



eDumbe Local Municipality (KZN261)
Annual Financial Statements
for the year ended 30 June 2025

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

General Information

Nature of business and principal activities

Municipality in terms of section of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) read with section 115(1) of the Constitution of the Republic of South Africa, 1996 (Act no. 108 of 1996).

The main purpose of the municipality is to engage in local government activities, which include planning and promotion of integrated development planning, economic and environmental development and provision of services to the community.

The municipality provides services such as electricity, refuse and other public services.

Mayoral committee

Honourable Mayor
Deputy Mayor
Speaker
Chief Whip
Chairperson: MPAC
Membership of Exco
Councillors

MS Mkhabela
SJ Kunene
DJ Nhlengethwa
VA Mthethwa
HH Vilakazi
ND Ndlangamandia
ME Kunene
NS Magagula
MVS Mkhwanazi
TS Mthethwa
TE Kunene
DM Mbokazi
K Ngema
CB Mthethwa
ZG Masondo
TTI Zwane
ND Mngomezulu
BM Nxusa
R Gevers

Accounting Officer

VB Mbatha (Acting)

Chief financial officer

MK Dlomo

Business address

10 Hoog Street
Paulpietersburg
3180

Postal address

Private Bag X308
Paulpietersburg
3180

Bankers

First National Bank

Auditors

Auditor-General of South Africa (AGSA)

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act, 2003 (Act no. 56 of 2003)
mSCOA	Municipal Standard Chart of Accounts
NPO	Non-Profit Organisation
SALGBC	South African Local Government Bargaining Council
SETA	Sector Education and Training Authority

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), 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 the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit 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 municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers 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 deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is mainly dependent on grants and own for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 32 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act no. 108 of 1996), read with the Remuneration of Public Office Bearers Act, 1997 (Act no. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 5 to 87, which have been prepared on the going concern basis, were approved and signed by the acting accounting officer on 31 August 2025.

Accounting Officer
Mr VB Mbatha (Acting Municipal Manager)

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 9 942 332 (2024: surplus R 55 178 590).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 391 823 289 and that the municipality's total assets exceed its liabilities by R 391 923 637.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

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

4. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
JFK Khumalo	South African	Period ended: 28 August 2024
MS Khanyile	South African	Period ended: 26 August 2025
VB Mbatha	South African	Appointed: 26 August 2025

5. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

The annual financial statements set out on pages 5 to 87, which have been prepared on the going concern basis, were approved and signed by the acting accounting officer on 31 August 2025:

Accounting Officer
Mr VB Mbatha (Acting Municipal Manager)

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	76 763	90 982
Receivables from exchange transactions	4	4 885 663	2 440 034
Receivables from non-exchange transactions	5	4 301 966	2 448 692
Other receivables from exchange transactions	6	4 517 183	4 462 132
Other receivables from non-exchange transactions	7	1 199 799	1 507 475
VAT receivable	8	117 426 112	106 435 578
Cash and cash equivalents	9	5 867 318	2 208 521
		138 274 804	119 593 414
Non-Current Assets			
Investment property	10	21 330 000	21 042 000
Property, plant and equipment	11	437 641 335	435 002 974
Intangible assets	12	26 549	2 980
Heritage assets	13	147 149	147 149
		459 145 033	456 195 103
Total Assets		597 419 837	575 788 517
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	41 386 880	31 836 958
Income received in advance	15	4 454 125	5 209 509
VAT payable	16	119 793 736	107 630 224
Consumer deposits	17	253 300	250 090
Employee benefit obligation	19	1 199 698	390 698
Unspent conditional grants and receipts	18	9 537 912	-
		176 625 651	145 317 479
Non-Current Liabilities			
Employee benefit obligation	19	12 862 000	13 615 000
Provisions	20	16 008 549	14 990 069
		28 870 549	28 605 069
Total Liabilities		205 496 200	173 922 548
Net Assets		391 923 637	401 865 969
Reserves			
Housing development fund	21	100 348	100 348
Accumulated surplus		391 823 289	401 765 621
Total Net Assets		391 923 637	401 865 969

* See Note 48

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	47 946 418	36 278 449
Rental of facilities and equipment	23	1 607 876	1 438 291
Licences and permits	24	1 171 138	987 026
Other income	25	1 563 450	2 616 995
Interest received	26	6 713 454	7 203 304
Reversal of impairment losses	34	3 389 678	1 653 176
Infrastructure development construction contracts	27	1 705 849	15 129 170
Total revenue from exchange transactions		64 097 863	65 306 411
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	34 087 463	32 663 527
Interest received (non-exchange)	28	4 799 002	3 963 624
Transfer revenue			
Government grants and subsidies	29	135 784 362	206 418 000
Fines	30	2 442 640	2 436 679
Total revenue from non-exchange transactions		177 113 467	245 481 830
Total revenue		241 211 330	310 788 241
Expenditure			
Employee related costs	31	(89 247 674)	(86 053 696)
Remuneration of councillors	32	(8 901 669)	(8 644 449)
Depreciation and amortisation	33	(21 526 012)	(19 300 617)
Impairment losses	34	(3 405 001)	(8 439 556)
Finance costs	35	(3 164 421)	(2 960 766)
Debt impairment	36	(25 989 276)	(25 495 444)
Bulk purchases	37	(48 446 667)	(42 660 352)
Lease rentals on operating lease	38	(353 907)	(283 112)
Contracted services	39	(30 939 460)	(25 203 728)
Gain (loss) on disposal of assets and liabilities	40	(1 543 346)	(1 153 513)
Infrastructure development construction contracts	27	(1 705 849)	(15 129 170)
General expenses	41	(18 131 450)	(17 463 904)
Total expenditure		(253 354 732)	(252 788 307)
Operating (deficit) surplus		(12 143 402)	57 999 934
Fair value adjustments	42	288 000	923 000
Actuarial gains (losses)	19	1 913 070	230 003
		2 201 070	1 153 003
(Deficit) surplus for the year		(9 942 332)	59 152 937

* See Note 48

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	100 348	341 854 405	341 954 753
Adjustments			
Prior year adjustments (Note 48)	-	758 279	758 279
Restated balance at 01 July 2023	100 348	342 612 684	342 713 032
Changes in net assets			
Surplus for the year	-	59 152 937	59 152 937
Total changes	-	59 152 937	59 152 937
Restated balance at 01 July 2024	100 348	401 765 621	401 865 969
Changes in net assets			
Surplus for the year	-	(9 942 332)	(9 942 332)
Total changes	-	(9 942 332)	(9 942 332)
Balance at 30 June 2025	100 348	391 823 289	391 923 637
Note(s)	21		

* See Note 48

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Taxation		17 083 415	25 245 226
Sale of goods and services		179 047 971	136 367 008
Grants and subsidies received		145 322 274	204 779 000
Interest income		1 045 632	1 725 481
		<u>342 499 292</u>	<u>368 116 715</u>
Payments			
Employee costs		(97 474 569)	(94 025 191)
Suppliers		(216 648 284)	(205 477 090)
Finance costs		(144 295)	(96 410)
		<u>(314 267 148)</u>	<u>(299 598 691)</u>
Net cash flows from operating activities	44	<u>28 232 144</u>	<u>68 518 024</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(24 617 947)	(87 393 272)
Proceeds from sale of property, plant and equipment	11	100 000	60 000
Purchase of other intangible assets	12	(55 400)	-
Net cash flows from investing activities		<u>(24 573 347)</u>	<u>(87 333 272)</u>
Net increase/(decrease) in cash and cash equivalents		3 658 797	(18 815 248)
Cash and cash equivalents at the beginning of the year		2 208 521	21 023 769
Cash and cash equivalents at the end of the year	9	<u>5 867 318</u>	<u>2 208 521</u>

The accounting policies on pages 12 to 40 and the notes on pages 41 to 87 form an integral part of the annual financial statements.

* See Note 48

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	61 307 000	-	61 307 000	47 946 418	(13 360 582)	Note 59.1
Rental of facilities and equipment	1 597 000	-	1 597 000	1 607 876	10 876	
Licences and permits	770 000	-	770 000	1 171 138	401 138	Note 59.2
Other income	9 942 000	-	9 942 000	1 563 450	(8 378 550)	Note 59.3
Interest received - consumers	6 540 000	-	6 540 000	5 667 822	(872 178)	Note 59.4
Interest received - investments	3 100 000	-	3 100 000	1 045 632	(2 054 368)	Note 59.5
Reversal of impairment loss	-	-	-	3 389 678	3 389 678	Note 59.10
Revenue from construction contracts	-	-	-	1 705 849	1 705 849	Note 59.7
Total revenue from exchange transactions	83 256 000	-	83 256 000	64 097 863	(19 158 137)	
Revenue from non-exchange transactions						
Property rates	34 448 000	-	34 448 000	34 087 463	(360 537)	
Property rates - penalties	3 964 000	-	3 964 000	4 799 002	835 002	Note 59.6
Government grants	140 484 000	-	140 484 000	135 784 362	(4 699 638)	
Licences and permits	1 309 000	-	1 309 000	-	(1 309 000)	Note 59.2
Fines	3 403 000	-	3 403 000	2 442 640	(960 360)	Note 59.8
Total revenue from non-exchange transactions	183 608 000	-	183 608 000	177 113 467	(6 494 533)	
Total revenue	266 864 000	-	266 864 000	241 211 330	(25 652 670)	
Expenditure						
Employee related costs	(88 010 000)	-	(88 010 000)	(89 247 674)	(1 237 674)	
Remuneration of councillors	(10 370 000)	1 000 000	(9 370 000)	(8 901 669)	468 331	
Depreciation and amortisation	(18 506 000)	-	(18 506 000)	(21 526 012)	(3 020 012)	Note 59.9
Impairment loss	-	-	-	(3 405 001)	(3 405 001)	Note 59.10
Finance costs	(1 282 000)	(280 000)	(1 562 000)	(3 164 421)	(1 602 421)	Note 59.11
Lease rentals on operating lease	-	-	-	(353 907)	(353 907)	Note 59.12
Debt impairment	(7 099 000)	-	(7 099 000)	(25 989 276)	(18 890 276)	Note 59.13
Bad debts written off	(4 282 000)	-	(4 282 000)	-	4 282 000	
Bulk purchases	(50 446 000)	-	(50 446 000)	(48 446 667)	1 999 333	
Contracted services	(35 710 000)	1 096 000	(34 614 000)	(30 939 460)	3 674 540	
General expenses	(21 414 000)	(389 000)	(21 803 000)	(18 131 450)	3 671 550	
Total expenditure	(237 119 000)	1 427 000	(235 692 000)	(250 105 537)	(14 413 537)	
Operating deficit	29 745 000	1 427 000	31 172 000	(8 894 207)	(40 066 207)	
Loss on disposal of assets	-	-	-	(1 543 346)	(1 543 346)	
Fair value adjustments	-	-	-	288 000	288 000	Note 59.15
Actuarial gains/losses	-	-	-	1 913 070	1 913 070	Note 59.16
Loss from construction contracts	-	-	-	(1 705 849)	(1 705 849)	Note 59.7
	-	-	-	(1 048 125)	(1 048 125)	
Surplus for the year	29 745 000	1 427 000	31 172 000	(9 942 332)	(41 114 332)	

