

**Piggs Peak Town Council
Annual Financial Statements
for the year ended 31 March 2016**

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

General Information

Nature of business and principal activities	Municipality
Councillors	Cllr. Sipho Shongwe - Chairperson Cllr. Thembi Dlamini - Vice chairperson Cllr. Bongani Magagula Cllr. Victor Masango Cllr. Sizwe Themba Cllr. Thulani Msimango Cllr. Simeon Makhubu Cllr. Mfanzile Dlamini
Senior Management	Mzwandile Ndzinisa - Town Clerk/ CEO Ntombizodwa Vilakati - Town Treasurer
Business Address	Plot 1471 & 1473 Piggs Peak
Postal Address	P.O. Box 479 Piggs Peak
Bankers	Standard Bank Swaziland Limited
Auditors	Kobla Quashie and Associates Chartered Accountants (Swaziland) Manzini
Legal advisor	Robinson Betram

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

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

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Independent Auditors' Report

To the councillors of Piggs PeakTown Council

We have audited the accompanying annual financial statements of Piggs PeakTown Council, which comprise of the statement of financial position as at 31 March 2016, 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, and the director's report, as set out on pages 5 to 22.

Councillor's Responsibility for the Annual Financial Statements

The councillors are 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 section 102 (3) of urban Local Government Act, 1969 of 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 misstatements, 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 Piggs PeakTown Council as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, 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 of 1969.



Kobla Quashie and Associates
Chartered Accountants (Swaziland)
Manzini

31 August 2016

Per: Daniel Bediako

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

Piggs Peak Town Council

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Councillors' Responsibilities and Approval

The Councillors are required by the Section 102(3) of the Urban Local Government Act, 1969 and Section 93 of the Urban Government Financial Reporting Regulations 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 Councillors acknowledge that they are 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 Councillors 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 Councillors are 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 Councillors 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 3.

The annual financial statements set out on pages 5 to 24, which have been prepared on the going concern basis, were approved by the Councillors on 31 August 2016 and were signed on its behalf by:


Chairman


Town Clerk / CEO


Town Treasurer

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Statement of Financial Position

	Note(s)	2016	2015
Assets			
Non-Current Assets			
Property, plant and equipment	2	29 283 587	16 573 540
Current Assets			
Trade and other receivables	3	1 441 627	1 845 768
Cash and cash equivalents	4	11 011 794	11 384 940
		12 453 421	13 230 708
Total Assets		41 737 008	29 804 248
Equity and Liabilities			
Equity			
Capital Reserves	5	17 544 155	5 040 818
Designated funds	6	3 994 666	8 568 095
Accumulated funds		12 950 033	12 116 398
Revaluation reserves	7	3 199 271	3 199 271
		37 688 125	28 924 582
Liabilities			
Non-Current Liabilities			
Other financial liabilities		1 663 936	-
Current Liabilities			
Other financial liabilities		316 064	33 553
Trade and other payables	9	1 475 146	303 816
Provisions	10	593 737	542 297
		2 384 947	879 666
Total Liabilities		4 048 883	879 666
Total Equity and Liabilities		41 737 008	29 804 248

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Statement of Comprehensive Income

	Note(s)	2016	2015
Income		13 218 770	11 642 504
Direct cost		(1 643 394)	(1 769 083)
		11 575 376	9 873 421
Other income		2 263 976	2 477 329
Operating expenses		(8 410 917)	(7 335 565)
Operating surplus		5 428 435	5 015 185
Investment revenue		191 066	135 412
Finance costs		-	(46 760)
Surplus for the year		5 619 501	5 103 837

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Statement of Changes in Equity

