

**Ezulwini Town Council**  
Annual Financial Statements  
For the year ended 31 March 2017



*Kobla Quashie and Associates*

CHARTERED ACCOUNTANTS (SD)

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## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### General Information

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<b>Nature of business and principal activities</b>	Municipality
<b>Councillors</b>	Chairperson: Busie Mayisela - Bhembe  Vice Chairperson: Cllr Hlengizwe Nazabukelwako  Finance Chairperson: Cllr Nokuthula Mthembu  Members: Cllr Sibusiso Mabuza Cllr Gwen Hadfield Cllr Zweli Jele Cllr George Falcomer Cllr Bongile Mbingo
<b>Interim Councillors</b>	Advocate Percy Mngomezulu- Chairperson Sean Steward - Member
<b>Senior Management</b>	Mr Vusi Matsebula - Town Clerk Mrs Ruth Dube - Maziya - Town Treasurer Qondile Dlamini - Environment and Public Health Manager Ziyanda Dlamini - Corporate Services Manager Zwakele Dlamini - Town Planner
<b>Business address</b>	Lot 1 Mountain View Township, Mpumalanga Road, Ezulwini
<b>Postal address</b>	P. O. Box 344, Ezulwini, H106
<b>Bankers</b>	First National Bank Swaziland Limited Standard Bank Swaziland Limited Nedbank Swaziland Limited Swaziland Building Society African Alliance
<b>Auditors</b>	Kobla Quashie and Associates Chartered Accountants (Swaziland) Manzini
<b>Legal Advisors</b>	S. V. Mdladla and Associates



# Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

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

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## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Council' Responsibilities and Approval

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The council is required in terms of the Section 102(3) of the Urban Local Government Act, 1969 and Section 93 of the Urban Government Financial Reporting Regulations Act of 1969 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the council as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

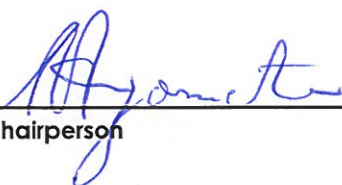
The council acknowledge that it is ultimately responsible for the system of internal financial control established by the council and place considerable importance on maintaining a strong control environment. To enable the council to meet these responsibilities, the council sets standards for internal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

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

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

The external auditors are responsible for independently reviewing and reporting on the council's annual financial statements. The annual financial statements have been examined by the council's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 23, which have been prepared on the going concern basis, were approved by the board on 27 October 2017 and were signed on its behalf by:

  
Chairperson

  
Town Clerk

  
Town Treasurer





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## **Independent Auditors' Report**

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**To the members of Ezulwini Town Council**

**Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Ezulwini Town Council, which comprise the statement of financial position as at 31 March 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the council as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by Section 102(3) of the Urban Local Government Act, 1969 and Section 93 of the Urban Government Financial Reporting Regulations Act of 1969.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the council in accordance with International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Swaziland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of the Councillors and Those Charged with Governance for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the councillors 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 councillors are responsible for assessing the council'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 Councillors either intend to liquidate the council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the council's financial reporting process.

### **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.

**Partners: Kobla Quashie (Chairman), Daniel Bediako (Managing), Farai Machakata**

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.

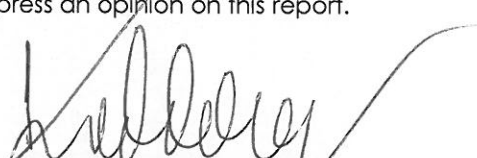
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's 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 Council'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 the Council 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 those charged with governance 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.

#### **Other Reports Required by the Urban Local Government Act, 1969**

As part of our audit of the financial statements for the year ended 31 March 2017, we have read the Councillors' Report as required by the Urban Local Government Act, 1969 for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.



