



**Ndwedwe Local Municipality  
(Registration number KZN293)  
Annual financial statements  
for the year ended 30 June 2021**

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Councillors

Mayor and Councillors

NV Chili (Mayor)  
EN Blose (Deputy Mayor)(Deceased February 2021)  
ZS Thoolsi (Deputy Mayor,Appointed May 2021)  
GK Ngidi (Speaker)  
MP Busane (Executive Comittee Member)  
ZS Thoolsi (Executive Committee Member, formerly a Party Representative)  
SB Sibisi (Ward Councilor, formerly an Executive Committee Member)  
RT Nkwanyana (Executive Committee Member)  
PS Shezi (Ward Councilor, formerly an Executive Committee Member)  
NDC Maphumulo (Ward Councillor)  
RM Cele (Ward Councilor, formerly an Section 79 Chairperson)  
MM Khuzwayo (Ward Councillor)  
MN Gwamanda (Ward Councillor)  
SE Dladla (Ward Councillor)  
SZ Mfeka (Ward Councillor)  
BJ Blose (Ward Councillor)  
M Ngidi (Ward Councillor)  
TM Masinga (Ward Councillor)  
LM Ndlovu (Ward Councillor)  
MK Nkosi (Ward Councillor)  
LG Ngcobo (Ward Councillor)  
VMR Magubane (Ward Councillor)  
LZ Makhanya (Ward Councillor)  
PS Goba (Ward Councillor)  
S Zondi (Party Representative)  
HLB Makatha (Party Representative)  
T Mhlanga (Party Representative)  
MV Shezi (Party Representative)  
BR Mzobe (Party Representative)  
SS Hlophe (Party Representative)  
J Luthuli (Party Representative)  
TS Jali (Party Representative)  
NY Mlotshwa (Party Representative)  
MB Vilakazi (Party Representative)  
SM Sishi (Party Representative)  
MV Phewa (Party Representative)  
M Mthethwa (Ward Councillor)  
SG Dladla (Party Representative)

Accounting Officer

Mr M.F Hadebe

Chief Financial Officer (CFO)

Mr GS Majola

Grading of local authority

Grade 3

Auditors

The Auditor General of South Africa

Bankers

Nedbank Verulam Branch

Registered office

Ndwedwe Local Municipality

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## General Information

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Business address

P100  
Ndwedwe  
4342

Postal address

Private Bag X503  
Ndwedwe  
4342

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Index

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

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### Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
INEP	Integrated National Electrification Programme

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is 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 officer 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 officer acknowledges that he is 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 officer 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 officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

As an Accounting Officer I am responsible for the preparation of these annual financial statements, which are set out on pages 5 - 60, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 19 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021



Mr. M. E. Hadebe  
Municipal Manager

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

Figures in Rand	'Notes	2021	2020 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	2 243 037	1 729 839
VAT receivable	12	544 080	-
Consumer debtors	4	12 764 624	8 676 548
Cash and cash equivalents	5	111 560 476	110 076 060
		<b>127 112 217</b>	<b>120 482 447</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	384 669 746	338 513 492
Intangible assets	7	139 418	226 231
Heritage assets	8	21 053	21 053
		<b>384 830 217</b>	<b>338 760 776</b>
<b>Total Assets</b>		<b>511 942 434</b>	<b>459 243 223</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	9	37 382 154	18 019 860
Taxes and transfers payable (non-exchange)	10	-	-
VAT payable	11	-	1 869 564
Unspent conditional grants and receipts	13	27 600	124 600
Employee Benefit Obligation	14	127 000	235 000
		<b>37 536 754</b>	<b>20 249 024</b>
<b>Non-Current Liabilities</b>			
Employee Benefit Obligation	14	3 173 000	2 559 000
Other liability		324	324
		<b>3 173 324</b>	<b>2 559 324</b>
<b>Total Liabilities</b>		<b>40 710 078</b>	<b>22 808 348</b>
<b>Net Assets</b>		<b>471 232 356</b>	<b>436 434 875</b>
Accumulated surplus		471 232 356	436 434 873
<b>Total Net Assets</b>		<b>471 232 356</b>	<b>436 434 873</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Notes	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment		525 082	498 079
Other income	15	1 148 464	1 483 172
Interest received - investment		5 547 973	8 279 887
<b>Total revenue from exchange transactions</b>		<b>7 221 519</b>	<b>10 261 138</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	16	17 889 442	17 308 097
Interest received (trading)		1 028 575	621 023
<b>Transfer revenue</b>			
Government grants & subsidies	17	223 740 000	185 404 523
Public contributions and donations		1 511 191	-
<b>Total revenue from non-exchange transactions</b>		<b>244 169 208</b>	<b>203 333 643</b>
<b>Total revenue</b>		<b>251 390 727</b>	<b>213 594 781</b>
<b>Expenditure</b>			
Employees related cost	18	(60 037 097)	(54 066 938)
Remuneration of councillors	19	(15 399 830)	(15 814 803)
Depreciation and amortisation	20	(24 029 040)	(21 627 403)
Impairment loss		(3 523 057)	(510 119)
Debt Impairment	21	(1 584 386)	(2 532 734)
Lease rentals on operating lease	22	(687 511)	(952 601)
Repairs and maintenance	23	(22 457 821)	(8 404 046)
Loss on disposal of assets and liabilities		(225 819)	(445 959)
Decrease / (Increase) in leave accrued		(1 117 564)	(1 631 826)
General expenses	24	(87 531 122)	(68 411 466)
<b>Total expenditure</b>		<b>(216 593 247)</b>	<b>(174 397 895)</b>
<b>Surplus for the period</b>		<b>34 797 480</b>	<b>39 196 886</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	397 201 496	397 201 496
Adjustments		
Correction of errors	36 491	36 491
<b>Balance at 01 July 2019 as restated*</b>	<b>397 237 987</b>	<b>397 237 987</b>
Changes in net assets		
Surplus for the year	39 196 886	39 196 886
Total changes	39 196 886	39 196 886
Opening balance as previously reported	435 767 595	435 767 595
Adjustments		
Correction of errors	667 281	667 281
<b>Restated* Balance at 01 July 2020 as restated*</b>	<b>436 434 876</b>	<b>436 434 876</b>
Changes in net assets		
Surplus for the year	34 797 480	34 797 480
Total changes	34 797 480	34 797 480
<b>Balance at 30 June 2021</b>	<b>471 232 356</b>	<b>471 232 356</b>

\* See Note 38



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand	Notes	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		223 643 000	185 434 523
Interest income		5 547 973	8 279 887
Other receipts		14 886 209	16 000 328
		<u>244 077 182</u>	<u>209 714 738</u>
<b>Payments</b>			
Employee costs		(75 328 927)	(69 881 741)
Suppliers		(93 837 375)	(80 419 121)
		<u>(169 166 302)</u>	<u>(150 300 862)</u>
<b>Net cash flows from operating activities</b>	25	<u>74 910 880</u>	<u>59 413 876</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(73 409 464)	(48 420 229)
Purchase of other intangible assets	7	(17 000)	-
<b>Net cash flows from investing activities</b>		<u>(73 426 464)</u>	<u>(48 420 229)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 484 416</b>	<b>10 993 647</b>
Cash and cash equivalents at the beginning of the year		110 076 060	99 082 414
<b>Cash and cash equivalents at the end of the year</b>	5	<u>111 560 476</u>	<u>110 076 061</u>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## 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						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	100 000	(66 522)	33 478	-	(33 478)	
Rental of facilities and equipment	605 000	(92 045)	512 955	525 082	12 127	
Other income	559 000	600 500	1 159 500	1 148 464	(11 036)	1
Interest received - investment	11 000 000	(5 000 000)	6 000 000	5 547 973	(452 027)	2
<b>Total revenue from exchange transactions</b>	<b>12 264 000</b>	<b>(4 558 067)</b>	<b>7 705 933</b>	<b>7 221 519</b>	<b>(484 414)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	18 988 936	-	18 988 936	17 889 442	(1 099 494)	3
Interest received (trading)	800 000	70 926	870 926	1 028 575	157 649	4
<b>Transfer revenue</b>						
Government grants & subsidies	195 475 000	29 537 600	225 012 600	223 740 000	(1 272 600)	5
Public contributions and donations	-	-	-	1 511 191	1 511 191	6
<b>Total revenue from non-exchange transactions</b>	<b>215 263 936</b>	<b>29 608 526</b>	<b>244 872 462</b>	<b>244 169 208</b>	<b>(703 254)</b>	
<b>Total revenue</b>	<b>227 527 936</b>	<b>25 050 459</b>	<b>252 578 395</b>	<b>251 390 727</b>	<b>(1 187 668)</b>	
<b>Expenditure</b>						
Personnel	(66 202 256)	2 535 631	(63 666 625)	(60 037 097)	3 629 528	7
Remuneration of councillors	(16 246 709)	-	(16 246 709)	(15 399 830)	846 879	8
Depreciation and amortisation	(22 000 000)	(708 673)	(22 708 673)	(24 029 040)	(1 320 367)	9
Impairment loss/ Reversal of impairments	-	-	-	(3 523 057)	(3 523 057)	9
Lease rentals on operating lease	(980 000)	50 524	(929 476)	(687 511)	241 965	10
Debt Impairment	(2 500 000)	-	(2 500 000)	(1 584 386)	915 614	11
Repairs and maintenance	(8 071 000)	(14 789 329)	(22 860 329)	(22 972 188)	(111 859)	12
Contracted Services	(39 673 200)	(779 276)	(40 452 476)	(38 684 153)	1 768 323	13
Transfers and Subsidies	(6 224 000)	(10 704 254)	(16 928 254)	(15 086 260)	1 841 994	14
Loss on disposal of assets	-	-	-	(225 819)	(225 819)	17
General Expenses	(35 934 343)	(1 026 518)	(36 960 861)	(33 760 709)	3 200 152	15
Increase in leave accrued	-	-	-	(1 117 564)	(1 117 564)	7
<b>Total expenditure</b>	<b>(197 831 508)</b>	<b>(25 421 895)</b>	<b>(223 253 403)</b>	<b>(217 107 614)</b>	<b>6 145 789</b>	
<b>Actual Amount on the Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>29 696 428</b>	<b>(371 436)</b>	<b>29 324 992</b>	<b>34 283 113</b>	<b>4 958 121</b>	
<b>Surplus for the year from continuing operations</b>	<b>29 696 428</b>	<b>(371 436)</b>	<b>29 324 992</b>	<b>34 283 113</b>	<b>4 958 121</b>	
Capital Expenditure	85 322 266	2 709 948	88 032 214	73 409 463	(14 622 751)	16