	Capital reserve	Designated funds	Accumulated funds	Total attributable to the council	Revaluation reserve	Total equity
Balance at 01 April 2014	2 148 976		7 012 561	9 161 537		9 161 537
Changes in equity						
Revaluation of property					3 199 271	3 199 271
Net income (expenses) recognised directly in equity					3 199 271	3 199 271
Surplus for the year			5 103 837	5 103 837		5 103 837
Total recognised income and expenses for the year			5 103 837	5 103 837	3 199 271	8 303 108
Capital reserve	2 891 842			2 891 842		2 891 842
Designated funds		8 568 095		8 568 095		8 568 095
Total changes	2 891 842	8 568 095	5 103 837	16 563 774	3 199 271	19 763 045
Balance at 01 April 2015	5 040 818	8 568 095	12 116 398	25 725 311	3 199 271	28 924 582
Changes in equity						
Surplus for the year			5 619 501	5 619 501		5 619 501
Capital Reserve movement	12 503 337			12 503 337		12 503 337
Movement in designated funds		(4 573 429)		(4 573 429)		(4 573 429)
movement in accumulated funds			(4 785 866)	(4 785 866)		(4 785 866)
Total changes	12 503 337	(4 573 429)	833 635	8 763 543		8 763 543
Balance at 31 March 2016	17 544 155	3 994 666	12 950 033	34 488 854	3 199 271	37 688 125
Note(s)	5					

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Statement of Cash Flow

	Note(s)	2016	2015
Cash flows from operating activities			
Cash (used in) generated from operations	11	(1 510 915)	10 879 031
Interest income		191 066	135 412
Finance costs		-	(46 760)
Net cash from operating activities		(1 319 849)	10 967 683
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(13 503 081)	(3 283 273)
Cash flows from financing activities			
Movement in Capital reserves	5	12 503 337	2 960 965
Repayment of other financial liabilities		1 946 447	-
Finance lease receipts		-	(773 074)
Net cash from financing activities		14 449 784	2 187 891
Total cash movement for the year		(373 146)	9 872 301
Cash at the beginning of the year		11 384 940	1 512 639
Total cash at end of the year	4	11 011 794	11 384 940

Piggs Peak 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 the Section 102(3) of the Urban Local Government Act, 1969 and Section 93 of the Urban Government Financial Reporting Regulations of 1969. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 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:

Trade Receivables

The council assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the council makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available.

1.2 New standards and interpretations not yet adopted

At the date of authorization of the financial statements of the entity for the year ended 30 June 2015, 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)
- Clarification of Acceptable Methods of Depreciation and Amortization (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

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Summary of Significant Accounting Policies

1.2 New standards and interpretations not yet adopted (continued)

Effective for the financial year commencing 1 January 2018

- IFRS 9 Financial Instruments

All Standards and Interpretations will be adopted at their effective dates, except for those Standards and Interpretations that are not applicable to the entity.

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

The impact of the remaining statements on the financial statements has been estimated as follows:
Disclosure Initiative (Amendment to IAS 1)

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

The amendments apply for annual periods beginning on or after 1 April 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 recognizing 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 recognized.

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 recognized. The entity is currently in the 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 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 9 and completes the 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 recognized 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 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 company; and the cost of the item can be measured reliably.

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Summary of Significant Accounting Policies

1.3 Property, plant and equipment (continued)

Costs include costs 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.

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 straight line basis 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	Average useful life
Land, buildings and carports	0%
Furniture and fittings	10%
Plant and machinery	10%
Streetlights	10%
Office equipment	10%
Motor vehicles	25%
Office, market and social centre improvements	10%, 5% and 5%
Computer equipment	33%
Landfill	0%
Sports ground	0%
Pounds	5%
Roads Infrastructure	5%

The residual value and the useful life of each asset are reviewed at each financial period-end.

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 shall be 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

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.

Financial assets and financial liabilities are recognised on the council's balance sheet when the council becomes party to the contractual provisions of the instrument.

Trade and other receivables

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Summary of Significant Accounting Policies

1.4 Financial instruments (continued)

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 the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

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.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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.

