Chris Hani District Municipality
Annual Financial Statements
for the period ended 30 June 2025

General Information

Legal form of entity	District Municipality DC 13
Nature of business and principal activities	Chris Hani District Municipality is a South African Category C Municipal (District Municipality) as defined by the Municipal Structure Act. (Act no 117 of 1998). The nature of business of the Municipality is a provision of service (water and sanitation) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment. The Municipality's operations are governed by: - Municipal Finance Management Act 56 of 2003. - Municipal Structure Act 117 of 1998. - Municipal Systems Act 32 of 2000 and various other acts and regulations. - Division of Revenue Act. - Supply Chain Management Regulatuons 2005. - The Constitution of South Africa. - Water Services Act 108 of 1997.
Mayoral committee	
Executive Mayor	Cllr. L. Sizani - Executive Mayor
	Cllr: N. September-Caba: Deputy Executive Mayor
	Cllr: J. Cengani: Speaker
	Cllr: Nobantu Macingwane: Chief Whip
	Cllr: S. Lali: Portfolio Head - Budget & Treasury Office
	Cllr. M. A. Fatyela - Portfolio Head - Health & Community Services
	Cllr. N.F. Papiyana: Portfolio Head - Intergrated Planning & Economic Development
	Cllr. T. Bobo: Portfolio Head - Special Programmes Unit
	Cllr: T. Bikwana: Portfolio Head - Corporate Services
	Cllr B. Nobuntu: Portfolio Head - Infrastructure Department
	Cllr: P. Makaphela: Chairperson - MPAC
Councillors	Cllr: M. Desha
	Cllr: A. Alexander
	Cllr: A. Ngonyama
	Cllr: L. Clark
	Cllr: M. Yamile
	Cllr. S. Limba
	Cllr: M. Mangcotywa
	Cllr: M.P. Oyiya
	Cllr: U. Galada
	Cllr: N.T. Mgqamqho
	Cllr: N. Biko
	Cllr: N. Cetman
	Cllr: Z.N.E. Ralane
	Cllr: N. Sitofile
	Cllr: N.S. Mdumata
	Cllr: N. Nomfombo
	Cllr: F.M. Mthandeki
	Cllr: S. Mkhunqe
	Cllr: R. Venske
	Cllr: S.H. Nobongoza
	Cllr: S. Maratana
	Cllr: S. Mthimkhulu

General Information

	Cllr: S. Mendela Cllr: N. Ndlebe Cllr: U.S. Mzandisi Cllr: V. Filana Cllr: X. Kani Cllr: Z. Simawo Cllr. S. Nxozi Cllr. B. Simina Cllr. N. Mnqanqeni
Grading of local authority	Grade 5
Accounting Officer	Mr. G. Mashiyi
Chief Finance Officer (CFO)	Mr. P. Mngeni (Acting)
Registered office	15 Bells Road Queenstown 5320
Bankers	First National Bank Limited
Auditors	Auditor General South Africa
Attorneys	McWilliams & Elliott Incorporated Px Limba Attorneys Inc, S Booi and Sons J Modi Attorneys Jolwana Mgidlana Inc. Mjenxane Attorneys Inc. Wesley Pretorius and Associates Inc.

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

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.

As 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 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 to 30 June 2026 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.

The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the Chris Hani District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Improved revenue collection through implementation of data cleansing and meter audit projects would ensure decrease in outstanding debtors and increase in cash reserves available to fund budgeted expenditure.

Although the the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The Accounting Officer would like to bring to your attention the following material matters to your attention:

The Accounting Officer certify that the salaries, allowances and benefits of councillors as disclosed in note 22 & 23 to these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act; Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The Annual Financial Statements set out on page 5 to 105, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2025 and were signed on its behalf by:

