Ezulwini Town Council

Annual financial statements
for the year ended 31 March 2021

Kobla Quashie and Associates
CHARTERED ACCOUNTANTS (ES)

Mallya House, Lot 137, Esser Street
P.O. Box 710, Manzini M200, Eswatini
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General Information

Nature of business and principal activities	Municipality
Councillors	Chairperson: Councillor Bongile Mbingo Finance Chairperson: Councillor Darron Raw Members: Councillor Edmund Mazibuko Councillor Sandile Dlamini Councillor Mike Vincent Councillor Miliswa Mtshali
Senior Management	Mr Vusi Matsebula - Town Clerk Mrs Ntombizodwa Vilakati - Town Treasurer Xolile Maphanga - Environment and Public Health Manager Phiwayinkosi Dlamini - Town Engineer Zwakele Dlamini - Town Planner Zakhele Gamedze - Corporate Services Manager
Business address	Lot 1 Mountain View Township, Mpumalanga Road, Ezulwini
Postal address	P. O. Box 344, Ezulwini, H106
Bankers	First National Bank Swaziland Limited Standard Bank Eswatini Limited Nedbank Swaziland Limited Eswatini Building Society
Auditors	Kobla Quashie and Associates Chartered Accounts (Eswatini)
Legal Advisors	S. V. Mdladla and Associates

Contents

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

Council's Responsibilities and Approval

The Council is required in terms of the Section 102(3) of the Urban Local Government Act, 1969 and Section 93 of the Urban Government Financial Reporting Regulations Act of 1969 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Council as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) 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 for Small and Medium Sized Entities (IFRS For SMEs) 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 2022 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 s 4 to 5.

The annual financial statements set out on pages 6 to 30, which have been prepared on the going concern basis, were approved by the board on 22 September 2021 and were signed on its behalf by:

Chairperson	**Town Clerk**

Town Treasurer

KOBLA QUASHIE AND ASSOCIATES
CHARTERED ACCOUNTANTS (ES)

Mallya House, Lot 137, Esser Street
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Independent Auditor's Report

To the members of Ezulwini Town Council

Report on the audit of the Financial Statements

Opinion

We have audited the annual financial statements of Ezulwini Town Council, set out on pages 6 to 23, which comprise the statement of financial position as at 31 March 2021, and the statement of profit and loss and comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards For Small and Medium Sized Entities (IFRS For SMEs), and in the manner required by Section 102(3) of the Urban Local Government Act, 1969 and section 93 of the Urban Government Financial Reporting Regulations Act of 1969.

Basis of the 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 are independent of the Council in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B) and in accordance with the ethical requirements applicable to performing audits in Eswatini. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Councillors and Those Charged With Governance for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards For Small and Medium Sized Entities (IFRS For SMEs), and in the manner required by Section 102(3) of the Urban Local Government Act, 1969 and section 93 of the Urban Government Financial Reporting Regulations Act of 1969, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud and error.

In preparing the annual financial statements, the Councillors are responsible for assessing the Councils'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 management and the directors either intend to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

Auditors Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to fraud and 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 annual 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 and 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 on internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Supplementary Information

The supplementary schedules set out on page 24-27 do not form part of the financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

Kobla Quashie and Associates
Chartered Accountants (Eswatini)
Manzini
Per: Daniel Bediako

22 September 2021

Statement of Financial Position

Figures in Emalangeni	Note(s)	2021	2020
Assets			
Non-Current Assets			
Property, plant and equipment	2	71,546,402	73,901,525
Current Assets			
Trade and other receivables	3	29,134,613	17,914,992
Cash and cash equivalents	4	21,326,587	15,638,999
		50,461,200	**33,553,991**
Total Assets		**122,007,602**	**107,455,516**
Equity and Liabilities			
Equity			
Reserves	5	56,039,059	56,039,059
Accumulated funds		62,456,729	49,054,611
		118,495,788	**105,093,670**
Liabilities			
Current Liabilities			
Trade and other payables	6	1,728,605	912,611
Provisions	7	1,783,209	1,449,235
		3,511,814	**2,361,846**
Total Equity and Liabilities		**122,007,602**	**107,455,516**

