

ESWATINI RAILWAYS



Efficiency Re-defined



ANNUAL REPORT

2017/18



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HON. MINISTER OF PUBLIC WORKS & TRANSPORT

Chief Ndhlaluhlaza Ndwandwe

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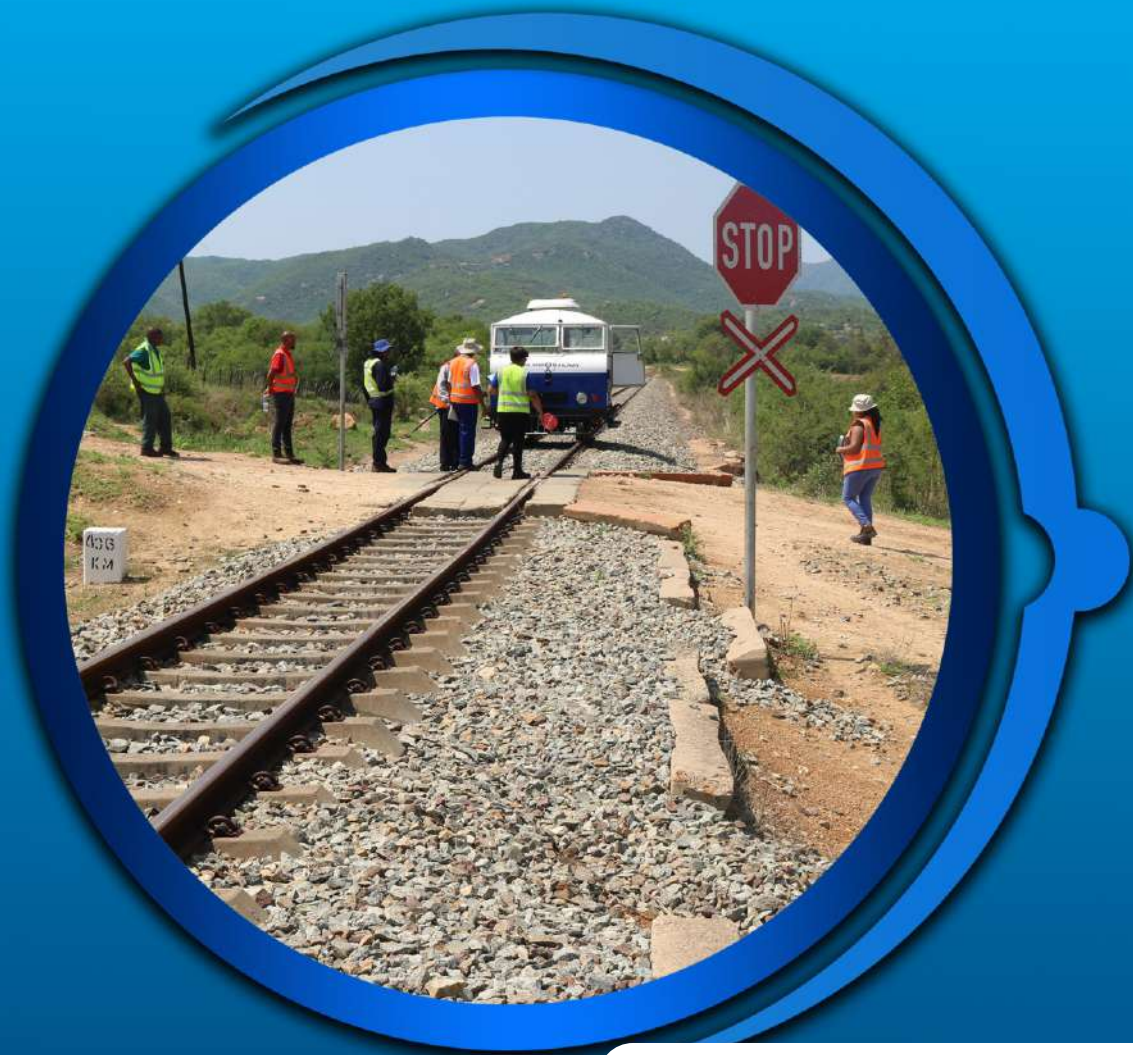
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ABOUT ESWATINI RAILWAYS

Eswatini Railways (ESR) is a parastatal organisation that provides transport services for import and export commodities in the Kingdom of Eswatini. As being nestled between Mozambique to the East and the Republic of South Africa to the South, West and North, the organisation acts as a bridge railway that provides a passage for transit cargo. We are considered one of the best in railways in the SADC region in terms of transit time, reliability and predictability, linking Eswatini's main industrial centres with the railway systems of the Republic of South Africa, Mozambique and other SADC countries in the North.



ESWATINI RAILWAYS



Efficiency Re-defined

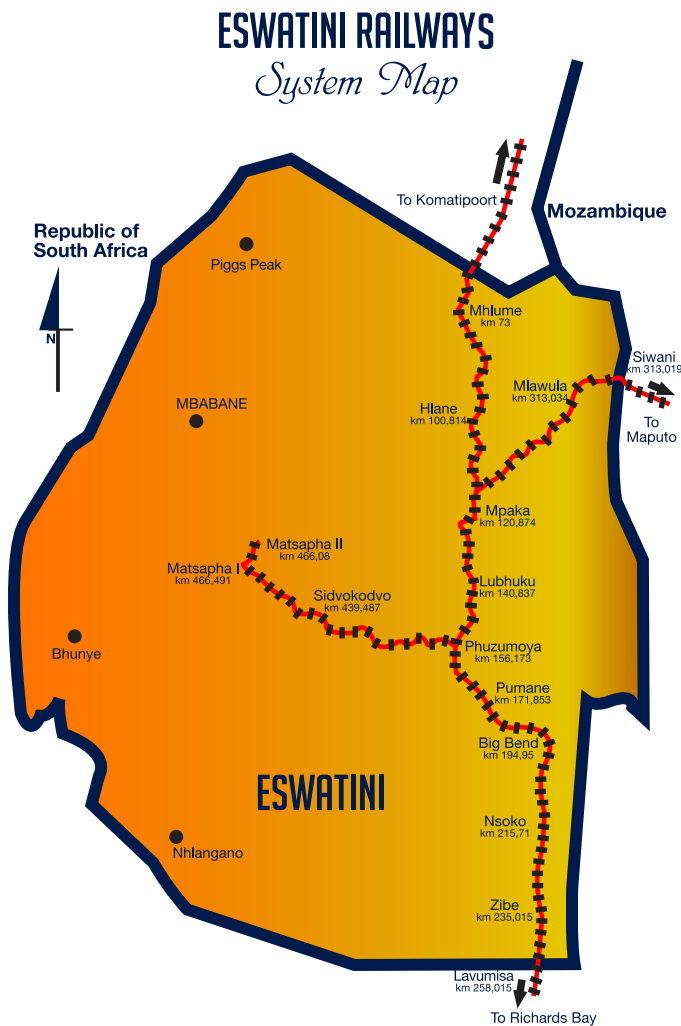
ABOUT ESWATINI RAILWAYS

ESR provides 24 hours of technical and operational support to ensure the safe passage and transit of all commodities. Cargo is constantly monitored to ensure it reaches its final destination safely and on time. SR operates as a bridge railway in that we are somewhere in the middle of the ports of Richards Bay and Durban (South Africa) on the south and the Port of Maputo (Mozambique) in the East. Currently our main revenue generator accounting for more than 75% of our revenue is transit cargo that passes through the North-South line from Komatipoort to either Richards Bay or Durban from South Africa and all the countries in the North (Zimbabwe, DRC, Zambia etc.)

ESR presently moves on average 8 million tonnes of cargo a year. Loads range from 2000 to 6400 gross tonnes per train with sizes of 40, 50 or 80 wagons per train. The installed network capacity is 12 million tonnes of cargo a year

Eswatini Railways moves a wide range of traffic, including Eswatini's export commodities of sugar, coal, canned fruits, ethanol as well as imported goods such as petroleum products, wheat, cement and general goods.

ESR operates a 301 km network which is continuously welded with track laid on concrete sleepers. Our East/West rail link extends from Matsapha industrial site to Goba, connecting to the Maputo Port in Mozambique. Our North/South rail link connects to the South African Ports of Durban and Richard's Bay as well as opening access to Zimbabwe, Zambia and DRC with a link to Johannesburg via Komatipoort.



ABOUT ESWATINI RAILWAYS

The traffic between Durban and Northern countries is economically routed along the North/South line cutting the distance through Gauteng by 270 km and reducing the transit time by up to 3 days.

ESR possesses a large compliment of highly qualified, dedicated, committed and focussed personnel who contribute immensely towards the efficient and effective running of the railway. We have a staff compliment of about 400 people in total. The Matsapha Inland Clearance Depot (Dry Port) established in 1993 at Matsapha Industrial Site, caters for the need of importers and exporters by providing streamlined services that are both time and cost effective.

Dry Port Services include:

- Handling 6m and 12m containers
- Access to road hauliers and door to door service
- On-site customs clearance facilities (enabling the issue of through bills of lading between overseas origins/destinations and Eswatini)
- Computerised tracking of containers and temporal container storage
- Onsite shipping lines, clearing and shipping agents to facilitate all necessary documentation
- Bonded facility.



Integrity
Engagement
Performance
Re-integration
Transparency
Fewer
Prevention
Better
Outcomes
Care
Improve
Leadership
Improvement
Learning
Recovery
Accountability
Comprehensiveness
Stroke
Mission
Values
Strokes
Vision
Integrity
Engagement
Performance
Re-integration
Transparency
Fewer
Prevention
Better
Outcomes
Care
Improve
Leadership
Improvement
Learning
Recovery
Accountability
Comprehensiveness
Stroke



VISION

To lead in providing total quality rail transport and logistics solutions in the region and beyond



MISSION

Our mission is to provide transportation services to the local and international markets through:

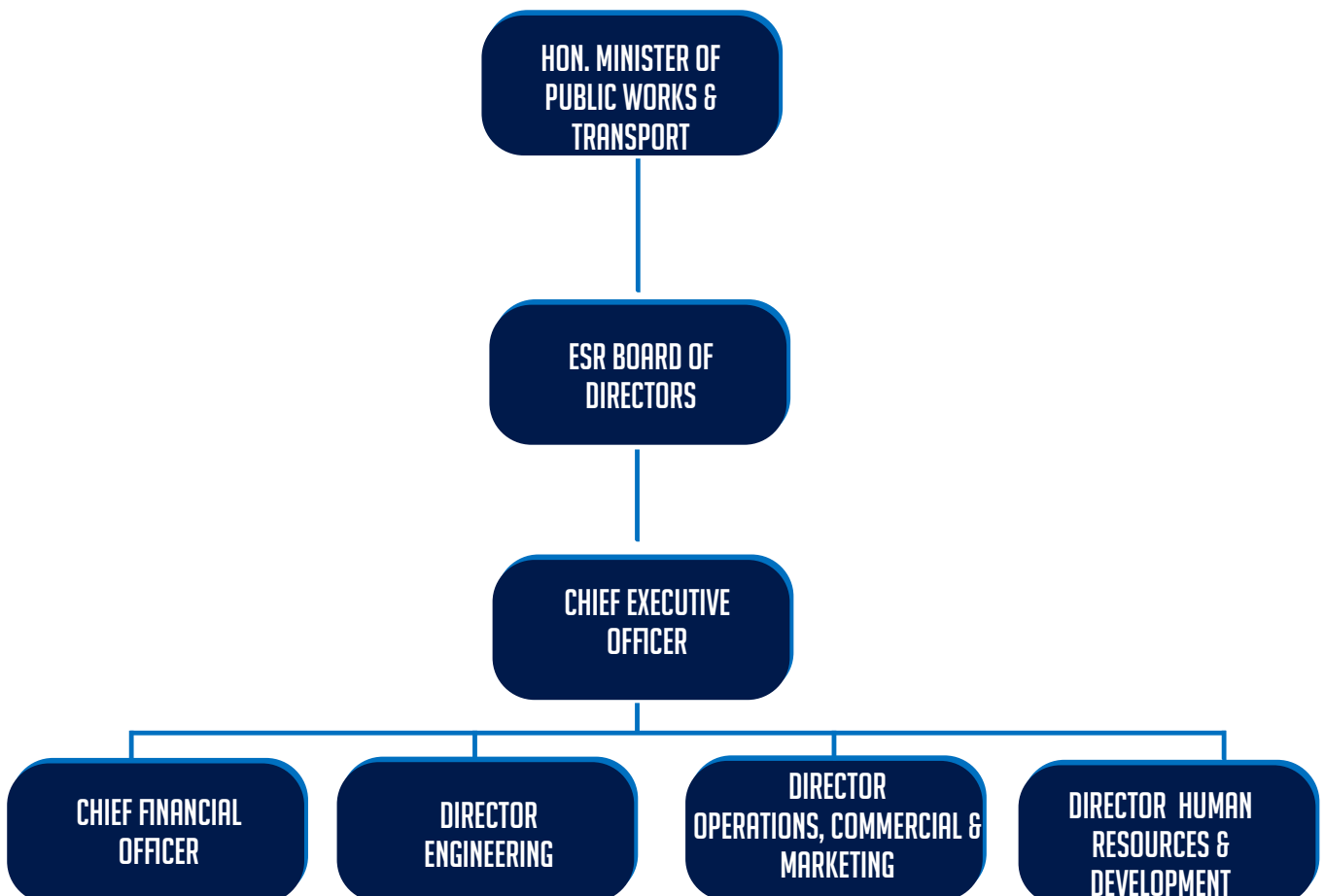


ORGANISATIONAL VALUES

INTEGRITY
TRANSPARENCY
RESPECT
PROFESSIONALISM

- Delivering a service that is responsive to current and future customer needs.
- Fostering and Influencing mutually beneficial stakeholder relationships
- Ensuring High standard of safety, quality, environmental and risk management practices and;
- Enhancing shareholder confidence and value through sustenance

ORGANISATIONAL STRUCTURE





BOARD CHAIRPERSON
Mr Zithulele Mduduzi Gina

BOARD CHAIRPERSON STATEMENT

OVERVIEW OF THE STRATEGIC PLAN IMPLEMENTATION

I am delighted to share the 2017/2018 Annual Report with our stakeholders. As we continue our journey in the execution of the shareholder's mandate, we had the opportunity to learn and serve the interests of all our stakeholders, ESR continued to strive for more transparency in all her business activities with clients, borrowing from the King IV principles and guidelines.

We had challenges during the year under review emanating from the difficult trading conditions that engulfed the local economy, the SADC region and global markets. In response we had to drive down operating costs and slowdown on some projects in view of limited financial resources. However, we made sure we invested in a number of initiatives to bolster core revenue streams through incremental volumes from existing customers and won new business from new clients. We were determined to grow our revenue despite the adverse economic climate, but first to protect what we already had on our stable from being eroded by the competition. Our participation in the North-South Corridor under the auspices of NEPAD was an opportunity to grow volumes through ESR, the NEPAD study identified approximately 2 million of potential cargo to be diverted to rail from road provided railways successfully put their act together to provide the service required by customers

FINANCIAL MANAGEMENT

Working capital management, financing, cost containment, and revenue growth were a priority this year as it is essential to the fundamental financial health and operational success of our organization.

As long as ESR is able to deliver sustained cost reductions, this will not only increase flexibility but it will also provide the fuel to invest in growth strategies so that the company indeed achieves its "turnaround for growth" strategy. But I must add that whilst we are pursuing these strategies, the most important element is to live and breathe a relentless customer focus as we have seen that all too often cost reductions lead to service reductions, opening the door to disruptors who can deliver great service at the same or lower cost. Ultimately, we are looking at delivering a better service at lower cost but ensuring that customer service is optimal.

DIVERSIFICATION

Moreover, we continue to search for areas into which ESR's business is able to diversify as we believe that we need to be able to tap into other income streams for the organization to be able to avoid excessive dependence on any single revenue source, as well as stabilize our financial position, and thereby reduce the risk of financial crisis. With this in mind, we hope in the very short run to develop and improve our facilities so that we are able generate additional revenue from them. Even though these plans are in their infancy, we are optimistic of them bringing some diversity and another income stream to ESR.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

We also contribute to society at a local level, helping communities, supporting local charities and national events, in order to improve relationships with customers and our communities.

HUMAN CAPITAL DEVELOPMENT

Human capital development is key for any organization in order to adapt to technological and other changes brought about by the external environment. The human capital, as a key resource, must be trainable and continuously improve individual and collective productivity. Operating within a very stringent budget we had to focus on the most critical skills which have the most impact in running the core business.

I wish to express the Board's gratitude to ESR's staff who display the values of the organisation which include professionalism, integrity and respect. Over the past two years we have seen some changes in staffing but we have a staff at present of whom we can be justifiably proud.

Finally, I take this opportunity to thank all my fellow Board Directors for dedicating time and being committed in addressing all ESR operational and strategic issues.