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	339 000	-	339 000	76 763	(262 237)	Note 59.17
Other receivables from exchange transactions	61 000	-	61 000	4 517 183	4 456 183	Note 59.18
Other receivables from non-exchange transactions	(87 000)	-	(87 000)	1 199 799	1 286 799	Note 59.19
VAT receivable	(1 830 000)	229 000	(1 601 000)	-	1 601 000	Note 59.21
Consumer debtors	27 044 000	-	27 044 000	9 187 629	(17 856 371)	Note 59.20
Cash and cash equivalents	32 174 000	1 478 000	33 652 000	5 867 318	(27 784 682)	Note 59.22
	57 701 000	1 707 000	59 408 000	20 848 692	(38 559 308)	
Non-Current Assets						
Investment property	20 119 000	-	20 119 000	21 330 000	1 211 000	
Property, plant and equipment	376 968 000	-	376 968 000	437 641 335	60 673 335	
Intangible assets	205 000	-	205 000	26 549	(178 451)	Note 59.23
Heritage assets	147 000	-	147 000	147 149	149	
	397 439 000	-	397 439 000	459 145 033	61 706 033	
Total Assets	455 140 000	1 707 000	456 847 000	479 993 725	23 146 725	
Liabilities						
Current Liabilities						
Payables from exchange transactions	3 992 000	280 000	4 272 000	41 386 880	37 114 880	Note 59.24
Income received in advance	-	-	-	4 454 125	4 454 125	Note 59.27
VAT payable	5 341 000	-	5 341 000	2 367 624	(2 973 376)	Note 59.21
Consumer deposits	391 000	-	391 000	253 300	(137 700)	Note 59.25
Employee benefit obligation	400 000	-	400 000	1 199 698	799 698	Note 59.26
Unspent conditional grants and receipts	-	-	-	9 537 912	9 537 912	Note 59.29
	10 124 000	280 000	10 404 000	59 199 539	48 795 539	
Non-Current Liabilities						
Employee benefit obligation	14 671 000	-	14 671 000	12 862 000	(1 809 000)	Note 59.26
Provisions	17 588 000	-	17 588 000	16 008 549	(1 579 451)	
	32 259 000	-	32 259 000	28 870 549	(3 388 451)	
Total Liabilities	42 383 000	280 000	42 663 000	88 070 088	45 407 088	
Net Assets	412 757 000	1 427 000	414 184 000	391 923 637	(22 260 363)	
Net Assets						
Reserves						
Housing development fund	-	-	-	100 348	100 348	
Accumulated surplus	412 757 000	1 427 000	414 184 000	391 823 289	(22 360 711)	Note 59.28
Total Net Assets	412 757 000	1 427 000	414 184 000	391 923 637	(22 260 363)	

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Taxation	28 488 000	-	28 488 000	17 083 415	(11 404 585)	Note 59.30
Sale of goods and services	48 926 000	-	48 926 000	52 411 036	3 485 036	Note 59.31
Grants	140 484 000	-	140 484 000	145 322 274	4 838 274	
Interest income	3 100 000	-	3 100 000	1 045 632	(2 054 368)	Note 59.32
Other receipts	27 231 000	-	27 231 000	-	(27 231 000)	Note 59.33
	248 229 000	-	248 229 000	215 862 357	(32 366 643)	

Payments

Employee costs and suppliers	(218 529 000)	1 478 000	(217 051 000)	(187 485 918)	29 565 082	Note 59.34
Finance costs	-	-	-	(144 295)	(144 295)	Note 59.35
	(218 529 000)	1 478 000	(217 051 000)	(187 630 213)	29 420 787	

Net cash flows from operating activities	29 700 000	1 478 000	31 178 000	28 232 144	(2 945 856)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(28 268 000)	-	(28 268 000)	(24 617 948)	3 650 052	Note 59.36
Proceeds from sale of property, plant and equipment	6 243 000	-	6 243 000	100 000	(6 143 000)	Note 59.37
Purchase of intangible assets	-	-	-	(55 400)	(55 400)	Note 59.38

Net cash flows from investing activities	(22 025 000)	-	(22 025 000)	(24 573 348)	(2 548 348)	
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Net increase/(decrease) in cash and cash equivalents	7 675 000	1 478 000	9 153 000	3 658 796	(5 494 204)	
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Cash and cash equivalents at the beginning of the year	24 700 000	-	24 700 000	2 208 521	(22 491 479)	
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Cash and cash equivalents at the end of the year	32 375 000	1 478 000	33 853 000	5 867 317	(27 985 683)	
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The adjustments made to the original budget was not due to any specific event or events, but rather due to the timing difference between the preparation of the original and adjusted budgets.

The original budget was prepared, approved and submitted within the legislative time frame. After the submission thereof, the prior year annual financial statements were completed and audited, which resulted in adjustments being made to the figures on which the original budget was based.

This resulted in management reviewing the budget and making the necessary adjustments and transfers, as allowed by legislation.

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant account policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Significant judgements and sources of estimation uncertainty

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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher if an asset's fair value less costs to sell and value in use.

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 20 - Provisions.

Useful lives of property, plant and equipment

The municipality's management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of the respective asset.

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment is measured with reference to historical data and payment trend analysis per group consumers.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

eDumbe Local Municipality (KZN261)

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Significant Accounting Policies

1.5 Investment property (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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, 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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	
• Improvements		20 - 50 years
Plant and machinery	Straight-line	20 - 50 years
Furniture and fixtures	Straight-line	3 - 10 years
Motor vehicles	Straight-line	
• Motor vehicles		3 - 7 years
• Heavy machinery and vehicles		3 - 10 years
Office equipment	Straight-line	2 - 7 years
Infrastructure	Straight-line	
• Electricity		7 - 50 years
• Roads		8 - 50 years
• Sewerage and solid waste		5 - 50 years
• Storm water		20 - 50 years
• Water		5 - 50 years
• Bridge		30 - 80 years
Community	Straight-line	
• Buildings		20 - 50 years
• Recreational facilities		7 - 50 years
• Security measures		3 - 5 years
Other property, plant and equipment	Straight-line	
• Other equipment		2 - 10 years
• Fences and gates		15 - 25 years
• Paving		3 - 10 years
Other equipment	Straight-line	3 - 10 years
Leased assets	Straight-line	2 - 3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit 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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Significant Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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Significant Accounting Policies

1.7 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software	Straight-line	3 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Significant Accounting Policies

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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Significant Accounting Policies

1.9 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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

A financial asset is past due when a counter-party has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or]
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Significant Accounting Policies

1.9 Financial instruments (continued)

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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Significant Accounting Policies

1.10 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions, whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

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Significant Accounting Policies

1.10 Statutory receivables (continued)

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum 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.

Any contingent rents are expensed in the period in which they are incurred.

Significant Accounting Policies

1.11 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Significant Accounting Policies

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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Significant Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

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 municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

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1.14 Impairment of cash-generating assets (continued)

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Significant Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

- a) an entity's decision to terminate an employee's employment before the normal retirement date; or
- b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Significant Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Significant Accounting Policies

1.16 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

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Significant Accounting Policies

1.16 Employee benefits (continued)

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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Significant Accounting Policies

1.16 Employee benefits (continued)

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.17 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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1.17 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is 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 activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Significant Accounting Policies

1.17 Provisions and contingencies (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from exchange transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

Significant Accounting Policies

1.17 Provisions and contingencies (continued)

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset; in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
 - a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
 - the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Significant Accounting Policies

1.19 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with GRAP 1. Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historical trends.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act no.56 of 2003), the Municipal Systems Act, 2000 (Act no.32 of 2000), and the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc. (as applicable).

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.28 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, 1997 (Act no. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.29 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.31 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.33 Value added tax (VAT)

The municipality accounts for VAT on the accrual basis in the annual financial statements. However, VAT is declared to the South African Revenue Services as input or output VAT only when payments are made to suppliers or payments are received for goods and services. The net difference of VAT payable / receivable on output VAT on receivables (where money has not been received) and input VAT on payables (accruals where payment has not been made) is disclosed in the statement of financial position.

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	Not yet determined	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Not yet determined	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Not yet determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

3. Inventories

Consumables	76 763	90 982
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No inventories have been pledged as security for the overdraft facilities of the municipality.

Inventories is valued at the lower of cost and net realisable value (NRV). No inventory was written down during the year.

4. Receivables from exchange transactions

Gross balances

Electricity	17 938 052	15 945 553
Refuse	114 049 700	109 555 642
Housing rental	285 317	198 408
	132 273 069	125 699 603

Less: Allowance for impairment

Electricity	(17 310 576)	(15 686 906)
Refuse	(109 812 653)	(107 374 255)
Housing rental	(264 177)	(198 408)
	(127 387 406)	(123 259 569)

Net balance

Electricity	627 476	258 647
Refuse	4 237 047	2 181 387
Housing rental	21 140	-
	4 885 663	2 440 034

Electricity

Current (0 -30 days)	155 492	56 888
31 - 60 days	62 816	24 037
61 - 90 days	42 072	16 961
91 - 120 days	9 006	7 773
121 - 365 days	358 090	152 988
	627 476	258 647

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
4. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	5 781	8 213
31 - 60 days	12 372	8 524
61 - 90 days	14 116	8 454
91 - 120 days	14 016	8 646
121 - 365 days	4 190 762	2 147 550
	4 237 047	2 181 387
Housing rental		
Current (0 -30 days)	951	-
31 - 60 days	1 087	-
61 - 90 days	987	-
91 - 120 days	1 157	-
121 - 365 days	16 958	-
	21 140	-
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1 110 170	901 403
31 - 60 days	1 019 137	628 843
61 - 90 days	948 593	532 483
91 - 120 days	925 333	382 378
> 365 days	119 731 916	86 800 492
	123 735 149	89 245 599
Less: Allowance for impairment	(119 164 675)	(87 743 343)
	4 570 474	1 502 256
Industrial / commercial		
Current (0 -30 days)	996 222	1 362 486
31 - 60 days	297 606	354 679
61 - 90 days	241 986	230 054
91 - 120 days	109 517	137 692
> 365 days	5 217 589	9 922 728
	6 862 920	12 007 639
Less: Allowance for impairment	(6 609 421)	(11 698 742)
	253 499	308 897
National and provincial government		
Current (0 -30 days)	32 815	754 380
31 - 60 days	32 469	517 684
61 - 90 days	25 268	403 170
91 - 120 days	19 374	221 332
121 - 365 days	1 560 070	22 549 800
	1 669 996	24 446 366
Less: Allowance for impairment	(1 608 311)	(23 817 485)
	61 685	628 881

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
4. Receivables from exchange transactions (continued)		
Total		
Current (0 -30 days)	2 139 208	3 018 268
31 - 60 days	1 349 213	1 501 206
61 - 90 days	1 215 848	1 165 707
91 - 120 days	1 054 225	741 402
121 - 365 days	126 509 575	119 273 021
	<u>132 268 069</u>	<u>125 699 604</u>
Less: Allowance for impairment	<u>(127 382 407)</u>	<u>(123 259 570)</u>
	4 885 662	2 440 034
Less: Allowance for impairment		
Current (0 -30 days)	(2 060 190)	(2 940 623)
31 - 60 days	(1 299 376)	(1 462 587)
61 - 90 days	(1 170 938)	(1 135 719)
91 - 120 days	(1 015 284)	(722 330)
121 - 365 days	(121 836 619)	(116 998 311)
	<u>(127 382 407)</u>	<u>(123 259 570)</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(123 259 570)	(114 120 813)
Debt impairment written off against allowance	(4 122 837)	(9 138 757)
	<u>(127 382 407)</u>	<u>(123 259 570)</u>

Consumer debtors pledged as security

None of the consumer debtors have been pledged as security for the municipality's financial liabilities.

