

**Ezulwini Town Council**  
Annual financial statements  
for the year ended 31 March, 2016



*Kobla Quashie and Associates*  
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## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### General Information

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**Nature of business and principal activities**

Municipality

**Councillors**

Chairperson:  
Busie Mayisela - Bhembe

Vice Chairperson:  
Cllr Hlengizwe Ndzabukelwako

Finance Chairperson:  
Cllr Nokuthula Mthembu

Members:  
Cllr Sibusiso Mabuza  
Cllr Gwen Hadfield  
Cllr Zweli Jele  
Cllr George Falcomer  
Cllr Bongile Mbingo

**Senior Management**

Mr Vusi Matsebula - Town Clerk  
Mrs Ruth Dube - Maziya - Town Treasurer  
Qondile Dlamini - Environment and Public Health Manager -  
worked 2 months  
Ziyanda Dlamini - Corporate Services Manager  
Zwakele Dlamini - Town Planner

**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. Mdladla and Associates



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

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## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Council' Responsibilities and Approval

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

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

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

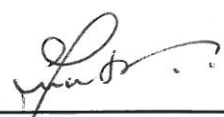
The council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial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


The council have reviewed the council's cash flow forecast for the year to 31 March, 2017 and, in the light of this review and the current financial position, they are satisfied that the council has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 5 to 23, which have been prepared on the going concern basis, were approved by the board on 20 September, 2016 and were signed on its behalf by:

  
Chairperson

  
Town Clerk

  
Town Treasurer





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## Independent Auditors' Report

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### To the members of Ezulwini Town Council

We have audited the annual financial statements of Ezulwini Town Council, which comprise the statement of financial position as at 31 March, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 22.

### Council' Responsibility for the Annual Financial Statements

The Board's council is responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Section 102(3) of the Urban Local Government Act, 1969 and Section 93 of the Urban Government Financial Reporting Regulations Act of 1969. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

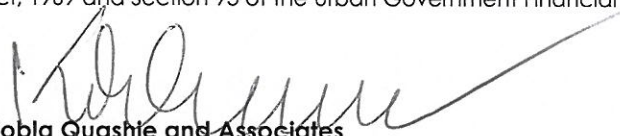
Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

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

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

### Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Ezulwini Town Council as at 31 March, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Section 102(3) of the Urban Local Government Act, 1969 and Section 93 of the Urban Government Financial Reporting Regulations Act of 1969.

  
Kobla Quashie and Associates  
Chartered Accountants (Swaziland)  
Manzini

20 September, 2016

Registered Auditor: Per: Daniel Bediako

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

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## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Statement of Financial Position

Figures in Emalangeni	Note(s)	2016	2015
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	56,261,969	54,003,664
<b>Current Assets</b>			
Trade and other receivables	3	6,291,063	6,719,998
Cash and cash equivalents	4	15,718,369	11,569,275
		<b>22,009,432</b>	<b>18,289,273</b>
<b>Total Assets</b>		<b>78,271,401</b>	<b>72,292,937</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Revaluation Reserves	5	40,997,493	37,184,873
Accumulated funds		24,796,357	22,722,983
		<b>65,793,850</b>	<b>59,907,856</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	6	4,170,187	5,150,590
Designated funds	7	4,638,051	3,812,620
		<b>8,808,238</b>	<b>8,963,210</b>
<b>Current Liabilities</b>			
Borrowings	6	1,754,370	1,754,370
Trade and other payables	9	963,049	954,020
Provisions	8	951,894	713,481
		<b>3,669,313</b>	<b>3,421,871</b>
<b>Total Liabilities</b>		<b>12,477,551</b>	<b>12,385,081</b>
<b>Total Equity and Liabilities</b>		<b>78,271,401</b>	<b>72,292,937</b>



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Statement of Comprehensive Income

Figures in Emalangeni	Note(s)	2016	2015
Revenue		16,938,763	17,618,096
Direct costs		(3,302,998)	(3,230,557)
		<b>13,635,765</b>	<b>14,387,539</b>
Other income		2,097,648	2,165,849
Operating expenses		(13,400,517)	(8,627,306)
<b>Operating surplus (deficit)</b>	10	<b>2,332,896</b>	<b>7,926,082</b>
Investment revenue - (Interest from bank)		394,837	447,213
Finance costs		(654,359)	(805,528)
		<b>2,073,374</b>	<b>7,567,767</b>
Other comprehensive income		-	-
<b>Total comprehensive gain / (loss)</b>		<b>2,073,374</b>	<b>7,567,767</b>
Surplus for the year		2,073,374	7,567,767