Thank you one and all!!



Z.M. Gina





CHIEF EXECUTIVE OFFICER

Mr Stephenson Z. Ngubane

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

OVERVIEW

Trading conditions during the year under review (2017/18) were very harsh as a result freight revenue shrunk by 5.3% when compared to the previous year (2016/17), in revenue terms by E 16 Million. Transit traffic is the major contributor accounting for 90% in terms of volume and 77% in revenue terms, this heavy reliance on transit traffic which is unavoidable is a concern because a slight drop in volume has a major impact on the operation of the organization, expenditure patterns have to change, some capital projects have to be reviewed or stopped due to cash flow constraints. During the year under review transit traffic suddenly dived started in October 2017, this was a single commodity magnetite which has the highest volumes followed by rock phosphate. This mineral, which is imported by China from South Africa and used in the manufacturing of steel, slowed down due to decreased demand after China had accumulated huge stock piles. Another factor of the slowdown in demand was new Government regulations for the control of pollution which is a major problem in China. The new regulations stipulate that commodities must be semi-processed i.e. washed to remove debris and concentrated.

In the local economy, stagnation and decline in some sectors continued and this put pressure on Eswatini Railways (ESR) to put more effort to retain market share and where possible increase market share in the face of unfair and stiff competition from road, these two modes of transport continued to fight over a small pie yet having excess capacity in rolling stock in the case of rail and trucks in the case of road operators, this resulted in price wars and through undercutting of rates, a situation not so helpful since transport equipment is very expensive to acquire and maintain, the reduced rates lead to very small profit margins and in some instances cost under recovery.

OPERATIONS

ESR, with long experience in the game held on successfully in certain business streams such as the ICD (containerized cargo) where the market share shot up to 80%.

The core business of ESR will ever remain the transportation of goods which account for 96% of total revenue. During the year under review, train operations remained robust in that the pillars of providing quality service which are; predictability, reliability, time keeping, responsiveness in dealing with changing customer demands and meeting customer requirements remained firm and consistent. The safety of operations was top priority to safeguard against cargo damages and pilferage, damage to rolling stock and personnel. Accidents have a crippling effect in financial terms when having to repair damaged equipment, higher insurance premiums and loss of capacity.

Loss of capacity means that you become unable to meet customer requirements when the locomotive fleet is reduced and the wagons for loading the goods are insufficient. During the year under review there were no major accidents but had to deal with minor accidents at stations and private sidings as well as level crossings.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

The programmes were well run and supported, recognizing that the safety of operation is priority, so is the health of workforce. ESR does not want her employees exposed to health hazards in the workplace, knowing very well that every person is employed to add value, therefore, they must be in good health at all times in order to adequately execute their duties and responsibilities.

The environment ESR operates in, must be preserved and protected, since the organization uses fuel and other lubricants these products are handled with care to avoid spillages, however, should spillages occur they are attended to and treated and neutralized, spillages are prevented from flowing into rivers and small streams because water is the livelihood of communities. The adoption of ISO 9001 standard since 2012 has made ESR to deal with SHEQ issues successfully following this international standard. Every year external auditors visit ESR to check how we are doing, advise and identify opportunities for improvement. We have always taken these programmes seriously and it has paid off, we have not had cases of violating the statues of the Environmental Authority of the country.

INFRASTRUCTURE AND ROLLING STOCK

The key infrastructure which forms the backbone of ESR operations is the track, signaling and telecommunications. The Engineering department is entrusted with the maintenance of this critical infrastructure and they continued to do a good job by keeping the track, signals and communication network in tip-top condition. If the track condition deteriorates there is the risk of reducing the general speed limit from 60km/h to anything like 40km/h, reducing the general speed limit is detrimental to operations because it affects the transit time and causes deviations from the train time table resulting in trains arriving late at destinations, in the process upsetting clients and could cause clients to consider road transport. Rolling Stock (locomotives and wagons) are another critical resource/assets enabling delivery of services to customers, the rolling stock must be reliable (start and finish a trip), it must be safe so that no accidents would occur due to faulty equipment. Also, this equipment must be available for the loading of customers' goods and their haulage from origin to destination. During the year under review, rolling was maintained in good condition, the fuel tanks for the conveyance of petrol and diesel was above 95% available.

HUMAN CAPITAL DEVELOPMENT

Simple or sophisticated machinery would not grind anything if not operated by people. The human resource will always remain top priority at ESR, railways are a unique industry in that the majority of skills are developed in-house, therefore, there is high expenditure on training & development, unfortunately, in a year of scarce financial resources training programmes were slightly affected, we had no choice but to divert available funds to critical train operations and engineering skills development. The implementation of the Performance Management System has raised awareness amongst employees, they now engage with their Supervisors to talk about performance targets, there is no employee who does not have documented performance targets, this has help in that every employee is now visible on the supervisor's screen because twice a year there are one-on-one performance evaluations.

FINANCIAL ISSUES

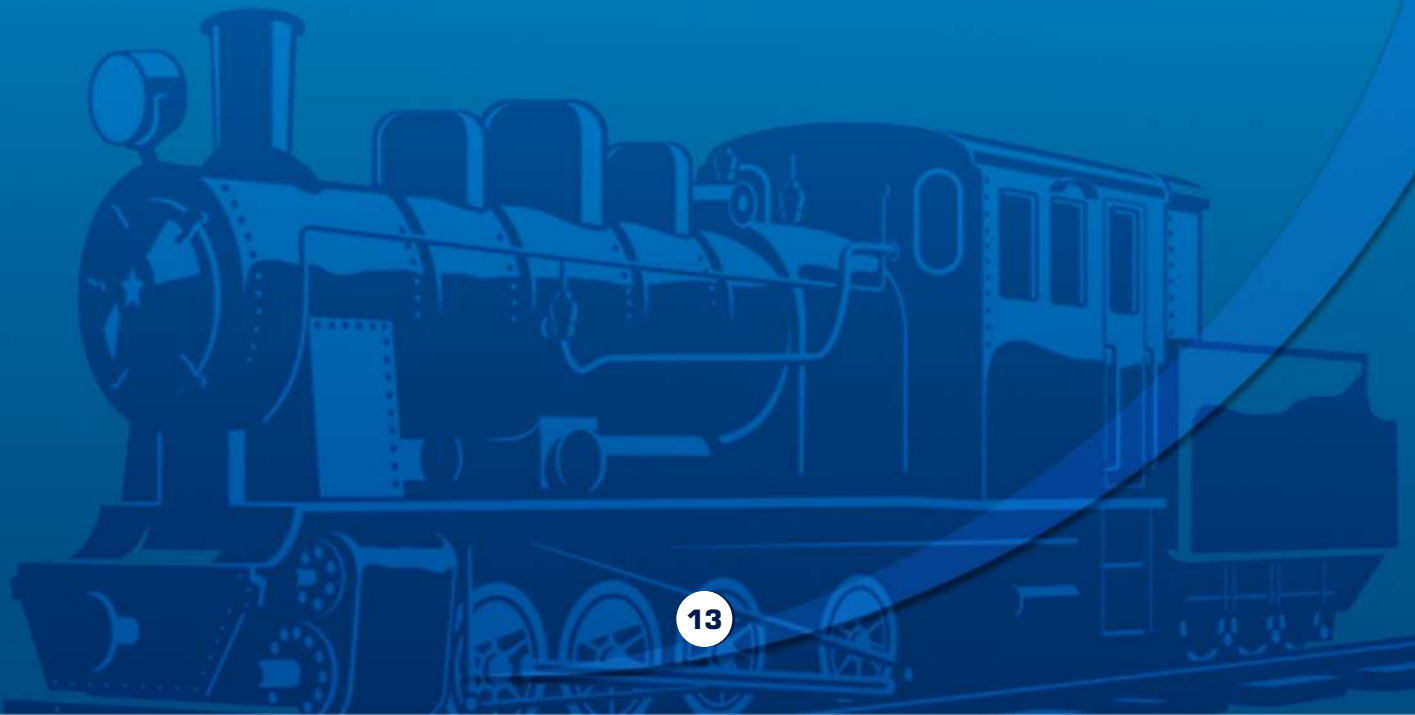
ESR had remained strong over the years but during the year under review was shaken by foreign exchange fluctuation which resulted in a financial cost of E128.92 Million compared to the previous year when this cost was E 142.48 Million. The operating profit, which relates to productivity, was recorded as E 48.36 Million compared to E 54.35 Million the previous year. In subsequent years this problem of runaway exchange rates between the US Dollar and the Lilangeni have been partially curtailed and more strategies are being pursued to eliminate this risk.

Ngubane

S.Z. Ngubane
ESR Chief Executive Officer



BOARD OF DIRECTORS



BOARD OF DIRECTORS



BOARD CHAIRPERSON
Zithulele M. Gina



BOARD MEMBER
Muzi A. Dlamini



CHIEF EXECUTIVE OFFICER
Stephenson Z. Ngubane



BOARD MEMBER
Sheila B. Dlamini



BOARD MEMBER
Alex M. Mngometulu



BOARD MEMBER
Mrs Kholekile Mlangeni
Kudiabor



BOARD MEMBER
Mrs Janet Mzungu



BOARD MEMBER
Princess Tsandzisile
Dlamini



BOARD MEMBER
Chief Ngalonkhulu
Mabuza

STATE OF THE ORGANISATION





CHIEF FINANCIAL OFFICER

Amos Mkhathshwa

FINANCIAL PERFORMANCE

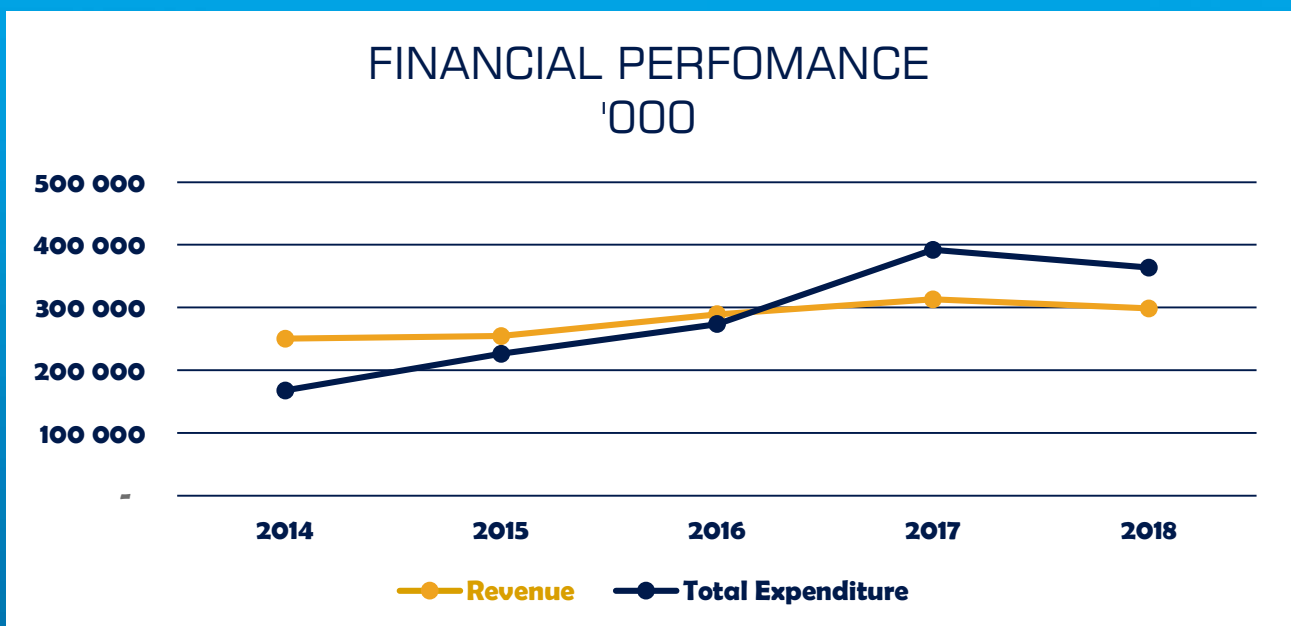
FOR THE YEAR ENDED 2017/2018

FINANCIAL PERFORMANCE

The past five years to 31 March 2018 has seen Eswatini Railways Swaziland Railways very active in re-capitalization in the quest to turn around the future. Significant focus was put on acquisition of rolling stock which included five locomotives and one hundred and sixty five wagons. The acquisition of locomotives ended a fifty years of railway operations using leased locomotives. The effect of the huge investments is felt by the organization in the form of increased interest and other financing costs. A significant dilution of gearing is noted in the financial position of the Railways.

PROFITABILITY

Eswatini Railways made significant strides in funding the implementation of the strategy, the cost of which had an impact in profitability. A trend of positive bottom line ended at close of the year 2015/2016 as finance costs rose mainly influenced by the acquisition of rolling stock and exposure to foreign currency denominated contracts. To the year ended 31 March 2018, management focused to options of refinancing the foreign currency denominated to contract to reduce exposure. The effect of which will be realised in the following year.



A significant drop in revenue during the financial year ended 31 March 2018 as result of economic conditions and introduction environmental regulations at the customer's environment.

The railway business is driven by high costs of rail line (infrastructure) maintenance, rolling stock maintenance, sensitive to volatile fuel prices as a significant input, village house maintenance, personnel costs, utility (water and electricity), asset depreciation, inflation and materials.

As a result of the fall in revenue, Eswatini Railways management attention focused on managing expenditure and cash flow.

Several efforts to manage spending in an effort to manage the resultant situation were put in place involving but not limited to following:

- The review of the cash cycle by requesting credit terms from all suppliers in order to match payments with receipts
- Review of agreed rates with service providers
- Supplier evaluation to reduce poor performance
- Review downwards of the initial budget after the confirmation of reduced traffic volumes in October 2017.
- Suspension of external recruitment of personnel to fill vacant positions
- Maintenance confined strictly to core assets and operations

PROCUREMENT

The procurement activity is one on which all acquisitions and operational activity depends. Improvements to the activity through resourcing of personnel and automation of system. An interactive workflow system was introduced to ensure all supplies are controlled and improved speed. A procurement strategy was developed and all policies and procedures updated to comply of the requirements of the Procurement Act.

FINANCIAL ANALYSIS

	2014	2015	2016	2017	2018
TRAFFIC (tonnages)					
Transit	6 341 185	6 587 508	6 501 974	7 627 973	7 181 344
Local containers (Combined)	48 782	57 344	80 764	98 480	101 470
Local bulk (Combined)	1 570 440	398 557	409 283	390 761	329 831
Total Local traffic	1 619 222	455 901	490 047	489 241	431 301
Total Traffic	7 960 407	7 043 409	6 992 021	8 117 214	7 612 645
Percentage Transit Traffic	80%	94%	93%	94%	94%
Percentage local traffic	20%	6%	7%	6%	6%
FINANCIAL RESULTS	(E'000 m)	(E'000 m)	(E'000 m)	(E'000 m)	(E'000 m)
Revenue	250 522	254 735	289 125	313 094	298 612
Operating expenditure	175 638	225 793	253 561	258 740	250 256
Operating profit	74 884	28 942	35 564	54 354	48 356
Profit/(Loss) before tax	82 617	28 604	15 655	-78 749	-64 974
Total assets	464 840	813 997	924 587	961 076	986 771
	2014	2015	2016	2017	2018
Net Borrowings	1 049	216 902	268 638	252 370	225 753
Cash from operating activities	70 106	50 672	65 929	14 403	28 502
FINANCIAL RATIOS					
Operating profit (%)	29.9%	11.4%	12.3%	17.4%	16.2%
Working Capital Ratio	2.42	2.17	2.22	2.38	2.9
Interest Cover Ratio	713.2	3.7	1.6	-2.3	-1.1
Debt service coverage ratio (DSCR)	115.7	1.3	0.8	1.2	0.9



DIRECTOR ENGINEERING

Bhekithemba Dlamini

ENGINEERING

Engineering in the context of Eswatini Railways is responsible for the provision and maintenance of infrastructure and equipment. In this regard availability (Uptime) and reliability (Quality) of the above is vital and key to the success of the business.

MANAGEMENT

Engineering activities include Signalling & Telecommunications, Civil and Mechanical Engineering. Six technicians who were on two years Technician Trainee programme were confirmed and placed in their respective sections. Two at Carriage & Wagon, two at Works & Electrical and two Permanent Way. Training was afforded to some Permanent Way Inspectors (PWI) and Technicians through the school of Rail/engineering in Durban for diesel fitter, in Pretoria for wagon maintenance and Esselenpark for permanent way. Two Managers from Carriage & wagon and Permanent way retired in August and September 2017 after serving the organisation 37 years and 39 years respectively.

ESR successfully participated In the 7th Annual Maintenance Shutdown on the Mineral Mine and Chrome (MMC) corridor which commence on the 05th June 2017 – 11th June 2017. The overall recorded performance was 99%, no major unsafe or environmental related incidents were reported during the shutdown. The total cost for the 2017 maintenance shutdown was E4.5 Million.

