

Ezulwini Town Council

Annual Financial Statements
for the year ended 31 March 2022

EZULWINI TOWN COUNCIL

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2022

CONTENTS

PAGE

Statement of responsibility by the Councillors	1
Independent auditors' report	2 - 4
Councillors' report	5 - 7
Income and expenditure statement	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Summary of significant accounting policies	12 - 21
Notes to the annual financial statements	22 - 32

EZULWINI TOWN COUNCIL**STATEMENT OF RESPONSIBILITY BY THE COUNCILLORS**

for the year ended 31 March 2022

The Councillors are responsible for the preparation, integrity and fair presentation of the financial statements of the Ezulwini Town Council. The financial statements presented on pages 8 to 32 have been prepared in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) and in terms of section 102(3) of the Urban Government Act, 1969, and include amounts based on judgements and estimates made by management. The Councillors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

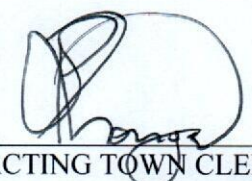
The Councillors are also responsible for the Council's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent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

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

The independent accounting firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of the Councillors and committees of the Council, has audited the financial statements. The Councillors believe that all representations made to the independent auditors during their audit are valid and appropriate. PricewaterhouseCoopers' audit report is presented on pages 2 - 4.

The Councillors confirm that the annual financial statements set out on pages 8 to 32 were approved by the Councillors on September 03rd, 2022 and are signed on their behalf by:



CHAIRPERSON

ACTING TOWN CLERK

TOWN TREASURER



Independent auditor's report

To the Councillors of Ezulwini Town Council

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ezulwini Town Council (the Town Council) as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

What we have audited

Ezulwini Town Council's financial statements set out on pages 8 to 32 comprise:

- the statement of financial position as at 31 March 2022;
 - the income and expenditure statement for the year then ended;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

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 Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Town Council in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Eswatini. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Eswatini.

Other information

The councillors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "Ezulwini Town Council Annual Financial Statements for the year ended 31 March 2022. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the councillors for the financial statements

The councillors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities 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 Town 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 Town Council or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the councillors.
- Conclude on the appropriateness of the councillors' 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 Town 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town 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 the councillors 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Partner: Makhosazana Mhlanga
Registered Auditor
P.O. Box 569
Mbabane
Date: 13 September 2022

EZULWINI TOWN COUNCIL**COUNCILLORS' REPORT**

for the year ended 31 March 2022

The Councillors have pleasure in presenting their report and audited financial statements of the Ezulwini Town Council for the year ended 31 March 2022.

NATURE OF BUSINESS

The Urban Government Act number 8 of 1969 provides the Council's functionality and mandate. Council has a responsibility to:

- Control, manage and administer the Town Council;
- Maintain and cleanse all public streets and open spaces vested in the Council or committed to its management;
- Abate all public nuisances;
- Safeguard public health & safety and provide sanitary services for removal and disposal of night soil, rubbish, carcasses of dead animals and all kinds of refuse;
- Establish or take over and maintain, subject to the extent of its resources, any public utility service which is authorized or required to maintain under any law, and which is required for the welfare, comfort and convenience of the public;
- Develop, control and manage any land vested in, owned or leased by the Council;
- Establish or take over and administer, subject to the extent of its resources, housing schemes for the inhabitants of the Town Council; and
- Generally, promote the public health & safety, welfare and convenience, and the development, of sanitation and amenities of the Town Council.

EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The Councillors are not aware of material event which occurred after the reporting date and up to the date of this report.

GOING CONCERN

The Councillors believe that the Council has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Councillors have satisfied themselves that the Council is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Councillors are aware of the pending changes to legislation which may affect the Council. The Public Finance Management Act prohibits the Council from having debt with any financial institution and overdrawing its bank accounts. The Financial Regulations to the Act are still pending approval. The Councillors are also not aware of any material non-compliance with statutory or regulatory requirements.

