

Ezulwini Town Council
Annual financial statements
for the year ended 31 March 2018



Kobla Quashie and Associates

CHARTERED ACCOUNTANTS (SD)

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Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

General Information

Nature of business and principal activities	Municipality
Councillors	Chairperson: Assumed office 22 November 2017 Councillor Percy Mngomezulu Vice Chairperson: Councillor Bongile Mbingo Finance Chairperson: Councillor Tony Sibandze New Members: Assumed office 22 November 2017 Councillor Edmund Mazibuko Councillor Darron Raw Councillor Nokuthula Mthembu Councillor Mike Vincent Councillor Gwen Hadfield Interim Councillors: Appointed 1 June 2017 Adv. Percy Mngomezulu - Chairperson Sean Steward - Member Council Members: Term ended 31 May 2017 Councillor Busie Mayisela - Bhembe - Chairperson Councillor Hlengiwe Ndzabukelwako - Vice Chairperson Councillor Nokuthula Mthembu- Finance Chairperson Members: Councillor Sibusiso Mabuza Councillor Zweli Jele Councillor George Falcomer Councillor Bongile Mbingo Councillor Gwen Hadfield
Senior Management	Mr Vusi Matsebula - Town Clerk Mrs Ruth Dube - Maziya - Town Treasurer Qondile Dlamini - Environment and Public Health Manager Zwakele Dlamini - Town Planner Ziyanda Dlamini - Corporate Services Manager
Business address	Lot 1 Mountain View Township, Mpumalanga Road, Ezulwini
Postal address	P. O. Box 344, Ezulwini, H106
Bankers	First National Bank Swaziland Limited Standard Bank Swaziland Limited Nedbank Swaziland Limited Swaziland Building Society African Alliance
Auditors	Kobla Quashie and Associates Chartered Accountants (Swaziland) Manzini
Legal Advisors	S. V. Maladla and Associates



Ezulwini Town Council

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Council's Responsibilities and Approval

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 2019 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 pages 4 to 5.

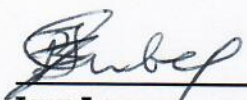
The annual financial statements set out on pages 5 to 23, which have been prepared on the going concern basis, were approved by the board on 20 September 2018 and were signed on its behalf by:



Chairperson



Town Clerk



Town Treasurer



Independent Auditors' Report

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 2018, 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 2018, 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.

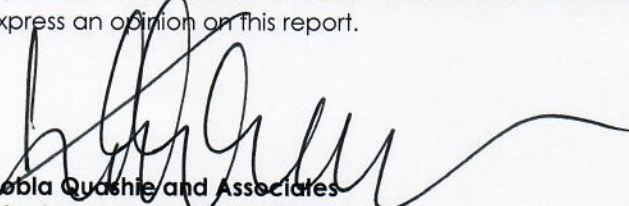
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 2018, 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.



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

20 September, 2018



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Council's Report

The council submit its report for the year ended 31 March 2018.

1. Review of activities

Main business and operations

The council is engaged in municipality and operates principally in eSwatini.

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

2. Events after the reporting period

The councillors are not aware of any matter or circumstance arising since the end of the financial year.

3. Councillors

The councillors of the council during the year and to the date of this report are as follows:

Name

Chairperson

Town Clerk

Town Treasurer

Vice Chairperson: Councillor Bongile Mbingo

Finance Chairperson: Councillor Tony Sibandze

Members:

Councillor Edmund Mazibuko

Councillor Darron Raw

Councillor Nokuthula Mthembu

Councillor Mike Vincent

Councillor Gwen Hadfield

4. Secretary

The secretary of the council is KQ Consulting (Proprietary) Limited of:

Business address

Mallya House, Lot 137 Esser Street, Manzini M200

Postal address

P. O. Box 710 Manzini M200

5. Auditors

Kobla Quashie and Associates (eSwatini) Manzini.