Piggs Peak Town Council

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Summary of Significant Accounting Policies

1.6 Employee benefits (continued)

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 Council has no further payment obligation. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Terminal benefits

Termination benefits are repayable whenever an employees' employment is terminated before the normal retirement date or when ever an employee accepts voluntary redundancy in exchange for these benefits. The Council recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility 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.

1.8 Government grant

Government grants are recognised when there is reasonable assurance that:

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

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

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

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet 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).

1.9 Revenue recognition

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

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Summary of Significant Accounting Policies

1.9 Revenue recognition (continued)

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 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 Council based on values extracted from the master valuation roll and amended when a supplementary valuation roll is prepared.

1.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 Related parties

The major related party to the council apart from its directors is the Government of Swaziland which exercises a significant influence over its financial and operating decisions as it provides funding for its annual budget. The institute received the following allocation for the year under review.

Annual subvention	630 000	630 000
Government Capital Grant	1 952 083	1 952 083
	2 582 083	2 582 083

1.12 Risk management

Financial risk factors

The council's activities expose it to a variety of risk, credit risk, liquidity risk and cash flow interest risk.

The council's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the council.

Risk management is carried out under policies approved by the directors. The finance department identifies, evaluates and hedges financial risks in operation with the council's operating units. The council provides written principles for overall risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and investing excess liquidity.

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Summary of Significant Accounting Policies

1.12 Risk management (continued)

Market risk

Market risk includes currency risk, interest rate risk and equity price risk. From time to time derivative financial instruments are entered into to reduce this exposure to market risk.

(i) Currency risk

The council was not exposed to significant currency risk at the reporting date.

(ii) Interest rate risk

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.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

(iii) Legal risk

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

(iv) Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure materially the completeness, accuracy and validity of all transactions. These controls are argueded by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning.

(v) Taxation risk

Taxation risk is the risk that the council will incur a financial loss due to an incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing structures.

(vi) Liquidity risk

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

(vii) Credit risk

Credit risk arises from cash and cash equivalents, deposits with bank and financial institutions, as well as credit exposures to corporate, government and individual customers, including outstanding receivables and committed transactions.

(viii) Cash flow and fair value interest rate risk

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Summary of Significant Accounting Policies

1.12 Risk management (continued)

The council's income and operating cashflows are affected, but not to a significant extent, by changes in the market interest rates. The council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the council to cash flow interest rate risk. Borrowings issued at fixed rates expose the council to fair value interest rate risk. The council's borrowings are mainly variable interest rate borrowings and as such they expose the council to cash flow risk.

Fair value estimation

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

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Road infrastructure	12 647 108	(631 657)	12 015 451	3 014 657	(294 108)	2 720 549
Plant and machinery	2 637 326	(428 706)	2 208 620	1 233 942	(286 542)	947 400
Computer equipment	360 373	(240 371)	120 002	214 494	(184 290)	30 204
Furniture and fittings	458 752	(161 269)	297 483	306 511	(129 532)	176 979
Land, buildings and carports	9 438 366	(4 458)	9 433 908	9 438 366	(4 458)	9 433 908
Sports ground	2 425 103	-	2 425 103	1 522 697	-	1 522 697
Motor vehicles	943 846	(308 062)	635 784	232 755	(232 755)	-
Pound	111 838	(15 184)	96 654	111 838	(10 115)	101 723
Streetlights	1 414 871	(298 704)	1 116 167	914 871	(208 969)	705 902
Office equipment	357 737	(253 292)	104 445	329 854	(226 886)	102 968
Office, market and social centre improvement	599 511	(69 541)	529 970	571 764	(40 554)	531 210
Landfill	300 000	-	300 000	300 000	-	300 000
Total	31 694 831	(2 411 244)	29 283 587	18 191 749	(1 618 209)	16 573 540