The second quarter of the financial year recorded reduced transit traffic which had a negative effect on annual maintenance plans. We to had reprioritise and adjust our plans in line with revised recurrent and capex budget.

MAINTENANCE

Planned preventative and reactive maintenance activities were successfully carried out in the three sections namely S&T, Civil and Mechanical Engineering. Infrastructure and equipment availability levels were kept above 98% average during the reported year, despite sudden changes to extreme weather conditions. The highest expenditure was incurred in the building & electrical to the tune of E16 million to the end of the financial year

MECHANICAL ENGINEERING

Three Jambo Fuel wagons which were damaged mainly on the barrels sides on distinct derailments have were rehabilitation by Transnet Engineering in Germiston, Johannesburg at an estimated cost of E1.2 million. Two were successfully completed and delivered in December 2017 while the third was written off or scraped due to the extent of the damages one the barrel.

17 flatbed wagons were rehabilitated by Transnet Engineering workshop in Bloemfontein (Dualisation, fitted with air braking system) in line with the SARA and North – South resolutions. TE proposed to allow airbrake fitted wagons commencing 2017. The cost for dualisation of ESR wagons was E 4 25 million. The 17 Flatbed were completed, railed back and delivered in December 2017.

We engaged the services of Kalmar to hire a 45 tonnes Reach stacker for Matsapha ICD while having placed the Purchase order for the Manufacturing and delivery of a new Kalmar Reach stacker. The new Kalmar Reach stacker was delivered at the ICD Matsapha on the 22nd September 2017 assembled and commenced working on the 23rd September 2017.

CIVIL ENGINEERING

We installed or constructed and static weighbridge at the ICD for weighing containers for rail and for other interest parties. The contract for the construction of the weighbridge was awarded to Duvan and the manufacturing to Klerkscale. The project with a total cost of about E1.2 million was completed and commissioned August 2017.

A Sink hole (Armco Culvert failure) was observed at Matsapha 1 Station which was corrected through the engagement of Du van and the projected was completed end of August 2017 at an estimated cost of about E0.8 million.

PROJECTS UPDATE

The following below listed projects have been/being implemented by the department;

MATSAPHA ICD PHASE II & PHASE II ENGINEERING DESIGNS

An engineering design tender is being finalised by the ESR Tender Board Adjudication team for finalisation by the Main Tender Board. The tendering process progressed with the view of not to formally appoint the successful tenderer, it's on the basis to complete the non-financial committal exercise in readiness to appoint once design funding has been finalised.

SIPHOFANENI LEVEL CROSSING BOOM GATE

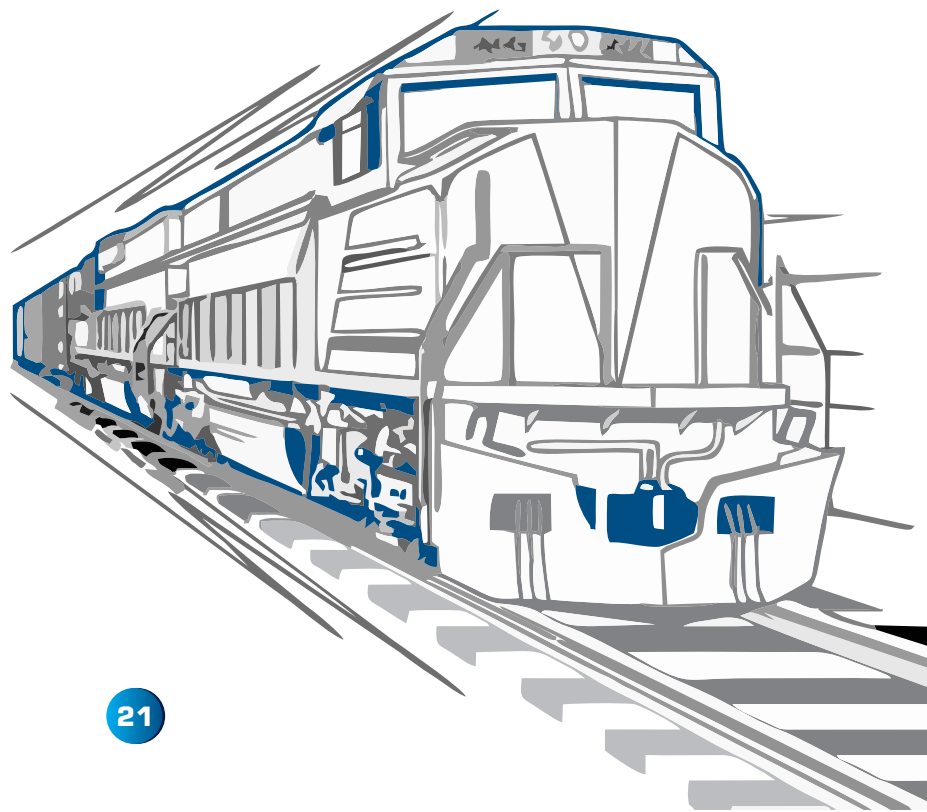
Preliminary layout designs with estimated cost of about E 680 000-00 have been submitted by Actom for ESR consideration. Implementation planned for the year 2019/2010.

ESRL WP4

Engineering designs progress towards completion of the remaining 30% has be delayed by non-availability of funds. Some indicative figures have been submitted for consideration. Our approach on funding is in two folds where funding is sourced by the organisation from open market and the second approach is requesting assistance to piggyback from government project funding.

NEW HEAD OFFICE DEVELOPMENT

The acquisition process of commercial land at Ezulwini identified for the development of the New Head Office was completed. Engineering has been tasked to prepare an office space design brief in readiness for expression of interest architectural impression renderings.





**DIRECTOR OPERATIONS, COMMERCIAL
& MARKETING**

Sam Mzileni

OPERATIONS, COMMERCIAL & MARKETING

Eswatini Railways is in the transport industry for both import, export and transit cargo. The main traffic streams are transit made of containers, rock phosphate, magnetite, copper, grains, fuel and vermiculite ore. Import is made of a combination of cement, motor vehicles, wheat, general goods, concentrates. Whilst exports are made of general goods (bagged sugar and ethanol), textile and apparel, canned fruits and coal.

In an effort to exploit the Goba line and Maputo Port, customers were afforded the opportunity to interact with Eswatini Railways (ESR) partners CFM (Mozambique Ports and Railways) and DP World. Further, our representations in Transnet Freight Rail (TFR) and CFM have helped to manage relationships with our clients and business partners in Mozambique and the Republic of South Africa.

In pursuit for high performance, ESR has managed success in the following areas during the financial year:

- Commodities that performed above budget were bulk sugar (by 1%), containerised imports (by 5%), containerised exports (by 33%), bagged sugar (by 30%), transit fuel (by 6%), transit Sulphur (by 649%) and vermiculite ore (by 36%).
- ICD exceeded 15 000 TEUS target.
- In an effort to manage costs ESR locomotives were deployed to branch lines replacing leased TFR locomotives.
- Trade Fair participation was a success and SARA Conference was supported.
- SR Annual Golf Day was a good success.
- ZRL Jabes Tembo visited ESR for benchmarking.

REGIONAL PARTICIPATION

The Southern Africa Railway Association (SARA) Conference was supported during the year. ESR also participated in the North South Corridor Study which aims to stimulate additional traffic in the North South line. The Goba corridor performed well and JOC (joint operation centre) continues to meeting enhanced the realisation of annual plans. We are in processes of exploring port access in an effort to control and extend the service offering for ESR clients

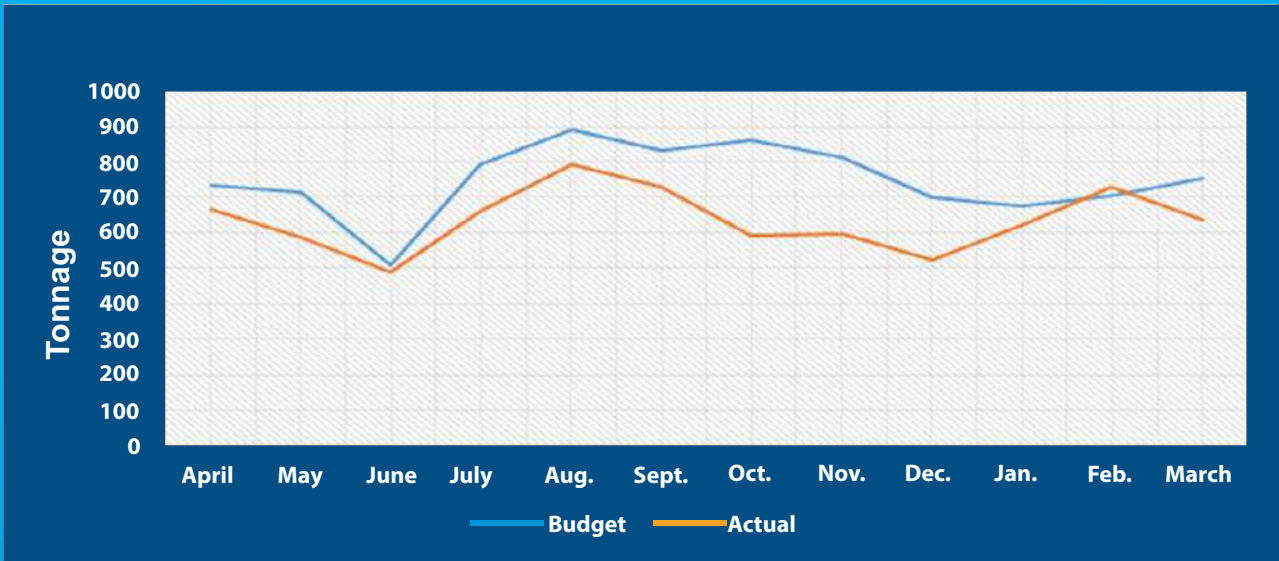
OPERATIONAL PERFORMANCE

ESR faced challenges along the corridor during the year under review as a result of poor traffic volumes from the mines and community unrests. The graph below depict the negative impact on transit performance. However, with the North South Corridor Study in which we participate, there is anticipated benefits to emanate from collaboration with more traffic from countries like DRC and Zambia.

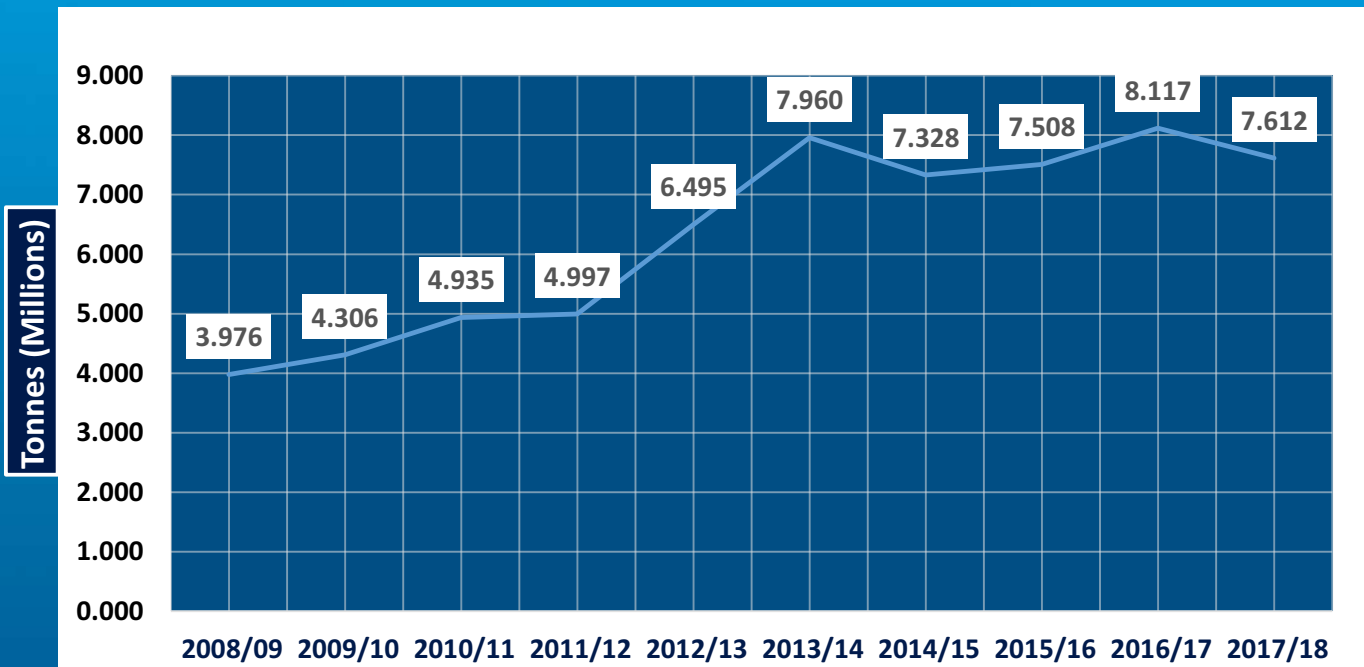
TONNAGE PERFORMANCE

During the year under review all the traffic streams (*Transit, Imports and Exports*) underperformed. This was mostly due to low volumes from the mines, the slow turnaround time of rolling stock from the Ports and very slow Eswatini economy..

ANNUAL TONNAGES 2017/2018



TEN YEARS TONNAGE PERFORMANCE

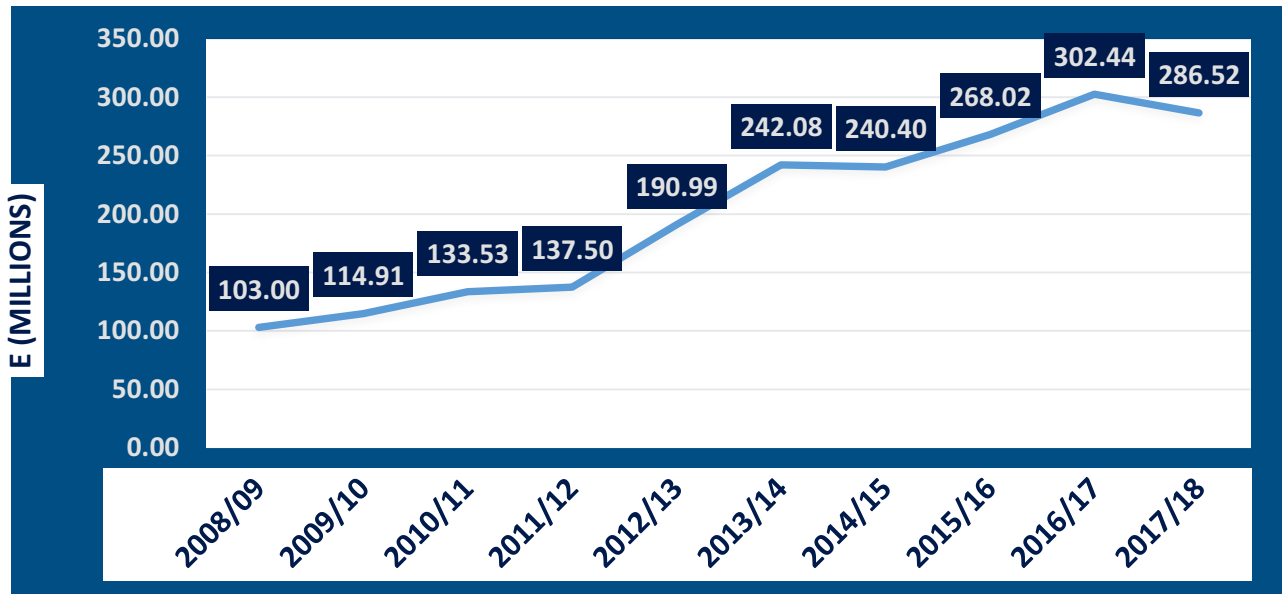


REVENUE PERFORMANCE

The total revenue from 2017/18 sales was E286 million reflecting performance lower than prior year which was E302 million. This was due to poor transit revenue traffic.

Other commodities that did not do well include coal, wheat, import and export containers and canned fruit with the latter attributable to drought.

Some other commodities that did not do well in transit traffic include Rock phosphate, Magnetite, North and South bound containers and vermiculite.



ESR Revenue performance for the past ten years

ROLLING STOCK UTILIZATION

WAGONS OPERATED IN 2017/18

Performance results indicate that there were fewer trains and wagons operated in 2017/18 versus 2016/17 financial year. The poor volumes are attributable to poor traffic from the mines and the community unrests in the operational areas. The reviewed environmental regulations in overseas markets were the main factor that affected transit cargo mainly magnetite. There were 255 514 wagons hauled during the year compared to 270 578 in 2016/17.

TOTAL TRAINS OPERATED IN 2017/18

During the year under review there were 10 969 engines compared to 11 018 engines in 2016/17. As a result volume hauled was lower than that of 2016/17.