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Statement of Changes in Funds

Figures in Emalangeni	Revaluation reserve	Accumulated funds	Total equity
<b>Balance at 01 April, 2014</b>	<b>34,518,757</b>	<b>15,155,216</b>	<b>49,673,973</b>
Total comprehensive surplus for the year	2,666,116	7,567,767	10,233,883
Total changes	2,666,116	7,567,767	10,233,883
<b>Balance at 01 April, 2015</b>	<b>37,184,873</b>	<b>22,722,983</b>	<b>59,907,856</b>
Total comprehensive surplus for the year	3,812,620	2,073,374	5,885,994
Total changes	3,812,620	2,073,374	5,885,994
<b>Balance at 31 March, 2016</b>	<b>40,997,493</b>	<b>24,796,357</b>	<b>65,793,850</b>





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Statement of Cash Flows

Figures in Emalangeni	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
Cash absorbed in operations	11	10,237,231	9,587,019
Interest income		394,837	447,213
Finance costs		(654,359)	(805,528)
<b>Net cash from operating activities</b>		<b>9,977,709</b>	<b>9,228,704</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(4,852,976)	(10,687,261)
Sale of property, plant and equipment	2	4,764	3,080
<b>Net cash from investing activities</b>		<b>(4,848,212)</b>	<b>(10,684,181)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(980,403)	(1,095,040)
<b>Net cash from financing activities</b>		<b>(980,403)</b>	<b>(1,095,040)</b>
<b>Total cash movement for the year</b>		<b>4,149,094</b>	<b>(2,550,517)</b>
Cash at the beginning of the year		11,569,275	14,119,793
<b>Total cash at end of the year</b>	4	<b>15,718,369</b>	<b>11,569,276</b>

# Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

## 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 2016, the following Standards and Interpretations were in issue but not yet effective:

##### Effective for the financial year commencing 1 January 2016

- IFRS 14 Regulatory Deferral Accounts
- Accounts for Acquisitions of Interest in Joint Operations (Amendment to IFRS 11)
- Accounts for Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plant (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendment to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Disclosure Initiative (Amendment to IAS 1)
- Investment Entities: Applying the Consolidation Exemption (Amendments to IFRS 10, IFRS 12 and IAS 38)

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

- IFRS 15 Revenue from Contracts with Customers

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

- IFRS 9 Financial Instruments

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

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

## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Summary of Significant Accounting Policies

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

##### Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing annual financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

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

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

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

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

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

##### 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, 2016

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

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

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

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



## **Ezulwini Town Council**

Annual Financial Statements for the year ended 31 March, 2016

### **Summary of Significant Accounting Policies**

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#### **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, 2016

### Summary of Significant Accounting Policies

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

##### Statutory obligations

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

#### 1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Summary of Significant Accounting Policies

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#### 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, 2016

### Summary of Significant Accounting Policies

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#### 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, 2016

### Notes to the Annual Financial Statements

Figures in Emalangeni

2016

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#### 2. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and improvements	2,610,000	-	2,610,000	2,610,000	-	2,610,000
Roads	55,296,135	(4,416,144)	50,879,991	50,702,693	(2,403,197)	48,299,496
Plant and machinery	204,476	(99,694)	104,782	151,342	(74,964)	76,378
Furniture and fixtures	326,477	(138,947)	187,530	320,777	(118,282)	202,495
Motor vehicles and Tractors	3,102,089	(2,060,244)	1,041,845	3,102,089	(1,712,962)	1,389,127
Office equipment	379,783	(177,134)	202,649	324,064	(150,817)	173,247
Cell phones	27,288	(11,981)	15,307	23,399	(6,349)	17,050
Computer equipment	316,526	(223,289)	93,237	280,359	(191,703)	88,656
Car ports	211,678	(36,253)	175,425	189,448	(27,020)	162,428
Highmast lights	1,196,538	(537,375)	659,163	1,196,538	(464,134)	732,404
Trailers	486,592	(194,552)	292,040	414,486	(162,103)	252,383
<b>Total</b>	<b>64,157,582</b>	<b>(7,895,613)</b>	<b>56,261,969</b>	<b>59,315,195</b>	<b>(5,311,531)</b>	<b>54,003,664</b>

#### Reconciliation of property, plant and equipment - 2016

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

## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Notes to the Annual Financial Statements