EZULWINI TOWN COUNCIL

COUNCILLORS' REPORT (continued)
for the year ended 31 March 2022

COUNCILLORS

The following Councillors were in office during the year:

As at 31 March 2022

- | | | | |
|----|--------------------|----|---------------------|
| 1. | Ms Bongile Mbingo | 7. | Ms Refiloe Mamogobo |
| 2. | Ms Miliswa Mtshali | 8. | Mr Comfort Hlophe |
| 3. | Mr Sandile Dlamini | | |
| 4. | Dr Edmund Mazibuko | | |
| 5. | Mr Darron Raw | | |
| 6. | Mr Mike Vincent | | |

CHAIRPERSON

Ms Bongile Mbingo

DEPUTY CHAIRPERSON

Ms Miliswa Mtshali

SENIOR MANAGEMENT

As at 31 March 2022

- | | | |
|----|---------------------------------------|-------------------------|
| 1. | Town Clerk | Mr Vusi Matsebula |
| 2. | Town Treasurer | Ms Ntombizodwa Vilakati |
| 3. | Environment and Public Health Manager | Ms Xolile Maphanga |
| 4. | Town Engineer | Mr Phutfuma Shongwe |
| 5. | Corporate Services Officer | Ms Patience Vilakati |
| 6. | Town Planner | Ms Zwakele Dlamini |

LEGAL ADVISORS

S. V. Mdladla and Associates

Postal address

P.O. Box 3798
Mbabane, Eswatini

Physical address

Lot 306 Lomadvokola Chambers Cnr
Lomadvokola & Nukwase Streets,
Mbabane, Eswatini

EZULWINI TOWN COUNCIL

COUNCILLORS' REPORT (continued)
for the year ended 31 March 2022

AUDITORS

PricewaterhouseCoopers

Postal address

P.O. Box 569
Mbabane
Eswatini

Physical address

Rhus Office Park
Mbabane
Eswatini

BANKERS

Standard Bank Eswatini Limited

Postal address

P.O. Box A 294
Swazi Plaza, Mbabane
Eswatini

Physical address

1st Floor Corporate Place
Swazi Plaza, Mbabane
Eswatini

First National Bank of Eswatini Limited

Postal address

P.O. Box 1337
Swazi Plaza, Mbabane
Eswatini

Physical address

2nd Floor Sales House Building
Swazi Plaza, Mbabane
Eswatini

Nedbank Swaziland Limited

Postal address

P.O. Box 68
Mbabane
Eswatini

Physical address

3rd Floor Nedbank Centre
Swazi Plaza, Mbabane
Eswatini

Swaziland Building Society

Postal address

P.O. Box 300
Mbabane
Eswatini

Physical address

M4GV+2JW, Mdada Street,
Mbabane
Eswatini

INVESTMENT MANAGERS

African Alliance

Postal address

P.O. Box 5727
Mbabane
Eswatini

Physical address

2nd Floor Nedbank Centre. Suite 203
and 204 Corner Dr. Sishayi and
Sozisa Roads.
Swazi Plaza., Mbabane
Eswatini

EZULWINI TOWN COUNCIL

INCOME AND EXPENDITURE STATEMENT
 for the year ended 31 March 2022

	Notes	2022 E	2021 E
Revenue	1	27 655 775	30 812 522
Direct cost	4	(5 107 078)	(6 484 601)
		<hr/> 22 548 697	24 327 921
Other operating income	2	2 466 813	2 281 104
Staff costs	3	(8 880 651)	(8 397 560)
Other operating costs	3	(7 035 321)	(5 765 529)
Operating surplus		9 099 538	12 445 936
Finance income	6	1 809 843	576 255
		<hr/> 10 909 381	<hr/> 13 022 191
Surplus for the year		10 909 381	13 022 191

* Certain lines have been reclassified from prior year signed annual financial statements to improve the presentation in line with general industry practice.