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## 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

### Material variances

#### Revenue

1. **Other income** -The over collection/recognition in this revenue category is because of insurance claims paid by the municipal insurance company being more than the anticipated due to several incidents that happened in 2021/21 financial year.

2. **Interest received on investment** -The reduction of the Interest rate offered by the financial institution due to a low growth in the economy together with spending trend during the year remain the main contributing factor to this variance. The situation sometimes required the municipality to spend some of its money before it being invested which reduced the possibility of earning more interest on investments as a result the municipality ended up receiving less than anticipated interest on investments .

3. **Property rates** -Property rates show an under billing as at the end of 2020/2021 financial year and this is due to anticipated growth in the property values during the financial which was not achieved hence the negative variance has been realised.

4. **Interest received outstanding debtors** - Interest received (trading) overbilling is due to increasing of outstanding debtors of the municipality than anticipated. The municipality is continuing with the process of engaging the customers to encourage them to pay their debts which will subsequently assist if the positive response is received in improving the collection of the municipality and simultaneously reducing the interest charged on the outstanding debtors.

5. **Government grants & subsidies** - Government grants & subsidies - The negative variance of R1.3 million in this revenue category is because budgeted amount that were not transferred to the municipality.

6. **Public Contribution** - The R1.5 million positive variance in this revenue category is because of the donation received by the municipality from Ilembe District Municipality in a form of fire vehicle

#### Expenditure

7. **Personnel (Employee Related Cost)** - The variance in this expenditure line item arose because of budgeted posts that were not filled on time. In addition to that, the resignations happened during the year also contributed to this variance.

8. **Remuneration of councilors** - Remuneration of councilors - The non-approval of the Remuneration of councilor's increases by Department of Corporate and Traditional Affairs remain the main contributing factor to this variance. The municipality anticipated this remuneration increase during the budget period which couldn't be implemented hence the municipality realised this variance.

9. **Depreciation, amortisation and asset impairment** - Depreciation, amortisation and asset impairment revealed an over recognition of R4.8 million for 2020/2021 financial year. This variance is due to the recalculation of depreciation after the restated of the 2019/2020 financial year as well as the recognition of asset impairment which were not anticipated during the budget stage .

10. **Lease rentals on operating lease** - Lease rentals on operating lease show a saving of R242 thousands for 2020/2021 financial year. This variance is due to the delays in SCM process for the appointment of the new service provider for these services after the expiring of the old contract.

11. **Debt impairment** - Debt Impairment is refer to long outstanding debtors. As of 30 June 2021, the expenditure recognised in this expenditure category shows an under recognition when compared to the provision made in the budget. This variance is due to the recognition being lower than anticipated.

12. **Repairs and maintenance** - Repairs and maintenance show an overspending of R112 thousands for 2020/2021 financial year. The analysis made on all invoices pertaining to the capital items resulted to the reallocation of all maintenance being journal out to expense account where the anticipated budget was not enough to cover such hence the municipality realised this negative variance.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## 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

13. **Contracted Services** - Contracted Services revealed a negative variance of R1.8 million as at the end of June 2021. This variance is because of the programme that were budget for but could not take place due to COVID-19 regulation and some were partial went ahead with limitation when compared to the initial plan.

14. **Transfer and Subsidies** - Transfer and Subsidies expenditure revealed negative variance of R1.8 million as at the end of June 2021. This variance is due to savings achieved by the municipality during the implementation of projects budget under this expenditure category.

15. **General Expenses** - The under spending in this expenditure line item is because of programme that were budgeted for but couldn't take place due to COVID-19 regulations and some were partial undertaken with limitation when compared to initial plan.

16. **Capital expenditure** - The under expenditure in capital budget was caused by the delays in implementing some projects due to late appointment and had to be rolled over to the new financial year.

17. **The Loss on disposal of asset** - arose due to auction that took place during the financial year while there was no provision made during the budget period.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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 (Act 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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### 1.1 Presentation currency

These annual financial statements are presented in South African and figures are rounded to the nearest Rand

#### 1.2 Going concern assumption

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate. The COVID-19 disaster has not yet affected the going concern assumption however management is continuously assessing any indicators of negative impact particularly increases in accounts receivable

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Materiality has been considered in determining whether information is required to be recognised, measured, presented and disclosed in accordance with the requirements in the Standards of GRAP as well as assessing the effect of omissions, misstatements and errors on the financial statements.

#### Budget information

Variances between budget and actual amounts are regarded as material when there is a variance of 10% or greater in the statement of financial position, the statement of financial performance and the cash flow statement.

#### 1.4 Comparative figures

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

When the presentation or classification of items in the financial statements is amended, prior period/comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly.

#### Current year comparative

- Budgeted amounts have been included in the annual financial statements for the current financial year only.

#### 1.5 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.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

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, it's 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.

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the depreciable amount, using the straight line method over the estimated lives of the asset. The depreciation amount is determined after taking into account an asset's residual value, where applicable. Component of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset useful lives.

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

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Item	Average useful life
Buildings	30 years
Motor vehicles	5-7 years
• Graders	15 years
• Trucks	7 years
Infrastructure	
• Roads	10 years
• Street lights	40 years
• Bridges	30 years
• Stormwater pipes	50 years
• Electricity	20 years
Community	
• Buildings	30 years
• Recreational Facilities	20-30 years
• Sportsfields	30 years
Other property, plant and equipment	
• Building Improvements	30 years
• Heavy and Mobile plant	10 years
• Furniture and fittings	7 years
• Bins and containers	15 years
• Parkhome	7 years
• Office equipment	3-5 years
• Other items of plant and equipment	5-7 years

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

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# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

#### Subsequent measurement

- Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.
- Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.
- Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality on each asset.

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.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

The municipality discloses relevant information relating to assets that are work in progress, in the notes to the financial statements (see note 6).

### 1.6 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, the municipality estimates the recoverable service amount of the asset. Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

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 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:

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

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. Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. 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. A reversal of an impairment loss for a non-cash generating asset is recognised immediately in surplus or deficit.

Management used their judgement in applying the internal and external impairment indicators to its assets.

### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

An asset is identifiable if it either:

- is capable of being separated or divided from a municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:



# Ndwedwe Local Municipality

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### 1.7 Intangible assets (continued)

- the Municipality intends to complete the intangible asset for use or sale
- the Municipality has the ability to use or sell the asset
- the Municipality can reliably measure expenditure during development
- it is technically feasible to complete the intangible asset
- the Municipality has the resources to complete the project, and
- it is probable that the Municipality will receive future economic benefits or service potential

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

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.

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

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.8 Financial instruments

#### Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

#### Subsequent measure of financial asset and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

#### Financial Asset

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

#### Trade and other receivables

- Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.
- Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.
- An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.
- Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

#### Financial liabilities

##### Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

##### Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.8 Financial instruments (continued)

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### 1.9 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 purposes of this Standard) 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.