We experienced fewer incidents/accidents during the year as there were 13 derailments compared to 16 derailments in 2015/16 financial year. SHEQ interventions have helped manage incidents during the year.

ICD/ DRY PORT

We managed to improve the ICD capacity during the year. A new Reach Stacker was acquired. We further installed a weighbridge was installed in the facility to comply with the requirement of weighing containers before loading. The additional land next to the ICD was officially granted to ESR by government for the expansion of the ICD. Plans for another ICD in the Lowveld are being pursued in an effort to meet customer demand.





**DIRECTOR HUMAN RESOURCES
& DEVELOPMENT**

Bonginkhosi Nsingwane

HUMAN RESOURCES & DEVELOPMENT

1.0 HUMAN CAPITAL DEVELOPMENT.

In pursuit of the objective of achieving a “High Performance Organisation” as enshrined in the 2014-19 Corporate Strategy, the company focused on Human Capital Development, mainly in the Train Operations and Engineering departments. A total of E2, 350,651.00 was spent for the financial year 2017/18 in Human Capital Development and the emphasis was on training of the Service Recovery Team on train regulations and standards course, which covered twelve (12) modules. The purpose of the training was to develop the Service Recovery team to Train Assistant level and qualification at all hierarchical levels and to enhance service recovery in the event of a train accident. Furthermore, this measure was meant to serve as a knowledge management initiative to retain the unique train operations skills whilst enforcing horizontal succession planning. This seeks to ensure operational efficiency, sustainability and competitiveness of the organisation for the future.

Development of selected employees through long term study programmes continued to capacitate the organisation with each discipline's technically required skills. This initiative was meant to capacitate all departments with technical competency skills to ensure high performance in all sections.

2.0 EMPLOYEE ASSISTANCE PROGRAMME

The Employee Wellbeing function was re-launched during the financial year, with the key emphasis in psychological, physical, financial and emotional health of all employees. Voluntary Counselling and Testing was conducted by SWABCHA and games in the form of soccer and athletics were held to motivate employees to be physically fit.

The company engaged financial institutions, namely Nedbank and First National Bank to provide personal loans and rural home schemes. All employees are eligible to participate in these programmes to improve their financial standing and for debt consolidation purposes.

The company further commissioned the re-opening of the Mpaka clinic and gym, as a means to provide the necessary health care for employees and physical fitness. The re-opening of the club was commissioned as well and preparations for the opening are at an advanced stage.

3.0 EMPLOYEE RELATIONS

For the 2018/19 financial year, the Employee Relations arena was characterised by latent conflict and heavy tension owing to the long and protracted negotiations for the adoption of the salary review report. The negotiations spanned a period of eight (8) months, owing to high levels of mis-trust amongst the tripartite parties, namely the union, staff association and management.

The salary adjustment negotiations were quickly concluded with the understanding that the Public Enterprise Unit (PEU) had directed all parastatals to effect a zero (0) percent increase in salaries.

The tension amongst the stakeholders is resultant of the long pending salary review and its implementation, zero (0) percent salary increase, no payment of the performance bonus as the company has made losses for the past two (2) financial years. The approval of the implementation of the salary review by the relevant authorities is expected to ease the tension and latent conflict.

The company continued to engage all stakeholders in all work related issues in line with the established Employee Relations calendar of meetings.

4.0 PERFORMANCE MANAGEMENT

The introduction of the Balance Scorecard as a performance management system was seamlessly and easily adopted by all employees. The company managed to develop a new Corporate Scorecard, Departmental scorecards and fine-tuned the individual scorecards to align with the new departmental scorecards for the financial year 2018/19.

Employees are appraised of their performance at the end of the financial year. However, the company has not been able to pay the performance incentive bonus due to making losses and thus, failing to create a bonus pool from which incentives can be paid out. Eswatini Railways will continue to drive for the creation and up-keep of a collective culture of high performance.

5.0 MANNING LEVELS

Department	Authorized Complement
Engineering	47
Operations & Marketing	260
Human Resources	30
Finance	24
CEO's Office	18
SR Link	4
TOTAL	383

The financial year 2017/18 ended with a total of 383 employees, which is a steady growth with newly created positions to enhance the company capability to achieve the strategic objectives.

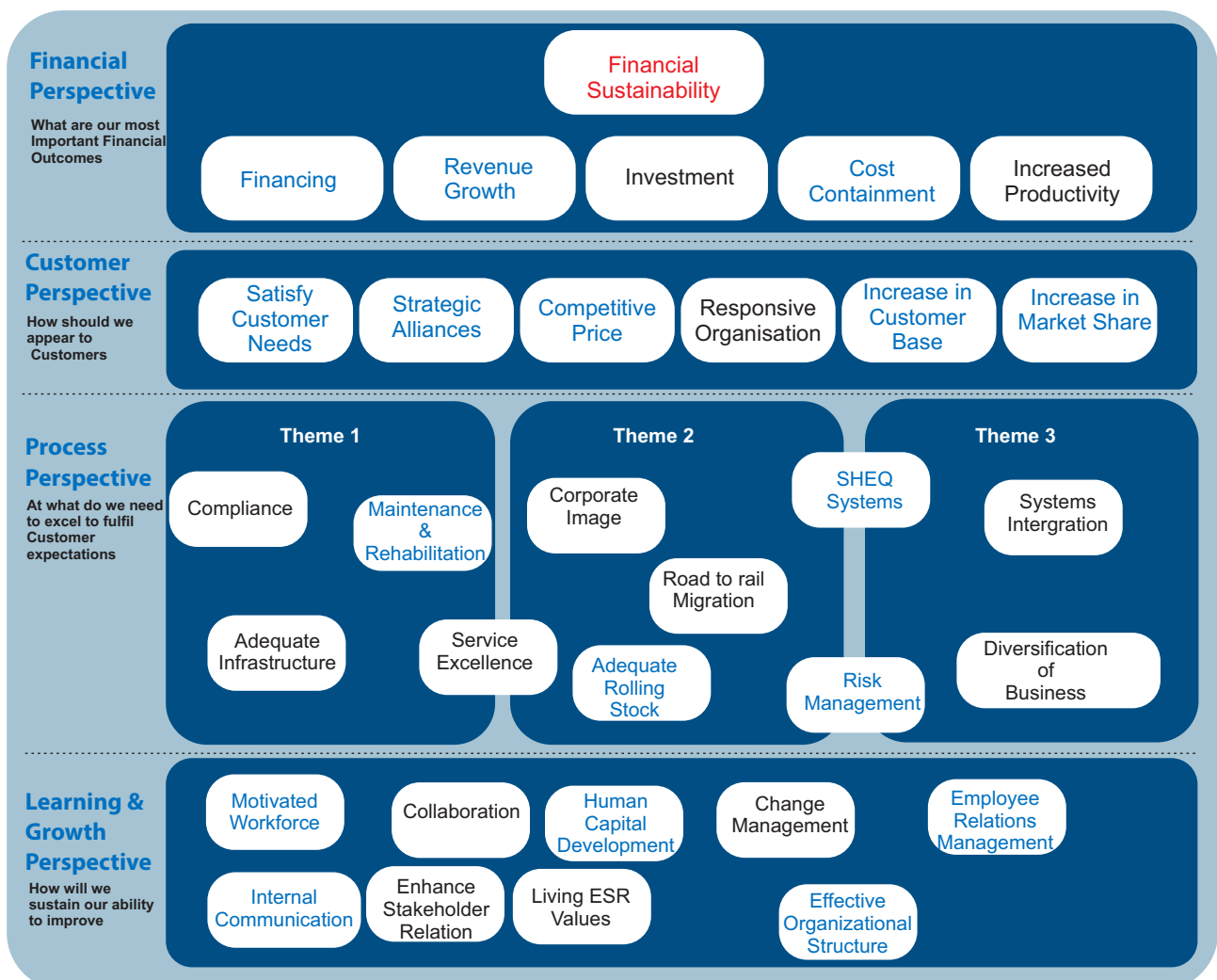
Indicator	Units	2015/2016	2016/2017	2017/2018
Employees	Number	363	388	419
Employee training & Development	E/ Employee			
Employees covered by collective bargaining or belonging to unions	Percent (%)	72	69	64
Employee Turnover Rates:				
<i>New hire</i>	Number	40	25	31
<i>Terminations</i>	Number	3	0	0
<i>Resignations</i>	Number	8	3	3
<i>Retirements</i>	Number	8	7	6
<i>Deaths</i>	Number	1	2	3

STRATEGY FOCUS AREAS

The main strategy focus area, for the 2017/18 financial year, continued to be financial sustainability through a number of pillars. The company experienced losses on transit traffic during the first quarter of the 2017/18 financial year. This resulted in revenue streams performing below budget. Even though some recovery was realized during the second quarter, most of the targets set could no longer be achieved as they required major investment.

As evidenced by the strategy map, from the financial perspective of the Balanced Scorecard, Financing, Revenue Growth and Cost Containment were important financial outcomes for the financial year and a lot of ESR resources were directed towards the achievement of these outcomes. Moreover, the financial outcomes were supported by the customer pillars which looked into ensuring that ESR had a competitive price, that the customer base increased in order to have a bigger market share in terms of rail friendly goods currently being moved in and out of the borders of Swaziland. Strategic alliances remained important as this ensured that ESR aligns to its total logistics "vision".

ESWATINI RAILWAY STRATEGY MAP



In relation to meeting customer expectations, implementation of OSHAS 18001 as well as the quality objectives was imperative. ESR also had to work on retaining ISO 9001. Moreover, in order to implement Risk Management for all new budgeted projects, risk assessments for each ESR project had to be undertaken. The IT section had to increase availability of IT systems (ACCPAC, Email, share point, SPRINT, crew management system, Container Management System), as a result an IT audit had to be undertaken in order to ensure that IT systems are reliable, secure and not vulnerable to computer attacks. The audit gave assurance that the IT systems are properly managed to achieve their intended benefits.





Quality



health



safety



environment

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

Eswatini Railways continues to set the pace in the area of Safety, Health, Environment and Quality (SHEQ) Management. With regards to Safety, Eswatini Railways being a trans boundary operator is regulated by the Railways Safety Regulator of South Africa where we are required to demonstrate a risk based approach to Railway Safety Management through the development of robust annual safety improvement plans and the development, implementation, maintenance and continual improvement of a Railways Safety Management System focusing largely on the elimination of railway occurrences

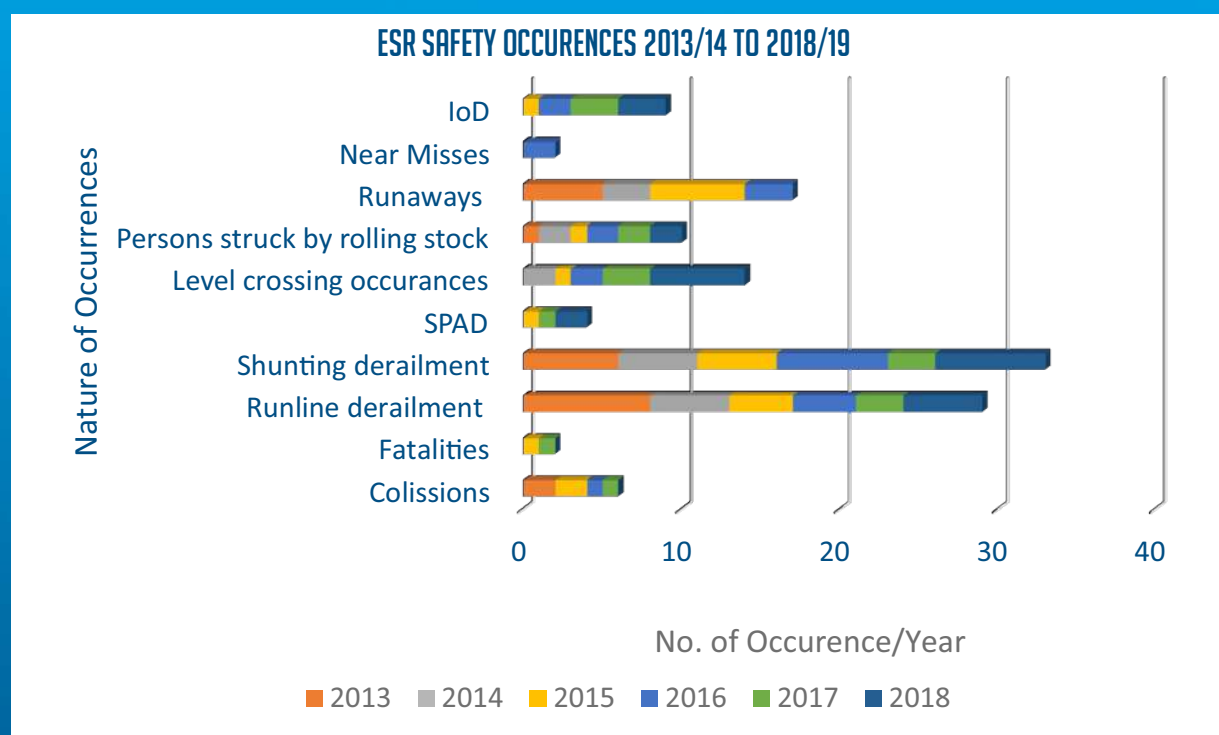
The organisation is in the process of acquiring the new ISO 45001: 2018 Occupational Health and Safety Management Systems Requirements by the end of March 2019 as a demonstration of our commitment to the provision of a safe working environment for our employees and stakeholders through the identification of hazards, their associated risks and then establishing objectives and management programs for the control of these risks with a view of eliminating them through the hierarchy of controls. If it goes according to plan, ESR is likely to be the 1st Eswatini organization to attain this certification. Our people are subjected to ongoing medical screening from recruitment and throughout their tenure with a view of ensuring that work related illnesses are picked up early enough to provide remedial action.

Even though the company has not formally adopted any environmental management system, we have started a waste management approach that focuses on the 4 Rs (Refuse, Reduce, Reuse, and Recycle) and together with our waste management service provider we have drastically reduced the amount of waste in our dumpsites through our recycling program. On the quality side, ESR is currently certified to ISO 9001:2015 being the first company and public enterprise to attain this certification locally.

In all these areas, Internal Audits as well as routine worksite inspections are conducted to monitor and evaluate performance against established SHEQ Objectives. Run charts and histograms are the main quality tools to track progress against these objectives and targets. We have a Nonconformity and Corrective Action process that enables process owners to correct whatever is not aligned to our SHEQ Management Systems. The aim of the performance evaluation is to feed into management review meetings where senior management deliberates on the organisational performance with a view of making decisions on how to continually improve our SHEQ performance. These meetings have played a pivotal role in creating a conversation on the things that matter the most in the organisation and have been springboard for delivery, effectiveness and efficiency in everything we do. As a result of our Business Management System, as we refer to it, we have seen interest from various railways operators in benchmarking their SHEQ Management Systems with that of Eswatini Railways and we pride ourselves for having to assist other organisations on the journey to excellence and we know that this journey has no ending as they will always be room for improvement.

In recognition of the company's commitment to service excellence, ESR received 1st Prize in the 2018 version of the SADC Quality Awards under The Service of The Year Large Enterprise Category. The organisation also received the same award at national level in the Kingdom of Eswatini National Quality Awards where in addition to taking the 1st price in the same category as it did at SADC we were also crowned with a 1st Prize in the Organisation of the Year Category here at Eswatini.