EZULWINI TOWN COUNCIL

STATEMENT OF FINANCIAL POSITION
at 31 March 2022

	Notes	2022 E	2021 E
ASSETS			
Non-current assets			
Property, plant and equipment	5	<u>70 653 383</u>	<u>71 546 402</u>
		<u>70 653 383</u>	<u>71 546 402</u>
Current assets			
Trade and other receivables	7	<u>31 472 046</u>	29 134 614
Financial assets held at fair value	9	<u>15 064 263</u>	14 203 565
Cash and cash equivalents	8	<u>15 929 157</u>	<u>7 123 021</u>
		<u>62 465 466</u>	<u>50 461 200</u>
Total assets		<u>133 118 849</u>	<u>122 007 602</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Retained surplus		<u>73 366 110</u>	62 456 729
Revaluation reserve	10	<u>56 039 059</u>	<u>56 039 059</u>
Total equity		<u>129 405 169</u>	<u>118 495 788</u>
Current liabilities			
Trade and other payables	11	<u>1 814 432</u>	1 728 605
Employee benefits liabilities	12	<u>1 899 248</u>	<u>1 783 209</u>
		<u>3 713 680</u>	<u>3 511 814</u>
Total liabilities		<u>3 713 680</u>	<u>3 511 814</u>
Total equity and liabilities		<u>133 118 849</u>	<u>122 007 602</u>

EZULWINI TOWN COUNCIL

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2022

	Revaluation Reserve E	Retained Earnings E	Total E
Balance at 31 March 2021	56 039 059	62 456 729	118 495 788
Surplus for the year	-	10 909 381	10 909 381
Balance at 31 March 2022	56 039 059	73 366 110	129 405 169
Balance at 31 March 2020	56 039 059	49 054 611	105 093 670
Surplus for the year	-	13 022 191	13 022 191
Prior year adjustment	-	379 927	379 927
Balance at 31 March 2021	56 039 059	62 456 729	118 495 788

EZULWINI TOWN COUNCIL

STATEMENT OF CASH FLOWS
for the year ended 31 March 2022

	Notes	2022 E	2021 E
The figures are not showing here			
Cash flow from operating activities			
Cash generated from operations	13	10 415 038	6 070 244
Interest received	13.1	949 145	576 255
Net cash inflow from operating activities		<u>11 364 183</u>	<u>6 646 499</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	(2 561 801)	(958 910)
Proceeds from disposal of assets		3 754	-
Acquisition of financial assets at fair value	9	-	(14 203 565)
Net cash outflow from investing activities		<u>(2 558 047)</u>	<u>(15 162 475)</u>
Net increase/(decrease) in cash and cash equivalents		8 806 136	(8 515 978)
Cash and cash equivalents at the beginning of the year		<u>7 123 021</u>	<u>15 638 999</u>
Cash and cash equivalents at the end of the year	8	<u>15 929 157</u>	<u>7 123 021</u>

EZULWINI TOWN COUNCIL**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the year ended 31 March 2022

1 General Information

The Urban Government Act number 8 of 1969 provides the Council's functionality and mandate. Council has a responsibility to:

- Control, manage and administer the Town Council;
- Maintain and cleanse all public streets and open spaces vested in the Council or committed to its management;
- Abate all public nuisances;
- Safeguard public health & safety and provide sanitary services for removal and disposal of night soil, rubbish, carcasses of dead animals and all kinds of refuse;
- Establish or take over and maintain, subject to the extent of its resources, any public utility service which is authorized or required to maintain under any law and which is required for the welfare, comfort and convenience of the public;
- Develop, control and manage any land vested in, owned or leased by the Council;
- Establish or take over and administer, subject to the extent of its resources, housing schemes for the inhabitants of the Town Council; and
- Generally, promote the public health & safety, welfare and convenience, and the development, of sanitation and amenities of the Town Council.

The audited financial statements include the statement of financial position, income and expenditure statement, statement of cash flow and related notes. These financial statements have been approved and authorised for issue by the Councillors.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) and Section 33 of the Urban Government Financial Regulations Act of 1969. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and financial assets and financial liabilities held-for-trading.