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

**27 October, 2017**



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Statement of Financial Position

Figures in Emalangenzi	Note(s)	2017	2016
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	60 333 026	56 261 969
<b>Current Assets</b>			
Trade and other receivables	3	8 774 779	6 291 063
Cash and cash equivalents	4	19 980 800	15 718 369
		<b>28 755 579</b>	<b>22 009 432</b>
<b>Total Assets</b>		<b>89 088 605</b>	<b>78 271 401</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Revaluation Reserves	5	44 245 261	40 997 493
Accumulated funds		30 814 941	24 796 355
		<b>75 060 202</b>	<b>65 793 848</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	6	1 572 084	4 170 187
Designated funds	7	6 978 010	4 638 051
		<b>8 550 094</b>	<b>8 808 238</b>
<b>Current Liabilities</b>			
Borrowings	6	2 384 002	1 754 370
Trade and other payables	9	1 946 867	963 051
Provisions	8	1 147 440	951 894
		<b>5 478 309</b>	<b>3 669 315</b>
<b>Total Liabilities</b>		<b>14 028 403</b>	<b>12 477 553</b>
<b>Total Equity and Liabilities</b>		<b>89 088 605</b>	<b>78 271 401</b>





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Statement of Comprehensive Income

Figures in Emalangeni	Note(s)	2017	2016
Revenue		17 470 766	16 938 763
Direct costs		(3 535 635)	(3 302 998)
		<b>13 935 131</b>	<b>13 635 765</b>
Other income		2 013 944	2 097 647
Operating expenses		(10 026 258)	(13 400 517)
<b>Operating surplus (deficit)</b>	10	<b>5 922 817</b>	<b>2 332 895</b>
Investment revenue - (Interest from bank)		692 154	394 837
Finance costs		(569 121)	(654 359)
		<b>6 045 850</b>	<b>2 073 373</b>
Other comprehensive income		-	-
<b>Total comprehensive gain / (loss)</b>		<b>6 045 850</b>	<b>2 073 373</b>
Surplus for the year		6 045 850	2 073 373





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Statement of Changes in Funds

Figures in Emalangeni	Revaluation reserve	Accumulated funds	Total equity
<b>Balance at 01 April 2015</b>	<b>37 184 873</b>	<b>22 722 982</b>	<b>59 907 855</b>
Total comprehensive surplus for the year	3 812 620	2 073 373	5 885 993
Total changes	3 812 620	2 073 373	5 885 993
<b>Balance at 01 April 2016</b>	<b>40 997 493</b>	<b>24 796 355</b>	<b>65 793 848</b>
Total comprehensive surplus for the year	3 247 768	6 045 850	9 293 618
Prior year adjustment		(27 264)	(27 264)
Total changes	3 247 768	6 018 586	9 266 354
<b>Balance at 31 March 2017</b>	<b>44 245 261</b>	<b>30 814 941</b>	<b>75 060 202</b>



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Statement of Cash Flows

Figures in Emalangeni	Note(s)	2017	2016
<b>Cash flows from operating activities</b>			
Cash absorbed in operations	11	12 715 760	10 237 231
Interest income		692 154	394 837
Finance costs		(569 121)	(654 359)
<b>Net cash from operating activities</b>		<b>12 838 793</b>	<b>9 977 709</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(6 608 410)	(4 852 976)
Sale of property, plant and equipment	2	519	4 764
<b>Net cash from investing activities</b>		<b>(6 607 891)</b>	<b>(4 848 212)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1 968 471)	(980 403)
<b>Net cash from financing activities</b>		<b>(1 968 471)</b>	<b>(980 403)</b>
<b>Total cash movement for the year</b>		<b>4 262 431</b>	<b>4 149 094</b>
Cash at the beginning of the year		15 718 369	11 569 275
<b>Total cash at end of the year</b>	4	<b>19 980 800</b>	<b>15 718 369</b>



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Summary of Significant Accounting Policies

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#### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and Section 102(3) of the Urban Local Government Act, 1969 and Section 93 of the Urban Government Financial Reporting Regulations Act of 1969. The annual financial statements have been prepared on the historical cost basis as modified by the revaluation of land and buildings, and incorporate the principal accounting policies set out below. They are presented in Swaziland Emalangeni.

These accounting policies are consistent with the previous period.

##### 1.1 Introduction

Ezulwini Town Council was gazetted in terms of the Urban Government Act 1969 by the Minister in 1995. It is a corporate body with perpetual succession capable of suing and being sued, subject to the provisions of the Act. This Local Government is responsible for developing the town's infrastructure and embarking on development projects that will improve the social welfare of the general public.

The addresses of the office and principal place of business are disclosed in the introduction of the annual report on page 1.