ESR RAILWAY SAFETY OCCURRENCE TYPES 5 YEAR ANALYSIS						
	2013	2014	2015	2016	2017	2018
Colissions	2	0	2	1	1	0
Fatalities	0	0	1	0	1	0
Runline derailment	8	5	4	4	3	5
Shunting derailment	6	5	5	7	3	7
SPAD	0	0	1	0	1	2
Level crossing occurances	0	2	1	2	3	6
Persons struck by rolling stock	1	2	1	2	2	2
Runaways	5	3	6	3	0	0
Near Misses	0	0	0	2	0	0
IoD	0	0	1	2	3	3



ESWATINI RAIL LINK PROJECT

BACKGROUND

1. The Eswatini Rail Link (ESRL) Project is a joint inter-railway strategic initiative between Transnet and Eswatini Railways, aimed at creating a dedicated General Freight Business (GFB) corridor for Transnet whilst providing much needed additional capacity for Eswatini Railways.
2. The new link will have the potential to unlock development of the rail corridors of South Africa, Eswatini and Mozambique and to improve the connectivity of the rail networks of these countries to the eastern seaboard ports of Richards Bay and Maputo. The programme will also promote regional integration.
3. In 2011, Transnet and Eswatini Railways commissioned a concept level study to investigate the provision of a rail link between Lothair in South Africa and Sidvokodvo in Eswatini. Consequently, an Inter-Governmental Memorandum of Understanding (MOU) was signed between the Republic of South Africa (RSA) and Eswatini government on 2 August 2012.
4. The signing of the Inter-Rail MOU between Transnet and Eswatini Railways on 23 November 2012 cemented the relationship at business and technical levels. At this point, Mozambique was not ready to participate in the ESRL development and only in 2017 indicated readiness to collaborate in the project development. Consequently, development of the Mozambique route of the ESRL will be undertaken as a second phase of the ESRL development and will mainly entail upgrades to existing infrastructure.
5. The scope of the Eswatini Rail Link Project therefore falls within South Africa and Eswatini and comprise approximately 150km of new rail track main line from Lothair, in South Africa to Sidvokodvo, in Eswatini. The project is estimated to cost about E18 billion Emalangeni at 2015 prices.
6. The Eswatini Rail Link project, once commissioned, will operate as an integrated seamless railway system. Each Rail utility will own, operate and maintain its portion of the infrastructure, while funding of the project will be achieved through a jointly owned Special Purpose Vehicle (SPV). The SPV will in turn enter into take or pay agreements with the two railway entities.
7. The Eswatini Rail Link Project will have significant socio-economic benefits during the construction and operational phases. It is anticipated that 3 400 construction-related jobs will be created in South Africa and 2 700 in Eswatini. Long-term employment arising from train operations and maintenance extends to an estimated 500 jobs in South Africa and 300 in Eswatini.
8. The signing of the Memorandum of Agreement (MOA) on 13 November 2014, between Eswatini Railways and Transnet, provided legal mechanisms of implementing the feasibility study for the project. Following conclusion of the concept level study in 2011, pre-feasibility and detailed feasibility studies were completed in 2012 and 2015 respectively.

9. In order to ultimately create an integrated general freight rail corridor between Ermelo and Richards Bay/ Maputo, additional work packages will be undertaken simultaneously to the ESRL development to upgrade sub-standard sections of existing rail that are adjacent to the ESRL. This will ensure the long term connection of the RSA, Eswatini and Mozambique rail networks to an acceptable technical and operational standard.
10. Figure 1 below depicts the ESRL project which anchors the integrated development of the GFB corridor and adjacent networks to be upgraded in RSA, Eswatini and Mozambique.

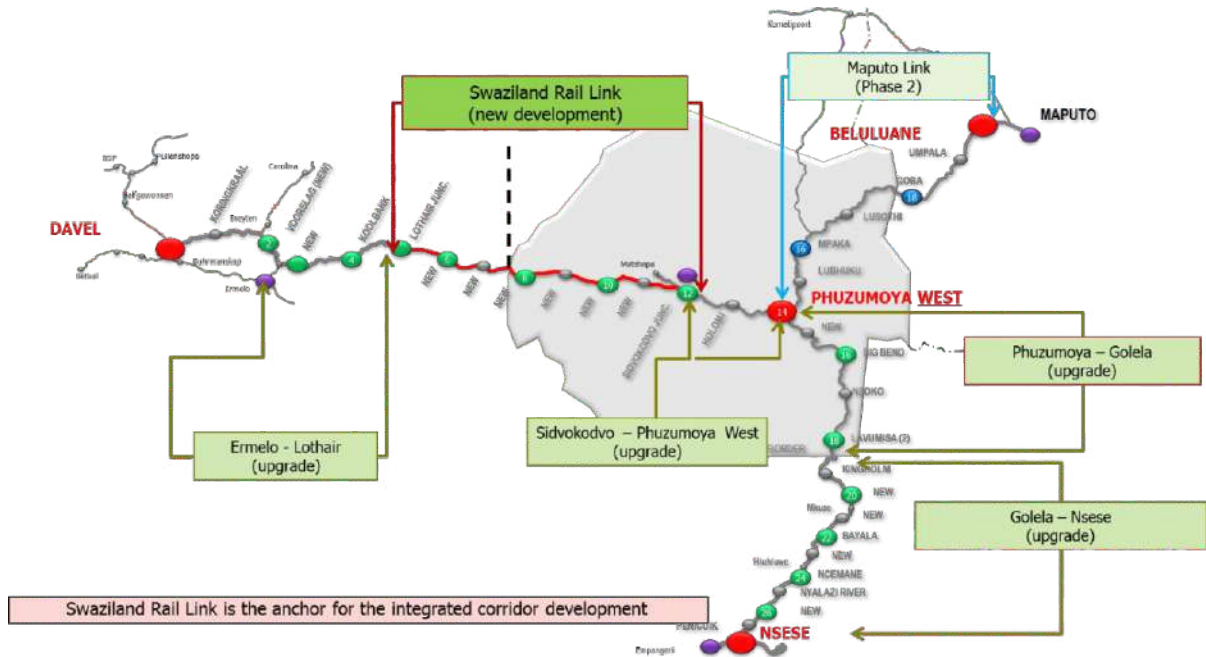


FIGURE 1 : GFB CORRIDOR DEVELOPMENT

During the 2018/19 financial year, three major pre-construction activities were ongoing in Eswatini namely; land acquisition, planning for the resettlement of the 235 affected households and acquisition of funding.

Plans for next financial year include commencement of the construction of replacement houses for the 235 affected households.

FINANCIALS



STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 March 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes and the Directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Eswatini Railway Act of 1962, as amended.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as for the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the entity's ability to continue as a going concern and have no reason to believe that Eswatini Railway will not be a going concern in the year ahead.


The auditors are responsible for reporting on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards and in the manner required by the Eswatini Railway Act of 1962 as amended.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 5 to 59 were approved by the board of directors on 26 July 2018 and are signed on its behalf by:



Z Gina - Chairman



S Ngubane - Chief Executive Officer



A Mngomezulu - Director

INDEPENDENT AUDITORS' REPORT

To the Minister of Public Works and Transport and the Board of Directors of Eswatini Railway

OPINION

We have audited the financial statements of Eswatini Railway set out on pages 5 to 59, which comprise the statement of financial position as at 31 March 2018, and the statements of comprehensive income, changes in funds and cash flows for the year then ended, the notes to the financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eswatini Railway as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Eswatini Railway Act of 1962, as amended.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of financial statements* section of our report. We are independent of Eswatini Railway in accordance with the Swaziland Institute of Accountants *Code of Professional Conduct* (SIA Code) and other independence requirements applicable to performing audits of financial statements in Eswatini.

The SIA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The directors responsible for the other information. The other information comprises the statement of responsibility by the board of directors and the detailed income statement, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Swaziland Railway Act of 1962, as amended, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing Swaziland Railway's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

Auditors

26 July 2018

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of Eswatini Railway for the year ended 31 March 2018.

NATURE OF BUSINESS

Eswatini Railway is a parastatal which is wholly owned by the Government of the Kingdom of Eswatini.

Eswatini Railway is governed by the Railway Act of 1962, as amended.

Eswatini Railway owns railway infrastructure and controls local and international rail transportation throughout Eswatini

CORPORATE GOVERNANCE

The Swaziland Railway Board of Directors ("the Board") provides strategic direction to Swaziland Railway taking into account, amongst others, the need to foster sound corporate governance and a vigilant risk management process.

Swaziland Railway has a unitary Board structure with separate and distinct roles and responsibilities for the non-executive Chairman and the Chief Executive Officer. The directors are appointed by the owner (The Swaziland Government: Minister of Public Works and Transport) for a three-year term.

Overall accountability and responsibility for the control and strategic direction of Swaziland Railway resides with the Board. To facilitate the effective discharge of such responsibility, directors have unrestricted access to all information, records, and documents. Further, the mandates of the Board and its sub-committees entitle directors the right to take independent advice at Swaziland Railway's expense. Also, to enhance the abilities of directors, provision is made for a director to attend such training and development programmes as would better equip him or her to discharge his or her responsibilities to Swaziland Railway.

DIRECTORS

The Board comprises ten directors. The Chief Executive Officer of the Railway is the only executive director on the Board. The non-executive directors may, in the main, be regarded as independent directors.

BOARD MEETINGS

The corporate calendar for the Board is approved annually in advance, taking into account the Board programme for the year.

The Board meets, as a minimum, four times a year. The Board had six ordinary and two special meetings during the year under review.

BOARD SUB-COMMITTEES

In order to ensure effective corporate governance, give attention to providing support to the executives and exercise appropriate oversight, the Board has three sub-committees in place. These are the Audit, Remuneration and Investment Committees.

DIRECTOR'S REPORT

Certain of the functions of the Board are delegated to these sub-committees. The terms of reference of the sub-committees are contained in the sub-committees' mandates. These mandates set out the sub-committees' powers, functions, responsibilities, reporting mechanisms and authority to act. The Board, however, remains accountable.

The members of the sub-committees are all non-executive directors and, in respect of the Audit Committee, they possess the requisite financial skills.

The Audit Committee met eight times during the year under review.

The Remuneration Committee met eight times during the year under review.

The Investment Committee met nine times during the year under review.

INTERNAL AUDIT

A well-established internal audit department is in place and operates in accordance with the internal audit charter approved by the board. The internal audit department reports to the Audit Committee at least four times a year.

EAST/WEST LINE REHABILITATION AND VALUATION OF INFRASTRUCTURAL ASSETS

During the 2003/2004 financial year, Eswatini Railway completed the rehabilitation of the East/West line at a total cost of E123 975 938. While performing the rehabilitation, certain assets were replaced, while others were modified. On the completion of the exercise, it became difficult to determine the cost of assets removed and the cost of assets modified, and therefore the cost of the East/West line as a whole could not be determined.

As a consequence of the above, Eswatini Railway resolved to carry out an engineering valuation of the entire infrastructure. The applicable valuation method is the depreciated replacement cost as the assets of the Railway are highly specialised and their market value is not readily available. Eswatini Railway completed the valuation during the year ending 31 March 2013. The valuation considered depreciated replacement cost and value in use for the year ending 31 March 2013. This resulted in Eswatini Railway's property, plant and equipment being valued at E1.78 billion, with a net notional revaluation surplus of E1.53 billion after considering the carrying amount of the assets which was E 256 million in the valuation year (2013).

SUBSEQUENT EVENTS

No matter which is material to the financial affairs of Eswatini Railway, has occurred between the reporting date and the date of approval of the financial statements.

GOING CONCERN

The directors have made an assessment on the ability of Eswatini Railway to continue as a going concern and have no reason to believe that the business will not be able to continue as a going concern in the foreseeable future.



FINANCIAL STATEMENTS

for the year ended 31 March 2018

STATEMENT OF COMPREHENSIVE INCOME

	Note	2018 E	2017 E Restated
Revenue	9	286 523 392	302 438 920
Other income	10	12 089 435	10 656 805
Operating expenses		(136 347 088)	(181 734 562)
Administration expenses		(113 909 167)	(77 006 493)
Operating profit	6	48 356 572	54 354 670
Finance income	8	15 586 951	9 380 235
Finance costs	8	(128 917 279)	(142 484 283)
Net finance costs	8	(113 330 328)	(133 104 048)
Loss before income tax		(64 973 756)	(78 749 378)
Income tax expense	24	12 510 809	21 621 408
Loss for the year		(52 462 947)	(57 127 970)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Fair value gains on available for sale financial assets	20	5 041 850	2 504 650
Total comprehensive loss		(47 421 097)	(54 623 320)

STATEMENT OF FINANCIAL POSITION

	Note	2018 E	2017 E Restated
ASSETS			
Non-current assets			
Property, plant and equipment	12	644 270 163	638 659 260
Investment property	11	5 212 049	5 340 258
Financial assets -available-for-sale	13	52 160 440	49 827 978
Deferred tax assets	25	38 399 242	18 181 219
		<u>740 041 894</u>	<u>712 008 715</u>
Current assets			
Inventory	14	29 491 649	30 502 039
Trade and other receivables	15	56 672 761	61 187 001
Cash and cash equivalents	23	160 564 502	156 305 345
Tax prepayment	28	-	1 072 507
		<u>246 728 912</u>	<u>249 066 892</u>
Total assets		<u>986 770 806</u>	<u>961 075 607</u>
EQUITY			
Swaziland Government equity	16	259 549 315	234 049 315
General reserve	18	74 158 610	74 158 610
Capital reserve	19	71 436 300	74 183 850
Fair value reserve	20	22 302 967	17 261 117
Revaluation surplus		319 636	319 636
Retained earnings		66 234 736	115 950 133
		<u>494 001 564</u>	<u>515 922 661</u>
LIABILITIES			
Non-current liabilities			
Finance lease - non current	17	172 688 830	193 546 214
Long term loans	17	19 980 702	28 836 431
Embedded derivatives	31	35 602 631	8 153 967
Derivative financial instruments	32	179 960 778	110 122 822
		<u>408 232 941</u>	<u>340 659 434</u>
Current liabilities			
Trade and other payables	21	39 693 916	54 034 536
Finance lease - current	17	23 814 433	21 456 575
Current portion - long term loans	17	9 268 990	8 530 545
Tax liability	28	559 942	-
Provisions	22	11 199 020	20 471 856
		<u>84 536 301</u>	<u>104 493 512</u>
Total liabilities		<u>492 769 242</u>	<u>445 152 946</u>
Total equity and liabilities		<u>986 770 806</u>	<u>961 075 607</u>

STATEMENT OF CHANGES IN EQUITY

	Equity	Government	Capital	General	Revaluation	Fair value	Retained	Total
	equity	equity	reserve	Reserve	reserve	reserve	earnings	Equity
	E	E	E	E	E	E	E	E
Year ended 31 March 2018								
Balance at 31 March 2017	234 049 315	74 183 850	74 158 610	319 636	17 261 117	115 950 133	515 922 661	
Profit for the year	-	-	-	-	-	(52 462 947)	(52 462 947)	
Other comprehensive income	-	-	-	-	5 041 850	-	5 041 850	
Transactions with owners of the company	25 500 000	-	-	-	-	-	25 500 000	
Transfer of reserves	-	(2 747 550)	-	-	-	2 747 550	-	
Dividends declared	-	-	-	-	-	-	-	
Balance at 31 March 2018	259 549 315	71 436 300	74 158 610	319 636	22 302 967	66 234 736	494 001 564	
Year ended 31 March 2017								
Balance at 31 March 2016 as previously reported	203 582 105	76 931 400	74 158 610	319 636	14 756 467	175 930 553	545 678 771	
Loss for the year	-	-	-	-	-	(57 127 970)	(57 127 970)	
Other comprehensive income	-	-	-	-	2 504 650	-	2 504 650	
Transactions with owners of the company	30 467 210	-	-	-	-	-	30 467 210	
Transfer of reserves	-	(2 747 550)	-	-	-	2 747 550	-	
Dividends declared	-	-	-	-	-	(5 600 000)	(5 600 000)	
Balance at 31 March 2017	234 049 315	74 183 850	74 158 610	319 636	17 261 117	115 950 133	515 922 661	

STATEMENT OF CASH FLOWS

	Note	2018 E	2017 E Restated
Cash flows from operating activities			
Cash generated by operations	26	50 621 071	41 161 658
Finance income	8	15 586 951	9 380 235
Finance costs	8	(31 630 659)	(24 207 494)
Tax paid	28	(6 074 765)	(11 931 090)
<i>Net cash generated from operating activities</i>		<u>28 502 598</u>	<u>14 403 309</u>
Cash flows from investing activities			
Decrease / (increase) in available for sale investments		2 709 388	(501 749)
Purchase of property, plant and equipment	12	(25 836 019)	(48 412 424)
Proceeds from disposal of assets		-	32 265
<i>Net cash utilised in investing activities</i>		<u>(23 126 631)</u>	<u>(48 881 908)</u>
Cash flows from financing activities			
Equity receipt from Government		25 500 000	30 467 210
Net finance lease repaid		(18 499 526)	(22 174 403)
Net loans (repaid) / raised		(8 117 284)	5 905 607
Dividend paid		-	(5 600 000)
<i>Net cash (utilised)/generated from financing activities</i>		<u>(1 116 810)</u>	<u>8 598 414</u>
Net increase/(decrease) in cash and equivalents		4 259 157	(25 880 185)
Cash and cash equivalents at the beginning of the year		<u>156 305 345</u>	<u>182 185 530</u>
Cash and cash equivalents at the end of the year	23	<u><u>160 564 502</u></u>	<u><u>156 305 345</u></u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 GENERAL INFORMATION

Eswatini Railway is a parastatal which is wholly owned by the Government of the Kingdom of Eswatini.

Eswatini Railway was established and is governed by the Swaziland Railway Act of 1962, as amended.

Eswatini Railway owns railway infrastructure and controls local and international rail transportation in Eswatini.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 STATEMENT OF COMPLIANCE AND BASIS FOR PREPARATION

The financial statements of Swaziland Railway have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Swaziland Railway Act of 1962, as amended.

The financial statements have been prepared on the historical cost basis except for financial assets valued at fair value.