EZULWINI TOWN COUNCIL

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 March 2022**2.1 Basis of preparation** (continued)

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. All amounts in the notes are shown in Emalangeneni.

2.2 Property, Plant and Equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are debited to the pertinent asset and credited to revaluation reserve in equity. These gains or losses are kept on the revaluation reserve and released to retained earnings on disposal of assets. Decreases that offset previous increases of the same asset are charged against the revaluation reserve.

Depreciation

All fixed assets are depreciated or amortised in the case of intangible assets. Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value. Depreciation is initially calculated from the month, in which, a fixed asset is acquired or in the case of construction works and plant and machinery, the day following the day in which the fixed asset is brought into use.

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

Asset Class	Rate Used	Asset Class	Rate Used
Land and Buildings	0%	Roads	4%
Plant and Machinery	20%	Cell phones	33.33%
Furniture and Fixtures	10%	Highmast lights	10%
Motor vehicles and Tractors	25%	Skip bins	20%
Office equipment	10%	Car ports	5%
Computer equipment	33.33%		

EZULWINI TOWN COUNCIL**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2022**2.3 Investments**

The Council classifies its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a surplus from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 3 months.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the Statement of financial position date which are classified as current assets; during the period the Council did not hold any investments in this category.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the Statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets; during the period the Council did not hold any investments in this category.

Purchases and sales of investments are recognized on the trade date, which is the date that the Council commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortized cost using the effective yield method. Realized and unrealized gains and losses arising from changes in the fair value of trading investments and available-for-sale investments are included in the income statement in the period in which they arise.

2.4 Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

2.5 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.

EZULWINI TOWN COUNCIL**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2022**2.6 Employee benefits**

a) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

b) Defined contribution plans

The Council pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Council has got no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

2.7 Government grants

Grants from the government are recognized at their fair value when there is a reasonable assurance that the grant will be received, and the Council will comply with all attached conditions.

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.

Government rates revenue received in respect of rates are offset against Government revenue debtors.

Other government revenue grants received are credited to the respective recipient votes.

2.8 Provisions and contingent liabilities

The Council recognises provisions, when:

- it has a present legal or constructive obligation as a result of past events, and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate of the amount of the obligation can be made.

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

EZULWINI TOWN COUNCIL**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2022**2.8 Provisions and contingent liabilities (continued)**

The Council discloses a contingent liability where:

- it has a possible obligation arising from past events, the existence or non-existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, or
- it is not probable that an outflow of resources will be required to settle an obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

2.9 Revenue recognition

Rates income is recorded on all rateable properties of the Council. The figures are extracted from the General Valuation Roll and amended from time to time when a Supplementary Valuation Roll is prepared.

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Council.

2.10 Related Parties

Parties with common interest to the Council are regarded as related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the Council shall disclose the nature of the related party relationship as well as the following information for each related party relationship:

- The amount of the transactions;
- The amount of outstanding balances;
- Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement;
- Details of guarantees given or received;
- Provisions for doubtful debts related to the amount of outstanding balances; and
- The expense recognized during the year in respect of bad or doubtful debts due from related parties.

3. Financial risk management***Financial risk factors***

The Council's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, cash flow interest risk and price risk), credit risk and liquidity risk. The Council's overall risk management program seeks to maximize the returns derived for the level of risk to which the Council is exposed and seeks to minimize potential adverse effects on the Council's financial performance.

EZULWINI TOWN COUNCIL**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)
for the year ended 31 March 2022**3. Financial risk management** (continued)***Financial risk factors*** (continued)

The management of these risks is carried out by management under policies approved by the Councillors. The Councillors provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the investment of excess liquidity.

The Council uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below:

(a) Market risk**(i) Price risk**

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

As at 31 March 2022, the Council was not exposed to price risk.