Statement of Comprehensive Income

Figures in Emalangeni	Note(s)	2021	2020
Revenue		31,595,339	23,920,658
Direct costs		(5,942,567)	(5,403,322)
		25,652,772	**18,517,336**
Other income		1,498,288	537,780
Operating expenses		(14,705,124)	(14,021,877)
Operating surplus	8	**12,445,936**	**5,033,239**
Investment revenue - (Interest from bank)		576,255	748,193
		13,022,191	**5,781,432**
Other comprehensive income		-	-
Total comprehensive gain / (loss)		**13,022,191**	**5,781,432**
Surplus for the year		13,022,191	5,781,432

Statement of Changes in Funds

Figures in Emalangeni	Reserves	Accumulated funds	Total equity
Balance at 01 April 2019	**56,039,059**	**42,720,586**	**98,759,645**
Total comprehensive surplus for the year		5,781,432	5,781,432
Prior year adjustment-accounting software and receipts control account		552,593	552,593
Total changes		6,334,025	6,334,025
Balance at 01 April 2020	**56,039,059**	**49,054,611**	**105,093,670**
Total comprehensive surplus for the year		13,022,191	13,022,191
Prior year adjustment (Note 14)		379,927	379,927
Total changes		13,402,118	13,402,118
Balance at 31 March 2021	**56,039,059**	**62,456,729**	**118,495,788**

Statement of Cash Flows

Figures in Emalangeni	Note(s)	2021	2020
Cash flows from operating activities			
Cash absorbed in operations	9	6,070,243	3,539,308
Interest income		576,255	748,193
Net cash from operating activities		**6,646,498**	**4,287,501**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(958,910)	(9,711,800)
Cash flows from financing activities			
Total cash movement for the year		**5,687,588**	**(5,424,299)**
Cash at the beginning of the year		15,638,999	21,063,298
Total cash at end of the year	4	**21,326,587**	**15,638,999**

Summary of Significant Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standardsfor Small Medium Sized Entities (IFRS For SMEs), 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 Emalangeni.

The entity has adopted IFRS for SMEs in the year under review . Previously the entity was reporting under the International Financial Reporting Standards (IFRS).The change does not have have an impact on the recognition and measurement of the entitys current and previuos amounts . As such no restatement are made on the comparatives. .

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 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 7 - Provisions.

Property, plant and equipment

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

1.3 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.

Summary of Significant Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

Item	Rates
Land and Buildings	0%
Plant and Machinery	20%
Furniture and Fixtures	10%
Motor vehicles and Tractors	25%
Office equipment	10%
Computer equipment	33.33%
Roads	4%
Cell phones	33.33%
Highmast lights	10%
Trailers	20%
Car ports	5%

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

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

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

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.

1.4 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.

Summary of Significant Accounting Policies

1.4 Financial instruments (continued)

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.

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Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

1.5 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.

Summary of Significant Accounting Policies

1.5 Government grants (continued)

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

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

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

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

1.6 Employee benefits

Short-term employee benefits

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

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

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

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

1.7 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.

Summary of Significant Accounting Policies

1.7 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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

Summary of Significant Accounting Policies

1.8 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.

1.9 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.

Summary of Significant Accounting Policies

1.10 Equity

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

1.11 Related parties

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

Notes to the Annual Financial Statements

Figures in Emalangeni	2021	2020

2. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and Buildings	2,610,000	-	2,610,000	2,610,000	-	2,610,000
Roads	82,662,826	(16,629,568)	66,033,258	82,248,598	(13,894,004)	68,354,594
Plant and Machinery	236,153	(170,451)	65,702	236,153	(154,026)	82,127
Furniture and Fixtures	628,492	(258,148)	370,344	549,383	(223,544)	325,839
Motor vehicles and Tractors	3,670,295	(3,137,055)	533,240	3,670,295	(2,959,309)	710,986
Office equipment	858,073	(347,120)	510,953	795,752	(295,547)	500,205
Cell phones	56,995	(21,265)	35,730	50,495	(5,027)	45,468
Computer equipment	1,395,272	(727,583)	667,689	998,521	(525,671)	472,850
Car ports	315,753	(83,946)	231,807	315,753	(71,746)	244,007
Highmast lights	1,196,538	(806,657)	389,881	1,196,538	(763,337)	433,201
Skip bins	486,592	(388,794)	97,798	486,592	(364,344)	122,248
Total	**94,116,989**	**(22,570,587)**	**71,546,402**	**93,158,080**	**(19,256,555)**	**73,901,525**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
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
	73,901,525	**958,910**	**(3,314,033)**	**71,546,402**