##### 1.2 Changes in Accounting Policies and Disclosures

At the date of authorisation of the annual financial statements of the entity for the year ended 31 March 2016, the following Standards and Interpretations were in issue but not yet effective:

###### Effective for the financial year commencing 1 January 2017

- IFRS 15 Revenue from Contracts with Customers

###### Effective for the financial year commencing 1 January 2018

- IFRS 9 Financial Instruments

IAS 16 Amendment, IAS 19 Amendment, IAS 27 Amendment, IAS 28 Amendment, IAS 38 Amendment, IAS 41 Amendment, IAS 10 Amendment, IAS 11 Amendment, IAS 12 Amendment, IAS 14 Amendment are not applicable to the business of the entity and will therefore have no impact on future annual financial statements.

The impact of the remaining statements on the annual financial statements has been estimated as follows:

###### IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC - 31 Revenue - Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely not have a significant impact on the entity, which will include a possible change in the timing of when revenue is recognised. The entity is currently in process of performing a more detailed assessment of the impact of this standard on the entity and will provide more information in the year ending 31 March 2016 annual financial statements.

The standard is effective for annual periods beginning on or after 1 April 2017, with early adoption permitted under IFRS.





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Summary of Significant Accounting Policies

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#### 1.2 Changes in Accounting Policies and Disclosures (continued)

##### IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard which replaces earlier versions of IFRS and completes IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will not have a significant impact on the entity, which will include changes in the measurement bases of the entity's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the entity.

The standard is effective for annual periods beginning on or after 1 April 2018 with retrospective application, early adoption is permitted.

#### 1.3 Significant judgements

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

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 8 - Provisions.

##### Property, plant and equipment

Estimation is used in approximating the useful lives and residual values of property, plant and equipment. These assessments are made on an annual basis and use historical evidence and current economic factors to estimate the values.

#### 1.4 Property, plant and equipment

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Summary of Significant Accounting Policies

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#### 1.4 Property, plant and equipment (continued)

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Rates
Land and buildings	0%
Road marking machinery	20%
Furniture and fixtures	10%
Motor vehicles and Tractors	25%
Office equipment	10%
Computer equipment	33.33%
Roads	4%
Cell phones	33.33%
Highmast lights	10%
Trailers	20%
Car ports	5%

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

#### 1.5 Financial instruments

##### Initial recognition and measurement

Financial instruments are recognised initially when the council becomes a party to the contractual provisions of the instruments.

The council classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

##### Loans to managers and employees

These financial assets are classified as loans and receivables.



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Summary of Significant Accounting Policies

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#### 1.5 Financial instruments (continued)

##### Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

##### Trade and other payables

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

##### Cash and cash equivalents

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

#### 1.6 Government grants

Government grants are recognised when there is reasonable assurance that:

- the council will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement (separately).





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Summary of Significant Accounting Policies

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#### 1.7 Employee benefits

##### Short-term employee benefits

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

##### Pension obligation

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

##### Terminal benefits

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

##### Statutory obligations

Provision is not made for statutory termination obligation in terms of the Employment Act, 1980. It is considered that the Council's contribution to the pension fund which can be recovered against such statutory obligation at present exceed the liability.

#### 1.8 Provisions and contingencies

Provisions are recognised when:

- the council has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Summary of Significant Accounting Policies

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#### 1.8 Provisions and contingencies (continued)

- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

#### 1.9 Revenue recognition

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue is mainly derived from Government subventions, rates levied in terms of the Rating Act 1995 and service charges. These are accounted for on an accrual basis.

##### Rendering of services

Revenue is recognised when all the following conditions are satisfied:

The amount of revenue can be measured reliably

It is probable that economic benefits will flow to the seller

The cost incurred or to be incurred in respect of the transaction can be measured reliably.

##### Interest income

Interest is recognised on an accrual basis unless collectibility is in doubt.

##### Government

###### *Government capital*

Government grants for carrying projects are not charged against the cost of the capital projects but are accumulated in the capital gifts and grants account.

###### *Government subvention*

Government rates revenue grants are netted off against Government rates debtors when received.

##### Rates income

Rates income is levied on all rateable properties of the Municipality based on values extracted from the master valuation roll and amended when a supplementary valuation roll is prepared.