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of consumer debtors

Management of the municipality is of the opinion that the current value of the consumer debtors recorded at amortised cost in the financial statements approximate their fair value.

Consumer debtors impaired

As of 30 June 2025, consumer debtors of R 127 382 407 (2024: R 123 259 570) were impaired and provided for.

The amount of the provision was R 127 382 407 as of 30 June 2025 (2024: R 123 259 570).

The ageing of these loans is as follows:

3 to 6 months	4 534 619	5 677 521
Over 6 months	122 847 788	117 582 049

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

eDumbe Local Municipality (KZN261)

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Notes to the Annual Financial Statements

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4. Receivables from exchange transactions (continued)		
In determining the recoverability of receivables from exchange transactions, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the receivables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.		
5. Receivables from non-exchange transactions		
Gross balances		
Rates	115 416 522	92 677 852
Less: Allowance for impairment		
Rates	(111 114 556)	(90 229 160)
Net balance		
Rates	4 301 966	2 448 692
Rates		
Current (0 -30 days)	68 350	43 202
31 - 60 days	53 931	38 479
61 - 90 days	55 192	38 070
91 - 120 days	59 232	40 385
121 - 365 days	4 065 261	2 288 556
	4 301 966	2 448 692
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	372 810	901 403
31 - 60 days	342 240	628 843
61 - 90 days	318 551	532 483
91 - 120 days	310 739	382 378
> 365 days	40 207 620	86 800 492
	41 551 960	89 245 599
Less: Allowance for impairment	(40 003 179)	(87 743 343)
	1 548 781	1 502 256
Industrial / commercial		
Current (0 -30 days)	3 095 092	1 362 486
31 - 60 days	924 611	354 679
61 - 90 days	751 809	230 054
91 - 120 days	340 250	137 692
> 365 days	16 210 155	9 922 728
	21 321 917	12 007 639
Less: Allowance for impairment	(20 527 177)	(11 698 742)
	794 740	308 897

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
5. Receivables from non-exchange transactions (continued)		
National and provincial government		
Current (0 -30 days)	1 032 446	754 380
31 - 60 days	1 021 565	517 684
61 - 90 days	795 001	403 170
91 - 120 days	609 583	221 332
121 - 365 days	49 084 048	22 549 800
	<u>52 542 643</u>	<u>24 446 366</u>
Less: Allowance for impairment	(50 584 200)	(23 817 485)
	1 958 443	628 881
Total		
Current (0 -30 days)	4 500 677	3 018 268
31 - 60 days	2 288 719	1 501 206
61 - 90 days	1 865 642	1 165 707
91 - 120 days	1 260 846	741 402
121 - 365 days	105 500 638	119 273 021
	<u>115 416 522</u>	<u>125 699 604</u>
Less: Allowance for impairment	(111 114 556)	(123 259 570)
	4 301 966	2 440 034
Less: Allowance for impairment		
Current (0 -30 days)	(4 332 605)	(2 940 623)
31 - 60 days	(2 203 120)	(1 462 587)
61 - 90 days	(1 795 833)	(1 135 719)
91 - 120 days	(1 213 586)	(722 330)
121 - 365 days	(101 569 412)	(116 998 311)
	<u>(111 114 556)</u>	<u>(123 259 570)</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(90 229 160)	(74 932 308)
Contributions to allowance	(20 885 396)	(15 296 852)
	<u>(111 114 556)</u>	<u>(90 229 160)</u>

Receivables impaired

Relating specifically to statutory receivables

As of 30 June 2025, statutory receivables of R 111 114 556 (2024: R 90 229 160) were impaired and provided for.

The amount of the provision was R 111 114 556 on 30 June 2025 (2024: R 90 229 160).

The ageing of these loans is as follows:

3 to 6 months	8 332 435	4 680 255
Over 6 months	102 782 121	85 548 905

Consumer debtors pledged as security

None of the consumer debtors have been pledged as security for the municipality's financial liabilities.

None of the financial assets that are fully performing have been renegotiated in the last year.

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

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5. Receivables from non-exchange transactions (continued)

Fair value of consumer debtors

Management of the municipality is of the opinion that the current value of the consumer debtors recorded at amortised cost in the financial statements approximate their fair value.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of receivables from non-exchange transactions, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the receivables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment.

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets are impaired. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Consideration is given to whether the following indicators exist:

- Significant financial difficulty by the receivable to settle its obligations;
- A breach of contract;
- Possibility that the receivable may enter sequestration, liquidation or any other financial reorganisation;
- Disappearance of an active market for the receivable; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets.

Refer to details in the accounting policy for further details.

6. Other receivables from exchange transactions

Sundry deposits	364 249	309 198
Staff debt	222 874	222 874
Recoverable debtor (due to loss)	3 930 060	3 930 060
	4 517 183	4 462 132

Sundry deposits consists of immaterial deposits paid by the municipality from time-to-time. Staff debt consists of recoverable debt due to irregular expenditure incurred.

Recoverable debtor is represented by fraudulent payments made during the year. The matter as been reported to the authorities and the case is being investigated, as required by the MFMA.

7. Other receivables from non-exchange transactions

Fines	1 199 799	1 507 475
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Statutory receivables included in receivables from non-exchange transactions above are as follows:

Fines (gross balance)	25 672 697	23 345 597
Provision for impairment	(24 026 067)	(21 838 122)
Total other receivables from non-exchange transactions	1 646 630	1 507 475

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7. Other receivables from non-exchange transactions (continued)

Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 1 646 630 (2024: R 1 507 475) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	1 646 630	1 507 475
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Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	(21 838 122)	(18 686 654)
Provision for impairment	(2 187 945)	(3 151 468)
	(24 026 067)	(21 838 122)

8. VAT receivable

VAT receivable	117 426 112	106 435 578
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VAT is declared on the payments based and accounted for on the accrual basis for purposes of reporting.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	13	82
Bank balances	5 867 305	2 208 439
	5 867 318	2 208 521

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counter-party default rates:

Credit rating

AAA	5 867 318	2 208 521
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Cash and cash equivalents pledged as collateral

The municipality has a call account, which has a portion of guarantee withheld by the bank for the Eskom license guarantee. The amount for the guarantee is R 530 000 (2024: R 530 000).

eDumbe Local Municipality (KZN261)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

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9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank - Current account - 532 8000 5944	1 123 985	796 316	578 494	1 123 985	796 316	578 494
First National Bank - Call account - 6221 9848 746	161 988	152 457	142 649	161 988	152 457	142 649
First National Bank - Call account - 6132 8003 233	590 368	809 351	560 975	590 368	809 351	560 975
First National Bank - Call account - 6203 3660 376	41 437	223 634	26 955	41 437	223 634	26 955
First National Bank - Call account - 6242 1843 807	3 949 527	204 755	19 694 373	3 949 527	204 755	19 694 373
Grindrod Bank - Investment account - 154 009	-	21 926	20 241	-	21 926	20 241
Total	5 867 305	2 208 439	21 023 687	5 867 305	2 208 439	21 023 687

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	21 330 000	-	21 330 000	21 042 000	-	21 042 000

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	21 042 000	288 000	21 330 000

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	20 119 000	923 000	21 042 000

Pledged as security

Carrying value of assets pledged as security:

No investment property has been pledged as security for any liabilities of the municipality.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

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Notes to the Annual Financial Statements

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10. Investment property (continued)

Details of valuation

The effective date of the valuation was Monday, 30 June 2025. The valuation was performed by an independent valuer, Mr. Alan Robert Stephenson of Mills Fitcher Property Valuers. Mills Fitcher Property Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. These assumptions are based on current market conditions. The following criteria was used to determine whether a property should be classified as investment property:

- Land currently held for undetermined future use.
- Property being constructed or developed for future use as investment property.

No restrictions exist unless a property is being leased out to a third party.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	1 418 601	1 259 514
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Maintenance of investment property

No repairs and maintenance were incurred on the investment property during the financial year.

11. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	44 039 075	(8 809 036)	35 230 039	44 039 075	(8 809 036)	35 230 039
Buildings	57 437 970	(37 514 252)	19 923 718	57 442 989	(35 026 719)	22 416 270
Infrastructure	360 343 843	(111 241 013)	249 102 830	310 486 243	(77 501 027)	232 985 216
Community	173 948 494	(54 712 684)	119 235 810	176 868 615	(53 058 461)	123 810 154
Other property, plant and equipment	21 883 576	(13 498 041)	8 385 535	22 808 110	(13 778 567)	9 029 543
Work-in-progress	5 763 403	-	5 763 403	11 531 752	-	11 531 752
Total	663 416 361	(225 775 026)	437 641 335	623 176 784	(188 173 810)	435 002 974

eDumbe Local Municipality (KZN261)

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfer from WIP	Disposals	Other movement	Depreciation	Impairment loss	Impairment reversal	Total
Land	35 230 039	-	-	-	-	-	-	-	35 230 039
Buildings	22 416 270	-	-	(192)	-	(2 255 784)	(269 196)	32 620	19 923 718
Infrastructure	232 985 216	350 000	28 536 940	(788 850)	(300 464)	(12 742 413)	(448 675)	1 511 076	249 102 830
Community	123 810 154	-	223 216	(497 774)	-	(5 605 805)	(431 750)	1 737 769	119 235 810
Other property, plant and equipment	9 029 543	561 925	-	(356 530)	-	(890 179)	(67 437)	108 213	8 385 535
Work-in-progress	11 531 752	22 991 807	(28 760 156)	-	-	-	-	-	5 763 403
	435 002 974	23 903 732	-	(1 643 346)	(300 464)	(21 494 181)	(1 217 058)	3 389 678	437 641 335

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfer from WIP	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land	35 230 039	-	-	-	-	-	-	35 230 039
Buildings	22 780 273	-	-	(13 663)	(2 003 516)	-	1 653 176	22 416 270
Infrastructure	163 686 146	532 818	85 740 950	(1 126 950)	(10 763 412)	(5 084 336)	-	232 985 216
Community	124 760 122	-	4 669 420	(47 026)	(5 392 668)	(179 694)	-	123 810 154
Other property, plant and equipment	9 951 370	267 799	-	(25 879)	(1 139 694)	(24 053)	-	9 029 543
Work-in-progress	16 421 121	85 521 001	(90 410 370)	-	-	-	-	11 531 752
	372 829 071	86 321 618	-	(1 213 518)	(19 299 290)	(5 288 083)	1 653 176	435 002 974