(ii) Foreign exchange risk

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

As at 31 March 2022, the Council was not exposed to foreign exchange risk as there were no financial instruments that were denominated in foreign currency.

(iii) Cash flow and fair value interest rate risk

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

The Council has no significant interest-bearing assets.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Council to incur a financial loss.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. The Council's cash equivalents and short-term deposits are placed in high quality financial institutions.

EZULWINI TOWN COUNCIL

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 March 2022

3. Financial risk management (continued)

(b) Credit risk (continued)

The Council has no significant concentrations of credit risk. The Council receivables are secured against the properties.

The carrying amounts of financial assets included in the Statement of financial position represent the Council's exposure to credit risk in relation to these assets.

The Council does not have any significant exposure to any individual customer or counterparty. The table below shows the balances of the major counterparties at Statement of financial position date.

	31 March 2022 E	31 March 2021 E
Counterparty		
Standard Bank Eswatini Limited	99 844	236 474
African Alliance	15 064 263	14 203 565
First National Bank of Eswatini Limited	49 927	175 540
Swaziland Building Society	15 645 185	6 555 548
Nedbank Swaziland Limited	57 960	115 042
	<u>30 917 179</u>	<u>21 286 169</u>
Accounts receivable	<u>31 472 046</u>	<u>29 134 614</u>

(c) Liquidity risk

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

EZULWINI TOWN COUNCIL

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 March 2022

3. Financial risk management (continued)

*Financial risk factors (continued)**(c) Liquidity risk (continued)*

The table below analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year E	Between 2 and 5 years E	Total E
At 31 March 2022			
Trade and other payables	<u>1 814 432</u>	-	<u>1 814 432</u>
	<u><u>1 814 432</u></u>	<u>-</u>	<u><u>1 814 432</u></u>
 At 31 March 2021			
Trade and other payables	<u>1 728 605</u>	-	<u>1 728 605</u>
	<u><u>1 728 605</u></u>	<u>-</u>	<u><u>1 728 605</u></u>

(d) Legal risk

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

The Council has a policy of ensuring that all contractual obligations are documented by the relevant parties to the contract.

As at 31 March 2022, the Council was not aware of any significant obligation not provided for.

(e) Operational risk

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

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

EZULWINI TOWN COUNCIL**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2022**4. Critical accounting estimates and assumptions**

The Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There were no critical accounting estimates that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

5. Fair value estimation

The nominal value less impairment provision of rates receivables and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Council for similar financial instruments.

6. Financial assets**Classification**

The Council classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value and
- Those to be measured at amortized cost.

The classification depends on the Council's business model for managing the financial assets and the contractual terms of the cash flows.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income.

Assets that do not meet the criteria for amortized cost are measured at fair value through income and expenditure statement.

The Council during the financial year and as at year end held financial assets classified as:

- Those measured at fair value.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Council commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of the ownership.

EZULWINI TOWN COUNCIL**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
for the year ended 31 March 2022**6. Financial assets (continued)****Measurement**

At initial recognition, the Council measures a financial asset classified at amortized cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in foreign exchange (loss/gain). Impairment losses are presented as part of administrative expenses in the statement of comprehensive income.

EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

	2022 E	2021 E
1 Revenue		
Revenue is comprised of the following:		
Assessment rates		
- Commercial	16 506 855	17 227 158
- Residential	7 413 022	7 699 426
- Government of Eswatini	<u>3 735 898</u>	<u>5 885 938</u>
	<u>27 655 775</u>	<u>30 812 522</u>
2 Other operating income		
Advertising	170 000	20 154
Skip Collections	847 390	760 350
Scrutiny income	177 067	62 772
Bad debts recovered	-	565 764
Sundry Income	443 006	89 274
Government Subvention	<u>829 350</u>	<u>782 790</u>
	<u>2 466 813</u>	<u>2 281 104</u>

The subvention received is comprised of amounts received from the government of Eswatini during the year to finance operational costs.

EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

	2022 E	2021 E
3 Other Operating Expenses		
Advertising and promotions	433 775	287 347
Annual Report	10 013	2 000
Audit Fees - Internal and External	430 147	128 225
Bad debts movement	697 781	-
Bank charges	249 022	117 523
Cleaning	47 551	41 841
Computer maintenance & accessories	47 622	38 295
Consulting and professional fees	-	39 445
Depreciation	366 529	316 527
Employee costs	8 880 651	8 397 560
Encroachment survey	140 000	-
Environmental Management	203 739	5 601
Hospitality expenses	105 415	36 917
HIV Programs	212 982	121 445
Information Management Systems	276 681	338 023
Insurance	376 381	495 251
Legal expenses	181 528	84 978
Loss on disposal of assets	5 607	-
Medical expenses	35 894	14 791
Motor Vehicle Petrol & Oil	583 171	435 627
Motor vehicle repairs & maintenance	279 910	593 491
Printing and stationery	109 092	102 219
Protective clothing	104 647	7 911
Recruitments expenses	46 465	2 674
Repairs and maintenance	186 354	154 229
Security	266 047	203 780
Sitting allowances	517 793	393 318
Social Centre Support	33 000	-
Social welfare	16 903	23 824
Special programs	352 000	1 107 157
Strategic Planning & Budgeting	132 088	126 677
Subscriptions	171 519	106 975
Team building exercise	18 196	14 400
Telephone and fax	248 191	230 000
Training	31 280	8 522
Travelling expenses	10 946	20 846
Utilities	107 052	165 670
	<u>15 915 972</u>	<u>14 163 089</u>

EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

	2022 E	2021 E
4 Direct Costs		
Depreciation	3 078 927	2 997 506
Electricity - Streetlight & Highmasts	482 964	542 034
Maintenance-High Mast and Street Lights	84 461	348 510
Maintenance and improvements Of Roads Infrastructure	348 230	1 613 374
Protective clothing	121 949	117 529
Valuation expense	199 975	-
Local Economic Development Program	69 158	-
Health and Safety Costs	60 213	-
Refuse management costs	560 909	764 310
Signage	100 292	101 338
	<u>5 107 078</u>	<u>6 484 601</u>

EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

5 Property, plant and equipment

	2022						2021					
	Cost / Valuation		Accumulated depreciation		Carrying value		Cost / Valuation		Accumulated depreciation		Carrying value	
	E	E	E	E	E	E	E	E	E	E	E	
Land and Buildings	2 610 000	-	2 610 000	2 610 000	-	2 610 000	2 610 000	-	2 610 000	-	2 610 000	
Roads	82 662 826	(19 270 899)	63 391 927	82 662 826	(16 629 568)	66 033 258	82 662 826	(16 629 568)	66 033 258	(16 629 568)	66 033 258	
Plant and Machinery	523 118	(192 582)	330 536	236 153	(170 451)	65 702	523 118	(192 582)	330 536	(170 451)	65 702	
Furniture and Fixtures	644 011	(296 199)	347 812	628 492	(258 148)	370 344	644 011	(296 199)	347 812	(258 148)	370 344	
Motor vehicles and Tractors	5 421 699	(3 452 803)	1 968 896	3 670 295	(3 137 055)	533 240	5 421 699	(3 452 803)	1 968 896	(3 137 055)	533 240	
Office equipment	927 430	(403 804)	523 626	858 073	(347 120)	510 953	927 430	(403 804)	523 626	(347 120)	510 953	
Cell phones	61 494	(28 868)	32 626	56 995	(21 265)	35 730	61 494	(28 868)	32 626	(21 265)	35 730	
Computer equipment	1 505 053	(974 045)	531 008	1 395 272	(727 583)	667 689	1 505 053	(974 045)	531 008	(727 583)	667 689	
Car ports	315 753	(95 537)	220 216	315 753	(83 946)	231 807	315 753	(95 537)	220 216	(83 946)	231 807	
Highmast lights	1 196 538	(845 645)	350 893	1 196 538	(806 657)	389 881	1 196 538	(845 645)	350 893	(806 657)	389 881	
Skip bins	795 367	(449 524)	345 843	486 592	(388 794)	97 798	795 367	(449 524)	345 843	(388 794)	97 798	
Total	96 663 289	(26 009 906)	70 653 383	94 116 989	(22 570 587)	71 546 402	96 663 289	(26 009 906)	70 653 383	(22 570 587)	71 546 402	

EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

5 Property, plant and equipment

Reconciliation of property, plant and equipment – 2022

Asset Class	Opening balance		Additions		Disposal		Depreciation		Total	
	E	E	E	E	E	E	E	E	E	E
Land and Buildings	2 610 000	-	-	-	-	-	-	-	2 610 000	
Roads	66 033 258	-	-	-	-	(2 641 331)	-	63 391 927		
Plant and Machinery	65 702	286 965	-	-	-	(22 131)	-	330 536		
Furniture and Fixtures	370 344	15 519	-	-	-	(38 051)	-	347 812		
Motor vehicles and Tractors	533 240	1 751 404	-	-	-	(315 748)	-	1 968 896		
Office equipment	510 953	69 359	-	-	-	(56 686)	-	523 626		
Cell phones	35 730	19 998	-	-	(9 361)	(13 741)	-	32 626		
Computer equipment	667 689	109 781	-	-	-	(246 462)	-	531 008		
Car ports	231 807	-	-	-	-	(11 591)	-	220 216		
Highmast lights	389 881	-	-	-	-	(38 988)	-	350 893		
Skip bins	97 798	308 775	-	-	-	(60 730)	-	345 843		
Total	71 546 402	2 561 801	(9 361)	(3 445 459)	70 653 383					

EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

5 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

Asset Class	Opening balance	Additions	Depreciation	Total
	E	E	E	E
Land and Buildings	2 610 000	-	-	2 610 000
Roads	68 354 594	414 229	(2 735 565)	66 033 258
Plant and Machinery	82 127	-	(16 425)	65 702
Furniture and Fixtures	325 839	79 109	(34 604)	370 344
Motor vehicles and Tractors	710 986	-	(177 746)	533 240
Office equipment	500 205	62 321	(51 573)	510 953
Cell phones	45 468	6 500	(16 238)	35 730
Computer equipment	472 850	396 751	(201 912)	667 689
Car ports	244 007	-	(12 200)	231 807
Highmast lights	433 201	-	(43 320)	389 881
Skip bins	122 248	-	(24 450)	97 798
Total	73 901 525	958 910	(3 314 033)	71 546 402

EZULWINI TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

	Notes	2022 E	2021 E
6 Finance income			
Interest income		<u>1 809 843</u>	<u>576 255</u>
7 Trade and other receivables			
Assessment rates		35 405 163	32 370 433
Provision for doubtful debts - rates	7.1	<u>(3 933 600)</u>	<u>(3 235 819)</u>
		31 471 563	29 134 614
Staff debtors		<u>483</u>	<u>-</u>
		<u>31 472 046</u>	<u>29 134 614</u>
7.1 Provision for doubtful debts			
Opening Balance		(3 235 819)	(3 801 583)
Movement in provision for the current year		<u>(697 781)</u>	<u>565 764</u>
		<u>(3 933 600)</u>	<u>(3 235 819)</u>

The carrying values of all the receivables above approximate their fair values.