#### 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.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.9 Statutory receivables (continued)

#### 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 (Taxes and transfers), whichever is applicable.

#### 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 are 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.

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.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Taxation

#### Value Added Taxation

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1. The expenditure that relates to irregular expenditure is vat inclusive as per treasury guide lines.

### 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 municipality assesses the classification of each element separately.

#### Municipality as Lessor

Rental income from operating leases is recognised over the term of the relevant lease.

#### Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The lease is straight lined for the financial year.

### 1.12 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

### 1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.13 Unauthorised expenditure (continued)

- 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.

### 1.14 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.

### 1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003): -

- (a) the Municipal Systems Act (Act No. 32 of 2000)
- (b) the Public Office Bearers Act (Act No. 20 of 1998) or
- (c) is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

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.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.16 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases. Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP. Refer to Note 26.

Operational commitments where the contract period is beyond 12 months the municipality has an obligation to this contract are included in the commitments.

# Ndwedwe Local Municipality

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## Accounting Policies

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### 1.17 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably; and it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the municipality.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

### 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 surveys of work performed.

### Interest

Revenue arising from the use by others of entity assets yielding interest, 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, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another municipality without directly giving approximately equal value in exchange.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest revenue is recognised on a time proportion basis.

#### Grant

A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised..

### 1.19 Budget information

The annual budget figures have been presented in accordance with the GRAP 24 reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same municipality and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or municipality have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

### 1.20 Employee benefits

#### Provident fund contribution

The municipality and its employees contribute to one provident fund that caters for the majority of the staff. The KZN Joint Municipal Provident Fund is a defined contribution fund. Additional information is disclosed in note 34.

#### Other employee benefits

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. Termination benefits are employee benefits payable as a result of either: an municipality's decision to terminate an employee's employment before normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

### 1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.22 Significant judgements and sources of estimation uncertainty

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates.

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### Significant Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

##### Operating lease - Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

##### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### Trade receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible and tangible assets.

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time.

##### 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 14 - Provisions.

# Ndwedwe Local Municipality

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## Accounting Policies

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### 1.22 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.

The municipality determines the appropriate discount rate every year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for provident fund obligations are based on current market conditions. Additional information is disclosed in Note 14.

#### 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.

### 1.23 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.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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.

# **Ndwedwe Local Municipality**

Annual Financial Statements for the year ended 30 June 2021

## **Accounting Policies**

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### **1.23 Heritage assets (continued)**

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

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

#### **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.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

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### 2. New standards and interpretations

Standards not yet implemented are as follows:

The ASB has issued the following GRAP pronouncements, with effective dates as indicated: GRAP pronouncement	Effective date	
GRAP 34 - Separate Financial Statements	1 April 2020	
GRAP 35- Consolidated Financial statements	1 April 2020	
GRAP 36 - Investments in Associates and Joint Ventures	1 April 2020	
GRAP 37 - Joint Arrangements	1 April 2020	
GRAP 38 - Disclosure of Interest in Other Entities	1 April 2020	
GRAP 110 - Living and Non Living Resources	1 April 2020	
Directive 13 - Transitional Provision of the adoption of standards of GRAP by Community Education and Training Colleges.	1 April 2020	
IGRAP 20 <i>Accounting for adjustments to revenue</i>	1 April 2020	
<i>Guideline Accounting for landfill sites</i>	To be determined	
GRAP 104 on Financial instruments (revised)	To be determined	
Guideline on Application of materiality to financial statements	Voluntary	
*The guideline was issued in April 2019. The guideline is available for immediate consideration to assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. Although the application of the guideline is voluntary, application is encourage.		

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 18 Segment Reporting	2016	1 April 2021

#### 2.2 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 2021 or later periods:

##### GRAP 34 : Separate Financial Statements

The objective of the standard is to prescribe the accounting and disclosure requirements of investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It further more covers definitions, preparation of separate financial statements, disclose transactional provision and effective date .

The effective date of the standard is for years beginning on or after 1 April 2020

This standard will not have impact on the municipality's annual financial statements.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 35: Consolidated financial statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities

To meet this objective, the standard

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

This standard will not have impact on the municipality's annual financial statements.

#### GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

This standard will not have impact on the municipality's annual financial statements.

#### GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

This standard will not have impact on the municipality's annual financial statements.

#### GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

This standard will not have impact on the municipality's annual financial statements.

### GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the standard is for years beginning on or after 01 April 2020.

This standard will not have impact on the municipality's annual financial statements.

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 104 (revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:

- (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making,
- (b) using fair value in certain instances was inappropriate,
- (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board<sup>®</sup> amended its existing Standards to deal with these issues.

The IASB issued IFRS<sup>®</sup> Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS<sup>®</sup> on Financial Instruments: Presentation and the IFRS Standard<sup>®</sup> on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

This standard will not have impact on the municipality's annual financial statements.

### 3. Receivables from exchange transactions

Other Debtors	1 153 873	1 209 420
Accrued revenue	1 089 164	520 419
	<u>2 243 037</u>	<u>1 729 839</u>

Other debtors amount to R1 153 873 for 2020/2021 financial year, this amount include rental income of R 304 690 and other debtors of R849 182 for take on balances, unallocated deposit and hall hire unpaid deposit. Other debtors for 2019/2020 financial year amount to R1 209 420.

Accrued revenue for 2020/2021 financial year amount to R1089 164 and is made up of proceeds from sales of an asset for R941 302 and interest on investment of R147 862. Accrued revenue for 2019/2020 financial year amount to R520 419 which is made up of interest on investment.

### 4. Consumer debtors

Gross balances		
Rates	27 816 067	22 143 596

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# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>4. Consumer debtors (continued)</b>		
<b>Less: Allowance for impairment</b>		
Rates	(15 051 443)	(13 467 048)
<b>Net balance</b>		
Rates	12 764 624	8 676 548
<b>Rates</b>		
Current (0 -30 days)	337 345	344 461
31 - 60 days	338 085	334 748
61 - 90 days	410 107	310 566
91 - 120 days	327 071	318 764
121 - 365 days	380 727	313 650
> 365 days	25 959 805	20 404 048
	<b>27 753 140</b>	<b>22 026 237</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(13 467 048)	(10 934 314)
Contributions to allowance	(1 584 395)	(2 532 734)
	<b>(15 051 443)</b>	<b>(13 467 048)</b>
<b>Credit quality of consumer debtors</b>		
The municipality profiled all debtors according to their risk profile. The risk profile was then used to calculate the doubtful debts provision.		
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which are less than 30 days past due are not considered to be impaired. At 30 June 2021, R10 931 429 - (2020: -) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	27 670	35 579
2 months past due	37 784	34 364
3 months past due up to 6 months	10 865 975	5 651 491
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	21 023	16 343
Other cash and cash equivalents	16 938 256	6 755 899
Short-term deposits	94 601 197	103 303 818
	<b>111 560 476</b>	<b>110 076 060</b>

\* See Note 38



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021		2020 Restated*	
<b>5. Cash and cash equivalents (continued)</b>				
The municipality had the following bank accounts				
Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
ABSA CALL ACCOUNT -9123945833	1 255 333	7 815 062	1 255 333	7 815 062
ABSA CALL ACCOUNT -93445892694	3 380 497	3 274 972	3 380 497	3 274 972
ABSA FIXED DEPOSIT -2068130142	7 722 589	7 410 778	7 722 589	7 410 778
ABSA FIXED DEPOSIT -2073633680	8 093 276	7 766 499	8 093 276	7 766 499
ABSA FIXED DEPOSIT-2075383437	7 236 606	6 944 417	7 236 606	6 944 417
FIRST NATIONAL BANK -CALL ACCOUNT -62087920635	4 889 795	4 555 471	4 889 795	4 555 471
STANDARD BANK- CALL ACCOUNT-058681019 001	2 088 541	3 896 150	2 088 541	3 896 150
STANDARD BANK-RETAIL CALL ACCOUNT-058681019-011	4 183 831	4 040 517	4 183 831	4 040 517
STANDARD BANK-FIXED DEPOSIT- 058681019 028	7 368 462	6 842 631	7 368 462	6 842 631
STANDARD BANK-FIXED DEPOSIT- 058681019 030	336 354	-	336 354	-
STANDARD BANK-FIXED DEPOSIT- 058681019 033	3 273 101	-	3 273 101	-
INVESTEC BANK-CALL ACCOUNT-1100 463139 502	702 583	2 410 293	702 583	2 410 293
INVESTEC BANK-FIXED DEPOSIT -1100 463139 451	14 670 520	14 082 118	14 670 520	14 082 118
INVESTEC BANK-FIXED DEPOSIT -1100 463139 452	13 932 701	13 373 891	13 932 701	13 373 891
INVESTEC BANK-FIXED DEPOSIT -1100 463139 455	15 309 596	-	15 309 596	-
NEDBANK-CALL ACCOUNT-37881149922001	96 068	5 430 199	96 068	5 430 199
NEDBANK-FIXED DEPOSIT-37881149922003	61 342	15 460 819	61 342	15 460 819
NEDBANK-MAIN BANK-1197441085	10 721 260	-	7 908 038	-
ABSA MAIN BANK-4079294191	10 276 053	14 774 402	9 029 259	3 208 942
FNB -MAIN BANK-62027922930	-	3 547 919	961	3 546 958
Cash on Hand	21 023	-	21 023	16 343
<b>Total</b>	<b>115 619 531</b>	<b>121 626 138</b>	<b>111 560 476</b>	<b>110 076 060</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
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### 6. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	28 183 795	(7 946 734)	20 237 061	27 939 395	(6 843 864)	21 095 531
Motor vehicles	24 170 146	(7 396 356)	16 773 790	16 375 987	(6 835 319)	9 540 668
Infrastructure	222 590 688	(98 431 361)	124 159 327	213 180 359	(82 530 327)	130 650 032
Community	144 707 259	(42 382 374)	102 324 885	132 047 784	(37 467 156)	94 580 628
Other property, plant and equipment	43 521 548	(15 027 452)	28 494 096	30 470 783	(12 814 499)	17 656 284
Work in progress	92 680 587	-	92 680 587	64 990 349	-	64 990 349
<b>Total</b>	<b>555 854 023</b>	<b>(171 184 277)</b>	<b>384 669 746</b>	<b>485 004 657</b>	<b>(146 491 165)</b>	<b>338 513 492</b>