Pledged as security

No property, plant and equipment has been pledged as security for any liabilities of the municipality.

eDumbe Local Municipality (KZN261)

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11. Property, plant and equipment (continued)

Other information

Reconciliation of the purchase of property, plant and equipment for the purpose of the cash flow statement:

Additions as per the reconciliation note	25 341 656	86 092 296
Movement in retentions	167 235	1 300 973
	25 508 891	87 393 269

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Switching station and MV infrastructure upgrade	-	7 024 931
The project is taking significantly longer due to the unavailability of funds.		
Ward 3 electrification projects and substation upgrade project	-	4 506 824
The project is taking significantly longer due to the unavailability of funds.		
	-	11 531 755

Reconciliation of work-in-progress - 2025

	Included within infrastructure	Included within community	Total
Opening balance	11 531 752	-	11 531 752
Additions/capital expenditure	21 217 512	3 480 144	24 697 656
GRAP 11 transfers	(1 705 849)	-	(1 705 849)
Transferred to completed items	(28 536 940)	(223 216)	(28 760 156)
	2 506 475	3 256 928	5 763 403

Reconciliation of work-in-progress - 2024

	Included within infrastructure	Included within community	Total
Opening balance	13 560 882	2 860 239	16 421 121
Additions/capital expenditure	99 358 869	1 809 181	101 168 050
GRAP 11 transfers	(15 647 049)	-	(15 647 049)
Transferred to completed items	(85 740 950)	(4 669 420)	(90 410 370)
	11 531 752	-	11 531 752

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in statement of financial performance:

Building	334 736	785 727
Equipment	2 119 426	1 725 363
Infrastructure	9 203 168	4 772 677
	11 657 330	7 283 767

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11. Property, plant and equipment (continued)

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Housing scheme

The land at eDumbe township was sub-divided into 769 portions (as per the council resolutions provided) of land title deeds (excluding church and business stands) and were disposed off to the eDumbe location citizens under the Council Resolution No. 93 of 2000, dated 29 August 2000.

The 769 portions of land which should have been transferred to the aforementioned citizens are currently still registered in the name of the municipality as per the deeds office and register, but the land however belongs to the different beneficiaries and they already in the possession thereof.

12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	288 361	(261 812)	26 549	232 961	(229 981)	2 980

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	2 980	55 400	(31 831)	26 549

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	4 307	(1 327)	2 980

Pledged as security

All of the municipality's intangible assets are held under freehold interest and no intangible assets have been pledged as security of any liabilities of the municipality.

13. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayorial chain	147 149	-	147 149	147 149	-	147 149

Reconciliation of heritage assets - 2025

	Opening balance	Total
Mayorial chain	147 149	147 149

eDumbe Local Municipality (KZN261)

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13. Heritage assets (continued)

Reconciliation of heritage assets - 2024

	Opening balance	Total
Mayorial chain	147 149	147 149

Condition of heritage asset

The mayorial chain was physically verified and found to be in a good (2024: good) condition.

Pledged as security

No heritage asset has been pledged as security for any liabilities of the municipality.

14. Payables from exchange transactions

Trade payables	26 918 402	18 302 883
Payments received in advanced - contract in process	1 978 233	1 818 036
Debtors with credit balances	609 383	-
Salary control accounts	3 028 463	2 345 117
Accrued leave pay	5 080 749	5 549 384
Accrued bonus	2 548 539	2 356 546
Retentions	525 933	1 239 969
Unallocated deposits	697 178	225 023
	41 386 880	31 836 958

Included in trade payables are:

Eskom	15 069 726	11 722 643
Operating expenses	7 366 111	3 035 388
Contracted services	3 761 842	2 420 977
Maintenance	720 723	1 123 875
	26 918 402	18 302 883

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter the interest is charged in accordance with the credit of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame. Payments received in advance is due to payments received for hall hire and prepaid electricity. Payments in advance are consumer debtors' accounts paid in advance.

Accrued leave and bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions.

15. Income received in advance

Integrated National Electrification Programme (INEP)	4 454 125	5 209 509
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The infrastructure development construction contracts revenue and expenditure recognised are disclosed in note 27.

The stage of completion is measured and reported by the consulting engineer and represents the completion as a % of the project's overall budget.

The grant is paid by National Treasury in order to implement the INEP by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

At year end, not all funds were spent and the remaining portion was recognised as income received in advance in accordance with GRAP 11.

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16. VAT payable

VAT payable	119 793 736	107 630 224
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VAT is declared on the payments based and accounted for on the accrual basis for purposes of reporting.

17. Consumer deposits

Electricity	253 300	250 090
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Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit for the outstanding account. No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of the consumer deposits approximate their fair value.

The fair value of the consumer deposits were determined after considering the standard terms and conditions of the agreements entered into between the municipality and its consumers.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Provincial: Economic Development, Tourism and Environmental Affairs (Municipal Disaster Grant)	3 746 638	-
Integrated National Electrification Programme (INEP)	5 791 274	-
	9 537 912	-

Movement during the year

Balance at the beginning of the year	-	19 644 000
Additions during the year	45 136 636	204 779 000
Income recognition during the year	(35 598 724)	(206 418 000)
Income recognition during the year (INEP)	-	(18 005 000)
	9 537 912	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 29 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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19. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Post retirement medical aid benefit	8 344 000	9 025 000
Long service award	5 327 000	4 590 000
	13 671 000	13 615 000
Non-current liabilities	12 862 000	13 615 000
Current liabilities	1 199 698	390 698
	14 061 698	14 005 698

The employee benefit obligations consists of:

Post retirement medical aid benefit

The amounts recognised in the statement of financial position are as follows:

Opening accrued liability	9 025 000	8 024 000
Current service cost	537 000	507 000
Interest cost	1 133 000	1 060 000
Benefits paid	(114 768)	(92 217)
Actuarial (gains) / losses	(2 236 232)	(473 783)
	8 344 000	9 025 000

Membership data

	Males	Females
Number of active employees	36	38
Subsidy weighted average	43,3	41,2
Subsidy weighted average past service	11,6	12,7
Number of spouses	8	-
Average salary payable during retirement	R 2 590 R	2 280

Continuation members (pensioners)

	Males	Females
Number of continuation members	-	4
Subsidy weighted average	-	69,6
Average monthly salary	R - R	2 700

Key financial variables / assumptions used:

The two most important financial variables used in our calculation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Assumed valuation for the current and preceding valuations:

	Current valuation	Preceding valuation
Discount rate	Yield curve	Yield curve
Consumer price index	Difference between nominal and yield curves	Difference between nominal and yield curves
Medical aid contribution inflation	CPI + 2,5%	CPI + 2,5%
Net effective discount rate	Yield curve based	Yield curve based

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19. Employee benefit obligations (continued)

Subsidy agreement:

The municipality has agreed to subsidise the pension fund contributions of retired members in the following way:

- New pensioners (those that are still currently in the service of the municipality) and their dependents will receive 60% subsidy; and
- Existing continuation members (pensioners) and their dependents will continue to receive a 60% subsidy.

Mortality rate:

Average retirement age

- The average retirement age for all active employees was assumed to be 63 years of age. The assumptions implicitly allows for ill-health and early retirements.

Normal retirement age

- The normal retirement age for all active employees was assumed to be 65 years of age.

Mortality rates

- Mortality before retirement has been based on the 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and dependents

- We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 100% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Decremental withdrawal

Age band (in years) for withdrawal rates:

	Males	Females
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %

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Notes to the Annual Financial Statements

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19. Employee benefit obligations (continued)

Long service award

Long service awards are granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The said award comprises of a certain number of additional vacation leave days as prescribed on the basic condition of employment. The effective date used for the purpose of the valuation was 30 June 2025.

The most recent actuarial valuation of the unfunded defined benefit obligation was carried out as at 30 June 2025 by ZAQ Consultants and Actuaries.

The amounts recognised in the statement of financial position are as follows:

Opening accrued liability	4 590 000	4 172 000
Current service cost	415 000	388 000
Interest cost	568 000	541 000
Benefits paid	(569 162)	(754 780)
Actuarial (gains) / losses	323 162	243 780
	5 327 000	4 590 000

Membership data:

	Males	Females
Number of active employees	109	64
Subsidy weighted average age (in years)	44,79	40,17
Subsidy weighted average age past service (in years)	12,11	9,92

Formula used to calculate the total long service award liability:

	Liability (% of annual salary)	Completed years of service
(10 / 250) x annual salary	4 %	10
(20 / 250) x annual salary	8 %	15
(30 / 250) x annual salary	12 %	20
(30 / 250) x annual salary	12 %	25
(30 / 250) x annual salary	12 %	30
(30 / 250) x annual salary	12 %	35
(30 / 250) x annual salary	12 %	40
(30 / 250) x annual salary	12 %	45

Key financial variables / assumptions used:

The two most important financial variables used in our calculation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Assumed valuation for the current and preceding valuations:

	Current valuation	Preceding valuation
Discount rate	Yield curve	Yield curve
Consumer price index	Difference between nominal and yield curves	Difference between nominal and yield curves
Expected rate of return on assets	CPI + 1%	CPI + 1%
Expected rate of return on reimbursement rights	Yield curve based	Yield curve based

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19. Employee benefit obligations (continued)

Mortality rate:

Average retirement age

- The average retirement age for all active employees was assumed to be 63 years of age. The assumptions implicitly allows for ill-health and early retirements.

Normal retirement age

- The normal retirement age for all active employees was assumed to be 65 years of age.

Mortality rates

- Mortality before retirement has been based on the 85-90 mortality tables. These are the most commonly used tables in the industry.

Decremental withdrawal

20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	- %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %

20. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	14 990 069	(300 646)	1 319 126	16 008 549

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	13 497 391	229 322	1 263 356	14 990 069

Environmental rehabilitation provision

The provision for the rehabilitation of the landfill sites relate to the legal obligation to rehabilitation sites used for waste disposal.

As at 30 June 2025, the estimated cost to be incurred by the municipality to restore its landfill sites at the end of their useful lives will be R 16 008 549 (2024: R 14 990 069). The amount of the rehabilitation is dependent on future costs, technology, inflation and site consumption. The landfill provision represents management's best estimate of the municipality's liability.

The municipality currently has two landfill sites:

- The old landfill site is situated near Esikhaleni; and
- The new landfill site by the Coal Siding.

The municipality has not utilised the old site as a landfill site since January 2014 and the current status of the old landfill site reflects that there are no traces of a landfill site. Therefore, the old landfill site does not acquire any provision for closure. The landfill site conditional assessment for both sites were conducted by Ducharme Consulting.

eDumbe Local Municipality (KZN261)

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20. Provisions (continued)

The new landfill site is expected to be fully operational until 30 June 2026 and it is assumed that the rehabilitation will only take place thereafter. The calculation of the provision amount for the new landfill site was done at 30 June 2025 by Ducharme Consulting, whereafter the report was issued to the municipality with a report date of July 2025.

21. Housing development fund

The fund contains all proceeds from housing developments, which include rental income and proceeds through the sale of houses.

Monies standing to the credit of the fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The balance of the funding is included in the municipality's primary and call bank accounts.