#### 1.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Summary of Significant Accounting Policies

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#### 1.10 Borrowing costs (continued)

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.11 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the council also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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

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

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

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

#### 1.12 Share capital and equity

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

#### 1.13 Related parties

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



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

Figures in Emalangeni 2017 2016

#### 2. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and improvements	2 610 000	-	2 610 000	2 610 000	-	2 610 000
Roads	61 497 352	(6 451 344)	55 046 008	55 296 135	(4 416 144)	50 879 991
Plant and machinery	206 186	(118 764)	87 422	204 476	(99 694)	104 782
Furniture and fixtures	445 307	(162 464)	282 843	326 477	(138 947)	187 530
Motor vehicles and Tractors	3 335 721	(2 320 706)	1 015 015	3 102 089	(2 060 244)	1 041 845
Office equipment	394 148	(200 279)	193 869	379 783	(177 134)	202 649
Cell phones	26 042	(9 987)	16 055	27 288	(11 981)	15 307
Computer equipment	342 066	(256 599)	85 467	316 526	(223 289)	93 237
Car ports	211 678	(45 024)	166 654	211 678	(36 253)	175 425
Highmast lights	1 196 538	(603 291)	593 247	1 196 538	(537 375)	659 163
Trailers	486 592	(250 146)	236 446	486 592	(194 552)	292 040
<b>Total</b>	<b>70 751 630</b>	<b>(10 418 604)</b>	<b>60 333 026</b>	<b>64 157 582</b>	<b>(7 895 613)</b>	<b>56 261 969</b>

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land and improvements	2 610 000	-	-	-	2 610 000
Roads	50 879 991	6 201 218	-	(2 035 201)	55 046 008
Plant and machinery	104 782	1 710	-	(19 070)	87 422
Furniture and fixtures	187 530	118 830	-	(23 517)	282 843
Motor vehicles and Tractors	1 041 845	233 632	-	(260 462)	1 015 015
Office equipment	202 649	17 101	(1 831)	(24 050)	193 869
Cell phones	15 307	10 379	(4 580)	(5 051)	16 055
Computer equipment	93 237	25 540	-	(33 310)	85 467
Car ports	175 425	-	-	(8 771)	166 654
Highmast lights	659 163	-	-	(65 916)	593 247
Trailers	292 040	-	-	(55 594)	236 446
	<b>56 261 969</b>	<b>6 608 410</b>	<b>(6 411)</b>	<b>(2 530 942)</b>	<b>60 333 026</b>



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

Figures in Emalangeneni	2017	2016			
<b>2. Property, plant and equipment (continued)</b>					
<b>Reconciliation of property, plant and equipment - 2016</b>					
	Opening balance	Additions	Disposals	Depreciation	Total
Land and improvements	2 610 000	-	-	-	2 610 000
Roads	48 299 496	4 593 442	-	(2 012 947)	50 879 991
Plant and machinery	76 378	53 134	-	(24 730)	104 782
Furniture and fixtures	202 495	5 700	-	(20 665)	187 530
Motor vehicles and Tractors	1 389 127	-	-	(347 282)	1 041 845
Office equipment	173 247	55 719	-	(26 317)	202 649
Cell phones	17 050	3 889	-	(5 632)	15 307
Computer equipment	88 656	46 756	(10 588)	(31 587)	93 237
Car ports	162 428	22 230	-	(9 233)	175 425
Highmast lights	732 404	-	-	(73 241)	659 163
Trailers	252 383	72 106	-	(32 449)	292 040
	<b>54 003 664</b>	<b>4 852 976</b>	<b>(10 588)</b>	<b>(2 584 083)</b>	<b>56 261 969</b>

Land and buildings are situated on Lot1, Mountain View, Ezulwini.

### 3. Trade and other receivables

Rates & other	8 702 989	6 219 378
Prepayments (if immaterial)	67 025	66 920
Other receivables	4 765	4 765
	<b>8 774 779</b>	<b>6 291 063</b>

#### Credit quality of trade and other receivables

#### Exposure to credit risk

Gross debtors represents the maximum credit risk. The maximum exposure to credit risk for gross trade receivables at the reporting date was to corporate customers. Credit risk is minimised by the council in that it cannot release clearances before settlement of any outstanding rates.

#### Fair value of trade and other receivables

Trade and other receivables which are less than 365 days past due are not considered to be impaired. At 31 March 2017 E8,774,779 (2016 - E6,219,378) were past due but not impaired

#### Trade and other receivables impaired

As of March 31, 2017, trade and other receivables were impaired.

The amount of the provision was E4,368,616 - as of 31 March 2017 (2016: - E3,605,473).

The ageing of these debtors is as follows:

3 months past due	13 216 069	9 826 369
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## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

Figures in Emalangeni 2017 2016

#### 3. Trade and other receivables (continued)

##### Currencies

There were no trade receivables denominated in foreign currencies.