\* See Note 38

## Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Donation	Depreciation	Impairment loss	Total
Land and Buildings	21 095 531	244 400	-	-	-	(1 102 870)	-	20 237 061
Motor vehicles	9 540 668	8 655 973	(972 376)	-	1 511 191	(1 961 666)	-	16 773 790
Infrastructure	130 650 032	341 761	-	9 068 569	-	(12 378 273)	(3 522 762)	124 159 327
Community	94 580 628	298 802	-	12 360 674	-	(4 914 924)	(295)	102 324 885
Other property, plant and equipment	17 656 284	14 729 620	(343 742)	19 428	-	(3 567 494)	-	28 494 096
Work In Progress	64 990 349	49 138 908	-	(21 448 670)	-	-	-	92 680 587
	<b>338 513 492</b>	<b>73 409 464</b>	<b>(1 316 118)</b>	<b>-</b>	<b>1 511 191</b>	<b>(23 925 227)</b>	<b>(3 523 057)</b>	<b>384 669 746</b>

##### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Prior period adjustments	Other adjustment	Depreciation	Impairment loss	Total
Land and Buildings	11 757 394	3 076 220	-	9 268 496	999 149	-	(929 289)	(219)	21 095 531
Motor vehicles	8 483 917	168 789	(59 344)	-	-	-	(1 920 125)	-	9 540 668
Infrastructure	108 415 050	69 515 141	(13 275)	30 958 600	2 618 316	153	(11 112 027)	(385 574)	130 650 032
Community	69 515 141	14 488 945	-	20 953 184	8 500 731	3 838	(4 288 590)	(103 676)	94 580 628
Other property, plant and equipment	14 488 945	2 704 355	(320 398)	682 500	2 658 002	-	(2 536 470)	(20 650)	17 656 284
Work In Progress	99 825 743	42 470 865	-	(61 862 780)	(15 443 479)	-	-	-	64 990 349
	<b>312 486 190</b>	<b>48 420 229</b>	<b>(433 017)</b>	<b>-</b>	<b>(667 281)</b>	<b>3 991</b>	<b>(20 786 501)</b>	<b>(510 119)</b>	<b>338 513 492</b>

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
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### 6. Property, plant and equipment (continued)

#### Pledged as security

The municipality had none of its assets pledged as security for the year ended 30 June 2021.

#### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	6 161 644	58 828 707	-	64 990 351
Additions/capital expenditure	35 476 858	13 613 652	48 400	49 138 910
Transferred to completed items	(7 593 288)	(13 855 383)	-	(21 448 671)
	<b>34 045 214</b>	<b>58 586 976</b>	<b>48 400</b>	<b>92 680 590</b>

#### Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included in other PPE	Total
Opening balance	12 629 109	74 231 105	12 965 530	99 825 744
Additions/capital expenditure	21 360 306	15 294 146	5 816 412	42 470 864
Donated Assets	-	-	-	-
Transferred to completed items	(27 827 770)	(30 696 544)	(18 781 942)	(77 306 256)
	<b>6 161 645</b>	<b>58 828 707</b>	<b>-</b>	<b>64 990 352</b>

#### Expenditure Incurred to repair and maintain property, plant and equipment

The expenditure incurred to repair and maintain property, plant and equipment for the year ended 30 June 2021 is disclosed on note 23.

#### Maintenance of fixed assets register

#### Additional text

The reasons for delays in certain projects reflected within work-in-progress, is due to funding received in phases.

#### Deemed cost

### 7. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	999 504	(860 086)	139 418	989 113	(762 862)	226 231

\* See Note 38

**Ndwedwe Local Municipality**  
Annual Financial Statements for the year ended 30 June 2021

**Notes to the Annual Financial Statements**

Figures in Rand

**7. Intangible assets (continued)**

**Reconciliation of Intangible assets - 2021**

	Opening balance	Additions	Amortisation	Total
Computer software	226 231	17 000	(103 813)	139 418

**Reconciliation of intangible assets - 2020**

	Opening balance	Asset written off	Amortisation	Total
Computer software	416 789	(12 941)	(177 617)	226 231

**8. Heritage assets**

	2021		2020	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Mayoral Chain	21 053	-	21 053	21 053
				Accumulated impairment losses
				21 053

**Reconciliation of heritage assets 2021**

	Opening balance	Total
Mayoral Chain	21 053	21 053

**Reconciliation of heritage assets 2020**

	Opening balance	Total
Art Collections, antiquities and exhibits	21 053	21 053

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>9. Payables from exchange transactions</b>		
Trade payables	22 770 639	4 142 680
Payments received in advanced - contract in process	62 921	-
Retentions	4 626 496	5 353 119
Other payables	2 200 703	2 094 328
Accrued leave	6 093 956	4 976 392
Salary (13th Cheque)	1 627 439	1 453 341
	<b>37 382 154</b>	<b>18 019 860</b>

### 10. Payables from non-exchange transactions

The municipality is an agent for Integrated National Electrification Programme (INEP). The municipality has fully spent the funds relating to Integrated Electrification Programme (INEP) for the year ended 30 June 2021.

### 11. VAT payable

VAT payable	-	1 869 564
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### 12. VAT receivable

VAT	544 079	-
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VAT is accounted for on cash basis. VAT is paid to SARS only once payment is received from debtors.

### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Kwaloshe Tourism Project grant	97	97 097
Small Town Rehabilitation Grant	27 503	27 503
	<b>27 600</b>	<b>124 600</b>

#### Movement during the year

Balance at the beginning of the year	124 600	168 123
Additions during the year	42 642 000	41 051 000
Expenditure during the year	(42 739 000)	(41 094 523)
	<b>27 600</b>	<b>124 600</b>

#### Grant register 2020/ 2021

	Opening Balance	Received	Expenditure	Balance
Local Government Financial Management Grant (FMG)	-	2 800 000	(2 800 000)	-
Library Computer Assistant	-	1 816 000	(1 816 000)	-
KwaLoshe Tourism	97 097	-	(97 000)	97
Municipal Infrastructure Grant (MIG)	-	29 266 000	(29 266 000)	-
Integrated National Electrification Programme Grant (INEP)	-	7 000 000	(7 000 000)	-
Small Town Rehabilitation	27 503	-	-	27 503
Expanded Public Works Programme Integrated Grant	-	1 760 000	(1 760 000)	-
	<b>124 600</b>	<b>42 642 000</b>	<b>(42 739 000)</b>	<b>27 600</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
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### 14. Employee Benefit Obligation

#### Reconciliation of employee benefit obligation - 2021

	Opening Balance	Additions	Utilised during the year	Total
Long-service awards	2 559 000	614 000	-	3 173 000
Long-service awards (short-term)	235 000	-	(108 000)	127 000
	<b>2 794 000</b>	<b>614 000</b>	<b>(108 000)</b>	<b>3 300 000</b>

Refer to note .

