		
3 Other income		
Receipts from approved suppliers	31 200	-
Other income is made up of receipts from approved suppliers. Suppliers were charged E200 for the prequalification documents obtained from the Authority.		
4 Staff salaries and benefits		
Salaries and wages	24 547 773	-
Medical aid contribution	3 000 603	-
Employee benefits:		
-Gratuity and severance	4 519 257	-
-Leave	1 792 478	-
	33 860 111	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2011

	2011 E	2010 E
5 Deferred grant income		
Balance at beginning of year	48 868 552	-
Received from Government	27 000 000	50 000 000
Grants realised in statement of comprehensive income for funding recurring expenditure	(48 639 820)	(1 058 308)
Grants utilised to defray capital expenditure (Note 7 and 8)	(5 966 922)	(73 140)
	<u>21 261 810</u>	<u>48 868 552</u>
The authority received a grant amounting to E27 million from the Government of Swaziland through the Ministry of Finance to facilitate the funding of recurring and capital expenditure incurred in setting up the Swaziland Revenue Authority operations.		
6 Other capital reserves		
Balance at beginning of year	72 530	-
Grants utilised to defray capital expenditure (Note 7 and 8)	5 966 922	73 140
Transfer of depreciation on funded assets	(322 271)	(610)
	<u>5 717 181</u>	<u>72 530</u>

SWAZILAND REVENUE AUTHORITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2011

7 Property, plant and equipment

	Containers E	Office equipment E	Furniture and fittings E	Motor Vehicles E	IT infrastructure E	Leasehold Improvements E	Total E
Year ended 31 March 2011							
Cost or valuation							
At 1 April 2010	-	-	73 140	-	-	-	73 140
Additions	21 800	2 003 019	1 567 089	2 099 491	166 740	95 583	5 953 722
At 31 March 2011	<u>21 800</u>	<u>2 003 019</u>	<u>1 640 229</u>	<u>2 099 491</u>	<u>166 740</u>	<u>95 583</u>	<u>6 026 862</u>
Accumulated depreciation							
At 1 April 2010	-	-	(610)	-	-	-	(610)
Charge for the year	(726)	(214 661)	(44 379)	(45 007)	(4 585)	(12 913)	(322 271)
At 31 March 2011	<u>(726)</u>	<u>(214 661)</u>	<u>(44 989)</u>	<u>(45 007)</u>	<u>(4 585)</u>	<u>(12 913)</u>	<u>(322 881)</u>
Net carrying amount	<u>21 074</u>	<u>1 788 358</u>	<u>1 014 247</u>	<u>2 054 484</u>	<u>162 155</u>	<u>82 670</u>	<u>5 703 981</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2011

7 Property, plant and equipment (continued)

	Containers E	Office equipment E	Furniture and fittings E	Motor Vehicles E	IT infrastructure E	Leasehold Improvements E	Total E
Year ended 31 March 2011							
Cost or valuation							
At 1 April 2009	-	-	-	-	-	-	-
Additions	-	73 140	-	-	-	-	73 140
Disposals	-	-	-	-	-	-	-
At 31 March 2010	-	73 140	-	-	-	-	73 140
Accumulated depreciation							
At 1 April 2009	-	-	-	-	-	-	-
Charge for the year	-	(610)	-	-	-	-	(610)
At 31 March 2010	-	(610)	-	-	-	-	(610)
Net carrying amount	-	72 530	-	-	-	-	72 530

SWAZILAND REVENUE AUTHORITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)* for the year ended 31 March 2011

	Notes	2011 E	2010 E
8 Intangible assets			
Pastel Accounting package		13 200	-
The off- the-shelf accounting package was bought towards year end and there was no amortisation in accordance to the entity's policy.			
9 Cash and cash equivalents			
Cash at bank		41 902 707	52 099 438
		<u>41 902 707</u>	<u>52 099 438</u>
Available cash is invested in interest generating bank accounts.			
10 Other assets			
Due from Swaziland Government		50 000	-
Rental prepayment		268 142	2 260
Consultancy fees prepayment		172 917	110 550
		<u>491 059</u>	<u>112 810</u>
11 Other payables			
Accruals		9 891 128	170 231
		<u>9 891 128</u>	<u>170 231</u>
12 Provisions			
Short term provisions:			
Leave pay		1 792 478	-
Long term provisions:			
Gratuity		4 519 257	-
		<u>6 311 735</u>	<u>-</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2011

12 Provisions(continued)

Leave pay provision

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

Gratuity provision

This provision is made for payments in accordance with the contract basis renewable every four years. The provision is calculated at the rate of 25% of the value of total annual remuneration package of the contractor as at terminal date multiplied by the number of completed year of service. The cash flow is expected to occur in 2014 financial year when the results have been approved.