Reconciliation of property, plant and equipment - 2016

	Opening Balance	Additions	Current year depreciation charge	Total
Road infrastructure	2 720 549	9 632 451	(337 549)	12 015 451
Computer equipment	30 204	145 879	(56 081)	120 002
Plant and machinery	947 400	1 403 385	(142 165)	2 208 620
Furniture and fittings	176 979	152 239	(31 735)	297 483
Land, buildings and carports	9 433 908	-	-	9 433 908
Sports ground	1 522 697	902 406	-	2 425 103
Office equipment	102 968	27 884	(26 407)	104 445
Office, market and social centre improvement	531 210	27 747	(28 987)	529 970
Pound	101 723	-	(5 069)	96 654
Motor vehicles	-	711 090	(75 306)	635 784
Streetlights	705 902	500 000	(89 735)	1 116 167
Landfill	300 000	-	-	300 000
	16 573 540	13 503 081	(793 034)	29 283 587

Reconciliation of property, plant and equipment - 2015

	Opening Balance	Additions	Revaluations	Depreciation	Total
Land, building and carports	6 034 983	204 112	3 199 271	(4 458)	9 433 908
Road infrastructure	1 780 628	1 158 565	-	(218 644)	2 720 549
Plant and equipments	779 853	257 631	-	(90 084)	947 400
Streetlights	593 838	183 665	-	(71 601)	705 902
Furniture and fittings	33 855	157 648	-	(14 524)	176 979
Office equipment	2 198	108 112	-	(7 342)	102 968
Computer equipment	8 062	31 047	-	(8 905)	30 204
Office, market and social centre improvement	427 464	128 532	-	(24 786)	531 210
Pound	107 076	-	-	(5 353)	101 723

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016	2015
2. Property, plant and equipment (continued)		
Sports ground	468 736	1 053 961
Landfill	300 000	-
	10 536 693	3 283 273
	3 199 271	(445 697)
	16 573 540	

The land and Building is situated on Plot 1471 & 1473, Piggs Peak Town.

3. Trade and other receivables

Trade receivables	1 413 798	1 741 101
Staff debtors	27 829	104 221
VAT	-	446
	1 441 627	1 845 768

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash	20 146	235 248
Standard Bank Swaziland Limited	10 991 648	11 148 416
Swazibank	-	1 276
	11 011 794	11 384 940

Bank balances

Swazibank	-	1 276
Standard Bank - current account	68 074	(8 735)
Standard Bank - CIP current account	2 135 838	(66 362)
Standard Bank - OPS call account	4 203 538	3 248 155
Standard Bank - CIP call account	1 040 289	1 131 460
Standard Bank - SLGP call account	3 543 909	6 843 898
	10 991 648	11 149 692

5. Capital Reserves

Opening balance	5 040 818	2 484 968
Addition	13 177 079	2 960 965
Transfer to Income	(673 742)	(405 115)
	17 544 155	5 040 818

The capital reserves arises from the capitalisation of projects costs paid out of grants recieved from the Government of Swaziland and World Bank Projects in years 2014, 2015 and 2016 amounting to E2 148 976, E2 960 965 and E13 177 079 respectively.

Capital reserves	17 544 155	5 040 818
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Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

2016 2015

6. Designated funds

	2015	Addition	Utilised	2016
Swaziland Government Grant	943 019	1 952 083	(2 349 163)	545 939
Swaziland Local Government Project	2 235 708	3 015 465	(2 842 735)	2 408 438
Council contribution	5 389 368	3 636 102	(7 985 181)	1 040 289
	8 568 095	8 603 650	(13 177 079)	3 994 666

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

7. Revaluation reserves

Revaluation reserves arise as a result of revaluation of the Town Council Building situated at lots 1471 and 1473 by Christian Amoako & Co. (Pty) Ltd on the 20 March 2015.