#### Reconciliation of employee benefit obligation - 2020

	Opening Balance	Additions	Utilised during the year	Total
Long service awards	2 292 978	266 022	-	2 559 000
Long-service awards (short-term)	239 593	-	(4 593)	235 000
	<b>2 532 571</b>	<b>266 022</b>	<b>(4 593)</b>	<b>2 794 000</b>

Non-current liabilities		3 173 000	2 559 000
Current liabilities		127 000	235 000
		<b>3 300 000</b>	<b>2 794 000</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
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### Long Service Award Liability

#### Definition

Long service awards is the amount paid to employees who have been more than five years of continuous services and every five years. Provision is an estimate of the long service award based on historical staff turnover, taking into accounts management estimates of likelihood that staff may leave before long service become due. No other benefit are provided to employees.

The key financial and demographic assumptions are summarised below.

#### Key financial assumptions

The summary of the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

Assumptions	Value p.a.
Discount rate	9.70%
General Salary Inflation (long-term)	5.94%
Net effective discount rate	3.55%

The next general earnings increase was assumed to take place on 1 July 2022.

#### Key demographic assumptions

The summary of the key demographic assumptions used:

Assumptions	Indicator	Age	Female	Male
Average retirement age	62	-	- %	- %
Mortality during employment	SA 85-90	1	- %	- %
		20	9 %	9 %
		30	6 %	6 %
		40	5 %	5 %
Withdrawal from service		50	3 %	6 %
		55	- %	- %
		-	- %	- %

### Result

#### Introduction

The results presented in this report focus on the Accrued Liability, as described in Section 4.2. This section contains a summary of the results.

#### Accrued Liability

The summary of the unfunded Accrued Liability as at 30 June 2021.

#### Unfunded Accrued Liability

#### Unfunded Accrued Liability

Unfunded accrued liability	3 300 000	2 794 000
	-	-

\* See Note 38



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>Reconciliation of unfunded Accrued Liability</b>		
Opening balance	2 794 000	2 532 571
Current - service cost	347 000	343 478
Interest cost	208 000	200 217
Actuarial (Gain)/ Loss	141 093	(42 673)
Employer Benefit vesting	(190 093)	(239 593)
	<b>3 300 000</b>	<b>2 794 000</b>

### Current-Service, Interest Costs and Actuarial Loss/(Gains)

The summary of the Current-service Cost and the Interest Cost for the current and next financial years, is reflected below. The actuarial loss/(gains) arise from three components: the effects of changes in net discount rates, membership and salaries.

### Current-Service, Interest Costs and Actuarial Loss/(Gains)

Current service cost	398 000	347 000
Interest cost	314 000	208 000

### Reconciliation of liability - Balance Sheet

Opening balance	2 794 000	2 532 571
Current - service cost	347 000	343 478
Interest cost	208 000	200 217
Actuarial (Gain)/ loss Recognised in Profit & loss	141 093	(42 673)
Subtotal	3 490 093	3 033 593
Employer Benefits Vesting	(190 093)	(239 593)
Closing balance	<b>3 300 000</b>	<b>2 794 000</b>
Less: Current Portion of liability	(127 000)	(235 000)
Non - current portion of liability	<b>3 173 000</b>	<b>2 559 000</b>

(i) The Current-service Cost reflects the additional liability that is expected to accrue in respect of in-service members' service over the corresponding year.

(ii) The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit vestings, over the corresponding year. This arises because all future LSA benefits are one year closer to payment.

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021				2020
					Restated*
<b>History of liabilities and assets</b>	30/06/2017	30/06/2018	30/06/2019	30/06/2020	30/06/2021
Accrued liability	1 401 936	1 415 790	2 532 571	2 794 000	3 300 000
Fair value of plan asset	-	-	-	-	-
<b>Surplus deficit</b>	<b>1 401 936</b>	<b>1 415 790</b>	<b>2 532 571</b>	<b>2 794 000</b>	<b>3 300 000</b>
<b>History of experience adjustments: (Gains) and Losses</b>	30/06/2017	30/06/2018	30/06/2019	30/06/2020	30/06/2021
Liabilities : (Gains) / Loss	80 719	92 623	322 562	131 327	207 093
Asset: Gain /(Loss)	-	-	-	-	-
	<b>80 719</b>	<b>92 623</b>	<b>322 562</b>	<b>131 327</b>	<b>207 093</b>
<b>Past year and future projected liability</b>			30/06/2020	30/06/2021	30/06/2022
Opening Accrued liability			2 532 571	2 794 000	3 300 000
Current - service cost			343 478	347 000	398 000
Interest cost			200 217	208 000	314 000
Benefits vesting			(239 593)	(190 093)	(127 000)
Total Annual Expense			304 102	364 907	585 000
Actuarial Loss/(gain)			(42 673)	141 093	-
			-	-	-
<b>Closing Accrued Liability</b>			<b>2 794 000</b>	<b>3 300 000</b>	<b>3 885 000</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

				2021	2020 Restated*
<b>Sensitivity Analysis on current Service and Interest costs for the year</b>					
	change	current service cost	interest cost	total	% change
Central assumptions		398 000	314 000	712 000	- %
General Inflation	+1%	431 000	336 000	767 000	8 %
	-1%	368 000	294 000	662 000	(7)%
Discount rate	+1%	370 000	324 000	694 000	(3)%
	-1%	428 000	303 000	731 000	3 %
Average retirement age	+2 yrs	410 000	325 000	735 000	3 %
	-2 yrs	383 000	301 000	684 000	(4)%
Withdrawal rates	*2	302 000	257 000	559 000	(21)%
	*0.5	467 000	352 000	819 000	17 %
<b>15. Other Revenue</b>					
Other Revenue (Insurance refund)				372 217	802 749
Other Revenue (Administrative and handling fee)				218 360	281 064
Other Revenue (Sale of Tender Documents)				476 261	240 957
Other Revenue (Skills Development Levy Refund)				71 820	118 057
Other Revenue (Clearance Certificates)				4 957	7 321
TLB Fees				-	1 739
Business Licensing				2 328	1 140
Default Transactions/Management Fees/Operational R				2 522	-
Library Income				-	145
Default Transactions/Specify (Add grant descr/Spec				-	30 000
				<b>1 148 465</b>	<b>1 483 172</b>
<b>16. Property rates</b>					
<b>Rates billed</b>					
Residential				309 804	287 068
Commercial				2 086 624	2 101 119
State				14 787 951	14 050 523
Municipal				1 831	-
Agriculture				1 891 454	1 884 117
Less: Income forgone				(1 188 222)	(1 014 730)
				<b>17 889 442</b>	<b>17 308 097</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>16. Property rates (continued)</b>		
<b>Valuations</b>		
Residential	43 526 000	42 669 000
Commercial	76 325 000	51 750 000
Public Service Purpose	712 535 000	695 600 000
Agriculture	1 473 717 000	1 150 058 000
Vacant Land	2 625 000	-
Public Benefit Organisation	3 000 000	3 000 000
Industrial	3 000 000	1 000 000
Land Reform Beneficiary Communal Trust	-	315 659 000
Place of worship	2 380 000	2 380 000
Municipal	-	28 737 000
Public Service Infrastructure	2 034 000	214 000
	<b>2 319 142 000</b>	<b>2 291 067 000</b>
<b>Rates reconciliation:</b>		
Billing	17 889 442	22 056 237
Rates received	(13 212 662)	(13 428 054)
	<b>4 676 780</b>	<b>8 628 183</b>

Rate Reconciliation	Market value	Exempt	After Exemption	Tariff	Amount	Income forgone
Residential	43 526 000	(17 330 000)	26 196 000	0,01046000	274 010	(88 073)
Commercial	76 325 000	(3 200 000)	73 125 000	0,03914000	2 862 113	(125 248)
Public Service Purpose	712 535 000	(5 200 000)	707 335 000	0,02085000	13 639 009	(108 420)
Agriculture	1 473 717 000	(1 080 309 500)	393 407 500	0,00262000	1 030 728	(782 565)
Vacant land	2 625 000	(88 000)	2 537 000	0,01046000	26 537	(920)
Public Benefit Organisation	3 000 000	-	3 000 000	0,00262000	7 860	-
Place of Worship	2 380 000	(2 380 000)	-	-	-	-
Industrial	3 000 000	(2 000 000)	1 000 000	0,03914000	39 140	(78 280)
Public Service Infrastructure	2 034 000	1 800 000	3 834 000	0,00262000	10 045	(4 716)
	<b>2 319 142 000</b>	<b>(1 108 707 500)</b>	<b>1 210 434 500</b>	<b>-</b>	<b>17 889 442</b>	<b>(1 188 222)</b>

The municipal valuations and property rates were firstly implemented with effect on 1 July 2009, second valuation was effective on 01 July 2014 and the third (current) valuation roll was effective on 1 July 2019 in terms of Municipal Rates Act.