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Position

Figures in Emalangeneni	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	2	65 042 087	60 333 026
Current Assets			
Trade and other receivables	3	9 218 858	8 852 218
Cash and cash equivalents	4	24 783 177	19 980 800
		34 002 035	28 833 018
Total Assets		99 044 122	89 166 044
Equity and Liabilities			
Equity			
Reserves	5	51 528 898	44 245 261
Accumulated funds		37 223 962	30 814 941
		88 752 860	75 060 202
Liabilities			
Non-Current Liabilities			
Borrowings	6	-	1 572 084
Designated funds	7	4 510 161	6 978 010
		4 510 161	8 550 094
Current Liabilities			
Borrowings	6	1 929 591	2 384 002
Trade and other payables	9	3 015 708	2 024 306
Provisions	8	835 802	1 147 440
		5 781 101	5 555 748
Total Liabilities		10 291 262	14 105 842
Total Equity and Liabilities		99 044 122	89 166 044



Ezulwini Town Council

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Statement of Comprehensive Income

Figures in Emalangeni	Note(s)	2018	2017
Revenue		19 087 443	17 470 766
Direct costs		(4 270 476)	(3 535 635)
		14 816 967	13 935 131
Other income		2 307 157	2 013 944
Operating expenses		(10 735 811)	(10 026 258)
Operating surplus (deficit)	10	6 388 313	5 922 817
Investment revenue - (Interest from bank)		940 720	692 154
Finance costs		(357 507)	(569 121)
		6 971 526	6 045 850
Other comprehensive income		-	-
Total comprehensive gain / (loss)		6 971 526	6 045 850
Surplus for the year		6 971 526	6 045 850



Ezulwini Town Council

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Statement of Changes in Funds

Figures in Emalangeneni	Reserves	Accumulated funds	Total equity
Balance at 01 April 2016	40 997 493	24 769 091	65 766 584
Total comprehensive surplus for the year	3 247 768	6 045 850	9 293 618
Total changes	3 247 768	6 045 850	9 293 618
Balance at 01 April 2017	44 245 261	30 814 941	75 060 202
Total comprehensive surplus for the year	7 283 637	6 971 526	14 255 163
Prior year adjustment		(562 505)	(562 505)
Total changes	7 283 637	6 409 021	13 692 658
Balance at 31 March 2018	51 528 898	37 223 962	88 752 860



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Statement of Cash Flows

Figures in Emalangeni	Note(s)	2018	2017
Cash flows from operating activities			
Cash absorbed in operations	11	13 699 829	12 715 760
Interest income		940 720	692 154
Finance costs		(357 507)	(569 121)
Net cash from operating activities		14 283 042	12 838 793
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(7 454 170)	(6 608 410)
Sale of property, plant and equipment	2	-	519
Net cash from investing activities		(7 454 170)	(6 607 891)
Cash flows from financing activities			
Repayment of borrowings		(2 026 495)	(1 968 471)
Net cash from financing activities		(2 026 495)	(1 968 471)
Total cash movement for the year		4 802 377	4 262 431
Cash at the beginning of the year		19 980 800	15 718 369
Total cash at end of the year	4	24 783 177	19 980 800



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Summary of Significant Accounting Policies

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 2018, the following Standards and Interpretations were in issue but not yet effective:

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.



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Summary of Significant Accounting Policies

1.3 Significant judgements (continued)

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.

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%
Plant and 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.



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Summary of Significant Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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.



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Summary of Significant Accounting Policies

1.6 Government grants (continued)

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).

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 demonstratively committed to either terminate the employment of current employees according to a detailed formal plan without possibility or withdrawal or to provide termination benefits as a result of offer made to encourage voluntary redundancy. Benefits falling due more than 12 months are discounted to present values.

Statutory obligations

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.



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Summary of Significant Accounting Policies

1.8 Provisions and contingencies (continued)

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
- 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:



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Summary of Significant Accounting Policies

1.10 Borrowing costs (continued)

- 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.

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 2018

Notes to the Annual Financial Statements

Figures in Emalangeni

2018

2017

2. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and Buildings	2 610 000	-	2 610 000	2 610 000	-	2 610 000
Roads	68 780 989	(8 712 197)	60 068 792	61 497 352	(6 451 344)	55 046 008
Plant and Machinery	242 614	(138 677)	103 937	206 186	(118 764)	87 422
Furniture and Fixtures	500 758	(194 397)	306 361	445 307	(162 464)	282 843
Motor vehicles and Tractors	3 335 721	(2 573 979)	761 742	3 335 721	(2 320 706)	1 015 015
Office equipment	458 470	(228 703)	229 767	394 148	(200 279)	193 869
Cell phones	26 042	(15 285)	10 757	26 042	(9 987)	16 055
Computer equipment	356 396	(287 047)	69 349	342 066	(256 599)	85 467
Car ports	211 678	(53 357)	158 321	211 678	(45 024)	166 654
Highmast lights	1 196 538	(662 634)	533 904	1 196 538	(603 291)	593 247
Trailers	486 592	(297 435)	189 157	486 592	(250 146)	236 446
Total	78 205 798	(13 163 711)	65 042 087	70 751 630	(10 418 604)	60 333 026