Notes to the Annual Financial Statements

Figures in Emalangeni	2021	2020

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Land and Buildings	2,610,000	-	-	-	2,610,000
Roads	62,378,381	8,633,916	-	(2,657,703)	68,354,594
Plant and Machinery	76,692	24,024	-	(18,589)	82,127
Furniture and Fixtures	265,350	88,922	-	(28,433)	325,839
Motor vehicles and Tractors	939,106	-	-	(228,120)	710,986
Office equipment	290,356	252,186	-	(42,337)	500,205
Cell phones	2,638	50,495	(2,565)	(5,100)	45,468
Computer equipment	130,373	558,182	-	(215,705)	472,850
Car ports	150,405	104,075	-	(10,473)	244,007
Highmast lights	480,512	-	-	(47,311)	433,201
Skip bins	151,326	-	-	(29,078)	122,248
	67,475,139	**9,711,800**	**(2,565)**	**(3,282,849)**	**73,901,525**

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

3. Trade and other receivables

	2021	2020
Rates	29,134,613	17,914,992

Credit quality of trade and other receivables

Exposure to credit risk

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

Fair value of trade and other receivables

Trade and other receivables which are less than 365 days past due are not considered to be impaired. At 31 March 2020 E 25,988,183 (2020 - E 17,914,992) were past due but not impaired

Trade and other receivables impaired

The amount of the provision was E3,235,819.27 - as of 31 March 2021 (2020: - E3,802,644)
Bad depts recovered amounted to E 565,763.52 .
The E 3,235,819.27 is based on a specific provision made by the client :

Pimenta Swaziland Family Trust E 42,233.49
Emtini Properties Pty Ltd E 1,565,833.61
Lifestyle Estate E 1,627,752.17

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Emalangeni	2021	2020

4. Cash and cash equivalents (continued)

Cash on hand	40,418	-
Bank balances	21,286,169	15,638,999
	21,326,587	**15,638,999**

Bank balances		
Nedbank Call Account	115,042	545,741
Standard Bank Swaziland Limited - Projects account	236,474	12,130,920
African Alliance	14,203,565	1,277,792
Swaziland Building Society	6,555,548	1,612,644
First National Bank	175,540	71,901
	21,286,169	**15,638,998**

5. Reserves

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

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

Opening balance	56,039,059	56,039,059

2021	**Opening balance**	**Additions**	**Total**
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
	56,039,059	**-**	**56,039,059**

2020	**Opening balance**	**Additions**	**Total**
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
	56,039,059	**-**	**56,039,059**

Notes to the Annual Financial Statements

Figures in Emalangeni	2021	2020

6. Trade and other payables

	2021	2020
Trade payables	78,641	205,911
Unidentified deposits	82,859	243,455
Other creditors	1,475,510	378,607
Accrued audit fees	91,595	84,638
	1,728,605	**912,611**

7. Provisions

Reconciliation of provisions - 2021

	Opening balance	Additions	Total
Terminal benefits	1,449,235	333,974	1,783,209

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Total
Terminal benefits	1,189,559	496,541	(236,865)	1,449,235

8. Operating surplus

Operating surplus for the year is stated after accounting for the following:

	2021	2020
Profit on sale of property, plant and equipment	-	(2,565)
Depreciation on property, plant and equipment	3,314,033	3,282,848
Employee costs	8,397,560	7,423,283
Recruitment expenses	2,674	145,274
Auditors' remuneration	69,575	69,575

9. Cash generated from operations

	2021	2020
Surplus for the year	13,022,191	5,781,432
Adjustments for:		
Depreciation and amortisation	3,314,033	3,282,848
Loss on sale of assets	-	2,565
Interest received	(576,255)	(748,193)
Movements in provisions	333,974	259,676
Prior year adjustment - accounting software and receipts control account	379,927	552,594
Changes in working capital:		
Trade and other receivables	(11,219,621)	(4,758,961)
Trade and other payables	815,994	(832,653)
	6,070,243	**3,539,308**

Notes to the Annual Financial Statements

Figures in Emalangeni	2021	2020

10. 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), cash and cash equivalents, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

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

Financial risk management

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

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

Liquidity risk

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

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

Interest rate risk

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

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

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

Notes to the Annual Financial Statements

Figures in Emalangeni	2021	2020

10. Risk management (continued)

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 counter-party.