8. Borrowings

Standard Bank Swaziland	1 980 000	-
Present value of minimum lease payments due		
- within one year	316 064	-
- in second to fifth year inclusive	1 663 936	-
	1 980 000	-

The councils's obligations are payable over 60 months on monthly installments of E65 240.91, interest is charged at 10.75% and is secured by:

9. Trade and other payables

Trade payables	1 431 450	278 816
VAT	9 496	-
Audit fees	34 200	25 000
	1 475 146	303 816

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Notes to the Annual Financial Statements

	2016	2015		
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10. Provisions				
Reconciliation of provisions - 2016				
	opening balance	Additions	Utilised during the year	Total
Gratuity	246 898	-	(55 565)	191 333
Provision for leave days	78 558	30 588	-	109 146
Provision for Ex gratia and salary bonus	216 841	76 417	-	293 258
	542 297	107 005	(55 565)	593 737
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Reconciliation of provisions - 2015				
	Opening Balance	Additions	Utilised during the year	Total
Gratuity	311 587	-	(64 689)	246 898
Leave days	129 152	-	(50 594)	78 558
Ex gratia and salary bonus	-	216 841	-	216 841
	440 739	216 841	(115 283)	542 297
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11. Cash (used in) generated from operations				
Profit before taxation			5 619 501	5 103 837
Adjustments for:				
Depreciation and amortisation			793 034	445 697
Interest received			(191 066)	(135 412)
Finance costs			-	46 760
Movements in provisions			51 440	101 558
movement in designated funds			(4 573 429)	1 226 826
movement in reserves			(4 785 866)	(44 394)
Changes in working capital:				
Trade and other receivables			404 141	4 851 223
Trade and other payables			1 171 330	(717 064)
			(1 510 915)	10 879 031

Certain comparative figures have been reclassified where necessary, to afford a proper comparison.

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Detailed Income statement

	Note(s)	2016	2015
Income			
Government subvention		630 000	630 000
Rates revenue		12 588 770	11 012 504
		13 218 770	11 642 504
Direct cost			
Transfer from direct cost statement		(1 643 394)	(1 769 083)
Gross profit		11 575 376	9 873 421
Other income			
Rent and leases		986 244	1 779 713
Market fees and user charges		603 990	697 616
Sundry income		673 742	-
Interest received		191 066	135 412
		2 455 042	2 612 741
Operating expenses			
Advertising		254 902	225 269
Audit fees		34 200	25 000
Bank charges		119 708	82 123
Cleaning expenses		28 186	20 402
Computer consumables		91 329	80 156
Council catering		53 262	71 459
Councillors allowance		522 489	617 965
Repairs & Maintenance		11 519	36 283
Motor vehicle expenses		483 651	592 071
Insurance		286 539	78 241
Printing and stationery		111 980	84 632
Professional fees		158 420	370 966
Fines and penalties		219 973	-
Internal audit		34 989	-
Employee costs		3 819 528	3 623 665
General expenses		18 812	8 942
Training of staff and councillors		189 592	90 284
SIGA Games		17 715	145 157
Subscriptions		85 500	82 188
Telephone and fax		132 457	154 734
Travelling and subsistence allowance		385 072	214 154
Environmental / cleanup campaign		175 676	110 807
Depreciation		793 034	445 697
Amical expenses		294 173	96 872
Protective clothing		88 211	78 498
		8 410 917	7 335 565
Operating surplus		5 619 501	5 150 597
Finance costs		-	(46 760)
Surplus for the year		5 619 501	5 103 837

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Direct Cost Statement

	Note(s)	2016	2015
Floodlights and Sreelights electricity		437 461	457 169
Landfill maintenance		40 588	19 203
Paupers funeral		-	1 950
Road and sidewalk maintenance		146 968	295 944
Council Structures - Electricity and water		193 583	243 853
Security rangers		497 325	458 657
Streetlights maintenance		220 703	206 240
Landscaping and greening		57 407	-
Maintenance of Council Structures		49 359	86 067
		1 643 394	1 769 083
Direct costs for the year		1 643 394	1 769 083