#### 4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15 653	18 397
Bank balances	19 965 147	15 699 972
	<b>19 980 800</b>	<b>15 718 369</b>

##### Bank balances

African Alliance	1 017 874	943 801
Standard Bank Swaziland Limited - Projects account	9 594 735	8 120 780
Nedbank (Swaziland) Limited	545 558	322 961
First National Bank of Swaziland Limited	1 129 617	1 274 532
Swaziland Building Society	7 677 363	5 037 898
	<b>19 965 147</b>	<b>15 699 972</b>

#### 5. Reserves

The revaluation reserve arises from the revaluation of the road infrastructure by CEAS Consulting Engineers in August 2013 amounting to E32,214,851. The revaluation of land and buildings situated on Lot 1, Mountain View, Ezulwini by Fred Kunda under KF & J Property Consultants in May 2013.

The capital reserves on Swaziland Government and SLGP arises from assets bought by Ezulwini Town Council paid for out of capital grants received from the Government of Swaziland and the World Bank.

Closing balance	40 997 493	37 184 873
Own funds	(2 000 000)	-
Capital reserves - SG /SLG Projects	5 247 768	3 812 620
	<b>44 245 261</b>	<b>40 997 493</b>

2017	Opening balance	Addition	Utilised	Total
Land and buildings	1 158 553	-	-	1 158 553
Capital Reserves - Projects	7 624 089	5 247 768	(2 000 000)	10 871 857
Roads	32 214 851	-	-	32 214 851
	<b>40 997 493</b>	<b>5 247 768</b>	<b>(2 000 000)</b>	<b>44 245 261</b>

2016	Opening balance	Additions	Total
Land and buildings	1 158 553	-	1 158 553





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

Figures in Emalangeni	2017	2016
<b>5. Reserves (continued)</b>		
Capital reserves - Projects	3 811 469	7 624 089
Roads	32 214 851	32 214 851
	<b>37 184 873</b>	<b>40 997 493</b>

#### 6. Borrowings

Public Service Pension Fund c/o Old Mutual Investment Group (Swaziland) (Pty) Limited	3 956 086	5 924 557
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The loan is for the upgrade of two major roads-Msinsi Rand and Nyonyane (Calabash) Road. It paid in in monthly installments of E198,666.83 over a period of 72 months at an interest rate of prime plus 1%. It is secured over the Council's land and buildings described as Plot No.1 Mountain View Township, Ezulwini and a cession of rates income, present and future and or rates debtors's book to the extent of the amount owing to Public Service Pension Fund.

Non-current liabilities	1 572 084	4 170 187
Current liabilities	2 384 002	1 754 370
	<b>3 956 086</b>	<b>5 924 557</b>

#### 7. Designated funds

Projects	2016	Addition	Utilised	2017
Swaziland Government	2 615 710	2 615 710	(2 615 710)	2 615 710
Swaziland Local Government	2 022 341	2 972 017	(2 022 341)	2 972 017
Own funds	-	2 000 000	(609 717)	1 390 283
	<b>4 638 051</b>	<b>7 587 727</b>	<b>(5 247 768)</b>	<b>6 978 010</b>

The designated funds represents funds from Government of Swaziland and World Bank earmarked for future projects.



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

Figures in Emalangeni	2017	2016	
<b>8. Provisions</b>			
<b>Reconciliation of provisions - 2017</b>			
	Opening balance	Additions	Total
Terminal benefits	951 894	195 546	1 147 440
<b>Reconciliation of provisions - 2016</b>			
	Opening balance	Additions	Total
Terminal benefits	713 481	238 413	951 894
<b>9. Trade and other payables</b>			
Trade payables		1 835 267	861 551
Supersigns - Advertising		61 500	61 500
Accrued audit fees		50 100	40 000
		<b>1 946 867</b>	<b>963 051</b>
<b>10. Operating surplus (deficit)</b>			
Operating surplus (deficit) for the year is stated after accounting for the following:			
Loss on sale of property, plant and equipment	(5 892)	(5 824)	
Depreciation on property, plant and equipment	2 530 941	2 584 080	
Employee costs	5 148 104	4 601 476	
Recruitment expenses	-	12 836	
Auditors' remuneration	50 000	40 000	
<b>11. Cash generated from operations</b>			
Surplus for the year	6 045 850	2 073 373	
<b>Adjustments for:</b>			
Depreciation and amortisation	2 530 941	2 584 080	
Loss on sale of assets	5 892	5 824	
Interest received	(692 154)	(394 837)	
Finance costs	569 121	654 359	
Movements in provisions	195 546	238 413	
Movement in capital reserves	5 247 768	3 812 623	
Prior year adjustment	(27 263)	-	
Own Contribution to designated funds	(2 000 000)	-	
<b>Changes in working capital:</b>			
Trade and other receivables	(2 483 716)	428 935	
Trade and other payables	983 816	9 030	
Designated funds	2 339 959	825 431	
	<b>12 715 760</b>	<b>10 237 231</b>	