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 instrument	2021	2020
Trade and other receivables	17,914,993	13,156,013
Cash and cash equivalents	15,598,929	21,063,298

11. Financial assets by category

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

2021

	Loans and receivables	Available-for-sale	Total
Trade and other receivables	17,914,993	-	17,914,993
Cash and cash equivalents	-	15,676,760	15,676,760
	17,914,993	**15,676,760**	**33,591,753**

2020

	Loans and receivables	Available-for-sale	Total
Trade and other receivables	13,156,031	-	13,156,031
Cash and cash equivalents	-	21,063,298	21,063,298
	13,156,031	**21,063,298**	**34,219,329**

12. Financial liabilities by category

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

2021

	Financial liabilities at amortised cost	Total
Trade and other payables	912,611	912,611
Provisions	1,449,235	1,449,235
	2,361,846	**2,361,846**

Notes to the Annual Financial Statements

Figures in Emalangeni	2021	2020

12. Financial liabilities by category (continued)

2020

	Financial liabilities at amortised cost	Total
Trade and other payables	1,745,264	1,745,264
Provisions	1,189,559	1,189,559
	2,934,823	**2,934,823**

13. Contingent Liability

The Council is currently appealing a tax liability of E 3,159,510 and interest of E 818,749 levied against it by the Eswatini Revenue Authority arising from non-compliance of applying for an annual tax exemption . The Council is unable to reliably determine the outcome of the appeal as the appeal process with Eswatini Revenue Authority is still ongoing .

14. Prior year adjustment

Prior year adjustment of E 379,927 is a result of a resolution by the council to write-off certain unsupported balances brought forward from prior years .

Detailed Statement of Financial Performance

Figures in Emalangeni	Note(s)	2021	2020
Revenue			
Government subvention		782,790	873,000
Rates		30,812,549	23,047,658
		31,595,339	**23,920,658**
Direct costs			
Direct Costs for the year		(5,942,567)	(5,403,322)
		25,652,772	**18,517,336**
Other income			
Interest received		576,255	748,193
Bad Debts Provision		565,737	-
Sundry income		932,551	537,780
		2,074,543	**1,285,973**
Operating expenses			
Advertising and promotions		289,347	215,805
Audit Fees - Internal and External		128,225	69,575
Bank charges		117,523	98,377
Cleaning		41,841	84,636
Computer maintenance & accessories		38,295	9,697
Consulting and professional fees		39,445	-
Environmental Management		5,601	-
Depreciation		316,527	302,046
Employee costs		8,397,560	7,423,283
Hospitality expenses		36,917	62,315
HIV Programs		121,447	178,687
Information Management Systems		338,023	199,963
Insurance		495,251	436,710
Legal expenses		84,978	171,346
Loss on disposal of assets		-	2,565
Medical expenses		14,791	21,361
Motor vehicle repairs & maintenance		1,029,118	791,470
Printing and stationery		102,219	159,072
Protective clothing		7,911	113,645
Recruitments expenses		2,674	145,274
Repairs and maintenance		154,229	277,020
SIGA games		-	63,879
Security		203,780	185,106
Sitting allowances		393,318	493,872
Social welfare		23,824	-
Special programs		1,107,157	675,103
Strategic Planning & Budgeting		126,677	39,451
Subscriptions		106,975	93,163
Team building exercise		14,400	73,851
Telephone and fax		230,000	199,124
Training		8,522	163,916
Travelling expenses		20,846	367,267

Detailed Statement of Financial Performance

Figures in Emalangeni	Note(s)	2021	2020
Utilities		707,703	737,628
Valuation expenses		-	166,670
		14,705,124	**14,021,877**
Surplus for the year		**13,022,191**	**5,781,432**

Statement of Direct Costs

Figures in Emalangeni	Note(s)	2021	2020
Depreciation		2,997,506	2,980,802
Maintenance-High Mast and Street Lights		348,510	-
Maintenance and improvements Of Roads Infrastructure		1,613,374	1,535,438
Protective clothing		117,529	169,191
Refuse management costs		764,310	631,498
Signage		101,338	86,393
		5,942,567	**5,403,322**
Direct costs for the year		5,942,567	5,403,322

Supplementary Information

1. Swaziland Government

Subvention	782,790

2. Auditors' remuneration

Kobla Quashie and Associates - 2021statutory audit fees	69,575