2.1.1 USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4 – Fair value measurements
- Note 11 and 12 – Depreciation, useful lives and residual values of property, plant and equipment and investment property.
- Note 15 - Trade and other receivables
- Note 22 - Provisions
- Note 30 - Contingencies
- Note 31 – Embedded derivatives
- Note 32 - Derivative financial instruments

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1.2 GOING CONCERN

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

2.1.3 CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the current reporting period.

2.1.4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of the financial statements of Eswatini Railway for the year ended 31 March 2018, the following Standards and Interpretations were in issue but not yet effective:

Effective for the financial year commencing 1 April 2018

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*
- *Classification and Measurement of Share-Based Payment Transactions* (Amendments to IFRS 2)
- *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (Amendments to IFRS 4)
- *Transfer of Investment Property* (amendment to IAS 40)
- IFRIC 22 *Foreign Currency Transactions and Advance Considerations*

Effective for the financial year commencing 1 April 2019

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Prepayment features with Negative Compensation* (Amendments to IFRS 9)
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28)

Effective for the financial year commencing 1 April 2021

- IFRS 17 *Insurance Contracts*

All Standards and Interpretations will be adopted on their effective date. Management continually assesses the impact of such standards but none of these are expected to have a significant effect on the financial statements of Eswatini Railway.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IFRS 9 *Financial Instruments*

The Eswatini Railway is expected to adopt IFRS 9 *Financial Instruments* from the financial year end commencing on 1 April 2018.

IFRS 9 *Financial Instruments* sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

Classification - financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets:

- measured at amortised cost
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL)

The standard eliminates the existing IAS 39 category of held to maturity; loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, Management does not believe that the new classification requirements will have any impact on its accounting for trade receivables and loans that are managed on a fair value basis.

Impairment – financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECL's, which will be determined on a probability basis.

The new impairment model will apply to financial assets measured at amortised cost. Under IFRS 9, loss allowances will be measured on either of the following bases:

- *12 month ECL's*: these are ECL's that result from possible default events within the 12 months after the reporting date, and
- *Lifetime ECL's*: these are ECL's that result from all possible default events over the expected life of a financial instrument.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment – financial assets (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component, but will not apply to investments in equity securities. Eswatini Railway has also elected to apply this policy for trade receivables with a significant financing component, should it have such trade receivables at a future date.

Eswatini Railway believes that the impairment losses are not likely to change for assets in the scope of IFRS 9 impairment model. Management believe that the adoption of the new IFRS 9 impairment model will not have an impact on the quantum of the impairment loss provision as the trade receivables comprise amounts which are physically received in the following 60 days. The Company provides for impairment as soon as an impairment event is identified.

Cash and cash equivalents are held with reputable financial institutions and no impairment loss is expected with respect to cash and cash equivalents.

Classification – financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributed to changes in the credit risk of the liability are presented in OCI.
- The remaining amount of change in the fair value is presented in profit or loss.

Eswatini Railway has not designated any financial liabilities as FVTPL and it has no current intention to do so. The Company's assessment does not indicate any material impact regarding the classification of financial liabilities.

Hedge accounting

Currently Eswatini Railway does not adopt hedge accounting. Should the Railway apply hedge accounting at a future date, then it would be required to ensure that hedge accounting relationships are aligned with the Railway's risk management objectives and strategy and apply a more qualitative and forward looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on re-balancing hedge relationships and prohibits the voluntary discontinuation of hedge accounting.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECL's. Management's assessment will include an analysis to identify data gaps against current processes and the process of implementing the system and control changes that it believes will be necessary to capture the required data.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- Swaziland Railway will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to the classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 April 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

Sale of goods

For the sale of fuel and transit revenue, revenue is currently recognised when the goods are delivered to the customers' premises or the train has passed through the Kingdom, which is taken to be the point at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Management's assessment indicates that the adoption of IFRS 15 will not have any significant impact on the revenue recognition policies currently adopted.

Transition

Swaziland Railway plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying the standard being recognised at the date of initial application (1 April 2018). As a result the Company will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 16 Leases

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify the leases as finance or operating leases.

Management has completed an initial assessment of the potential impact on its financial statements. The initial assessment has indicated that there will be no significant effect on the Railway by the adoption of IFRS 16.

The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the borrowing rate at 1 April 2019. The composition of the lease portfolio at that date and the extent to which the Railway chooses to use practical expedients.

In addition, the nature of expenses related to old operating leases will now change as IFRS 16 replaces the straight lining of operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Determining whether an arrangement contains a lease

Should Eswatini Railway have an arrangement that is not in the legal form of a lease, for which it concludes that the arrangement contains a lease then on transition to IFRS 16 the Railway can elect whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Eswatini Railway plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 April 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Transition

As a lessee, the Eswatini Railway can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients

The lessee applies the election consistently to all of its leases.

Eswatini Railway plans to apply IFRS 16 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balances of retained earnings at 1 April 2019, with no restatement of the comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. Management is assessing the potential impact of using these practical expedients.

Management is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2 REVENUE RECOGNITION

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

(a) *Transportation and other related services*

Transportation and other related services revenue (that is revenue from importation and exportation and also trains in transit) is recognised in profit or loss by reference to the stage of completion of transactions at the reporting date.

(b) *Rental income*

Revenue arising from the rental of property is recognised on an accruals basis in accordance with the substance of the relevant agreements.

© *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, Swaziland Railway reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

2.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Eswatini Railway and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation is calculated on the straight line method to write off the cost of each asset (less its residual value) over its estimated useful life. Depreciation is charged in full in the year of disposal.

The estimated useful lives are as follows:

Buildings	60 Years
Rolling stock	20 - 40 Years
Infrastructural assets	20 - 100 Years
Plant, machinery and furniture	5 - 20 Years
Motor vehicles	3 - 5 Years

Depreciation is not charged on land and certain Infrastructural Assets consisting mainly of earthworks, tunnels, roads and bridges and culverts. The cost of maintenance of these assets is written-off as it is incurred. Depreciation is charged on major projects from the time they are commissioned (when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.4 INVESTMENT PROPERTY

Investment property is property held either to earn rental income or for capital appreciation or for both, rather than for:

- sale in the ordinary course of business;
- use in the production or supply of goods or services; or
- for administrative purposes.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to Swaziland Railway, and the cost or fair value of the investment property can be measured reliably.

Investment property is stated at cost less accumulated depreciation. Depreciation is calculated on the straight line basis. The estimated useful life of the building is 60 years. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part of a property is recognised in the carrying amount of the investment property, the carrying amount of the replaced part of a property is derecognised. Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from the investment property.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in profit or loss when the compensation becomes receivable.

2.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, Eswatini Railway reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGU's").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.6 FOREIGN CURRENCY TRANSLATION

(a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Emalangeni' (E), rounded to the nearest one, which is also Swaziland Railway's functional currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in profit or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.7 FINANCIAL ASSETS

The Railway classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available for sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when Eswatini Railway provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

© *Held-to-maturity investments*

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

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivate financial assets 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 reporting date.

Purchases and sales of investments are recognised on trade-date, the date on which Swaziland Railway commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at a fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Swaziland Railway has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in funds. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, (and for unlisted securities), the Railway establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Railway assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less impairment losses on that financial asset previously recognised in profit or loss – is removed from funds and recognised in the statement of comprehensive income. Impairment losses originally recognised in profit or loss are reversed through profit or loss.

2.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held on call and other short-term highly liquid investments with original maturities of three months or less.

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of Swaziland Railway's cash management.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.9 PROVISIONS

Provisions are recognised when Swaziland Railway has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to one item included in the class may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

2.10 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for credit losses. An allowance for credit losses is established when there is objective evidence that the Railway will not be able to collect all amounts due according to the original terms of receivables. The allowance is the difference between the anticipated amount to be received from customers and the present value of estimated future cash flows, discounted at the effective interest rate. The allowance is recognised in profit or loss.

2.11 LEASES

Leases of property, plant and equipment where Swaziland Railway assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased item or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of inventory is based on the first-in-first-out principle, and includes expenditure in acquiring the inventories and other costs in bringing them to their existing location and condition.

Net realisable value is the estimated selling price less the cost to sell where inventories are not for own use.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.13 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current unless Eswatini Railway has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date

2.14 GENERAL RESERVE

It is the Railway's policy to transfer up to 25% of the profit for the year after taxation to the general reserve.

2.15 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

2.16 GOVERNMENT GRANTS

Capital based Government grants are included directly in the statement of changes in equity, as Swaziland Railway is wholly owned by the Government of the Kingdom of Eswatini. The grants received are used for expenditure on capital projects. The Government grant is annually decreased by the amount of depreciation charged to the assets for which the capital grants were used..

2.17 EMPLOYEE BENEFITS

(a) Pension Obligations

The Eswatini Railway Pension Fund is a defined contribution plan. For defined contribution plans Eswatini Railway pays contributions to publicly or privately administered pension plans on a mandatory, contractual, or voluntary basis. Once the contributions have been paid, Swaziland Railway has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due, and as such are included in staff costs in profit or loss.

(b) Terminal Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. Eswatini Railway recognises termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) *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 represents the amount that Eswatini Railway has a present obligation to pay, as a result of employees' services provided up to the reporting date. The provision has been calculated at undiscounted amounts based on current salary rates.

2.18 TAXATION

Deferred income taxes

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Railway intends to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years..

2.19 DERIVATIVE FINANCIAL INSTRUMENTS

Embedded derivatives are separated from host contracts and are accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value. Any directly attributable transactions costs are recognised in profit or loss as incurred. Subsequent to initial recognition derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

Eswatini Railway's activities expose it to a variety of financial risks, the most important being market risk, credit risk, and liquidity risk.

Eswatini Railway's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of Swaziland Railway.

(a) *Market risk*

Market risk includes currency risk, interest rate risk and equity price risk. The board continuously monitors the fluctuations and appropriate action is taken.

(i) *Price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Eswatini Railway maintains a balanced portfolio of investments comprising equity and money market investments to mitigate the impact of other price risk.

The equity investments are listed on the Eswatini Stock Exchange (SSX). A 1.5% percent increase in share prices at the reporting date, with all other variables held constant, would have increased profit or loss by E 447 030 (2017: E371 402); an equal change in the opposite direction would have decreased profit or loss by E 447 030 (2017: E371 402). The analysis is performed on the same basis for 2017, which is on the fair value of the Royal Eswatini Sugar Corporation Limited and Greystone Partners Limited equity shares.

The Eswatini Building Society Permanent shares are not exposed to price risk as they are not traded.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Eswatini Railway's income and operating cash flows are affected, but not to a significant extent, by changes in market interest rates. Interest rate risk arises from borrowings. Borrowings issued at variable rates expose Eswatini Railway to cash flow interest rate risk. Borrowings issued at fixed rates expose Swaziland Railway to fair value interest rate risk.

Eswatini Railway's borrowings are mainly variable interest rate borrowings and as such they expose the Railway to cash flow interest rate risk. The sensitivity of these borrowings can be shown as follows:

	2018	2017
	E	E
Current finance lease liabilities	(23 814 433)	(21 456 575)
Non-current finance lease liabilities	(172 688 830)	(193 546 214)
Current portion of long term loans	(9 268 990)	(8 530 545)
Non-current portion of long term loans	(19 980 702)	(28 836 431)
Short term deposits	160 553 511	156 302 138
Interest-bearing financial assets available for sale	<u>22 358 440</u>	<u>25 067 828</u>
Total variable rate instruments	(42 841 004)	(70 999 799)
Interest rate fluctuation	1%	1%
Additional interest payable	(428 410)	(709 998)
Tax effect	<u>117 813</u>	<u>195 249</u>
Net of tax (equity) effect	<u><u>(310 597)</u></u>	<u><u>(514 749)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

(iii) Foreign exchange risk

Foreign currency exchange risk is the risk that the financial instruments that are denominated in foreign currency will fluctuate due to changes in changes in foreign exchange rates.

Eswatini Railway's exposure to currency risk at the reporting date consists of trade receivables, trade payables, derivative financial instruments and finance lease liabilities. Trade receivables and trade payables with South African counterparts have with exchange rate differences because the Eswatini Emalangeneni (E), and the South African Rand (ZAR) are linked at par.

The finance lease liabilities with Thelo Rolling Stock were denominated in US dollars until 31 May 2016. A new agreement was re-negotiated between Thelo Rolling Stock and Eswatini Railway. The new agreement is quoted in local currency (Emalangeneni). Exchange differences that occurred up to 31 May 2016 were recognised in profit or loss.

The following exchange rates applied during the year for Eswatini Railway:

	<i>Reporting date Bank selling rate</i>	
	<i>2018</i>	<i>2017</i>
	<i>E</i>	<i>E</i>
USD 1	11.96	13.35
	<hr/>	
	<i>Average rate</i>	
	<i>2018</i>	<i>2017</i>
	<i>E</i>	<i>E</i>
USD 1	13.01	14.06
	<hr/>	

(a) *Sensitivity analysis*

At 31 March 2018, there were no foreign currency denominated financial instruments. As such, no sensitivity analysis has been presented.

(b) *Credit risk*

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the Railway to incur a financial loss

NOTES TO THE FINANCIAL STATEMENTS

Credit risk arises from cash and cash equivalents, deposits with financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Eswatini Railway's cash equivalents and short-term deposits are placed with reputable financial institutions. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The carrying amounts of financial assets included in the statement of financial position represent Swaziland Railway's maximum exposure to credit risk in relation to these assets. Eswatini Railway has significant exposure spread over six individual customer. Management does not expect any losses from non-performance by any of its counter parties.

(c) *Liquidity risk*

Liquidity risk is the risk that Eswatini Railway will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Eswatini Railway remains confident that the available cash resources and borrowing facilities will be sufficient to meet its funding requirements.

Management monitors rolling forecasts of liquidity reserves (which comprise undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows.

The following table analyses Eswatini Railway's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year E	Between 2 and 5 years E	Over 5 years E
Non-derivative financial assets			
<i>At 31 March 2018</i>			
Financial assets available for sale	-	-	52 160 440
Cash and cash equivalents	160 564 502	-	-
Trade and other receivables	56 672 761	-	-
	<u>217 237 263</u>	<u>-</u>	<u>52 160 440</u>
<i>At 31 March 2017</i>			
Financial assets available for sale	-	-	49 827 978
Cash and cash equivalents	156 305 345	-	-
Trade and other receivables	61 187 001	-	-
	<u>217 492 346</u>	<u>-</u>	<u>49 827 978</u>

Derivative financial assets

There are no derivative financial assets
(2017: ENil)

NOTES TO THE FINANCIAL STATEMENTS

	Less than 1 Year E	Between 2 and 5 years E	Over 5 years E
Non-derivative financial liabilities			
<i>At 31 March 2018</i>			
Finance leases	62 391 996	226 593 096	22 314 668
Trade and other payables	39 693 916	-	-
Long term loans	11 855 766	23 252 718	-
	<u>113 941 678</u>	<u>250 145 814</u>	<u>22 314 668</u>
<i>At 31 March 2017</i>			
Finance leases	50 838 947	202 252 723	80 569 145
Trade and other payables	54 034 536	-	-
Long term loans	12 109 430	31 108 574	-
	<u>116 982 913</u>	<u>233 361 297</u>	<u>80 569 145</u>
Derivative financial liabilities			
<i>At 31 March 2018</i>			
Cross currency swaps	-	-	179 960 778
Embedded derivative	-	-	35 602 631
	<u>-</u>	<u>-</u>	<u>215 563 409</u>
<i>At 31 March 2017 (Restated)</i>			
Cross currency swaps	-	-	110 122 822
Embedded derivative	-	-	8 153 967
	<u>-</u>	<u>-</u>	<u>118 276 789</u>

(d) Legal risk

Legal risk is the risk that the Railway will be exposed to contractual obligations which have not been provided for.

The Railway has a policy of ensuring all contractual obligations are documented and signed by the relevant parties to the contract. As at 31 March 2018, the directors are not aware of any significant obligation not provided for.

(e) Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The initiation of all transactions is conducted on the foundation of segregation of duties that have been designed to ensure the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

3.2 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, Eswatini Railway may adjust the amount of contributions from shareholders, return capital to shareholders or sell assets to reduce debt.

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

NOTES TO THE FINANCIAL STATEMENTS

The gearing ratios at 31 March 2018 and 31 March 2017 were as follows:

	2018	2017
	E	E
		Restated
Total borrowings (note 17)	225 752 955	252 369 765
Cash and cash equivalents (note 23)	<u>(160 564 502)</u>	<u>(156 305 345)</u>
Net debt	65 188 453	96 064 420
Total equity	<u>494 001 564</u>	<u>515 922 661</u>
Total capital	<u>559 190 017</u>	<u>611 987 081</u>
Gearing ratio	11.6%	15.7%

4 FAIR VALUE MEASUREMENTS

The table below analyses amounts carried at fair value by the level of fair value hierarchy. The fair value hierarchy depends on the extent to which quoted prices are used in determining the fair value of the specific instruments. The different levels are defined as follows:

- Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.
- Level 2: Fair value is based on input other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value is based on input for the asset or liability that is not based on observable market data (i.e. unobservable inputs).