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

Figures in Emalangeni	2017	2016
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#### 12. Comparative figures

Certain comparative figures have been reinstated to conform with current reporting.

#### 13. Risk management

##### Capital risk management

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

The capital structure of the council consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 6 cash and cash equivalents disclosed in note 4, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

##### Financial risk management

The council's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the council's financial performance. The council uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (council treasury) under policies approved by the council. Council treasury identifies, evaluates and hedges financial risks in close co-operation with the council's operating units. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

##### Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

##### Interest rate risk

As the council has no significant interest-bearing assets, the council's income and operating cash flows are substantially independent of changes in market interest rates.

The council analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the council calculates the impact on surplus and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

The council's income and operating cashflows are substantially independent of changes in market interest rates and the council primarily borrows and lends at variable rates, and its exposure to interest rate risk is reflected under the respective borrowings.





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Notes to the Annual Financial Statements

Figures in Emalangeni	2017	2016
<b>15. Financial liabilities by category (continued)</b>		
<b>2017</b>		
	Financial liabilities at amortised cost	Total
Borrowings	3 956 086	3 956 086
Trade and other payables	1 946 867	1 946 867
Provisions	1 147 440	1 147 440
	<b>7 050 393</b>	<b>7 050 393</b>
<b>2016</b>		
	Financial liabilities at amortised cost	Total
Borrowings	5 924 557	5 924 557
Trade and other payables	963 049	963 049
Provisions	951 894	951 894
	<b>7 839 500</b>	<b>7 839 500</b>



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Detailed Statement of Financial Performance

Figures in Emalangeni	Note(s)	2017	2016
<b>Revenue</b>			
Government subvention		800 250	873 350
Rates		16 670 516	16 065 413
		<b>17 470 766</b>	<b>16 938 763</b>
<b>Direct costs</b>			
Direct Costs for the year		(3 535 635)	(3 302 998)
		<b>13 935 131</b>	<b>13 635 765</b>
<b>Other income</b>			
Interest received		692 154	394 837
Penalties		658 200	400 550
Sundry income		1 355 744	1 697 097
		<b>2 706 098</b>	<b>2 492 484</b>
<b>Operating expenses</b>			
Advertising and promotions		132 250	179 893
Auditors remuneration		99 050	40 000
Bad debts		763 143	4 059 429
Bank charges		56 941	57 073
Cleaning		39 696	72 660
Commemoration of Special days		4 609	26 246
Commission of enquiry		262 996	-
Computer maintenance & accessories		42 399	68 792
Depreciation		94 700	91 135
Employee costs		5 148 104	4 601 476
Entertainment & hospitality expenses		50 673	90 608
HIV Programs		129 449	63 712
Incentives on rates collection		70 645	32 132
Information Management Systems		95 646	54 391
Insurance		356 039	324 875
Intergrated Development Planning & Budgeting		3 990	193 082
Legal expenses		143 102	116 248
Loss on disposal of assets		5 892	5 824
Medical expenses		15 630	19 133
Motor vehicle repairs & maintenance		643 760	639 269
Printing and stationery		99 272	121 192
Professional & Consulting fees		-	390 632
Recruitments expenses		-	12 836
Repairs and maintenance		25 607	18 649
SIGA games		43 959	306 605
Security		140 685	132 967
Sitting allowances		365 575	414 818
Special programs		274 778	351 781
Subscriptions		66 431	69 732
Telephone and fax		147 470	115 118
Training		29 900	101 564
Travelling expenses		235 986	230 993



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Statement of Direct Costs

Figures in Emalangeni	Note(s)	2017	2016
Depreciation		2 436 241	2 492 945
Maintenance and improvements		470 510	402 061
Market Stalls management		8 061	6 997
Protective clothing		93 136	98 504
Refuse management costs		463 992	302 491
Signage		63 695	-
		<b>3 535 635</b>	<b>3 302 998</b>
Direct costs for the year		3 535 635	3 302 998