EZULWINI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

	2022 E	2021 E
8 Cash and cash equivalents		
Cash at bank	15 852 916	7 082 604
Cash in hand	566	489
Deposits in transit	75 675	39 928
	<u>15 929 157</u>	<u>7 123 021</u>
 Cash and cash equivalent include the following for the purpose of cash flow:		
Cash on hand and at bank	<u>15 929 157</u>	<u>7 123 021</u>
 9 Financial assets held at fair value		
African Alliance Asset Management	<u>15 064 263</u>	<u>14 203 565</u>
Reconciliation of financial assets held at fair value		
Opening balance	14 203 565	-
Reclassified from cash and cash equivalents	-	14 203 565
Interest earned	860 698	-
Closing balance	<u>15 064 263</u>	<u>14 203 565</u>
 *Financial assets amounting to E14 203 565 included in cash and cash equivalents in the prior year were reclassified from cash and cash equivalents and the prior year figures were updated to keep the disclosure consistent with the 2022 financial year.		
 10 Other reserves		
Land and buildings - Revaluation	1 158 553	1 158 553
Capital Reserves - Projects	22 665 655	22 665 655
Roads - Revaluation	32 214 851	32 214 851
	<u>56 039 059</u>	<u>56 039 059</u>

Refer to the "statement of changes in equity" for the analysis of the movement in 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.

EZULWINI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

	2022 E	2021 E
11 Trade and other payables		
Trade creditors	429 362	78 641
Unidentified deposits	79 285	82 859
Other payables	<u>1 305 785</u>	<u>1 567 105</u>
	<u>1 814 432</u>	<u>1 728 605</u>
12 Provision for employee benefits		
Opening balance	1 783 209	1 449 235
Current year charge	635 012	333 974
Utilized during the year	<u>(518 973)</u>	<u>-</u>
Closing balance	<u>1 899 248</u>	<u>1 783 209</u>

The provision is in relation to gratuity which is payable to staff at the end of the first 3 year contract and then payable annually thereafter. A provision is raised annually for every clerical staff under contract based on the rate stipulated in their employment contract multiplied by their basic pay. Councillors are also entitled to ex-gratia benefits which is for 5 years for every councillor, a provision is raised annually for every councillor at 25% of total annual income.

EZULWINI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

	2022 E	2021 E
13 Notes to the statement of cash flows		
Reconciliation of the surplus for the year to cash generated from operations:		
Surplus for the year	10 909 381	13 022 191
Adjustments:		
Depreciation (Note 5)	3 445 459	3 314 033
Loss on disposal	5 607	-
Interest received (Note 6)	(1 809 843)	(576 255)
Prior year adjustment	-	379 927
Provisions	635 012	333 974
	<u>13 185 616</u>	<u>16 473 870</u>
Working capital movement	(2 770 578)	(10 403 626)
Increase in trade and other receivables	(2 337 432)	(11 219 621)
Increase in trade and other payables	85 827	815 995
Decrease in employee benefit liabilities	(518 973)	-
	<u>10 415 038</u>	<u>6 070 244</u>
13.1 Reconciliation of interest income		
Interest income for investments held at fair value (Note 9)	860 698	-
Investment income from call accounts	949 145	576 255
	<u>1 809 843</u>	<u>576 255</u>
14 Events after the reporting period		
The councillors are not aware of any other material event which occurred after the reporting date and up to the date of this report which would affect the amounts or disclosures in the annual financial statements.		

EZULWINI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2022

	2022 E	2021 E
15 Related Parties		
Related parties to the Town Council relate to the Government of Eswatini and the Councillors. In the current year the town council had the following transactions with its related parties		
15.1 Income		
Rates billed to the Government of Eswatini	<u>3 735 898</u>	<u>5 885 938</u>
Government Subvention	<u>829 350</u>	<u>782 790</u>
Rates billed to Councillors	<u>139 712</u>	<u>171 743</u>
15.2 Expenditures		
Councillors allowances	<u>517 793</u>	<u>393 318</u>
The Town Council also had the following balances as at year end with its related parties		
15.3 Amounts due from related parties as at year end		
Amounts due from the Government of Eswatini	7 949 310	7 042 392
Amounts due from the Councillors	<u>65 545</u>	<u>142 157</u>
	<u>8 014 855</u>	<u>7 184 549</u>
15.4 Amounts payable to related parties as at year end		
Gratuity provision	<u>395 162</u>	<u>312 571</u>