Housing development fund	100 348	100 348
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22. Service charges

Service charges	25 761 612	20 494 602
Sale of electricity	19 051 945	13 069 219
Refuse removal	3 132 861	2 714 628
	47 946 418	36 278 449

The amounts disclosed above for revenue generated from service charges are in respect to services rendered and billed to the consumers on a monthly basis in accordance with the approved tariffs, except in the case of service rendered to consumers registered as indigent debtors. It is the municipality's practice not to bill indigent consumer debtors for services rendered.

23. Rental of facilities and equipment

Premises

Premises	179 472	164 516
Plantation	1 418 601	1 259 514
Land	9 803	14 261
	1 607 876	1 438 291

24. Licences and permits

Business	68 612	37 785
Driver and learner	533 617	377 320
Motor vehicle	568 909	571 921
	1 171 138	987 026

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25. Other income		
Building plan fees	27 806	27 500
Burial fees	37 186	29 750
Clearance certificates	12 950	12 790
Connection and re-connection fees	3 066	13 997
Hall hire	48 549	36 006
Insurance refund	29 402	26 835
Other income	-	112 067
Recoveries	1 039 137	1 969 684
SETA refund	-	1
Sale of meters	200 109	205 195
Staff rental income	83 254	84 664
Tender fees	81 991	98 506
	1 563 450	2 616 995

26. Investment revenue

Interest revenue

Bank	1 045 632	1 725 481
Interest charged on trade and other receivables	5 667 822	5 477 823
	6 713 454	7 203 304

The amount included in investment revenue arising from exchange transactions amounted to R 6 713 454.

27. Infrastructure development construction contracts

Revenue received	1 705 849	15 129 170
Expenditure incurred	(1 705 849)	(15 129 170)
	-	-

The Infrastructure Development Construction Contracts relates to agreements entered into between the municipality and Eskom in respect to electrification infrastructure projects where the municipality is a project developer in this arrangement.

The Infrastructure Development Construction Contract expenses consists mainly of contracted services wherein the municipality procure the services of contractors and other consultants in the construction of the infrastructure.

The total initial revenue amounted to R 8 647 568 over the term of the projects. To date, the variations amount to R 2 953 152.

Costs directly attributable to the contracts amount to R 11 600 720. No general costs have been incurred that need to be allocated systematically over the contracts and no other additional costs have been incurred.

28. Property rates

Rates received

Residential	3 187 549	2 636 996
Commercial	6 409 477	6 121 980
State	18 051 211	17 209 182
Small holdings and farms	179 907	1 025 697
Industrial	1 130 241	1 066 450
Agricultural	4 989 301	4 431 139
Vacant land/stands	1 183 769	1 149 933
Less: Income forgone	(1 043 992)	(977 850)
	34 087 463	32 663 527
Property rates - penalties imposed	4 799 002	3 963 624
	38 886 465	36 627 151

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Figures in Rand	2025	2024
28. Property rates (continued)		
Valuations		
Residential	668 436 720	667 768 720
Commercial	348 894 000	351 394 000
State	641 646 000	645 338 000
Municipal	25 877 000	22 185 000
Place of Worship	15 348 000	15 348 000
Agricultural	2 118 111 000	2 158 852 000
Vacant land / stands	39 566 250	40 234 250
	3 857 878 970	3 901 119 970

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rebates of 10% (2024: 10%) are granted to businesses, while properties classified as Place of Worship, municipal properties, communal land and NPOs are 100% (2024: 100%) exempt.

29. Government grants and subsidies received

Operating grants

Equitable share	104 192 000	99 029 000
National: Finance Management Grant (FMG)	3 000 000	3 000 000
National: Extended Public Works Programme (EPWP)	1 482 000	1 638 000
Provincial: Arts and Culture	3 550 000	3 390 000
Provincial: Economic Development, Tourism and Environmental Affairs	3 053 362	1 400 000
	115 277 362	108 457 000

Capital grants

National: Municipal Infrastructure Grant (MIG)	20 507 000	19 385 000
Provincial: Department of Transport	-	78 576 000
	20 507 000	97 961 000
	135 784 362	206 418 000

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and the day-to-day running and operational costs of the municipality.

All registered indigents receive a monthly subsidy of 50 KWh (2024: 50 KWh), which is funded from the grant.

National: Finance Management Grant (FMG)

Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	-

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grant also pays for the cost of the financial management internship programme.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

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29. Government grants and subsidies received (continued)

National: Extended Public Works Programme (EPWP)

Current-year receipts	1 482 000	1 638 000
Conditions met - transferred to revenue	(1 482 000)	(1 638 000)
	-	-

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

Provincial: Arts and Culture

Current-year receipts	3 550 000	3 390 000
Conditions met - transferred to revenue	(3 550 000)	(3 390 000)
	-	-

The grant funding is provided by the Department of Arts and Culture to fund library related costs including payment of salaries of library staff.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

Provincial: Economic Development, Tourism and Environmental Affairs (Municipal Disaster Grant)

Current-year receipts	6 800 000	1 400 000
Conditions met - transferred to revenue	(3 053 362)	(1 400 000)
	3 746 638	-

The grant funding is provided by the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs to fund the repairs.

No funds were withheld.

Provincial: Economic Development, Tourism and Environmental Affairs

The grant funding is provided by the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs to fund the compilation of the Long Term Integrated Spatial Economic Development Strategy

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

National: Integrated National Electrification Programme (INEP)

Current-year receipts	7 753 000	18 005 000
Conditions met - GRAP 11 (construction contracts)	(1 961 726)	(17 994 106)
Transferred to income received in advance	-	(10 894)
	5 791 274	-

The grant is paid by National Treasury in order to implement the INEP by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

At year end, not all funds were spent and the remaining portion was recognised as unspent in accordance with GRAP 11 (see note 15).

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29. Government grants and subsidies received (continued)

National: Municipal Infrastructure Grant (MIG)

Current-year receipts	20 507 000	19 385 000
Conditions met - transferred to revenue	(20 507 000)	(19 385 000)
	-	-

The MIG was allocated for the construction of roads, maintenance of aging municipal infrastructure and to provide for new rehabilitation and upgrading of municipal infrastructure.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

Province: Department of Transport

Balance unspent at beginning of year	-	19 644 000
Current-year receipts	-	58 932 000
Conditions met - transferred to revenue	-	(78 576 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant funding received from the Department of Transport in line with the signed memorandum of agreement (MOA) aims at providing rehabilitation of roads within the jurisdiction of the municipality.

30. Fines

Traffic fines	2 442 640	2 436 679
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31. Employee related costs

Basic	62 560 157	60 036 945
Bonus	5 551 376	4 938 488
Acting allowances	350 779	225 783
Car allowance	2 255 215	2 355 564
Cellphone allowances	414 500	394 832
Housing benefits and allowances	407 294	464 065
Pensioners allowances	537 000	507 000
Risk allowances	183 523	170 414
Standby allowances	1 510 085	1 765 743
Overtime payments	1 007 499	1 046 507
Leave pay provision charge	135 347	860 809
Long service awards	415 000	388 000
Risk allowance	550 572	511 245
Defined contribution plans	9 886 133	9 196 895
Council contributions: Medical aid	3 008 458	2 721 004
Council contributions: UIF	437 273	434 487
Council contributions: SALGBC	37 463	35 915
	89 247 674	86 053 696

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31. Employee related costs (continued)

Remuneration of the Municipal Manager: Mr JFK Khumalo

Annual remuneration	107 207	615 137
Backpay	55 958	58 094
Performance bonus	253 187	120 912
Car allowance	21 441	123 027
Cellphone allowance	4 800	28 800
Housing allowance	23 228	133 279
Remote allowance	7 147	41 009
Leave payout	69 749	60 699
Council contribution: Pension	26 802	153 784
Council contribution: UIF	531	2 125
	570 050	1 336 866

Remuneration of the Chief Finance Officer: Mr ZR Thusi

Annual remuneration	-	332 157
Backpay	33 057	45 369
Car allowance	-	50 196
Cellphone allowance	-	31 932
Remote allowance	-	22 061
Council contribution: Pension	-	83 660
Council contribution: Medical aid	-	72 505
Council contribution: UIF	-	1 417
	33 057	639 297

Remuneration of the Acting Chief Financial Officer: Mr GC Letsoalo

Acting allowance backpay	-	36 234
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Remuneration of the Director Infrastructure and Planning: Mr MN Nkala

Backpay	-	11 538
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Remuneration of the Acting Director Infrastructure and Planning: Mr MB Buthelezi

Acting allowance backpay	-	652
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Remuneration of the Director Infrastructure and Planning: Mr MS Khanyile

Acting allowance	96 486	28 955
Annual remuneration	528 137	340 843
Backpay	34 040	2 171
Bonus	207 880	-
Car allowance	176 046	113 614
Cellphone allowance	22 800	15 200
Housing allowance	88 023	56 807
Remote allowance	35 209	22 722
Council contribution: Medical aid	88 023	56 807
Council contribution: UIF	2 125	1 417
	1 278 769	638 536

The acting allowance is for the period commencing on 02 September 2024 (in terms of council resolution number: EDCO 08/24/7.10-30/08/20240 and subsequent extensions.

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31. Employee related costs (continued)

Remuneration of the Acting Director Corporate and Community Services: Mr VB Mbatha

Annual remuneration	547 697	524 685
Backpay	43 888	50 105
Bonus	207 880	110 305
Car allowance	164 927	154 726
Cellphone allowance	22 800	22 800
Housing allowance	200 204	195 064
Remote allowance	36 513	34 979
Council contribution: UIF	2 125	2 125
	1 226 034	1 094 789

Remuneration of the Acting Chief Financial Officer: Mr SGZ Sibiya

Acting allowance	105 627	44 736
Backpay	15 654	-
Bonus	207 880	-
	329 161	44 736

The acting allowance is for the period commencing on 03 June 2024 (in terms of council resolution number: EDCO 05/24/9.76-21/05/2024) and subsequent events.