Valuations on land and buildings are valid for four years.

Interim valuations are processed on a quarterly basis to take into account changes on individual property values due to alterations, consolidations, subdivisions and new township development. Various rates in the Rand were applied in accordance with categories determined in terms of the Municipal Property Rates Act.

Rebates applicable were applied in line with the municipal property rates policy. Rebates are levied on a monthly basis in terms of municipal rates policy and interest is charged on outstanding amounts as determined by the municipality in terms of rates policy and approved tariffs.

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>17. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	188 001 000	144 310 000
Sport & recreation	-	43 523
EPWP	1 760 000	1 348 000
Financial Management Grant (FMG)	2 800 000	2 435 000
Library Computer Assistant	1 816 000	1 714 000
Municipal Disaster Relief Grant	-	745 000
Kwaloshe Tourism Project	97 000	-
	<u>194 474 000</u>	<u>150 595 523</u>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	29 266 000	34 809 000
	<u>29 266 000</u>	<u>34 809 000</u>
	<u>223 740 000</u>	<u>185 404 523</u>

### Equitable Share

In terms of the Constitution, this grant is used for the operations of the municipality and to subsidise the provision of basic services to indigent community members.

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>18. Employee related costs</b>		
Basic	38 647 154	35 675 390
Bonus	2 615 258	2 536 631
Medical aid - company contributions	2 752 931	2 408 390
UIF	239 752	231 942
Retirement Annuity	558 459	450 891
Leave pay provision charge	671 853	-
Pension Funds	6 375 043	5 513 483
Overtime payments	308 477	369 233
Long-service awards	696 093	274 711
Travel, Motor car and other allowances	1 678 739	1 556 188
Housing benefits and allowances	232 447	220 391
Uniform allowances	556 750	561 000
	<b>55 332 956</b>	<b>49 798 250</b>
<b>Remuneration of Key management personnel</b>		
<b>Remuneration of Municipal Manager -MF HADEBE</b>		
Annual Remuneration	744 529	744 529
Car Allowance	248 176	248 176
Contributions to UIF, Medical and Pension Funds	1 813	1 784
SDL	7 860	9 432
	<b>1 002 378</b>	<b>1 003 921</b>
<b>Remuneration of Chief Finance Officer - S Majola</b>		
Annual Remuneration	611 297	586 095
Car Allowance	203 766	203 766
Contribution to UIF, Medical and Pension Funds	1 813	1 785
Backpay	-	25 202
SDL	6 454	7 744
	<b>823 330</b>	<b>824 592</b>
<b>Remuneration of Director Technical Services - DH Mzolo</b>		
Annual Remuneration	555 704	533 832
Car Allowance	203 766	203 766
Contributions to UIF, Medical and Pension Funds	58 219	54 565
Backpay	-	25 202
SDL	6 459	7 749
	<b>824 148</b>	<b>825 114</b>
<b>Remuneration of Director Corporate Services - MG Ntuli</b>		
Annual Remuneration	468 163	539 165
Car Allowance	169 805	203 766
Contributions to UIF, Medical and Pension Funds	42 738	48 714
Backpay	-	25 202
SDL	5 163	7 749
	<b>685 869</b>	<b>824 596</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>18. Employee related costs (continued)</b>		
<b>Remuneration of Director Economic Development and Planning - SDG Khuzwayo</b>		
Annual Remuneration	590 007	566 000
Car Allowance	203 766	203 766
Contributions to UIF, Medical and Pension Funds	23 103	21 880
Back pay	-	25 202
SDL	6 454	7 744
	<b>823 330</b>	<b>824 592</b>
<b>Remuneration of Director Community Services-MRS PP Mbonambi</b>		
Annual Remuneration	432 082	-
Car Allowance	144 027	-
Contributions to UIF, Medical and Pension Funds	1 367	-
SDL	5 474	-
	<b>582 950</b>	<b>-</b>
<b>19. Remuneration of councillors</b>		
<b>Mayor: NV Chili</b>		
Salary	821 479	795 932
Telephone allowance	40 800	40 800
Back pay	-	27 592
Medical Aid	39 380	37 336
	<b>901 659</b>	<b>901 660</b>
<b>Deputy mayor: EN Blose -Deceased - 02/2021</b>		
Salary	339 751	564 104
Telephone allowance	23 800	40 800
Back pay	-	22 073
Pension	50 963	84 616
Medical Aid	11 021	17 896
	<b>425 535</b>	<b>729 489</b>
<b>Deputy Mayor : ZS Thoolsi</b>		
Salary	99 810	-
Telephone Allowance	6 800	-
Pension	14 971	-
	<b>121 581</b>	<b>-</b>
<b>Speaker: GK Ngidi</b>		
Salary	633 095	614 352
Telephone allowance	40 800	40 800
Back pay	-	22 073
Medical Aid	56 270	52 781
	<b>730 165</b>	<b>730 006</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>19. Remuneration of councillors (continued)</b>		
<b>Executive Committee Members and Other Councillors</b>		
Salaries	9 695 361	9 766 112
Travel and subsistence	1 200 537	1 409 531
Telephone allowance	1 394 000	1 380 400
Pension	557 287	553 573
Medical aid	255 524	238 899
SDL	118 180	105 135
	<b>13 220 889</b>	<b>13 453 650</b>
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Chairpersons of the portfolio Committee Members are full-time. Each is provided with an office. The Mayor and Speaker are provided with secretarial support at the cost of the Council.		
The Mayor, Speaker and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Mayor has four full-time bodyguards, Deputy Mayor has two full time bodyguards and Speaker have four full-time bodyguards.		
<b>20. Depreciation and amortisation</b>		
Property, plant and equipment	23 925 227	21 449 786
Intangible assets	103 813	177 617
	<b>24 029 040</b>	<b>21 627 403</b>
<b>21. Impairment loss</b>		
Contributions to debt impairment provision	1 584 386	2 532 734
<b>22. Rentals on operating lease</b>		
Plant and equipment - Contractual amounts	687 511	952 601
<b>23. Repairs and maintenance</b>		
Community assets	1 470 193	4 190 538
Buildings	165 545	126 496
Vehicles	3 434 094	1 995 629
Roads	17 335 653	1 946 972
Other Assets	52 336	144 410
	<b>22 457 821</b>	<b>8 404 045</b>

\* See Note 38



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>24. General expenses</b>		
Advertising	799 232	306 773
Small Tools	70 572	174 690
Auditors remuneration	2 041 207	1 883 628
Bank charges	177 670	206 826
Covid 19 Expenses	14 034 016	-
Cleaning	1 242 517	609 171
Community development and training	393 310	-
Conditional Grant	-	29 650
Conference and seminars	930 094	848 035
Consulting and professional fees	17 070 086	13 904 216
Gifts and promotional items	3 068 386	2 211 724
Bargaining	15 018	14 017
Council committee	3 373 150	2 666 900
Disaster relief	-	745 000
Electricity	1 418 663	1 553 190
Entertainment	4 069 717	5 177 001
Fines and penalties	2 896	3 561
Fuel and oil	2 701 980	2 147 550
IT expenses	-	150 024
Indigent support burial	1 041 000	825 000
Insurance	1 406 192	916 661
LED Support	2 576 197	1 779 724
Marketing	5 020 160	2 113 185
Medical expenses	12 737	2 500
Motor vehicle expenses	431 314	340 923
Workmen's compensation fund	561 440	-
Study Assistance	1 243 391	790 724
Postage and courier	2 450	2 761
Printing and stationery	1 249 522	1 237 712
Project: Electrification cost	2 624 301	8 027 184
Employee wellness	17 500	338 358
Refuse	1 206 783	1 360 781
Security (Guarding of municipal property)	5 254 722	4 822 495
Skills Development	399 777	310 587
Social Responsibility	1 479 335	2 185 379
Software expenses	2 512 100	1 271 197
Subscriptions and membership fees	845 262	1 425 863
Telephone and fax	2 273 777	1 594 622
Training	702 500	-
Travel - local	4 093 917	5 647 790
Uniforms	1 168 231	786 064
	<b>87 531 122</b>	<b>68 411 466</b>

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>25. Cash generated from operations</b>		
Surplus	34 797 480	39 196 886
<b>Adjustments for:</b>		
Depreciation and amortisation	24 029 040	21 627 403
Gain / Loss on sale of assets and liabilities	225 819	445 959
Increase /Decrease in Leave Accrual	1 117 564	1 631 826
Impairment of Assets	3 523 057	510 119
Debt impairment	1 584 386	2 532 734
Movements in provisions	(506 000)	(261 429)
Other non- cash items	(778 000)	11 285
Donations non-cash items	(1 526 842)	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(513 198)	(281 296)
Consumer debtors	(4 088 076)	(2 479 961)
Payables from exchange transactions	19 362 294	(1 856 494)
VAT	(2 413 644)	(1 619 633)
Unspent conditional grants and receipts	97 000	(43 523)
	<b>74 910 880</b>	<b>59 413 876</b>
<b>26. Commitments</b>		
<b>Authorised expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Capital Commitments	11 733 693	10 337 128
• Operational Commitments	26 617 986	13 137 547
	<b>38 351 679</b>	<b>23 474 675</b>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised expenditure	38 351 679	23 474 675
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	-	234 911

Operating lease payments represent rentals payable by the municipality for certain of its office photocopiers. Leases are negotiated for an average term of four to five years. No contingent rent is payable. The contract expired in October 2020 and the new lease contract is expected to start in October 2021.