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Land and Buildings	2 610 000	-	-	2 610 000
Roads	55 046 008	7 283 637	(2 260 853)	60 068 792
Plant and Machinery	87 422	36 429	(19 914)	103 937
Furniture and Fixtures	282 843	55 451	(31 933)	306 361
Motor vehicles and Tractors	1 015 015	-	(253 273)	761 742
Office equipment	193 869	64 323	(28 425)	229 767
Cell phones	16 055	-	(5 298)	10 757
Computer equipment	85 467	14 330	(30 448)	69 349
Car ports	166 654	-	(8 333)	158 321
Highmast lights	593 247	-	(59 343)	533 904
Trailers	236 446	-	(47 289)	189 157
	60 333 026	7 454 170	(2 745 109)	65 042 087



Ezulwini Town Council

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Notes to the Annual Financial Statements

Figures in Emalangeni 2018 2017

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land and Buildings	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
	56 261 969	6 608 410	(6 411)	(2 530 942)	60 333 026

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

3. Trade and other receivables

Rates & other	9 214 093	8 847 453
Other receivables	4 765	4 765
	9 218 858	8 852 218

Credit quality of trade and other receivables

Exposure to credit risk

Gross debtors represent 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 2018 E9,218,858 (2017 - E8,852,218) were past due but not impaired

Trade and other receivables impaired

The amount of the provision was E3,802,644 - as of 31 March 2018 (2017: - E4,368,616).

The ageing of these debtors is as follows:

3 months past due	13 016 738	13 216 069
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4. Cash and cash equivalents

Cash and cash equivalents consist of:



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Emalangeni 2018 2017

4. Cash and cash equivalents (continued)

Cash on hand	1 63 925	15 653
Bank balances	24 619 252	19 965 147
	24 783 177	19 980 800

Bank balances

African Alliance	1 099 214	1 017 874
Standard Bank Swaziland Limited - Projects account	13 905 798	9 594 735
Nedbank (Swaziland) Limited	574 822	545 558
First National Bank of Swaziland Limited	1 269 288	1 129 617
Swaziland Building Society	7 770 130	7 677 363
	24 619 252	19 965 147

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.

Opening balance	44 245 261	40 997 493
Own funds	-	(2 000 000)
Capital reserves - SG /SLG Projects	7 283 637	5 247 768
	51 528 898	44 245 261

2018

	Opening balance	Addition	Total
Land and buildings - Revaluation	1 158 553	-	1 158 553
Capital Reserves - Projects	10 871 857	7 283 637	18 155 494
Roads - Revaluation	32 214 851	-	32 214 851
	44 245 261	7 283 637	51 528 898

2017

	Opening balance	Additions	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
	40 997 493	5 247 768	(2 000 000)	44 245 261



Ezulwini Town Council

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Notes to the Annual Financial Statements

Figures in Emalangenzi	2018	2017
6. Borrowings		
Public Service Pension Fund c/o Old Mutual Investment Group (Swaziland) (Pty) Limited	1 929 591	3 956 086
<p>The loan is for the upgrade of two major roads-Msinsi Road and Nyonyane (Calabash) Road. It is paid in equal 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.</p>		
Non-current liabilities	-	1 572 084
Current liabilities	1 929 591	2 384 002
	1 929 591	3 956 086

7. Designated funds

Projects	2017	Addition	Utilised	2018
Swaziland Government	2 615 710	2 615 710	(2 111 542)	3 119 878
Swaziland Local Government	2 972 017	2 200 077	(5 172 094)	-
Own funds	1 390 283	-	-	1 390 283
	6 978 010	4 815 787	(7 283 636)	4 510 161

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

8. Provisions

Reconciliation of provisions - 2018

	Opening balance	Utilised during the year	Total
Terminal benefits	1 147 440	(311 638)	835 802

Reconciliation of provisions - 2017

	Opening balance	Additions	Total
Terminal benefits	951 894	195 546	1 147 440



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Emalangeneni	2018	2017
9. Trade and other payables		
Trade payables	2 920 308	1 912 706
Supersigns - Advertising	-	61 500
Accrued audit fees	95 400	50 100
	3 015 708	2 024 306

10. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Profit on sale of property, plant and equipment	-	(5 892)
Depreciation on property, plant and equipment	2 745 108	2 530 941
Employee costs	5 642 470	5 148 104
Recruitment expenses	58 010	-
Auditors' remuneration	135 000	99 050

11. Cash generated from operations

Surplus for the year	6 971 526	6 045 850
Adjustments for:		
Depreciation and amortisation	2 745 108	2 530 941
Loss on sale of assets	-	5 892
Interest received	(940 720)	(692 154)
Finance costs	357 507	569 121
Movements in provisions	(311 638)	195 546
Movement in capital reserves	7 283 637	5 247 768
Prior year adjustment	527 723	(27 263)
Own Contribution to designated funds	(1 090 227)	(2 000 000)
Changes in working capital:		
Trade and other receivables	(366 640)	(2 483 716)
Trade and other payables	991 402	983 816
Designated funds	(2 467 849)	2 339 959
	13 699 829	12 715 760

12. 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.



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

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Figures in Emalangen

2018

2017

12. Risk management (continued)

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.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Trade and other receivables	9 218 858	8 852 218
Cash and cash equivalents	24 783 177	19 980 800



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Emalangeni	2018	2017
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13. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Loans and receivables	Available-for-sale	Total
Trade and other receivables	9 218 858	-	9 218 858
Cash and cash equivalents	-	24 783 177	24 783 177
	9 218 858	24 783 177	34 002 035

2017

	Loans and receivables	Available-for-sale	Total
Trade and other receivables	8 852 218	-	8 852 218
Cash and cash equivalents	-	19 980 880	19 980 880
	8 852 218	19 980 880	28 833 098

14. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Financial liabilities at amortised cost	Total
Borrowings	1 929 591	1 929 591
Trade and other payables	2 848 718	2 848 718
Provisions	835 802	835 802
	5 614 111	5 614 111

2017

	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
	7 050 393	7 050 393

15. Prior year adjustment

Prior year adjustment comprise of over and understated rates for rateable properties.



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Detailed Statement of Financial Performance

Figures in Emalangenzi	Note(s)	2018	2017
Revenue			
Government subvention		873 000	800 250
Rates		18 214 443	16 670 516
		19 087 443	17 470 766
Direct costs			
Direct Costs for the year		(4 270 476)	(3 535 635)
		14 816 967	13 935 131
Other income			
Interest received		940 720	692 154
Penalties		473 130	658 200
Recoveries		565 971	-
Sundry income		1 268 056	1 355 744
		3 247 877	2 706 098
Operating expenses			
Audit Fees - Internal and External		135 000	99 050
Advertising and promotions		175 906	132 250
Bad debts		-	763 143
Bank charges		68 238	56 941
Cleaning		41 087	39 696
Commemoration of Special days		-	4 609
Commission of enquiry		-	262 996
Computer maintenance & accessories		51 279	42 399
Depreciation		104 436	94 700
Elections		357 088	-
Employee costs		5 642 470	5 148 104
Entertainment & hospitality expenses		56 825	50 673
HIV Programs		123 754	129 449
Incentives on rates collection		-	70 645
Information Management Systems		73 178	95 646
Insurance		289 834	356 039
Legal expenses		147 362	143 102
Loss on disposal of assets		-	5 892
Medical expenses		30 905	15 630
Motor vehicle repairs & maintenance		692 334	643 760
Printing and stationery		181 018	99 272
Professional & Consulting fees		49 970	-
Protective clothing		28 984	-
Recruitments expenses		58 010	-
Repairs and maintenance		50 563	25 607
SIGA games		287 834	43 959
Strategic Planning & Budgeting		235 982	3 990
Security		114 035	140 685
Sitting allowances		308 851	365 575
Special programs		439 392	274 778
Subscriptions		84 900	66 431



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Detailed Statement of Financial Performance

Figures in Emalangeni	Note(s)	2018	2017
Team building exercise		49 383	-
Telephone and fax		121 225	147 470
Training		161 356	29 900
Travelling expenses		80 681	235 986
Utilities		488 931	437 881
Valuation expenses		5 000	-
		10 735 811	10 026 258
Operating surplus (deficit)	10	7 329 033	6 614 971
Finance costs		(357 507)	(569 121)
Surplus (deficit) for the year		6 971 526	6 045 850