Remuneration of the former Director Infrastructure and Planning: S Cele

Performance bonus	-	108 675
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32. Remuneration of councillors

Executive Mayor	1 029 615	1 004 125
Deputy Mayor	826 814	814 143
Speaker	865 364	819 585
Chief Whip	478 175	459 032
MPAC Chairperson	462 138	438 996
Exco Member	662 260	455 905
Councillors	4 577 303	4 652 663
	8 901 669	8 644 449

33. Depreciation and amortisation

Property, plant and equipment	21 494 181	19 299 290
Intangible assets	31 831	1 327
	21 526 012	19 300 617

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34. Impairment loss recognised (reversed)		
Impairment loss		
Property, plant and equipment	1 217 056	5 288 088
The impairment loss represents the losses identified during the preparation of the fixed asset register and is attributable to individual items in infrastructure - and community assets.		
Other receivables from non-exchange transactions	2 187 945	3 151 468
The impairment loss represents the movement in the provision for impairment for the fines debtors recognised.		
Reversal of impairments		
Property, plant and equipment	(3 389 678)	(1 653 176)
The reversal of the impairment losses represents impairment losses previous recognised and recorded on infrastructure -, community - and other property, plant and equipment, which was reversed in the current due to the conditions of these assets improving.		
Total impairment losses recognised	15 323	6 786 380
35. Finance costs		
Provisions (rehabilitation of landfill sites)	1 319 126	1 263 356
Trade and other payables	144 295	96 410
Employee benefit liabilities	1 701 000	1 601 000
	3 164 421	2 960 766
36. Debt impairment		
Debt impairment	25 989 276	25 495 444
37. Bulk purchases		
Electricity	48 446 667	42 660 352

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37. Bulk purchases (continued)		
Electricity losses		
	Number (in KWh) 2025	Number (in KWh) 2024
Units purchased	22 410 701	21 610 501
Units sold	(15 183 709)	(12 933 800)
Total loss	7 226 992	8 676 701
Comprising of:		
Technical and non-technical losses	32 %	40 %
		40 %
		40 %
Comprising of:		
Technical losses	14 454 454	13 424 359
Non-technical losses	1 168 604	3 639 782
Total	15 623 058	17 064 141
38. Lease rentals on operating lease		
Lease rentals on operating lease		
Contractual amounts	353 907	283 112
Operating lease rentals represent rentals payable by the municipality for photocopiers. Leases are normally negotiated for an average term of three (3) years. The municipality entered into a contract with ITEC Solution for photocopiers for a period of three (3) years.		
Future minimum lease payments		
Less than one (1) year	180 000	240 000
More than one (1) year but less than five (5) years	-	180 000
	180 000	420 000
39. Contracted services		
Outsourced services		
Burial services	237 885	130 252
Business and advisory	1 920 477	3 299 687
Catering services	986 572	1 113 838
Clearing and grass cutting services	1 620 000	1 620 000
Medical services	20 348	-
Professional staff	1 254 690	467 703
Refuse removal	169 784	145 294
Security services	7 281 698	7 824 905
Transport services	875 566	1 028 624
Consultants and professional services		
Business and advisory	3 801 623	1 275 979
Infrastructure and planning	396 752	39 340
Legal cost	1 448 199	456 457
Contractors		
Maintenance of buildings and facilities	334 736	813 927
Maintenance of equipment	1 387 964	2 215 045
Maintenance of unspecified assets	9 203 166	4 772 677

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39. Contracted services (continued)	30 939 460	25 203 728
40. Gain (loss) on disposal of assets and liabilities		
Proceeds with the disposal of assets and liabilities	100 000	60 000
Carrying value of assets disposed / written-off / derecognised	(1 643 346)	(1 213 513)
	(1 543 346)	(1 153 513)
41. General expenses		
Advertising	782 005	696 030
Auditors remuneration	2 065 839	1 953 957
Bank charges	173 653	24 108
Computer expenses	-	34 243
Consulting and professional fees	1 382 809	3 188 003
Consumables	14 219	(34 301)
Electricity	975 822	575 874
Accommodation	938 123	1 031 180
Seating allowance	27 441	45 557
Skills development levy	873 566	802 299
Fuel and oil	3 533 550	3 435 576
Ward committee	1 172 300	1 169 700
Prepaid electricity	470 530	321 453
Internet costs	728 670	94 794
Insurance	1 768 121	1 521 118
Postage and courier	-	2 322
Printing and stationery	758 650	529 674
Protective clothing	-	188 620
Subscriptions and membership fees	1 027 098	967 726
Telephone and fax	8 353	367 048
Travel - local	1 430 701	548 923
	18 131 450	17 463 904
42. Fair value adjustments		
Investment property (Fair value model)	288 000	923 000
43. Auditors' remuneration		
Fees	2 065 839	1 953 957

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44. Cash generated from operations		
(Deficit) surplus	(9 942 332)	59 152 937
Adjustments for:		
Depreciation and amortisation	21 526 012	19 300 617
Loss (gain) on sale of assets and liabilities	1 543 346	1 153 513
Fair value adjustments	(288 000)	(923 000)
Impairment of assets	15 323	6 786 380
Debt impairment	25 989 276	25 495 444
Movements in retirement benefit assets and liabilities	56 000	1 419 000
Movements in provisions	1 018 480	1 492 678
Non-cash movement in property, plant and equipment	1 014 682	1 071 651
Changes in working capital:		
Inventories	14 219	(34 302)
Other receivables from exchange transactions	(55 051)	(4 380 581)
Consumer debtors	(30 288 180)	(24 158 388)
Other receivables from non-exchange transactions	(1 880 269)	(2 198 801)
Payables from exchange transactions	9 549 922	1 433 901
VAT	1 172 978	1 938 495
Income received in advance	5 035 890	606 454
Unspent conditional grants and receipts	3 746 638	(19 644 000)
Consumer deposits	3 210	6 026
	28 232 144	68 518 024
45. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	8 064 817	1 758 400
Total capital commitments		
Already contracted for but not provided for	8 064 817	1 758 400
Total commitments		
Total commitments		
Authorised capital expenditure	8 064 817	1 758 400

This committed expenditure relates to property and will be financed through grant funding from the Department of Cooperative Governance and Traditional Affairs (CoGTA) and the Department of Energy, with other portions funded through internally generated funds.

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46. Related parties

Relationships

Executive management Refer to Note 31

All related party transactions are concluded at arm's length, unless stated otherwise. The municipality did not conduct any business with a party that was considered to be a related party.

Remuneration of management

Management class: Councillors

2025

	Basic salary	Backpay	Other short-term employee benefits	Reimbursive	Total
Name					
MS Mkhabela	926 416	47 033	47 004	9 162	1 029 615
SJ Kunene	741 134	37 626	47 004	1 050	826 814
DJ Nhlengethwa	741 134	37 626	47 004	39 600	865 364
VA Mthethwa	387 623	19 679	47 004	23 869	478 175
ND Ndlangamandla	492 099	120 184	47 004	7 832	667 119
HH Vilakazi	376 243	19 046	47 004	14 986	457 279
RC Gevers	74 783	-	11 751	-	86 534
ME Kunene	293 176	14 884	47 004	10 434	365 498
NS Magagula	293 176	14 884	47 004	1 050	356 114
MVS Mkhwanazi	293 176	14 884	47 004	13 228	368 292
TS Mthethwa	293 176	14 884	47 004	7 699	362 763
TE Kunene	293 176	14 884	47 004	12 130	367 194
DM Mbokazi	293 176	14 884	47 004	1 050	356 114
K Ngema	293 176	14 884	47 004	9 198	364 262
CB Mthethwa	293 176	14 884	47 004	6 570	361 634
ZG Masondo	293 176	14 884	47 004	12 548	367 612
TTI Zwane	293 176	14 884	47 004	9 795	364 859
ND Mngomezulu	293 176	14 884	47 004	4 747	359 811
BM Nxusa	293 176	14 884	47 004	1 050	356 114
ND Sibiya	120 917	-	19 585	-	140 502
	7 378 461	459 802	877 408	185 998	8 901 669

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46. Related parties (continued)

2024

Name	Basic salary	Backpay	Other short-term employee benefits	Post-employment benefits	Reimbursive	Total
MS Mkhabela	903 298	55 408	42 200	2 219	1 000	1 004 125
SJ Kunene	722 639	46 085	42 200	2 219	1 000	814 143
DJ Nhlengethwa	722 639	46 085	42 200	2 219	6 442	819 585
VA Mthethwa	377 950	27 736	42 200	2 219	8 927	459 032
HH Vilakazi	366 856	27 723	42 200	2 219	-	438 998
ND Ndlangamandla	377 950	28 295	42 200	2 219	5 248	455 912
ME Kunene	285 860	20 772	42 200	2 219	-	351 051
NS Magagula	285 860	23 542	42 200	2 219	-	353 821
MVS Mkhwanazi	285 860	23 542	42 200	2 219	9 908	363 729
TS Mthethwa	285 860	23 542	42 200	2 219	7 657	361 478
TE Kunene	285 860	23 542	42 200	2 219	6 886	360 707
DM Mbokazi	285 860	23 542	42 200	2 219	-	353 821
K Ngema	285 860	23 542	42 200	2 219	13 024	366 845
CB Mthethwa	285 860	23 542	42 200	2 219	3 969	357 790
TTI Zwane	285 860	23 542	42 200	2 219	1 732	355 553
ND Mngomezulu	285 860	23 542	42 200	2 219	-	353 821
BM Nxusa	285 860	23 542	42 200	2 219	-	353 821
ND Sibiya	285 860	23 542	42 200	2 219	8 334	362 155
ZG Mosondo	285 860	23 542	42 200	2 219	4 241	358 062
	7 187 512	534 608	801 800	42 161	78 368	8 644 449

47. Change in estimate

Property, plant and equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

Other property, plant and equipment	247 451	1 363 542
Infrastructure assets	(443 847)	(6 339 947)
Buildings	39 199	8 405
Total change in estimate for useful life of property, plant and equipment	(157 197)	(4 968 000)

Intangible assets

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

Computer software	-	3 889
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48. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior period adjustments:

Statement of financial position	As previously reported	Correction of error	Restated
Property, plant and equipment	430 029 850	4 973 124	435 002 974
Payables from exchange transactions	(31 596 462)	(240 496)	(31 836 958)
Accumulated surplus - opening balance	(397 032 995)	-	(397 032 995)
Accumulated surplus - prior period error	-	(758 279)	(758 279)
Net (surplus) deficit for the year	-	(3 974 349)	(3 974 349)
	1 400 393	-	1 400 393

Statement of financial performance	As previously reported	Correction of error	Restated
Employee related costs	85 813 200	240 496	86 053 696
Depreciation and amortisation	24 198 738	(4 898 121)	19 300 617
Impairment of assets	6 881 301	(94 921)	6 786 380
Losses with disposal of assets	298 862	854 651	1 153 513
General expenses	17 540 358	(76 454)	17 463 904
	134 732 459	(3 974 349)	130 758 110

Adjustments made to property, plant and equipment:

During the compilation and finalisation of the fixed asset register, management identified numerous calculation and verification errors. These errors were corrected retrospectively.

The correction of the errors resulted in the following adjustments:

Statement of financial position		
Property, plant and equipment	4 973 124	4 973 124
Accumulated surplus - prior period error	(834 733)	(834 733)
Net (surplus) deficit for the year	(4 138 391)	(4 138 391)
	-	-

Statement of financial performance		
Depreciation and amortisation	-	(4 898 121)
Impairment of assets	-	(94 921)
Losses with the sale of assets	-	854 651
	-	(4 138 391)

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Provision for bonus:

An error in the previous year's provision calculation resulted in the payable being understated. The error was corrected in the current year and retrospectively adjusted.

The correction of the errors resulted in the following adjustments:

Statement of financial position

Payables from exchange transactions	(363 129)	(363 129)
Net (surplus) deficit for the year	363 129	363 129
	-	-

Statement of financial performance

Employee related costs	-	363 129
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Expenditure accounted for in the correct period:

Expenditure amounting to R 76 454 was previously recorded in the 2024 financial period, whilst it related to costs incurred in the 2023 financial year. The cut-off error was corrected retrospectively.