**Statement of revenue and expenditure variance**

	<b>Actuals</b>	<b>Budgeted</b>	<b>Variance</b>
<b>Revenue</b>			
Interest	692 154.00	100 800.00	-591 354.00
Rates	16 670 516.00	16 586 496.13	-84 019.87
Rates penalties	658 200.00	-	-658 200.00
Subvention	800 250.00	785 000.00	-15 250.00
Sundry income	1 355 744.00	1 123 006.00	-232 738.00
	<b>20 176 864.00</b>	<b>18 595 302.13</b>	<b>-1 581 561.87</b>
<b>Direct costs</b>			
Depreciation	2 436 241.00	-	-2 436 241.00
Maintenance and improvements	470 510.00	691 094.00	220 584.00
Market stalls management	8 061.00	25 000.00	16 939.00
Protective clothing	93 136.00	120 000.00	26 864.00
Refuse management	463 992.00	350 000.00	-113 992.00
Signage	63 695.00	55 500.00	-8 195.00
	<b>3 535 635.00</b>	<b>1 241 594.00</b>	<b>-2 294 041.00</b>
	<b>16 641 229.00</b>	<b>17 353 708.13</b>	<b>712 479.13</b>
<b>Operating expenses</b>			
Advertising	125 239.00	257 000.00	131 761.00
Audit fees	99 050.00	120 000.00	20 950.00
Bad debts	763 143.00	-	-763 143.00
Bank charges	56 941.00	60 000.00	3 059.00
Cleaning expenses	39 696.00	77 067.70	37 371.70
Commemoration special days	4 609.00	-	-4 609.00
Computer consumables	42 399.00	84 360.00	41 961.00
Newsletter	7 011.00	-	-7 011.00
Depreciation	94 700.00	-	-94 700.00
Employee costs	5 148 104.00	5 894 541.44	746 437.44
Entertainment and hospitality expenses	50 673.00	180 340.00	129 667.00
HIV programs	129 449.00	173 028.00	43 579.00
Incentives on rates collection	70 645.00	75 000.00	4 355.00
Information management systems	95 646.00	88 305.00	-7 341.00
Insurance	356 039.00	420 000.00	63 961.00
Intergrated development planning and budgeting	3 990.00	200 000.00	196 010.00
Legal expenses	143 102.00	120 000.00	-23 102.00
Loss on disposal of asset	5 892.00	-	-5 892.00
Medical expenses	15 630.00	32 840.00	17 210.00
Motor vehicle repairs and maintenance	643 760.00	654 000.00	10 240.00
Commission of enquiry	262 996.00	-	-262 996.00
Printing and stationery	99 272.00	163 496.00	64 224.00
Repairs and maintenance	25 607.00	59 000.00	33 393.00
SIGA games	43 959.00	70 000.00	26 041.00
Security	140 685.00	180 000.00	39 315.00
Sitting allowances	365 575.00	781 400.00	415 825.00
Special programs	274 778.00	1 123 449.82	848 671.82
Subscriptions	66 431.00	110 000.04	43 569.04
Telephone and fax	147 470.00	120 000.00	-27 470.00
Training	29 900.00	224 200.00	194 300.00
Travelling expenses	235 986.00	265 000.00	29 014.00
Utilities	437 881.00	447 000.00	9 119.00
<b>Total operating expenses</b>	<b>10 026 258.00</b>	<b>11 980 028.00</b>	<b>1 953 770.00</b>
<b>Operating surplus</b>	<b>6 614 971.00</b>	<b>5 373 680.13</b>	<b>(1 241 290.87)</b>
Finance costs	(569 121.00)	-	569 121.00
<b>Surplus for the year</b>	<b>6 045 850.00</b>	<b>5 373 680.13</b>	<b>(672 169.87)</b>



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2017

### Supplementary Information

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#### 1. Swaziland Government

Subvention	800 250
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#### 2. Auditors' remuneration

Kobla Quashie and Associates - 2016 statutory audit fees	50 000
Ndallahwa and Company - internal audit	49 050
	<b>99 050</b>

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#### 3. Finance costs

Public Service Pension Fund c/o Old Mutual Investment Group (Pty) Ltd	569 121
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