The following tables presents the Railway assets and liabilities that are measured at fair value at 31 March.

	Level 1	Level 2	Level 3
	E	E	E
At 31 March 2018			
Assets			
Financial assets-available for sale	<u>29 802 000</u>	<u>22 358 440</u>	<u>-</u>
Liabilities			
Embedded derivative	-	35 602 631	-
Derivative financial instruments	-	<u>179 960 778</u>	-

NOTES TO THE FINANCIAL STATEMENTS

	Level 1 E	Level 2 E	Level 3 E
At 31 March 2017			
Assets			
Financial assets-available for sale	24 760 150	25 067 828	-
Liabilities			
Embedded derivative	-	8 153 967	-
Derivative financial instruments (restated)	-	110 122 822	-

Level 1 financial instruments are based on quoted prices for The Royal Swaziland Sugar Corporation Limited shares and Greystone Partners Limited shares which are listed on the Swaziland Stock Exchange. Eswatini Building Society Permanent shares and Stanlib Balanced Fund are not quoted and are redeemable at cost or unit trust closing price respectively.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Eswatini Railway makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The valuation of derivatives are critical accounting estimates that could have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. At year end accounting estimates and assumptions were included in the assessment of the following:

	2018 E	2017 E Restated
Provisions (note 22)	11 199 020	20 471 856
Depreciation (notes 11 and 12)	19 631 826	19 147 343
Financial assets (Note 13)	29 802 000	24 760 150
Deferred tax asset (Note 25)	38 399 242	18 181 219
Contingencies (Note 30)	12 916 290	9 561 904
Embedded derivatives (Note 31)	35 602 631	8 153 967
Derivative financial instruments (Note 32)	179 960 778	110 122 822

NOTES TO THE FINANCIAL STATEMENTS

	2018 E	2017 E
9 REVENUE		
Revenue comprises the following:		
Transit revenue	221 823 927	234 310 919
Exports	25 128 927	25 995 775
Imports	39 570 538	42 132 226
	<u>286 523 392</u>	<u>302 438 920</u>
10 OTHER INCOME		
Passenger revenue	466 403	538 795
Demurrage and storage	3 420 501	203 779
Rent received	6 943 990	6 919 491
Sundry income	1 258 541	2 994 740
	<u>12 089 435</u>	<u>10 656 805</u>
11 INVESTMENT PROPERTY		
Opening balance	5 340 258	5 469 468
Depreciation	(128 209)	(129 210)
Closing balance	<u>5 212 049</u>	<u>5 340 258</u>
Cost	7 780 911	7 781 911
Accumulated depreciation	(2 569 862)	(2 441 653)
Carrying value	<u>5 212 049</u>	<u>5 340 258</u>

Investment property comprises Eswatini Railway owned properties at Sidvokodvo, Matsapha and Kadake that are leased to third parties. Subsequent renewals are negotiated with the lessee annually. No contingent rentals are charged. These properties are valued on the historical cost basis.

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Rolling stock	Machinery, equipment and furniture	Infrastructural assets	Motor vehicles	Land and surveys	Work in progress	Total
	E	E	E	E	E	E	E	E
Cost								
Balance at 1 April 2017	29 137 145	310 450 513	20 311 971	296 791 133	36 032 373	1 641 972	131 721 802	826 086 909
Additions	1 638 127	5 512 136	1 295 090	1 210 314	6 746 778	-	9 433 574	25 836 019
Disposals	-	(929 122)	-	-	-	-	-	(929 122)
Reclassifications	(1 843 693)	(908 048)	7 912 512	(6 426 522)	4 679 118	-	(9 541 684)	(6 128 317)
Transfers	-	-	-	-	1 168 120	-	(1 168 120)	-
Balance at 31 March 2018	28 931 579	314 125 479	29 519 573	291 574 925	48 626 389	1 641 972	130 445 572	844 865 489
Accumulated depreciation and impairment								
Balance at 1 April 2017	(17 213 219)	(29 132 426)	(13 816 331)	(98 131 805)	(29 133 868)	-	-	(187 427 649)
Reclassifications	1 741 216	679 167	(1 532 904)	(1 266 239)	6 523 497	(16 420)	-	6 128 317
Depreciation for the year	(445 372)	(9 926 862)	(2 052 820)	(3 990 273)	(3 088 290)	-	-	(19 503 617)
Disposals	-	207 623	-	-	-	-	-	207 623
Balance at 31 March 2018	(15 917 375)	(38 172 498)	(17 402 055)	(103 388 317)	(25 698 661)	(16 420)	-	(200 595 326)

NOTES TO THE FINANCIAL STATEMENTS

	Buildings E	Rolling stock E	Machinery, equipment and furniture E	Infrastructural assets E	Motor Vehicles E	Land and surveys E	Work in progress E	Total E
Cost								
Balance at 1 April 2016	29 060 712	241 351 972	19 075 936	296 544 704	35 923 837	1 641 972	154 231 880	777 831 013
Additions	76 433	35 348 541	1 236 035	246 429	265 064	-	11 239 922	48 412 424
Disposals	-	-	-	-	(156 528)	-	-	(156 528)
Transfers	-	33 750 000	-	-	-	-	(33 750 000)	-
Balance at 31 March 2017	29 137 145	310 450 513	20 311 971	296 791 133	36 032 373	1 641 972	131 721 802	826 086 909
Accumulated depreciation and impairment								
Balance at 1 April 2016	(16 801 274)	(19 563 852)	(11 311 764)	(94 066 985)	(26 790 504)	-	-	(168 534 379)
Depreciation for the year	(411 945)	(9 568 574)	(2 504 567)	(4 064 820)	(2 468 227)	-	-	(19 018 133)
Disposals	-	-	-	-	124 863	-	-	124 863
Balance at 31 March 2017	(17 213 219)	(29 132 426)	(13 816 331)	(98 131 805)	(29 133 868)	-	-	(187 427 649)
Carrying value								
	11 923 926	281 318 087	6 495 640	198 659 328	6 898 505	1 641 972	131 721 802	638 659 260

NOTES TO THE FINANCIAL STATEMENTS

Buildings and infrastructural assets are included at revalued amounts established on 21 September 1977.

Buildings, land and surveys comprise 10 properties situated in the Manzini, Hhohho and Lubombo Districts of the Kingdom of Eswatini.

Infrastructural Assets comprise the Permanent Way, Tunnels, Bridges and Culverts, Water Supplies, Telecommunications Systems, Signalling, Crossings, Signs and Fencing along the line.

Motor vehicles include 12 (2017: 12) motor vehicles acquired through a finance lease obligation from EQSTRA Fleet Management Eswatini and the lease obligation is secured over motor vehicles.

Property, plant and equipment includes fully depreciated items which are still in use with an initial cost of E39 634 910 (2017: E29 103 811).

	2018 E	2017 E
13 FINANCIAL ASSETS		
13.1 AVAILABLE - FOR-SALE		
Financial assets - available-for- sale	<u>52 160 440</u>	<u>49 827 978</u>
Available-for-sale financial assets include the following:		
<i>Listed investments</i>		
The Royal Eswatini Sugar Corporation Limited - 93 000 ordinary shares at quoted market value	1 302 000	1 260 150
Greystone Partners Limited 10 000 000 ordinary shares at quoted market value	<u>28 500 000</u>	<u>23 500 000</u>
	<u>29 802 000</u>	<u>24 760 150</u>
<i>Unlisted investments</i>		
Eswatini Building Society permanent shares	913 915	884 934
Stanlib balanced fund	<u>21 444 525</u>	<u>24 182 894</u>
	<u>22 358 440</u>	<u>25 067 828</u>

The cost of the Eswatini Building Society permanent shares approximate fair value. The shares will be redeemed at nominal value.

NOTES TO THE FINANCIAL STATEMENTS

	2018 E	2017 E
14 INVENTORY		
Ballast	826 085	2 069 685
Concrete and timber sleepers	3 892 664	2 894 745
Petrol, diesel and spares	5 153 332	2 879 403
Rails	17 330 025	20 776 881
Wheel sets	2 289 543	20 776 881
	<u>29 491 649</u>	<u>30 502 039</u>
15 TRADE AND OTHER RECEIVABLES		
Transnet Freight Rail	46 359 823	45 634 228
Traffic receivables	2 289 526	2 818 451
Allowance for credit losses	-	-
Trade receivables-net	48 649 349	48 452 679
Sundry receivables	4 642 339	8 977 366
Staff receivables	1 637 297	1 615 151
Fuel levy refund receivable	1 743 777	2 141 445
Other receivables	8 023 412	12 734 322
	<u>56 672 761</u>	<u>61 187 001</u>

The above values of trade and other receivables approximate fair value. Concentration of credit risk is in respect of Transnet Freight Rail and five other large companies. As of 31 March 2018 ENil (E2017: ENil), has been provided for as impaired. The remaining customers have no history of default. Management believes that there is no additional credit risk with respect to accounts receivable and no further allowance for credit losses is considered necessary. Swaziland Railway does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS

	Gross 2018 E	Impairment 2018 E	Gross 2017 E	Impairment 2017 E
15 TRADE AND OTHER RECEIVABLES (continued)				
The ageing of trade and other receivables as at the reporting date was as follows:				
Not past due	56 672 761	-	61 187 001	-
Past due	-	-	-	-
	<u>56 672 761</u>	<u>-</u>	<u>61 187 001</u>	<u>-</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The carrying amount of trade and other receivables is denominated in the following currencies:

	2018 E	2017 E
Rand (R)	46 359 823	45 634 228
ESZL Emalangeni (E)	<u>10 312 938</u>	<u>15 552 773</u>
	<u><u>56 672 761</u></u>	<u><u>61 187 001</u></u>

16 ESWATINI GOVERNMENT EQUITY

Equity contribution	246 689 381	221 189 381
Grant converted to equity	<u>12 859 934</u>	<u>12 859 934</u>
	<u><u>259 549 315</u></u>	<u><u>234 049 315</u></u>

The Government of Eswatini contributed E25 500 000 (2017: E30 467 210) towards the Swazi Rail Link project in the current year.

The Government of Swaziland converted various loans and grants amounting to E12 859 934 to fixed permanent capital on 23 February 1994. The purpose of this was to relieve the

capital works programme without an unmanageable level of debt.

NOTES TO THE FINANCIAL STATEMENTS

	2018 E	2017 E
17 BORROWINGS		
<i>Non-current</i>		
Finance lease liabilities (note 17.1)	172 688 830	193 546 214
Long term loans	<u>19 980 702</u>	<u>28 836 431</u>
	<u>192 669 532</u>	<u>222 382 645</u>
<i>Current</i>		
Finance lease liabilities (note 17.1)	23 814 433	21 456 575
Long term loans	<u>9 268 990</u>	<u>8 530 545</u>
	<u>33 083 423</u>	<u>29 987 120</u>
Total borrowings	<u>225 752 955</u>	<u>252 369 765</u>

The Nedbank long term loans were advanced to acquire locomotives and wagons and these are secured by the following:

- a deed of hypothecation for E46 245 000 over the locomotives, wagons, inventory, receivables and movable assets at Mpaka,
- a lien for E15 000 000 over funds held in call accounts,
- a lien for E31 435 918 over funds held on fixed deposit and
- a cession of the All Risks Insurance Policy.

The locomotives' facility is repayable in monthly instalments of E2 480 738 over 60 months and the wagons' facility is repayable in monthly instalments of E1 732 860 over 84 months. The interest rate for these facilities is the Swaziland prime rate and at year end the rate was 10.25% (2017: 10.75%).

17.1 FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Finance costs		Present value of future lease payments	
	2018	2017	2018	2017	2018	2017
	E	E	E	E	E	E
Less than one year	62 391 996	50 838 947	38 577 063	29 382 372	23 814 933	21 456 575
Over one year	248 907 764	282 821 868	76 218 934	89 275 654	172 688 830	193 546 214
	311 299 760	333 660 815	114 795 997	118 658 026	196 503 763	215 002 789

The finance lease liabilities relates to 12 (2017:12) motor vehicles, four locomotives and seventy five wagons which were acquired through finance lease agreements from EQSTRA fleet Management Swaziland and Thelo Rolling Stock (Pty) Ltd respectively.

The interest rate implicit in the lease agreements, differs from asset to asset, and on rates obtained on acquisition of the assets. The payments fall due on the first of each month.

All the risk of loss, damage, destruction or otherwise in and on to the vehicles, locomotives and wagons were passed to Swaziland Railway on signature of the agreements.

The lease liability is secured by motor vehicles, locomotives and wagons (note 12) and are repayable over a maximum period of 120 months (refer to the reconciliation of the minimum lease payments above). The lease agreements for locomotives and wagons from Thelo Rolling Stock (Pty) Ltd are repayable in instalments of E4 202 230 per month, and are subject to changes in the prime rate. The renegotiated lease agreement contains an embedded derivative that is disclosed in note 31. Before renegotiating the lease agreement, Swaziland Railway had entered into a cross currency swap with Standard Bank Swaziland Limited to hedge against the foreign currency fluctuations. Details of the cross currency swap are in note 32.

NOTES TO THE FINANCIAL STATEMENTS

	2018 E	2017 E Restated
18 GENERAL RESERVE		
Opening balance	74 158 610	74 158 610
<i>Transfer from retained earnings</i>		
25% of current year profits after taxation	-	-
	<u>74 158 610</u>	<u>74 158 610</u>

It is the policy of the Railway to transfer 25% of profits after taxation to a general reserve account through an appropriation of retained earnings. This is accounted for through the Statement of Changes in Equity.

19 CAPITAL RESERVES		
East/West line concrete sleepers	15 800 000	15 800 000
East/West line rehabilitation	87 150 000	87 150 000
Matsapha Dry Port	6 952 000	6 952 000
	<u>109 902 000</u>	<u>109 902 000</u>
Release of depreciation:		
Prior years	(35 718 150)	(32 970 600)
Current year	(2 747 550)	(2 747 550)
	<u>71 436 300</u>	<u>74 183 850</u>

These amounts relate to a grant received from the Government of Swaziland for the rehabilitation of the East/West Line and the Matsapha dry port expansion.

An amount equivalent to depreciation charged to profit or loss relating to the assets acquired, as stated above, is released from capital reserves each year. This is accounted for through the Statement of Changes in Equity.

20 FAIR VALUE RESERVE		
Balance at the beginning of the year	17 261 117	14 756 467
Current year fair value gains	5 041 850	2 504 650
	<u>22 302 967</u>	<u>17 261 117</u>

The fair value reserve arises from fair value gains from investments classified as available for sale. (note 13.1)

NOTES TO THE FINANCIAL STATEMENTS

	2018 E	2017 E
21 TRADE AND OTHER PAYABLES		
Trade and other payables	33 274 084	45 227 340
Accruals	6 419 832	8 807 196
	<u>39 693 916</u>	<u>54 034 536</u>
22 PROVISIONS		
Accidents provision	-	14 446 833
Leave pay provision	4 745 597	3 956 769
Bonus provision	5 267 387	1 163 055
Gratuity provision	1 186 036	905 199
	<u>11 199 020</u>	<u>20 471 856</u>
22.1 RECONCILIATION OF MOVEMENTS IN PROVISIONS		
Opening balance	20 471 856	20 036 988
Additions	-	472 972
Utilised / reversed	(9 272 836)	(38 104)
Closing balance	<u>11 199 020</u>	<u>20 471 856</u>

Accidents provision

The accidents provision represents a provision for repairing locomotives and wagons belonging to Transnet Freight Rail which were involved in accidents while leased to Eswatini Railway. This was the best estimate made by Transnet Freight Rail after a detailed assessment by locomotive engineers. The provision was written off in the current year, as it no longer meets the recognition criteria for IFRS.

Leave pay provision

This amount represents a liability in respect of

Bonus provision

This provision relates to the 13th salary cheque that is paid to all permanent employees, except the heads of departments, in December of each year.

Gratuity provision

Provision is made for payments in accordance with the renewable contracts of eligible employees. The provision is calculated at the percentage rate of the value of the annual salary included in the remuneration package of the employees as at the terminal date recognised over the number of completed years of service.

NOTES TO THE FINANCIAL STATEMENTS

	2018 E	2017 E
23 CASH AND CASH EQUIVALENTS		
Cash on hand	10 991	3 207
Short-term deposits	<u>160 553 511</u>	<u>156 302 138</u>
<i>Cash, and cash equivalents for the purposes of the statement of cash flows:</i>	<u><u>160 564 502</u></u>	<u><u>156 305 345</u></u>

The Railway has an overdraft facility of E15 000 000. The overdraft was obtained for the purpose of working capital at rates linked to the prime overdraft rate and is payable on demand. At year end the rate was 10.5% (2017: 11.0%).