Figures in Emalangeni 2016 2015

#### 2. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land and improvements	2,610,000	-	-	-	2,610,000
Roads	40,455,850	9,479,821	-	(1,636,175)	48,299,496
Plant and machinery	83,052	20,947	(8,669)	(18,952)	76,378
Furniture and fixtures	188,504	37,706	(4,762)	(18,953)	202,495
Motor vehicles and Tractors	529,028	1,058,512	-	(198,413)	1,389,127
Office equipment	178,696	20,197	(2,364)	(23,282)	173,247
Cell phones	8,298	17,500	(3,612)	(5,136)	17,050
Computer equipment	64,966	52,578	(1,409)	(27,479)	88,656
Car ports	170,977	-	-	(8,549)	162,428
Highmast lights	813,782	-	-	(81,378)	732,404
Trailers	282,978	-	-	(30,595)	252,383
	<b>45,386,131</b>	<b>10,687,261</b>	<b>(20,816)</b>	<b>(2,048,912)</b>	<b>54,003,664</b>

#### 3. Trade and other receivables

Rates & other	6,219,378	6,654,482
Prepayments (if immaterial)	66,920	65,516
Other receivables	4,765	-
	<b>6,291,063</b>	<b>6,719,998</b>

##### Credit quality of trade and other receivables

##### Exposure to credit risk

Gross debtors represents the maximum credit risk. The maximum exposure to credit risk for gross trade receivables at the reporting date was to corporate customers. Credit risk is minimised by the board in that it cannot not 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 2016 E6,219,378 (2015 - E6,654,482) were past due but not impaired

##### Trade and other receivables impaired

As of March 31, 2016, trade and other receivables were impaired.

The amount of the provision was E3,605,473 - as of 31 March, 2016 (2015: - E738,059).

The ageing of these debtors is as follows:

3 months past due	9,826,369	7,392,541
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##### Currencies

There were no trade receivables denominated in foreign currencies.



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Notes to the Annual Financial Statements

Figures in Emalangeni	2016	2015
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#### 4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	18,397	237,052
Bank balances	15,699,972	11,332,223
	<b>15,718,369</b>	<b>11,569,275</b>

#### Bank balances

African Alliance	943,801	885,545
Standard Bank Swaziland Limited - Projects a/c no.1	8,120,780	5,675,621
Nedbank (Swaziland) Limited	322,961	279,392
First National Bank Swziland limited	1,274,532	573,897
Swazilabd Building Society	5,037,898	3,917,768
	<b>15,699,972</b>	<b>11,332,223</b>

#### 5. Revaluation reserve

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.

Closing balance	37,184,873	37,184,873
Capital reserves - Government projects- SG /SLG	3,812,620	-
	<b>40,997,493</b>	<b>37,184,873</b>

2016	Opening balance	Addition	Total
Land and buildings	1,158,553	-	1,158,553
Capital reserves - Projects	3,811,469	3,812,620	7,624,089
Roads	32,214,851	-	32,214,851
	<b>37,184,873</b>	<b>3,812,620</b>	<b>40,997,493</b>

2015	Opening balance	Additions	Total
Land and buildings	1,158,553	-	1,158,553
Capital reserves - Projects	1,145,353	2,666,116	3,811,469
Roads	32,214,851	-	32,214,851
	<b>34,518,757</b>	<b>2,666,116</b>	<b>37,184,873</b>





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Notes to the Annual Financial Statements

Figures in Emalangeni	2016	2015
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#### 6. Borrowings

Public Service Pension Fund c/o Old Mutual Investment Group (Swaziland) (Pty) Limited	5,924,557	6,904,960
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The loan is for the upgrade of two major roads-Msinsi Rand and Nyonyane (Calabash) Road. It paid in in monthly installments of E146,197.53 over a period of 72 months at an interest rate of prime plus 1%. It is secured over the Council's land and buildings described as Plot No.1 Mountain View Township, Ezulwini and a cession of rates income, present and future and or rates debtors's book to the extent of the amount owing to Public Service Pension Fund.