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
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### 27. Related parties

#### Remuneration of key management

##### Councillors

2021	Basic salary	Total
Councillors	15 399 830	15 399 830

  

2020	Basic salary	Total
Councillors	15 814 803	15 814 803

There were related party transactions in the current financial year. The two related party transactions were the municipalities councillors and s57 employees as per GRAP 20.

##### Section 57 employees - 2021

	Basic salary	Other benefits received	Total
Municipal Manager - MF Hadebe	744 529	257 849	1 002 378
Chief Financial Officer - S Majola	611 297	212 033	823 330
Technical Manager - DH Mzolo	555 704	268 444	824 148
Corporate Services Manager - MG Ntuli	468 163	217 706	685 869
Social Development Manager - SDG Khuzwayo	590 007	233 323	823 330
Director Community Services - PP Mbonambi	432 082	150 868	582 950
	<b>3 401 782</b>	<b>1 340 223</b>	<b>4 742 005</b>

##### Section 57 Employees - 2020

	Basic salary	Other benefits received	Total
Municipal Manager - MF Hadebe	744 529	259 392	1 003 921
Chief Financial Officer - S Majola	586 095	238 497	824 592
Technical Manager - DH Mzolo	533 832	291 312	825 144
Corporate Services Manager - MG Ntuli	539 165	285 431	824 596
Social Development Manager - SDG Khuzwayo	566 000	258 592	824 592
	<b>2 969 621</b>	<b>1 333 224</b>	<b>4 302 845</b>

##### Related party transactions

K2016484930 (South Africa)	42 750	54 800
Amandla Ongabonwa Investments	45 410	52 250
Eloyi Holdings (PTY)LTD	-	20 000
Thobazatee	27 900	-
Isiphiwo	6 800	-
	<b>122 860</b>	<b>127 050</b>

1. K2016484930 (South africa) relates to MR BM Ngcobo (Library assistant)(Partne)r
2. Amandla Ongabonwa investment cc relates TP Nkwakhwa (VIP Proctectors and Drivers).(associates)
3. Eloyi Holdings PTY LTD relates to Mr. VMR Magubane (Councillor)(associates)
4. Thobazatee relates Ms FP Nkosi (Receptionist)(associate)
5. Isiphiwo sika Gogo relates to MS MK Nkosi (Councillor)(associates)

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 28. Going concern

We draw attention to the fact as at 30 June 2021, the municipality had accumulated surplus of 471 232 356 and that the municipality's total assets exceed its liabilities by 471 232 356.

The table below shows that the Municipality is liquid and will meet all its financial liabilities with the cash and cash equivalents on hand.

Total Non Current Liabilities	(3 173 324)	-
Total Current Liabilities	(37 536 754)	-
Cash and Cash Equivalents	111 560 476	-
<b>Cash remaining after settling total liabilities</b>	<b>70 850 398</b>	<b>-</b>
<b>Add: Grants to be received in 2021/22 financial year</b>		
Equitable share	165 366 000	-
FMG	3 000 000	-
MIG	31 331 000	-
Library Grant	1 910 000	-
INEP	9 100 000	-
EPWP	2 412 000	-
	<b>213 119 000</b>	<b>-</b>
<b>Revenue expected to be generated by the municipality in 2021/22</b>		
Property rates	12 244 000	-
Refuse collection	100 000	-
Other income	556 000	-
Rent Income	533 000	-
Investment income	6 500 000	-
	<b>19 933 000</b>	<b>-</b>
<b>Total cash and cash equivalent available for 2021/22</b>		
Total revenue (grants to be received and revenue expected)	233 052 000	-
add: Cash @ beginning of the year	70 850 398	-
	<b>303 902 398</b>	<b>-</b>
Budget operating expenditure for 2021/22	200 075 770	-
Budgeted Capital expenditure for 2021/22	82 661 760	-
Total Budgeted cost 2021/22	<b>282 737 530</b>	<b>-</b>
<b>Commitments for 2021/22 financial year</b>		
Total cash and cash equivalent available for 2021/22	303 902 398	-
Cash and cash equivalent available after settling all commitments for 2021/22	(282 738 000)	-
<b>Total Budgeted Cost</b>	<b>21 164 398</b>	<b>-</b>

According to the assessment above the municipality will have R70 850 398 in Cash and Cash equivalents after settling its total liabilities as at the end of 30 June 2021. For 2021/22 financial year the municipality will have R233 052 000 total revenue, made up by R213 119 000 (total grants) and R19 933 000 total (internal revenue). It must be noted that this own revenue is the amount expected to be collected and not the amount billed. The assumption of the amount to be collected is based on historical information.

The total commitments for 2021/22 financial year are R282 737 530, made up by R200 075 770 for opex and R82 661 760 for CAPEX as shown above.

Table 4 shows total cash and cash equivalent to be received for 2021/22 financial year as R303 606 961 when you subtract the 2021/22 commitments the municipality will remain with R21 164 398 in its cash and cash equivalents. This therefore means that the municipality is liquid and it will continue exist at least for the next 12 months.

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### 29. Contingencies

Litigation is in the process against the municipality relating to a dispute with a service provider who alleges that the municipality has infringed patents and is seeking damages of . The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Litigation is in process against the municipality that occurred in during the financial year were as follows:

Litigations	Nature of Litigation	2021	2020
PALISADE CONCRETE	rendering of fencing services	772 110	772 110
AFRICAN DIRECTORY SERVICES	bogus advertising company	83 784	83 784
MNTUNGAKHOHLWA MNGADI	relinquish of property	30 000	522 000
ILLOVO SUGAR (PTY) LTD	Eviction of tenant	-	-
NGONYAMA TRUST BOARD	Transfer or ownership of land	-	-
ESICONGWENI	Breach of contract	-	-
SAMWU	of 10	1 200 000	-
MISS K MAPIPA	Financial misconduct allegations	962 282	-
Ms NL Mthembu	Breach of municipal code of conduct	1 500 000	-
Miss N Mbambo	Breach of municipal code of conduct	110 055	-
DR MG Ntuli	Breach of municipal code of conduct	432 101	-
Various -Employees under SAMWU Union	Breach of municipal code of conduct	441 303	-
Ndwedwe Municipality LLF training	Breach of municipal code of conduct	250 125	-
Strike at Ndwedwe Municipality	Breach of municipal code of conduct	300 000	-
		<b>6 081 760</b>	<b>1 377 894</b>

The NGONYAMA TRUST BOARD and ESICONGWENI were previous cases that rolled over to the current financial year, however there was no monetary valued attached to Ngonyama Trust Board.

The PALISADE CONCRETE, AFRICAN DIRECTORY SERVICES, MNTUNGAKHOHLWA MNGADI and ILLOVO SUGAR (PTY) LTD are previous years litigation cases, however no monetary value was assigned for the Illovo Sugar (Pty) Ltd case.

SAMWU obo Nomasonto Mthembu vs Ndwedwe Local Municipality regarding a labour matter.

Miss K Mapipa in progress ,delays are caused by defendant medical and other legal contestation.

Ms NL Mthembu in progress matter is still court

Miss N Mbambo in progress matter is still in court.

Dr MG Ntuli in progress matter is sill in court

Various - Employees under SAMWU in progress matter is in court.

### 30. Investigations

This is still in progress and it has not been finalised in the current financial year.

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### 31. Financial instruments disclosure

#### Categories of financial instruments

2021

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 243 037	2 243 037
Consumer debtors	13 048 219	13 048 219
Cash and cash equivalents	111 560 476	111 560 476
VAT	621 235	621 235
	<b>127 472 967</b>	<b>127 472 967</b>

In accordance with GRAP 104.3 the financial assets of the municipality were classified as above.