		2011 E	2010 E
13.1 Reconciliation of cash generated by operations to net income:-			
Surplus for the year		1 433 357	3 172 855
Adjustment for non-cash items:			
Depreciation	7	322 271	610
Amortisation of Government grant		(48 639 820)	(1 058 308)
		(46 884 192)	2 115 157
Changes in working capital:		15 654 383	57 421
Increase in payables and provisions		16 032 632	170 231
Increase in other assets		(378 249)	(112 810)
Net cash outflows from operating activities		(31 229 809)	2 172 578

SWAZILAND REVENUE AUTHORITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

14 Analysis of financial assets and liabilities by measurement basis

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

	Loans and receivables E	Financial assets and liabilities at amortised cost E	Derivatives E	Available For sale Investment E	Total E
As at 31 March 2011					
Financial assets					
Cash and cash equivalents	-	-	-	41 902 707	41 902 707
Other receivables	491 059	-	-	-	491 059
	<u>491 059</u>	<u>-</u>	<u>-</u>	<u>41 902 707</u>	<u>42 393 766</u>
Financial liabilities					
Gratuity	-	4 519 257	-	-	4 519 257
Leave provision	-	1 792 478	-	-	1 792 478
Other payables	-	9 891 128	-	-	9 891 128
Deferred grant income	-	21 261 810	-	-	21 261 810
	<u>-</u>	<u>37 464 673</u>	<u>-</u>	<u>-</u>	<u>37 464 673</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2011

14 Analysis of financial assets and liabilities by measurement basis (continued)

	Loans and receivables E	Financial assets and liabilities at amortised cost E	Derivatives E	Available For sale Investment E	Total E
As at 31 March 2010					
Financial assets					
Cash and cash equivalents	-	-	-	52 099 438	52 099 438
Other receivables	112 810	-	-	-	112 810
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	112 810	-	-	52 099 438	52 212 248
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Financial liabilities					
Other payables	-	170 231	-	-	170 231
Deferred grant income	-	48 868 552	-	-	48 868 552
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	49 038 783	-	-	49 038 783
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

SWAZILAND REVENUE AUTHORITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

15 Financial instruments – maturity analysis

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

	Less than 1 year E	Between 2 and 5 years E	Over 5 years E	Total E
Financial assets:				
Other receivables	491 059	-	-	491 059
Cash and bank	41 902 707	-	-	41 902 707
	<u>42 393 766</u>	<u>-</u>	<u>-</u>	<u>42 393 766</u>
Financial liabilities:				
Long term provision	-	4 519 257	-	4 519 257
Short term provision	1 792 478	-	-	1 792 478
Other payables	9 891 128	-	-	9 891 128
Deferred grant income	21 261 810	-	-	21 261 810
	<u>32 945 416</u>	<u>4 519 257</u>	<u>-</u>	<u>37 464 673</u>
31 March 2010				
Financial assets:				
Other receivables	112 810	-	-	112 810
Cash and bank	52 099 438	-	-	52 099 438
	<u>52 212 248</u>	<u>-</u>	<u>-</u>	<u>52 212 248</u>
Financial liabilities:				
Other payables	170 231	-	-	170 231
Deferred grant income	48 868 552	-	-	48 868 552
	<u>49 038 783</u>	<u>-</u>	<u>-</u>	<u>49 038 783</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2011

16 Related party transactions

The Authority is wholly owned and controlled by the Swaziland Government.

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

The related parties of Swaziland Revenue Authority consist mainly of government departments, state-owned enterprises, as well as key management personnel and members of board of members of Swaziland Revenue Authority and close family members of these related parties.