The correction of the errors resulted in the following adjustments:

Statement of financial position

Accumulated surplus - prior period error	-	76 454
Net (surplus) deficit for the year	-	(76 454)
	-	-

Statement of financial performance

General expenses	-	(76 454)
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Provision for leave:

In the prior year an exception was issued on the leave provision. The adjustment was made retrospectively.

The correction of the errors resulted in the following adjustments:

Statement of financial position

Payables from exchange transactions	122 633	122 633
Net (surplus) deficit for the year	(122 633)	(122 633)
	-	-

Statement of financial performance

Employee related costs	-	122 633
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49. Unauthorised expenditure

Opening balance as previously reported	128 929 776	152 457 732
Add: Unauthorised expenditure - current	28 368 808	61 570 605
Less: Overstatement (debt impairment - 2024)	(7 099 000)	-
Less: Amount approved by Council - prior period	(60 267 094)	(85 098 561)
Closing balance	89 932 490	128 929 776

The amount of unauthorised expenditure is as a result of actual amounts exceeding approved and adjusted budgets. The amount also includes non-cash items.

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49. Unauthorised expenditure (continued)

The unauthorised expenditure was investigated and presented to MPAC and Council. Council approved the expenditure as valid expenditure on 26 August 2025 (council resolution no. EDCO 08/25/7.16).

The over expenditure incurred by municipal departments during the year is attributable to the following line items:

Employee related costs	1 237 674	955 200
Depreciation and amortisation	3 020 012	6 556 738
Impairment of assets	15 323	6 881 301
Finance cost	1 602 421	1 678 766
Lease rentals on operating lease	353 907	283 112
Debt impairment	18 890 276	25 495 444
Loss with disposal of assets and liabilities	1 543 346	298 862
Loss with construction contracts	1 705 849	15 129 170
Integrated National Electrification Programme (expenditure)	-	4 292 012
	28 368 808	61 570 605

Analysed as follows: cash

Employee related cost	1 237 674	955 200
Lease rentals on operating lease	353 907	283 112
Integrated National Electrification Programme (expenditure)	-	4 292 012
	1 591 581	5 530 324

Analysed as follows: non-cash

Depreciation and amortisation	3 020 012	6 556 738
Impairment of assets	15 323	6 881 301
Finance cost (employee benefit liabilities)	1 602 412	1 678 766
Debt impairment	18 890 276	25 495 444
Loss with disposal of assets and liabilities	1 543 346	298 862
Loss with construction contracts	1 705 849	15 129 170
	26 777 218	56 040 281

50. Fruitless and wasteful expenditure

Opening balance as previously reported	10 243 614	7 950 861
Add: Fruitless and wasteful expenditure identified - current	120 179	4 026 514
Less: Amount approved by Council as valid - current	(120 179)	(96 454)
Less: Amount approved by Council as valid - prior	-	(1 637 307)
Less: Amount transferred to debtors (CAS 132/8/8/2024)	(3 920 060)	-
Closing balance	6 323 554	10 243 614

Fruitless and wasteful expenditure is presented inclusive of VAT.

The fruitless and wasteful expenditure incurred during the year was for the interest raised by Eskom, SARS, pension funds and other service providers for non-payments. The cash flow challenges faced by the municipality was the root cause for failure to settle the debts within the prescribed period as per section 65 of the MFMA.

The fruitless and wasteful expenditure was investigated and presented to MPAC and Council. Council approved the expenditure as valid expenditure on 26 August 2025 (council resolution no. EDCO 08/25/7.16).

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50. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on overdue accounts	Council to investigate and write-off or recover	120 179	96 454
Loss due to fraudulent payments	Council to investigate and recover expenditure	-	3 920 060
		120 179	4 016 514

51. Irregular expenditure

Opening balance as previously reported	2 459 178	54 317 112
Add: Irregular expenditure - current	7 293 116	88 524 350
Add: Irregular expenditure - current (additionally identified)	16 123 007	473 612
Less: Amount recovered - current	-	(450 765)
Less: Amounts approved by council as valid expenditure	(8 939 301)	(140 405 131)
Less: Overstatement (double counted)	(36 740)	-
Closing balance	16 899 260	2 459 178

Irregular expenditure is presented inclusive of VAT.

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
SCM process not followed	Council to investigate and write-off or recover	23 399 723	85 545 125
Unjustifiable deviations	Council to investigate and write-off or recover	16 400	4 452 837
		23 416 123	89 997 962

Amount written-off

Irregular expenditure amounting to R 8 939 301 was investigated and presented to MPAC and Council. Council approved the expenditure as valid expenditure (council resolution numbers: EDCO 08/25/7.16 held on 26 August 2025).

52. Contingencies

Mgemfu Trading Projects

The municipality has been sued by Mgemfu Trading Projects for the amount of R 120 000 (2024: R 120 000), claiming that he was appointed to deliver 100 000 refuse bags for the municipality, R 60 000 (2024: R 60 000) in respect to unpaid invoices for partial delivery of the aforesaid and R114 000 (2024: R 114 000) for loss of income as a result of the unlawful cancellation of the appointment. The matter has become stagnant as SCM processes were not followed.

MMSD Transport and General Services

The municipality is being sued by MMSD Transport and General Services for loss of income of claiming that he was appointed by the then acting Municipal Manager for the supply and delivery of wet fuel, for which those services were never utilized. The matter was addressed by the then acting Municipal Manager, which has led to the matter not further being pursued by the claimant.

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52. Contingencies (continued)

Faizel Kotwal and Kotwal Motor Spares

The matter relates to a letter of demand dated 15 May 2023. The municipality denied liability for the damages suffered by the claimant. The matter is currently pending.

Zenele F. Dlamini

Mr. Dlamini was appointed by main contractor to sub-contract on the housing project and the main contractor did not pay Mr. Dlamini. Mr. Dlamini is now suing the municipality for non-payment. The matter is currently pending.

Mr. MF Madi

Mr. Madi is claiming unfair labour practices and applied to the SALGBC for arbitration and the matter was finalised in June 2023 in favour of the municipality. In an effort to reverse the decision, Mr. Madi took the matter to the Labour Court. The matter is currently pending.

53. Risk management

Financial risk management

Liquidity risk

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	30 729 129	-	-	-
Income received in advance	4 454 125	-	-	-
Consumer deposits	253 300	-	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	21 585 911	-	-	-
Income received in advance	5 209 509	-	-	-
Consumer deposits	250 090	-	-	-

Credit risk

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

Financial instrument	2025	2024
Receivables from exchange transactions	4 885 663	2 440 034
Other receivables from exchange transactions	4 517 183	4 462 132
Cash and cash equivalents	5 867 318	2 208 521

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counter-parties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

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53. Risk management (continued)

Cash and cash equivalents:

The municipality limits its counter-party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counter-party or any group of counter-parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counter-parties are banks with high credit-ratings.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

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53. Risk management (continued)

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in the market prices.

These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the matrix. The municipality's financial instruments are affected by the whole sale price of electricity from Eskom.

54. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	4 885 663	4 885 663
Other receivables from exchange transactions	4 517 183	4 517 183
Cash and cash equivalents	5 867 318	5 867 318
	15 270 164	15 270 164

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	30 729 129	30 729 129
Consumer deposits	253 300	253 300
Income received in advance	4 454 125	4 454 125
	35 436 554	35 436 554

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54. Financial instruments disclosure (continued)		
2024		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	2 440 034	2 440 034
Other receivables from exchange transactions	4 462 132	4 462 132
Cash and cash equivalents	2 208 521	2 208 521
	9 110 687	9 110 687
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	21 585 911	21 585 911
Consumer deposits	250 090	250 090
Income received in advance	5 198 165	5 198 165
	27 034 166	27 034 166
55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	954 476	1 366 208
Current year membership / subscription fee	1 035 348	954 476
Amount paid - previous years	-	(1 366 208)
	1 989 824	954 476
Audit fees		
Opening balance	-	4 860
Current year audit fee	2 375 684	2 247 051
Current year interest expense	-	809
Amount paid - current year	(2 375 684)	(2 252 720)
	-	-
PAYE and UIF		
Opening balance	1 098 250	966 501
Current year payroll expenses	15 309 239	14 091 486
Amount paid - current year	(14 145 327)	(12 993 236)
Amount paid - previous years	(1 098 250)	(966 501)
	1 163 912	1 098 250
Pension and medical aid fund deductions		
Opening balance	1 135 520	1 448 718
Current year deductions and council contributions	19 977 660	18 632 731
Amount paid - current year	(19 466 233)	(18 945 929)
	1 646 947	1 135 520

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55. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT payable	(2 367 618)	(1 194 643)
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All VAT returns have been submitted by the due date throughout the year.

Councillors' consumer accounts in arrears

As at 30 June 2025, the following Councillors had outstanding account balances:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
K Ngema	2 501	33 851	36 352
SJ Kunene	336	31 208	31 544
VA Mthethwa	937	13 257	14 194
	3 774	78 316	82 090
30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
DJ Nhlengethwa	1 014	173	1 187
K Ngema	3 097	23 136	26 233
SJ Kunene	579	29 298	29 877
VA Mthethwa	1 194	9 147	10 341
	5 884	61 754	67 638

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the SCM Policy needs to be approved by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Afrihost (E-mail account host)	19 400	14 520
Afrilectrical Consulting Engineers	-	199 650
Dumbo Towing and Recovery	-	15 000
Esri South Africa	-	45 241
Isulami Trading and Projects (Strip and qoute for repairs)	-	129 607
Nsele Engineering	752 500	-
Parkies Dube (Pty) Ltd	1 629 538	-
Sibanesihle Trading and Projects (Strip and quote for repairs)	-	210 432
Sibanesihle Trading and Projects (Strip and quote for repairs)	-	366 872
Tolini Trading Enterprises CC	-	43 000
Van Zon Transport (Local service providers unavailable)	-	70 000
Zandi Power CC (Emergency situation)	-	147 954
	2 401 438	1 242 276

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56. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) are as follows:

The municipality is the principal in the principal-agent arrangement with Conlog. Conlog undertakes pre-paid electricity sales through the use of third party vendors on behalf of the municipality.

The municipality is the agent in the principal-agent arrangement with the Department of Transport. The municipality is responsible for the issuing of vehicles and drivers licences on behalf of the department in exchange for commission of 8,55% (2024: 8,55%).

No significant judgements were applied in determining if the municipality was the principal or agent.

No changes have been made to the terms and conditions for the arrangements during the reporting period.

No significant risks and benefits associated with the arrangements have been identified.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R407 854 (2024: R385 419).

Entity as principal

Fee paid

The municipality paid 4% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year. A total amount of R 541 110 was paid during the year.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct recourse or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on the service delivery continuity and revenue generation negatively due to the reduction in service points.