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	37 973 676	37 973 676

2020

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 729 839	1 729 839
Consumer debtors	8 589 189	8 589 189
Cash and cash equivalents	110 076 060	110 076 060
	<b>120 395 088</b>	<b>120 395 088</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	17 932 503	17 932 503
Vat Payable	1 869 564	1 869 564
	<b>19 802 067</b>	<b>19 802 067</b>

### 32. Risk management

#### Financial risk management

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

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

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

	2021	2020
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### 32. Risk management (continued)

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2021	2020
Consumer Debtors	13 048 219	8 589 189
Cash and cash equivalent	111 560 476	110 076 060
Trade and other receivables from exchange transactions	2 243 037	1 729 839

#### Interest rate risk

The municipality's exposure to interest rate risk results from changes in investments as a result of changes in interest rates.

### 33. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	818 280	621 050
Amount paid - current year	(818 280)	(621 050)
	-	-

#### Audit fees

Current year subscription / fee	1 547 752	2 151 866
Amount paid - current year	(1 547 752)	(2 151 866)
	-	-

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>33. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF</b>		
Current year subscription / fee	11 453 635	10 516 402
Amount paid - current year	(11 453 635)	(10 516 402)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	14 376 441	13 756 702
Amount paid - current year	(14 376 441)	(13 756 702)
	-	-
<b>VAT</b>		
VAT receivable	621 235	-
VAT payable	-	(1 869 564)
	621 235	(1 869 564)

VAT output payables and VAT input receivables are shown in note 12.

All VAT returns have been submitted by the due date throughout the year.

### 34. Irregular expenditure

Opening balance	60 759 644	76 707 341
Add: Irregular Expenditure - current year	-	2 335 775
Less: Amounts written off by council	-	(18 283 472)
	60 759 644	60 759 644

#### Details of irregular expenditure recoverable (not condoned) - 2020

Ayanda Mbanga Communication	408 844
Khanyile Funeral	490 000
Amahle Funeral	370 000
Amachunu Funeral	52 500
Dolphin Coast	1 014 431
	<u>2 335 775</u>

The nature of the above irregular expenditure is a result of Non-compliance with Section 116, Subsection 3 of the MFMA and only for the Dolphin Coast where it was Impractical or impossible to follow the official SCM processes as per regulation 36 (i).

### 35. Unauthorised expenditure

Opening balance	7 271 267	7 271 267
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The unauthorized expenditure is mainly attributed to the transaction related to depreciation and amortization, impairment loss and debt impairment. The matter is awaiting the MPAC to investigate.

\* See Note 38



# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>36. Fruitless and wasteful expenditure</b>		
Opening Balance	4 896 899	5 229 866
Add: Current year	2 896	3 561
Less: Written off	-	(336 528)
	<b>4 899 795</b>	<b>4 896 899</b>

The fruitless and wasteful expenditure relates to the consultants and contractor payments arising from an investigation, the matter is still within the MPAC process. It also relates to penalties charged on late Eskom payment however discussion between the Eskom and municipality is ongoing to resolve this matter.

### 37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. Deviations total to R112 598 period ended 30 June 2021.

SUPPLIER NAME	NATURE FOR DEVIATION	DESCRIPTION	AMOUNT
POLO B COMMUNICATIONS	This was an emergency due to emergency and was awarded as per regulation 36 (i)	Food parcel in assistance of a family who lost their child with no financial means to cater for the funeral.	3 250
ONE UP ELECTRO-LIGHTING CC	Exceptional case and it is impractical or impossible to follow the official procurement process (36(1)(a)(v))	To provide annual service on generators	100 848
LANCET LABORATORIES (PTY) LTD	Exceptional case and it is impractical or impossible to follow the official procurement process (36(1)(a)(v))	To offer laboratory services for Covid 19 testing to (Councilors and Amakhosi)	8 500
			<b>112 598</b>

### 38. Prior period errors

The following adjustments were made to amounts previously reported in the annual financial statements,

PPE that was previously recognised under WIP was reclassified in different classes. This led to a decrease in accumulated surplus by R667 281 and increase in accumulated depreciation in the beginning of the year by the same amount.

The correction of the error(s) results in adjustments as follows:

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
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### 38. Prior period errors (continued)

#### Statement of financial position

	Previously reported	Adjustment	Restated balance
Property, plant & equipment	339 180 773	(667 281)	338 513 492
Consumer debtors	8 646 548	30 000	8 676 548

#### Statement of financial performance

	Previously reported	Adjustment	Restated balance
Depreciation	20 964 117	667 281	21 631 398
Other income	1 453 172	30 000	1 483 172
	<b>22 417 289</b>	<b>697 281</b>	<b>23 114 570</b>

Other revenue was understated due to rolling forward of caseware file, this resulted in omission of this transaction.

#### Notes to the financials

##### Property Plant and Equipment

	Previously reported	Adjustment	Total
Land and Buildings	20 096 385	999 149	21 095 531
Motor Vehicles	9 540 668	-	9 540 668
Infrastructure	128 031 564	2 618 316	130 649 879
Community Assets	86 076 055	8 500 731	94 576 786
Other PPE	14 998 282	2 658 002	17 656 284
Work In Progress	80 433 826	(15 443 479)	64 990 347
	<b>339 176 780</b>	<b>(667 281)</b>	<b>338 509 495</b>

### 39. Changes in accounting policy and estimates

In terms of GRAP 17 - Property, Plant and Equipment, the municipality is required to assess the useful lives and depreciation methods at each reporting period date. In the current financial year, the management have revised the useful lives of assets. The revision was accounted for a change in accounting estimates. The remaining useful lives were reviewed based on the condition assessment carried out during physical verification

#### Impact on statement of financial performance

	Depreciation before	Depreciation after	Effect of change in Estimate
Intangible Asset	167 796	99 748	(68 048)
Community Asset	83 044	39 254	(43 791)
Computer Equipment	283 166	225 944	(57 222)
Furniture and Office Equipment	36 955	25 948	(11 007)
Machinery	112 517	82 075	(30 442)
Transport Asset	907 432	310 396	(597 036)
	<b>1 590 910</b>	<b>783 365</b>	<b>(807 546)</b>

### 40. Events after the reporting date

There were no adjusting events that came to the attention of management after the reporting date.

\* See Note 38

# Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

	2021	2020 Restated*
<b>41. Covid 19 Expenditure</b>		
Training of youth for Covid 19 programmes	1 500 000	-
Staff PPE Covid 19	150 008	-
Sanitisation of office building for Covid 19	87 800	-
Burial assistance Covid 19	662 000	-
Community and awareness campaigns	985 700	-
Feeding of homeless/Food distribution	4 980 000	-
Cooperatives development Covid	2 874 797	-
Ward committee training Covid 19	999 970	-
Sanitisation of community spaces Covid 19	726 737	-
Dress A Child Covid 19	1 067 003	-
Repairs of roads	14 186 338	-
	<b>28 220 353</b>	<b>-</b>
<b>Reconciliation of Covid 19 Expenditure</b>		
Covid 19 expenditure included with general expenditure note	14 034 016	-
Covid 19 expenditure included within Repairs and maintenance note	14 186 338	-
	<b>28 220 354</b>	<b>-</b>

\* See Note 38

## Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand

#### 42. Segment information

##### Segment surplus or deficit, assets and liabilities

2021

	Community Hall, Sports Grounds and Roads	Youth Development	Waste management	Social Cohesion	Economic Development and Town Planning	Disaster Management and Fire Fighting	Sport and Recreation	Libraries and Archives	Unallocated Segments	Total
<b>Revenue</b>										
Revenue from non- exchange transactions	-	-	-	-	97 000	-	-	1 816 000	242 539 803	244 452 803
Revenue from exchange transactions	-	-	36 826	-	-	-	-	-	1 636 720	1 673 546
<b>Total segment revenue</b>	-	-	<b>36 826</b>	-	<b>97 000</b>	-	-	<b>1 816 000</b>	<b>244 176 523</b>	<b>246 126 349</b>
Interest revenue										5 547 973
<b>Entity's revenue</b>										<b>251 674 322</b>
<b>Expenditure</b>										
Salaries and wages	-	11 402 309	-	-	-	5 697 321	-	2 411 535	55 925 732	75 436 897
Depreciation and amortisation	-	-	-	-	-	-	-	-	24 029 040	24 029 040
Other expenses	-	19 694 381	1 206 783	2 103 621	7 035 120	2 285 937	2 130 547	108 436	97 147 093	131 711 918
<b>Total segment expenditure</b>	-	<b>31 096 690</b>	<b>1 206 783</b>	<b>2 103 621</b>	<b>7 035 120</b>	<b>7 983 258</b>	<b>2 130 547</b>	<b>2 519 971</b>	<b>177 101 865</b>	<b>231 177 855</b>
<b>Total segmental surplus/(deficit)</b>										<b>14 948 494</b>
Total revenue reconciling items										5 547 973
<b>Assets</b>										
Segment assets	-	-	-	-	-	-	-	-	438 893 720	438 893 720