Piggs Peak Town Council
Annual Financial Statements for the year ended 31
March 2016

BUDGET ANALYSIS

Detailed Income statement

Income	BUDGET	ACTUAL	VARIANCE
Government subvention	630 000.00	630 000.00	-
Rates revenue	11 150 888.00	12 588 770.07	1 437 882.07
	11 780 888.00	13 218 770.07	1 437 882.07
Direct costs for the year	2 107 593.00	1 643 393.30	464 199.70
Other income			
Rent and leases	843 913.00	986 244.00	-142 331.00
User fees	911 970.00	603 989.18	307 980.82
Sundry income	-	673 742.00	-673 742.00
Interest received	75 000.00	191 065.98	-116 065.98
Sub total	1 830 883.00	2 455 041.16	-624 158.16
Operating expenses			
Advertising	220 000.00	254 902.09	-34 902.09
Audit fees	40 000.00	34 200.00	5 800.00
Bank charges	50 000.00	119 708.00	-69 708.00
Cleaning expenses	30 000.00	28 185.86	1 814.14
Computer consumables	90 918.40	91 329.00	-410.60
Council catering	58 700.00	53 262.00	5 438.00
Councillors allowance	407 000.00	522 489.00	-115 489.00
Repairs and maintenance	50 000.00	11 519.10	38 480.90
Motor vehicle expenses	510 000.00	483 650.92	26 349.08
Insurance	178 116.00	286 539.00	-108 423.00
Printing and stationery	103 000.00	111 979.54	-8 979.54
Professional fees	165 000.00	158 420.00	6 580.00
Fines and penalties	-	219 973.00	-219 973.00
Internal audit	76 000.00	34 989.00	41 011.00
Employee costs	4 492 113.23	3 819 528.00	672 585.23
General expenses	-	18 812.00	-18 812.00
Training of staff and councillors	100 000.00	189 592.26	-89 592.26
SIGA Games	17 000.00	17 714.95	-714.95
Subscriptions	105 000.00	85 500.00	19 500.00
Telephone and fax	172 028.00	132 456.81	39 571.19
Travelling and subsistence allowance	326 000.00	385 071.71	-59 071.71
Environmental / cleanup campaign	280 000.00	175 676.00	104 324.00
Depreciation	-	793 034.00	-793 034.00
Amicall expenses	302 400.00	294 173.00	8 227.00
Uniform and Protective clothing	95 000.00	88 211.00	6 789.00
Bad debts	5 000.00	-	5 000.00
Weed control chemical	10 000.00	-	10 000.00
3rd Party Accident claim	5 000.00	-	5 000.00
Total operating expenses	7 888 275.63	8 410 916.24	-522 640.61
Operating surplus	3 615 902.37	5 619 501.69	872 164.82

Piggs Peak Town Council**Annual Financial Statements for the year ended 31 March 2016****BUDGET ANALYSIS**

Direct Cost Statement			
	BUDGET	ACTUAL	VARIANCE
Utilities	413 998.00	437 461.41	-23 463.41
Tools and Refuse maintenance	50 000.00	40 588.23	9 411.77
Road Maintenance and Gravelling	210 000.00	146 967.59	63 032.41
Security rangers	500 000.00	497 325.00	2 675.00
Streetlights maintenance	260 000.00	220 702.77	39 297.23
Landscaping and greening	70 000.00	57 407.11	12 592.89
Maintenance of Council Structure	231 000.00	49 359.18	181 640.82
Electricity & Water - council structures	372 595.00	193 582.01	179 012.99
Direct costs for the year	2 107 593.00	1 643 393.30	464 199.70

Piggs Peak Town Council

Annual Financial Statements for the year ended 31 March 2016

Supplementary information

1. Capital grant

Swaziland Government Grant	1 952 083
Swaziland Local Government Project Fund	3 015 465
	4 967 548

2. Audit fees

Kobla Quashie and Associates	30 000
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