The following transactions were carried out with related parties:-

16.1 Government grant funding for recurring and capital expenditure:

Balance at beginning of year

Received from Government

Grants realised in statement of comprehensive income for funding recurring expenditure

Grants utilised to defray capital expenditure

	2011 E	2010 E
	48 868 552	-
	27 000 000	50 000 000
	(48 639 820)	(1 058 308)
	(5 966 922)	(73 140)
	<hr/> 21 261 810	<hr/> 48 868 552
	<hr/>	<hr/>
	234 068	167 489
	<hr/>	<hr/>

16.2 Board members fees

Board Members fees

17 Commitments

17.1 Operating lease commitments- company lessee

The Authority entered into the following lease agreements:

- Lease agreement with the Paramount Holdings Limited in which the Paramount Holdings Limited rented out the Paramount Building to the Authority. The agreement commenced 1 January 2011, and is for duration of 1 and a half years. The monthly rental amount is E18 200 which will increase to E19 747 from January 2012

SWAZILAND REVENUE AUTHORITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)* for the year ended 31 March 2011

17 Commitments (continued)

17.1 Operating lease commitments- company lessee

The Authority entered into the following lease agreements:

- Lease agreement with Millennium properties for the use of pavilion 4 and 5. The agreement commenced 1 December 2010 for a period of six months. The monthly rental is E50 000 and there is no escalation clause.
- Lease agreement with AIDA Swaziland (Pty) Ltd in which AIDA Swaziland (Pty) Ltd rented out plot number 204 at Somhlolo Road, Mbabane. The agreement commenced 1 December 2010, and is for duration of 1 year. The monthly rental amount is E12 000 and there is no escalation clause.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

Due within one year
Due between 1 and 5 years
Due between 5 and 10 years

2010 E
419 041
59 241
-
<hr/> 478 282

18 Events after the reporting period

Events since the reporting period:

- have been fully taken into account insofar as they have a bearing on the amounts attributable to assets and/or liabilities at that date;
- 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;
- have not required adjustments to the fair value measurements and disclosures included in the financial statements.

DETAILED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2011

	2011 E	2010 E
Revenue		
Government funding for recurring expenditure:		
Funding for recurring expenditure	54 606 742	1 131 448
Less : utilised for capital expenditure	(5 966 922)	(73 140)
Funding utilised for recurrent expenditure	48 639 820	1 058 308
Other income	31 200	-
Finance Income	1 724 428	3 173 465
	50 395 448	4 231 773
Administration Expenses		
Advertising	485 460	2 638
Audit fees	97 777	-
Bank charges	33 044	2 932
Board member fees	234 068	167 489
Car hire	166 279	-
Cleaning	367 584	-
Conferences and meetings	42 357	-
Consultancy fees	2 097 679	330 416
Depreciation	322 271	610
Electricity	261 563	1 431
Entertainment	9 280	-
Internet & telephone	699 651	6 089
IT licence & consumables	452 973	-
Kitchen consumables	34 880	-
Library	8 000	-
Magazines and periodicals	12 540	-
Media and branding	275 607	-
Membership fees	72 776	-
Motor vehicle expenses	266 883	-

SWAZILAND REVENUE AUTHORITY

DETAILED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2011

Office equipment rental	88 591	-
Office inventory	1 271 330	-
Other expenses	9 314	78 823
Postage and courier	19 141	-
Professional fees	2 074 759	107 648
Recruitment	186 553	-
Refreshments	24 466	-
Rent	1 178 001	339 200
Repairs and maintenance	93 695	-
Security	590 011	-
SRA launch	681 579	-
Stationery	2 002 791	2 144
Taxpayer education costs	28 057	-
Team building workshop	14 394	-
Training costs	301 360	-
Travelling expenses	402 490	19 498
Uniform	50 259	-
Vat implementation	3 150	-
Water & sewer	141 367	-
Total administrative expenses	15 101 980	1 058 918
These schedules do not form part of the financial statements and are unaudited.		

DETAILED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2011

	2011 E	2010 E
Staff Costs		
Salaries and wages	24 547 773	-
Medical aid contribution	3 000 603	-
Employee benefits:		
-Gratuity and severance	4 519 257	-
-Leave	1 792 478	-
Total staff costs	33 860 111	-
Total costs	48 962 091	1 058 918
SURPLUS FOR THE YEAR	1 433 357	3 172 855



Swaziland Revenue Authority

2nd Floor, Imfembe Building
Mahlokohla Street Mbabane, Swaziland

P.O. Box 5628, Mbabane, Swaziland
Tel: +268 24064000 Fax: +268 24064001
E-mail: info@sra.org.sz
Website: www.sra.org.sz