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57. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

The four major functional areas comprise of:

- Executive and council which includes the mayor and council; and municipal manger, town secretary and chief executive. Revenue is derived through grants that are allocated to the department.
- Finance and administration which includes administrative and corporate support; asset management; finance; information technology; and legal services. The department derive revenue through a number of sources, which includes property rates; service charges; grants and subsidies received; licences and permits; and other income. This department is not a reportable segment.
- Community and social services which includes aged care; animal care and diseases; community halls and facilities; disaster management; fire fighting and protection; police force, traffic and street parking control; libraries and archives; recreational facilities; economic development; regional planning and development; town planning building regulations and enforcement; and road and traffic regulation. Grants and subsidies are allocated to the department, and in addition to this, the department furthermore generates income through other income, service charges and public contributions and donations received.
- Technical services which includes energy sources (electricity); and solid waste removal. The department's main source of revenue is service charges, with less significant revenue generated by rental of facilities and equipment. In addition to the aforementioned, government grants and subsidies is allocated to the department.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Management does not monitor performance geographically and does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

The surplus or deficit for each reported segment is calculated by subtracting the segmental expenditure from the segmental revenue. The assets and liabilities per segment is measured in accordance with the accounting policies and no adjustment has been made to the method of measurement.

Information to report on different geographic areas is not available.

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Executive and council	Finance and administration	Community and social services	Technical services	Total
Revenue					
Service charges	-	10 429 872	3 132 861	34 383 687	47 946 420
Rental of facilities and equipment	9 803	-	-	1 598 073	1 607 876
Licences and permits	-	1 171 138	-	-	1 171 138
Other income	-	481 460	854 076	227 915	1 563 451
Property rates	-	38 886 464	-	-	38 886 464
Government grants and subsidies	15 628 800	34 257 600	27 441 762	58 456 200	135 784 362
Fines	-	2 442 640	-	-	2 442 640
Interest revenue	-	6 713 454	-	-	6 713 454
Infrastructure development construction contracts	-	1 705 849	-	-	1 705 849
Fair value adjustment	-	288 000	-	-	288 000
Actuarial gain	-	-	1 913 070	-	1 913 070
Total segment revenue	15 638 603	96 376 477	33 341 769	94 665 875	240 022 724
Entity's revenue	240 022 724				
Expenditure					
Salaries and wages	18 521 826	40 569 469	16 337 205	22 720 843	98 149 343
Other expenses	7 223 759	8 157 193	1 008 559	2 095 851	18 485 362
Depreciation and amortisation	-	21 526 012	-	-	21 526 012
Interest expense	-	1 845 295	1 319 126	-	3 164 421
Impairment loss	-	15 323	-	-	15 323
Debt impairment	-	25 989 276	-	-	25 989 276
Bulk purchases	-	-	-	48 446 667	48 446 667
Contracted services	330 035	17 205 516	2 068 771	11 335 135	30 939 457
Loss on disposal of assets and liabilities	-	1 543 346	-	-	1 543 346
Infrastructure development construction contracts	-	1 705 849	-	-	1 705 849
Total segment expenditure	26 075 620	118 557 279	20 733 661	84 598 496	249 965 056
Total segmental surplus/(deficit)	(10 437 017)	(22 180 802)	12 608 108	10 067 379	(9 942 332)
Assets					
Segment assets	147 149	420 666 895	-	56 812 062	477 626 106
Total assets as per Statement of financial position	477 626 106				
Liabilities					
Segment liabilities	-	(61 448 825)	(3 746 638)	(20 507 000)	(85 702 463)
Total liabilities as per Statement of financial position	(85 702 463)				
Other information					
Capital expenditure			11 650	249 629	23 642 454

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57. Segment information (continued)

2024

	Executive and council	Finance and administration	Community and social services	Technical services	Total
Revenue					
Service charges	-	7 836 212	2 714 628	25 731 549	36 282 389
Rental of facilities and equipment	14 261	-	-	1 424 030	1 438 291
Licences and permits	-	987 026	-	-	987 026
Other income	-	666 282	1 718 016	228 755	2 613 053
Property rates	-	36 627 152	-	-	36 627 152
Government grants and subsidies	14 854 350	111 284 700	24 595 800	55 683 150	206 418 000
Fines	-	2 436 679	-	-	2 436 679
Interest revenue	-	7 203 305	-	-	7 203 305
Infrastructure development construction contracts	-	15 129 170	-	-	15 129 170
Fair value adjustment	-	923 000	-	-	923 000
Actuarial gain	-	-	230 003	-	230 003
Total segment revenue	14 868 611	183 093 526	29 258 447	83 067 484	310 288 068
Entity's revenue					310 288 068
Expenditure					
Salaries and wages	18 812 886	39 072 926	15 835 472	20 990 393	94 711 677
Other expenses	6 889 622	8 510 392	867 795	1 465 677	17 733 486
Depreciation and amortisation	-	19 300 617	-	-	19 300 617
Interest expense	-	1 697 410	1 263 356	-	2 960 766
Impairment loss	-	6 786 380	-	-	6 786 380
Debt impairment	-	25 495 444	-	-	25 495 444
Bulk purchases	-	-	-	42 660 352	42 660 352
Contracted services	213 677	15 240 090	2 287 757	7 462 202	25 203 726
Loss on disposal of assets and liabilities	-	1 153 513	-	-	1 153 513
Infrastructure development construction contracts	-	15 129 170	-	-	15 129 170
Total segment expenditure	25 916 185	132 385 942	20 254 380	72 578 624	251 135 131
Total segmental surplus/(deficit)	(11 047 574)	50 707 584	9 004 067	10 488 860	59 152 937
Assets					
Segment assets	147 149	170 914 897	77 416 152	219 680 096	468 158 294
Total assets as per Statement of financial position					468 158 294
Liabilities					
Segment liabilities	-	14 962 316	1 044 000	(82 298 639)	(66 292 323)
Total liabilities as per Statement of financial position					(66 292 323)
Other information					
Capital expenditure			479 518	1 826 817	99 662 335

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58. In-kind donations and assistance

No in-kind donations and assistance were received during the year under review.

59. Events after the reporting date

No instances have been identified.

60. Budget differences

Material differences between budget and actual amounts

The reasons for the material differences (in excess of 10%) between the budget and actual amounts is attributed to the following:

Statement of financial performance

- Service charges:** The municipality has an approved policy that allows indigent households with residential values of R 110 000 or less not to be billed. In addition to the aforementioned, the municipality embarked on a process to recover outstanding debt by providing discount on debtor current accounts.
- Licences and permits:** More revenue generated as expected. In the previous year, the municipality generated less revenue than budgeted for, which resulted in the current year budget being adjusted downwards.
- Other income:** Management has budgeted to dispose some of the asset unfortunately the municipality has faced some challenges.
- Interest received on outstanding debtors:** Although included in the budget, less interest was generated as expected. This is due to the number of consumers being provided for as doubtful debt.
- Interest received on external investments:** The decrease in the municipality's bank balances resulted in the target amount not being reached.
- Property rates - imposed penalties:** Budget included in the interest received on outstanding debtors.
- Infrastructure development construction contracts:** During the current financial year the INEP-related projects that are undertaken in the Eskom area of supply were accounted for in accordance with GRAP 11 and the related guidelines. Due to the timing thereof, it was not taken into consideration during the budgeting process.
- Fines:** Less fines were issued than budgeted for.
- Depreciation and amortisation:** Management based their budgeted figure on the results of previous financial years. Due to decrease in the conditions of the assets (through normal use), the depreciation expense was more than expected
- Impairment loss (reversal):** Non-cash flow item not budgeted for as no impairment of fixed assets were expected.
- Finance cost:** The movement in the employee benefit liabilities are based on actuarial valuations. Management included the budgeted figure based on their best estimate.
- Lease rental in operating lease:** Budget included in general expenses.
- Debt impairment:** Due to non-payment of consumers, the movement in the provision for impairment of consumer debtors increased significantly.
- Inventory consumed:** Although budgeted for separately, this is classified as general expenses and included as such.
- Fair value adjustment:** Not budgeted for by management.
- Actuarial gains (losses):** This is part of the movement due to the actuarial valuation conducted on the employee benefit obligations, and was therefore budgeted for as part of the employee related costs.

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60. Budget differences (continued)

Statement of financial position

17. **Inventory:** More inventory was consumed as expected.
18. **Other receivables from exchange transactions:** Due to the sundry nature of these receivables, the were not specifically budgeted for.
19. **Other receivables from non-exchange transactions:** Due to the sundry nature of these receivables, the were not specifically budgeted for.
20. **Consumer debtors:** The balance at year end is significantly less than the budgeted balance, which is due to the material movement in the provision for doubtful debt
21. **VAT receivable (payable):** Municipality did not budget for any outstanding VAT receipts and / or payments at year end
22. **Cash and cash equivalents:** The cash balance was expected to be significantly higher than the actual budget was. This is mainly due to the service charges budget that was significantly higher than the actual results.
23. **Intangible assets:** Due to the amortisation expense being recognised every year. Municipality has also acquired new intangible assets during the year.
24. **Payables from exchange transactions:** Due to cash flow constraints, the municipality was not able to settle its creditors by year end.
25. **Consumer deposits:** Less consumer deposits were generated.
26. **Employee benefit obligations:** Not included in the budget.
27. **Income received in advance:** In the previous year INEP funds were utilised for projects that were not approved, resulting in the revenue being written back and the income received in advance being recorded, as required by GRAP 11. This was not budgeted for as management was of the opinion that the costs related to approved projects.
28. **Accumulated surplus:** The material difference is the combined result of all listed reasons.
29. **Government grants:** Variance caused by disaster received from CoGTA.

Statement of cash flows

30. **Taxation:** More grant received Last Financial year compare to current financial year.
31. **Sale of goods and services:** Municipality received more than anticipated.
32. **Interest income:** Last financial year municipality had a grant from CoGTA that resulted into more interest and that grant were not available under the current financial year.
33. **Other receipts:** Debtors book has more indigent.
34. **Employee related cost and supplier:** Cash flow issues.
35. **Finance cost:** Was not budgeted.
36. **Purchase of property, plant and equipment:** Less assets acquired than budgeted for, due to cash flow constraints.
37. **Proceed of sale of property, plant and equipment:** Municipality has anticipated to dispose land however due to processes we have not managed to complete them on time.
38. **Purchase of intangible assets:** Due to the nature of the assets, the municipality did not budget for any acquisitions.

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61. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 391 823 289 and that the municipality's total assets exceed its liabilities by R 391 923 637.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Management considered the following matters relating to the going concern assumption:

- The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently not experiencing financial difficulties. Indicators of the municipality's sound financial position are:

- Deficit of R 9 942 332 (2024: surplus of R 59 152 937) was realised and government grants and subsidies contributed R 135 784 362 (2024: R 206 418 000).
- The municipality's unspent conditional grants for the current year amounted to R 3 746 638 (2024: R 0) and it's income received in advance to R 10 245 399 (2024: R 5 209 509). This is an indication that monies received are utilised for the specific projects under construction.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R 238 501 962 (2024: R 212 695 146) has been disclosed in the financial statements.
- As at 30 June 2025 the municipality's current liabilities amounted to R 58 390 539 (2024: R 38 881 901), whilst the current assets amounted to R 20 848 692 (2024: R 13 157 836).
- The current and acid test ratios are above the required ratio of 0,36:1 and 0,34:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The eDumbe Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2026 financial year, the allocated Equitable Share allocation amounts to R 103 192 000 and the Financial Management Improvement Grant to R 3 000 000.
- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill furthermore disclosed government's proposed allocation of the 2026 and 2027 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.
- The municipality has not been placed under administration for the 12 months ending 30 June 2025.