In terms of the security required for the Standard Bank cross currency swap, Eswatini Railway is required to maintain cash deposits with Standard Bank totalling E83 000 000 at 31 March 2018 (2017: E Nil). These funds are restricted and are not available for use by Swaziland Railways.

24 INCOME TAX EXPENSE

Current income tax	- current year (Note 28)	4 912 739	162 504 132
	- prior year (Note 28)	2 794 475	3 380 251
Deferred income tax	- current year (Note 25)	(19 703 837)	(28 125 540)
	- prior year (Note 25)	<u>(514 186)</u>	<u>(3 380 251)</u>
		<u>(12 510 809)</u>	<u>(21 621 408)</u>

Swaziland Railway has no assessed loss at 31 March 2018 (2017: Nil)

The reconciliation between accounting profit and the tax expense is as follows:

Loss before income tax		<u>(64 973 756)</u>	<u>(78 749 378)</u>
Tax calculated at a tax rate of 27.5 % (2017:27.5%)		(17 867 783)	(21 656 079)
Income not subject to tax		(77 031)	(110 180)
Expenses not deductible for tax purposes		643 913	144 851
Reclassification of Property, Plant and Equipment		2 509 803	-
Prior year tax - normal tax		2 794 475	3 380 251
Prior year tax - deferred tax		<u>(514 186)</u>	<u>(3 380 251)</u>
		<u>(12 510 809)</u>	<u>(21 621 408)</u>

NOTES TO THE FINANCIAL STATEMENTS

25 DEFERRED TAX ASSETS / (LIABILITIES)

Deferred income taxes are calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 27.5%.

The gross movement on the deferred income tax account is as follows:-

	2018 E	2017 E
At the beginning of the year as previously reported	(18 181 219)	13 324 572
Income tax charge to statement of comprehensive income (note 24)	(20 218 023)	(31 505 791)
	<hr/>	<hr/>
At the end of the year	<u>(38 399 242)</u>	<u>(18 181 219)</u>

	Accelerated depreciation E	Provisions E	Derivative financial instruments E	Total E
As at 31 March 2018				
Deferred income tax liability - net				
At 31 March 2017	(19 727 025)	5 382 127	32 526 117	18 181 219
Charged to statement of comprehensive income	(3 915 347)	(2 620 450)	26 753 820	20 218 023
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	<u>(23 642 372)</u>	<u>2 761 677</u>	<u>59 279 937</u>	<u>38 399 242</u>
As at 31 March 2017				
Deferred income tax liability - net				
At 31 March 2016	(23 005 405)	9 680 833	-	(13 324 572)
Charged to statement of comprehensive income	3 278 380	(4 298 706)	32 526 117	31 505 791
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	<u>(19 727 025)</u>	<u>5 382 127</u>	<u>32 526 117</u>	<u>18 181 219</u>

NOTES TO THE FINANCIAL STATEMENTS

	2018 E	2017 E Restated
26 CASH GENERATED FROM OPERATIONS		
Loss before income tax	(64 973 756)	(78 749 378)
<i>Adjusted for:</i>		
Depreciation of property, plant and equipment (note 12)	19 503 617	19 018 133
Depreciation of investment property (note 11)	128 209	129 210
Loss / (profit) on disposal of property, plant and equipment (note 6)	721 499	(600)
Investment income (note 8)	(15 586 951)	(9 380 235)
Interest expense (note 8)	31 630 659	24 207 494
Fair value change in embedded derivative	27 448 664	8 153 967
Fair value change in derivative financial instrument	69 837 956	110 122 822
	<u>68 709 897</u>	<u>73 501 413</u>
<i>Changes in</i>		
- Inventories	1 010 390	(14 352 160)
- Trade and other receivables	4 514 240	3 476 928
- Trade and other payables	(14 340 620)	(21 899 391)
- Provisions for other liabilities and charges	(9 272 836)	434 868
	<u>50 621 071</u>	<u>41 161 658</u>

27 RELATED PARTIES

Eswatini Railway is a wholly owned Eswatini Government parastatal.

- (i) Government of the Kingdom of Eswatini
There were no non-equity transactions entered into between Eswatini Railway and the Government of the Kingdom of Eswatini

Certain transactions are conducted on _____ basis with parastatals owned by the Government of the Kingdom of Eswatini including, but not limited to electricity, water, telephone, municipal rates and taxes, corporate taxes and PEU Management fees.

PEU Management fees	<u>2 227 605</u>	<u>2 265 000</u>
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- (ii) Eswatini Railways classifies all Eswatini Government entities as related parties.

NOTES TO THE FINANCIAL STATEMENTS

	2018 E	2017 E
28 INCOME TAX LIABILITY / (ASSET)		
Opening balance	(1 072 507)	974 200
Income tax charge (refer to note 24)	7 707 214	9 884 383
Tax paid	(6 074 765)	(11 931 090)
Closing balance	<u>559 942</u>	<u>(1 072 507)</u>

29 FINANCIAL INSTRUMENTS

29.1 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial asset and liability as defined in IAS 39 are as follows:

	Loans and receivables E	Assets at fair value through profit or loss E	Available for sale E	Total E
31 March 2018				
<i>Assets as per statement of financial position</i>				
Available for sale financial assets	-	-	52 160 440	52 160 440
Trade and other receivables	56 672 761	-	-	56 672 761
Cash and cash equivalents	160 564 502	-	-	160 564 502
Total	<u>217 237 263</u>	-	52 160 440	<u>269 397 703</u>
31 March 2017				
<i>Assets as per statement of financial position</i>				
Available for sale financial assets	-	-	49 827 978	49 827 978
Trade and other receivables	61 187 001	-	-	61 187 001
Cash and cash equivalents	156 305 345	-	-	156 305 345
Total	<u>217 492 346</u>	-	49 827 978	<u>267 320 324</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

	Fair value hedging instrument E	Designated at fair value E	Other financial liabilities E	Total E
31 March 2018				
<i>Liabilities as per statement of financial position</i>				
Trade and other payables	-	-	39 693 916	39 693 916
Loans and borrowings	-	-	225 752 955	225 752 955
Embedded derivatives	35 602 631	-	-	35 602 631
Derivative financial instruments	179 960 778	-	-	179 960 778
Total	215 563 409	-	265 446 871	481 010 280

31 March 2017

Liabilities as per statement of financial position (restated)

Trade and other payables	-	-	54 034 536	54 034 536
Loans and borrowings	-	-	252 369 765	252 369 765
Embedded derivatives	8 153 967	-	-	8 153 967
Derivative financial instruments	110 122 822	-	-	110 122 822
Total	118 276 789	-	306 404 301	424 681 090

	2018 E	2017 E
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29.2 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the external credit ratings (if available) or historical information about counterparty default rates.

Trade receivables

- Counterparties without external credit ratings	<u>48 649 349</u>	<u>48 452 679</u>
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The entity's receivables do not have external credit ratings. The entity has categorised all its debtors as low risk.

Cash at bank and short-term deposits

- Cash and cash equivalents (note 23)	<u>160 553 511</u>	<u>156 302 138</u>
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For cash and cash equivalents, deposits are only placed with banks and financial institutions of a reputable nature.

30 COMMITMENTS AND CONTINGENCIES

30.1 CAPITAL COMMITMENTS

Swazi Rail Link project	1 290 080 589	253 680 000
Normal capital expenditure	<u>8 000 000</u>	<u>161 233 913</u>
	<u>1 298 080 589</u>	<u>414 913 913</u>

The expenditure will be funded by internally generated cashflows, existing cash and cash equivalents, undrawn overdraft facilities and long term loans.

The expenditure is expected to be incurred in the next five financial years.

NOTES TO THE FINANCIAL STATEMENTS

30.2 CONTINGENCIES

Eswatini Railway is defending a number of actions brought by former employees. Liability is not admitted and Eswatini Railway will defend itself against the actions. Due to the nature of the claims, a realistic estimate of the potential liability and legal costs is not practical. The directors are of the opinion that the total costs, if any, would not be material.

2018 **2017**
E E

30.3 CONTINGENT LIABILITIES AND COMMITMENTS

As part of bank overdraft facilities Eswatini Railway has the following contingent liabilities with Nedbank Swaziland who have issued guarantees with no expiry dates on behalf of Eswatini Railway .

Guarantees issued

Eswatini Revenue Authority	9 600	329 600
Department of Labour	300 000	300 000
Thelo Rolling Stock	12 606 690	8 932 304

Overdraft facilities

Current account	15 000 000	5 000 000
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This overdraft facility attracts interest at the Eswatini prime rate plus 0.25%. At year end the rate was 10.5% (2017: 11.0%).

31 EMBEDDED DERIVATIVES

Adjustments arising from US\$/ZAR exchange rate	34 174 690	7 938 371
Adjustments arising from LIBOR rate fluctuations	1 427 941	215 596
	<u>35 602 631</u>	<u>8 153 967</u>

Eswatini Railway entered into a lease arrangement with Thelo Rolling Stock for locomotives and wagons. These leases are denominated in South African Rands (ZAR). The arrangement allows for adjustments to be made based on changes in the South African prime lending rate, the Libor rate and the US\$/ZAR exchange rate. Since the leases are denominated in in ZAR, adjustments based on changes in the South African prime lending rates are closely related to the host contract and as such are not embedded derivatives

However adjustments arising from changes in the Libor rate and US\$/ZAR exchange rate (which are not closely related to the host contract) are considered to be multiple embedded derivatives.

The following are the inputs and assumptions made in the valuation of the embedded derivatives;

- The maturity date used for the valuation of the embedded derivatives is 25 September 2024.
- The US\$/ZAR forward curve has been used for projecting the future US\$/ZAR exchange movements.
- The US\$/ZAR forward curve up to 5 years has been used. The forward points beyond 5 years have been extrapolated linearly.
- The Libor rate was projected using the forward rates from the US\$3M Libor swap curve.

32 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 E	2017 E Restated
Cross currency swap	<u>179 960 778</u>	<u>110 122 822</u>

Swaziland Railway entered into a cross-currency swap with Standard Bank Swaziland Limited on 26 April 2016. The main details of the transaction are that Swaziland Railways pays South African Rand denominated (ZAR) payments in exchange for United States Dollar (US\$) payments that are made by Standard Bank Swaziland Limited.

Since the Swazi Lilangeni is pegged to the South African Rand, the cross currency swap has been valued as a US\$ ZAR cross currency swap. This is further supported by the trade confirmation where the pay leg of the swap is specified in ZAR.

The Monte Carlo valuation approach which is the standard practice in the modelling of the Credit Valuation Adjustment (CVA) and the Dimensional Variation Analysis (DVA) has been used in the valuation of the cross currency swap. This approach involves the use of simulation to obtain a distribution of counterparty exposures.

The cross currency swap is valued using the US\$ cash flows and the US\$ 3 million Libor swap curve. The ZAR cash flows were valued using the Jibar/Libor adjusted basis curve.

The derivative financial instrument is secured by the following:

- Pledge and cession of funds held in fixed deposit accounts at Nedbank (Swaziland) Limited for E12 075 000.
- Pledge and cession of funds held in call in fixed deposit account for E10 000.
- Pledge and cession of funds held in call deposit account for E51 369 695.
- Pledge and cession of funds held in Stanlib Money Market Fund account for E44 133 451.

33 CORRECTION OF ERROR

During 2018, the Company discovered that the amount of the fair value adjustment for the embedded derivative contained in cross currency swap agreement was incorrectly recorded in the 2017 financial year results.

As a consequence the fair value loss for the year ended 31 March 2018 in the statement of comprehensive income had been understated and the financial liability and deferred tax reflected on the statement of financial position at 31 March 2017 had also been understated.

The error has been corrected by restating each of the affected financial statement line items for the prior year. The error had no effect of periods before 2017 due to the fact that the agreement was first entered into in the 2017 financial year. The following table summarises the impact on the company's financial statements

	<i>Impact of correction of error</i>		
	<i>As previously reported</i>	<i>Adjustments</i>	<i>As restated</i>
	<i>E</i>	<i>E</i>	<i>E</i>
Statement of financial position at 31 March 2017			
Deferred tax assets	-	18 181 219	18 181 219
Others	942 894 388	-	942 894 388
Total assets	942 894 388	18 181 219	961 075 607
Deferred tax liabilities	8 744 751	(8 744 751)	-
Embedded derivative	12 210 205	97 912 617	110 122 822
Others	335 030 124	-	335 030 124
Total liabilities	355 985 080	89 167 866	445 152 946
General reserve	77 623 280	(3 464 670)	74 158 610
Retained earnings	183 472 110	(67 521 977)	115 950 133
Others	325 813 918	-	325 813 918
Total equity	586 909 308	(70 986 647)	515 922 661

NOTES TO THE FINANCIAL STATEMENTS

	<i>As previously reported</i>	<i>Impact of correction of error Adjustments</i>	<i>As restated</i>
	E	E	E
Statement of comprehensive income For the year ended 31 March 2017			
Finance costs	(44 571 666)	(97 912 617)	(142 484 283)
Income tax expense	(5 304 562)	26 925 970	21 621 408
Others	63 734 906	-	63 734 906
Profit / (loss) for the year	13 858 678	(70 986 647)	(57 127 969)
Other comprehensive income	2 504 650	-	2 504 650
Total comprehensive income	16 363 328	(70 986 647)	(54 623 319)

DETAILED INCOME STATEMENT NOT SUBJECT TO AUDIT OPINION

	2018 E	2017 E
Revenue	286 523 392	302 438 920
Other income	12 089 435	10 656 805
Interest income	15 586 951	9 380 235
	314 199 778	322 475 960
Operating and administrative expenses		
Accidents compensation	1 037 000	3 360 493
Accidents provision reversal	(14 446 833)	-
Advertising and promotions	1 608 660	1 525 067
Assessment rates	429 978	232 357
Auditors remuneration	434 494	577 150
Bank charges	895 289	612 526
Bonus expense and 13 th cheque	8 869 306	4 452 955
Books and periodicals	147 986	125 269
Business expenses	239 565	271 703
Cartage	153 758	(1 396 926)
Cash Security Services	19 781	-
Cleaning	459 013	370 046
Computer expenses	547 420	375 118
Consumables	410 382	229 073
Depreciation	19 631 827	19 147 343
Derivative financial instruments fair value adjustment	69 837 956	110 122 822
Directors fees and expenses	855 154	624 922
Donations	19 014	-
Electricity and water	9 417 542	9 204 982
Embedded derivative fair value adjustment	27 448 664	8 153 967
Equipment hire and rentals	1 376 343	858 245
Foreign exchange losses	-	3 182 080
Fuel expenses and recoveries	(5 680 320)	4 046 168
General expenses	455 900	5 974 293
Gratuity	1 825 461	1 709 750
Hiring of locomotives and haulage	12 270 001	10 277 741
Import and export expenses	8 157 365	10 094 302
Industrial relations	104 681	392 746
Insurance	5 861 306	12 333 276
Interest expense	31 630 659	24 207 494
ISO compliance audits	54 891	468 113
Hedging costs	9 363 627	5 296 148
Lease expenses	1 179 153	750 133
Legal fees	576 433	336 713
Loss / (profit) on disposal of assets	721 499	(600)
Management fees	4 902 164	4 877 762
Medical aid expenses	4 791 979	4 361 062
Membership subscriptions	213 554	671 719
Operating cost - CFM	1 171 920	1 317 560

DETAILED INCOME STATEMENT NOT SUBJECT TO AUDIT OPINION

	2018 E	2017 E
Provident fund contributions	7 946 924	7 099 379
Perway material	2 940 871	4 325 505
PEU fees	2 227 605	2 265 000
Public relations	2 142 256	274 342
Printing and stationery	222 643	547 356
Repairs and maintenance	23 954 169	26 037 994
Research and development	14 628	4 644
Risk management	84 399	2 621
Royalties	28 089	35 940
Salaries and wages	103 172 605	92 726 327
Safety and security	4 878 516	3 567 698
Satellite utilisation	1 250 614	1 236 090
Shunting costs	1 739 223	1 646 698
Software licencing and expenses	512 088	891 168
Social responsibility	196 312	205 231
Special assignments	2 452 750	2 514 290
Strategic plan implementation	613 654	126 196
Telephone expenses	4 669 535	5 582 372
Terminal benefits	4 003 078	1 874 365
Tool allowances	6 018	6 716
Tools and equipment	112 023	847 281
Track geometry	550 968	12 374
Track weed control	250 277	390 789
Training and education	2 350 652	2 977 642
Transnet Freight Rail expenses and recoveries	2 128 416	(13 789 018)
Travel and accommodation	3 022 648	3 679 686
Uniforms and protective clothing	710 001	964 979
VAT Expenditure	-	6 028 101
	<hr/>	<hr/>
Total expenditure	379 173 534	401 225 338
	<hr/>	<hr/>
Loss before income tax	(64 973 756)	(78 749 378)



EFFICIENCY RE-DEFINED

ESWATINI RAILWAYS ANNUAL REPORT 2017/18

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