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Statement of Direct Costs

Figures in Emalangeni	Note(s)	2018	2017
Depreciation		2 640 672	2 436 241
Maintenance and improvements		974 665	470 510
Market Stalls management		16 888	8 061
Protective clothing		166 718	93 136
Refuse management costs		469 582	463 992
Signage		1 951	63 695
		4 270 476	3 535 635
Direct costs for the year		4 270 476	3 535 635



Statement of revenue and expenditure variance

	Actuals	Budgeted	Variance
Revenue			
Interest	940 720.00	600 000.00	-340 720.00
Rates	18 214 443.00	18 373 110.00	158 667.00
Rates penalties	473 130.00	-	-473 130.00
Subvention	873 000.00	873 000.00	-
Sundry income	1 834 027.00	2 618 580.00	784 553.00
	22 335 320.00	22 464 690.00	129 370.00
Direct costs			
Depreciation	2 640 672.00	-	-2 640 672.00
Maintenance and improvements	974 665.00	1 080 000.00	105 335.00
Market stalls management	16 888.00	25 000.00	8 112.00
Protective clothing	166 718.00	238 300.00	71 582.00
Refuse management	469 582.00	600 000.00	130 418.00
Signage	1 951.00	4 000.00	2 049.00
	4 270 476.00	1 947 300.00	-2 323 176.00
	18 064 844.00	20 517 390.00	2 452 546.00
Operating expenses			
Audit fees - Internal and External	135 000.00	230 000.00	95 000.00
Advertising	175 906.00	230 430.72	54 524.72
Bank charges	68 238.00	84 000.00	15 762.00
Cleaning expenses	41 087.00	42 000.00	913.00
Computer consumables	51 279.00	50 000.00	-1 279.00
Depreciation	104 436.00	-	-104 436.00
Elections	357 088.00	400 000.00	42 912.00
Employee costs	5 642 470.00	7 022 030.64	1 379 560.64
Entertainment and hospitality expenses	56 825.00	190 572.71	133 747.71
HIV programs	123 754.00	277 301.85	153 547.85
Information management systems	73 178.00	144 200.00	71 022.00
Insurance	289 834.00	480 000.00	190 166.00
Legal expenses	147 362.00	128 400.00	-18 962.00
Medical expenses	30 905.00	46 800.00	15 895.00
Motor vehicle repairs and maintenance	692 334.00	840 000.00	147 666.00
Printing and stationery	181 018.00	201 297.04	20 279.04
Professional and consulting fees	49 970.00	56 500.00	6 530.00
Protective Clothing	28 984.00	238 300.00	209 316.00
Recruitment expenses	58 010.00	61 600.00	3 590.00
Repairs and maintenance	50 563.00	52 120.00	1 557.00
Security	114 035.00	198 000.00	83 965.00
SIGA games	287 834.00	600 000.00	312 166.00
Sitting allowances	308 851.00	326 151.00	17 300.00
Special programs	439 392.00	1 057 400.00	618 008.00
Strategic Planning	235 982.00	180 000.00	-55 982.00
Subscriptions	84 900.00	117 700.02	32 800.02
Team building exercise	49 383.00	200 000.00	150 617.00
Telephone and fax	121 225.00	144 000.00	22 775.00
Training	161 356.00	281 000.00	119 644.00
Travelling expenses	80 681.00	300 000.00	219 319.00
Utilities	488 931.00	558 000.00	69 069.00
Valuation Expenses	5 000.00	400 000.00	395 000.00
Total operating expenses	10 735 811.00	15 137 803.98	4 401 992.98
Operating surplus	7 329 033.00	5 379 586.02	(1 949 446.98)
Finance costs	(357 507.00)	-	357 507.00
Surplus for the year	6 971 526.00	5 379 586.02	(1 591 939.98)



Ezulwini Town Council

Annual Financial Statements for the year ended 31 March 2018

Supplementary Information

1. Swaziland Government

Subvention	873 000
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2. Auditors' remuneration

Kobla Quashie and Associates - 2018 statutory audit fees	62 700
Ndallahwa and Company - internal audit	72 300
	135 000

3. Finance costs

Public Service Pension Fund c/o Old Mutual Investment Group (Pty) Ltd	357 507
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