Non-current liabilities	4,170,187	5,150,590
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Current liabilities	1,754,370	1,754,370
	<b>5,924,557</b>	<b>6,904,960</b>

#### 7. Designated funds

Projects	2015	Addition	Utilised	20116
Swaziland Government	2,443,429	2,615,710	(2,443,429)	2,615,710
Swaziland Local Government	1,369,191	2,022,341	(1,369,191)	2,022,341
	<b>3,812,620</b>	<b>4,638,051</b>	<b>(3,812,620)</b>	<b>4,638,051</b>

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

#### 8. Provisions

##### Reconciliation of provisions - 2016

	Opening balance	Additions	Total
Terminal benefits	713,481	238,413	951,894

##### Reconciliation of provisions - 2015

	Opening balance	Additions	Total
Terminal benefits	291,867	421,614	713,481

#### 9. Trade and other payables

Trade payables	861,549	816,520
Supersigns - Prepayment for advertising	61,500	102,500
Accrued audit fees	40,000	35,000
	<b>963,049</b>	<b>954,020</b>





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Notes to the Annual Financial Statements

Figures in Emalangeni	2016	2015
<b>10. Operating surplus (deficit)</b>		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Loss on sale of property, plant and equipment	(5,824)	(17,736)
Depreciation on property, plant and equipment	2,584,080	2,048,916
Employee costs	4,601,476	4,066,237
Recruitment expenses	12,836	22,800
Auditors' remuneration	40,000	35,000
<b>11. Cash generated from operations</b>		
Surplus for the year	2,073,374	7,567,767
<b>Adjustments for:</b>		
Depreciation and amortisation	2,584,080	2,048,916
Loss on sale of assets	5,824	17,736
Interest received	(394,837)	(447,213)
Finance costs	654,359	805,528
Movements in provisions	238,413	421,614
Movement in capital reserves	3,812,623	2,666,114
<b>Changes in working capital:</b>		
Trade and other receivables	428,935	(4,996,247)
Trade and other payables	9,029	39,889
Designated funds	825,431	1,462,915
	<b>10,237,231</b>	<b>9,587,019</b>

### 12. Comparative figures

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

### 13. Risk management

#### Capital risk management

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

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

There are no externally imposed capital requirements.

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



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Notes to the Annual Financial Statements

Figures in Emalangeni

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#### 13. 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	2016	2015
Trade and other receivables	6,291,063	6,719,998
Cash and cash equivalents	15,718,369	11,569,275



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Notes to the Annual Financial Statements

Figures in Emalangeni	2016	2015
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#### 14. Financial assets by category

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

##### 2016

	Loans and receivables	Available-for-sale	Total
Trade and other receivables	6,291,063	-	6,291,063
Cash and cash equivalents	-	15,718,369	15,718,369
	<b>6,291,063</b>	<b>15,718,369</b>	<b>22,009,432</b>

##### 2015

	Loans and receivables	Available-for-sale	Total
Trade and other receivables	6,719,998	-	6,719,998
Cash and cash equivalents	-	11,569,275	11,569,275
	<b>6,719,998</b>	<b>11,569,275</b>	<b>18,289,273</b>

#### 15. Financial liabilities by category

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

##### 2016

	Financial liabilities at amortised cost	Total
Borrowings	5,924,557	5,924,557
Trade and other payables	963,049	963,049
Provisions	951,894	951,894
	<b>7,839,500</b>	<b>7,839,500</b>

##### 2015

	Financial liabilities at amortised cost	Total
Borrowings	6,904,960	6,904,960
Trade and other payables	954,021	954,021
Provisions	713,481	713,481
	<b>8,572,462</b>	<b>8,572,462</b>





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Detailed Statement of Financial Performance

Figures in Emalangeni	Note(s)	2016	2015
<b>Revenue</b>			
Government subvention		873,350	873,000
Rates		16,065,413	16,745,096
		<b>16,938,763</b>	<b>17,618,096</b>
<b>Direct costs</b>			
Direct Costs for the year		(3,302,998)	(3,230,557)
		<b>13,635,765</b>	<b>14,387,539</b>
<b>Other income</b>			
Interest received		394,837	447,213
Penalties		400,550	216,395
Sundry income		1,697,098	1,949,454
		<b>2,492,485</b>	<b>2,613,062</b>
<b>Operating expenses</b>			
Advertising and promotions		179,893	281,166
Auditors remuneration		40,000	35,000
Bad debts		4,059,429	249,204
Bank charges		57,073	93,511
Cleaning		72,660	40,365
Commemoration of Special days		26,246	10,866
Computer maintenance & accessories		68,792	43,064
Depreciation		91,135	83,400
Employee costs		4,601,476	4,066,237
Entertainment & hospitality expenses		90,608	79,556
HIV Programs		63,712	56,550
Incentives on rates collection		32,132	-
Information Management Systems		54,391	28,612
Insurance		324,875	297,470
Integrated Development Planning & Budgeting		193,082	91,928
Legal expenses		116,248	174,246
Loss on disposal of assets		5,824	17,736
Medical expenses		19,133	1,320
Motor vehicle repairs & maintenance		639,269	520,118
Plant and tool hire		-	5,256
Printing and stationery		121,192	126,914
Professional & Consulting fees		390,632	262,953
Recruitments expenses		12,836	22,800
Repairs and maintenance		18,649	170,315
SIGA games		306,605	212,253
Security		132,967	125,760
Sitting allowances		414,818	380,332
Special programs		351,781	201,606
Subscriptions		69,732	91,219
Telephone and fax		115,118	140,511
Training		101,564	42,691
Travelling expenses		230,993	87,637



## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Detailed Statement of Financial Performance

Figures in Emalangeni	Note(s)	2016	2015
Utilities		385,805	528,570
Valuation expenses		11,847	58,140
		<b>13,400,517</b>	<b>8,627,306</b>
<b>Operating surplus (deficit)</b>	10	<b>2,727,733</b>	<b>8,373,295</b>
Finance costs		(654,359)	(805,528)
<b>Surplus (deficit) for the year</b>		<b>2,073,374</b>	<b>7,567,767</b>



# Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

## Statement of Revenue and Expenditure Variance

Figures in Emalangenzi	Note(s)	2016	2015
Revenue	Actual	Budgeted	Variance
Interest	394,837	100,000	294,837
Rates	16,065,413	13,939,274	2,126,139
Rates penalties	400,550	480,000	(79,450)
Subvention	873,350	785,500	87,850
Sundry income	1,697,098	1,820,000	(122,902)
Profit on disposal of property	-	35,000	(35,000)
	19,431,248	17,159,774	2,271,474
<b>Direct Costs</b>			
Depreciation	2,492,945	2,613,395	120,450
Maintainance	402,061	500,000	97,939
Market stalls management	6,997	25,000	18,003
Protective clothing	98,504	100,000	1,496
Refuse management costs	302,491	200,000	(102,491)
Town Planning	-	324,059	324,059
	3,302,998	3,762,454	459,456
	16,128,250	13,397,320	2,730,930
<b>Operating expenses</b>			
Advertising	179,893	230,000	50,107
Auditors remuneration	40,000	40,000	-
Bad debts provision	4,059,429	-	(4,059,429)
Bank charges	57,073	70,000	12,927
Cleaning	72,660	50,000	(22,660)
Computer expenses	68,792	100,000	31,208
Commemoration of Special days	26,246	144,000	117,754
Depreciation, Amortisation	91,135	-	(91,135)
Employee costs	4,601,476	5,609,405	1,007,929
Entertainment	90,608	87,000	(3,608)
Finance costs	654,359	664,010	9,651
HIV Programs	63,712	309,000	245,288
Incentives on rates collections	32,132	70,000	37,868
Information Management Systems	54,391	30,000	(24,391)
Insurance	324,875	350,000	25,125
Integrated Development Planning & budgeting	193,082	150,000	(43,082)
Legal expenses	116,248	180,000	63,752
Loss on disposal of assets	5,824	-	(5,824)
Medical expenses	19,133	20,000	867
Motor vehicle expenses	639,269	587,740	(51,529)
Plant and tool hire	-	20,000	20,000
Printing & stationary	121,192	170,000	48,808
Professional & Consulting fees	390,632	520,000	129,368
Recruitment expenses	12,836	20,000	7,164
Repairs and maintainance	18,649	45,000	26,351
Security	132,967	190,400	57,433
SIGA games	306,605	300,000	(6,605)
Sitting allowances	414,818	640,000	225,182
Special programs	351,781	881,000	529,219
Subscriptions	69,732	110,000	40,268
Telephone and fax	115,118	130,000	14,882
Training	101,564	100,000	(1,564)
Travelling expenses	230,993	233,000	2,007
Utilities	385,805	435,000	49,195
Valuation expenses	11,847	-	(11,847)
	14,054,876	12,485,555	(1,569,321)
<b>Surplus for the year</b>	<b>2,073,374</b>	<b>911,765</b>	<b>1,161,609</b>





## Ezulwini Town Council

Annual Financial Statements for the year ended 31 March, 2016

### Supplementary Information

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#### 1. Swaziland Government

Subvention for 2015	873,350
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#### 2. Auditors' remuneration

Kobla Quashie and Associates - 2016 statutory audit fees	40,000
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#### 3. Finance costs

Public Service Pension Fund c/o Old Mutual Investment Group (Pty) Ltd	654,359
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