Mr. G. Mashiyi
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024
Assets			
Current Assets			
Inventories	8	15 537 062	22 581 347
Operating lease asset	7	202 903	14 178
Receivables from non-exchange transactions	9	30 403 101	116 217 641
Prepayments	48	976 024	1 004 075
Receivables from exchange transactions	10	197 280 059	366 112 045
Cash and cash equivalents	11	18 009 921	20 442 357
		262 409 070	**526 371 643**
Non-Current Assets			
Property, plant and equipment	3	5 941 491 706	5 693 475 965
Intangible assets	4	1 897 633	3 544 704
Heritage assets	6	962 961	962 961
Investments in controlled entities	5	1 500 000	1 500 000
		5 945 852 300	**5 699 483 630**
Total Assets		**6 208 261 370**	**6 225 855 273**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	470 349 603	432 432 552
VAT payable	47	42 293 939	26 080 522
Consumer deposits	13	1 270 167	1 079 583
Employee benefit obligation	12	6 174 503	5 888 073
Unspent conditional grants and receipts	15	37	26 516
		520 088 249	**465 507 246**
Non-Current Liabilities			
Employee benefit obligation	12	95 989 705	91 128 599
Total Liabilities		**616 077 954**	**556 635 845**
Net Assets		**5 592 183 416**	**5 669 219 428**
Accumulated surplus	16	5 592 183 416	5 669 219 428
Total Net Assets		**5 592 183 416**	**5 669 219 428**

Statement of Financial Performance as at 30 June 2025

Figures in Rand	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Service charges	18	451 855 510	333 871 702
Other income	19	4 916 318	24 362 534
Interest received - investment	20	147 112 120	204 380 754
Total revenue from exchange transactions		**603 883 948**	**562 614 990**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	1 300 219 688	1 389 270 554
Total revenue	17	**1 904 103 636**	**1 951 885 544**
Expenditure			
Employee related costs	22	(453 836 898)	(421 190 535)
Employee costs - Remuneration of councillors	23	(14 200 568)	(13 842 491)
Depreciation and amortisation	24	(189 565 072)	(168 452 729)
Finance costs	25	(1 017 707)	(4 716 652)
Debt Impairment	26	(408 265 007)	939 857 426
Bad debts written off	27	(368 411 829)	(1 226 732 051)
Inventory consumed - water	28	(156 232 860)	(151 632 702)
Contracted Services	29	(269 624 929)	(293 026 145)
Transfers and Subsidies	30	(56 884 946)	(83 828 759)
General Expenses	31	(103 938 635)	(115 732 553)
Total expenditure		**(2 021 978 451)**	**(1 539 297 191)**
Operating (deficit) surplus		**(117 874 815)**	**412 588 353**
(Loss) gain on disposal of assets and liabilities		(3 445 900)	2 531 669
Actuarial gains/losses	12	9 705 211	(2 674 146)
(Impairment loss) Reversal of impairments	49	(5 329 746)	566 234
		929 565	**423 757**
(Deficit) surplus for the year		**(116 945 250)**	**413 012 110**

Statement of Changes in Net Assets as at 30 June 2025

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**5 252 196 785**	**5 252 196 785**
Changes in net assets		
Surplus for the year	413 012 110	413 012 110
Prior year adjustments	4 010 533	4 010 533
Total changes	417 022 643	417 022 643
Balance at 01 July 2024	**5 669 219 428**	**5 669 219 428**
Changes in net assets		
Net income(losses) recognised	39 909 238	39 909 238
Net income (losses) recognised directly in net assets	39 909 238	39 909 238
Deficit for the year	(116 945 250)	(116 945 250)
Total recognised income and expenses for the year	(77 036 012)	(77 036 012)
Total changes	(77 036 012)	(77 036 012)
Balance at 30 June 2025	**5 592 183 416**	**5 592 183 416**

Note(s)

Cash Flow Statement as at 30 June 2025

Figures in Rand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Sale of goods and services		133 985 945	78 522 219
Grants		1 300 193 210	1 316 522 030
Interest income		18 153 590	25 664 349
		1 452 332 745	1 420 708 598
Payments			
Employee costs		(468 957 868)	(405 935 655)
Suppliers		(450 956 542)	(497 191 492)
Finance costs		(1 017 707)	(4 716 652)
Transfers and subsidies		(56 884 946)	(83 683 608)
		(977 817 063)	(991 527 407)
Net cash flows from operating activities	32	**474 515 682**	**429 181 191**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(478 942 449)	(515 752 065)
Proceeds from sale of property, plant and equipment	3	1 994 331	2 803 502
Purchase of other intangible assets	4	-	(1 468 000)
Net cash flows from investing activities		**(476 948 118)**	**(514 416 563)**
Net increase/(decrease) in cash and cash equivalents		**(2 432 436)**	**(85 235 372)**
Cash and cash equivalents at the beginning of the year		20 442 357	105 677 729
Cash and cash equivalents at the end of the year	11	**18 009 921**	**20 442 357**

The accounting policies on pages 12 to 48 and the notes on pages 49 to 102 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts as at 30 June 2025

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	500 200 000	33 406 000	**533 606 000**	451 855 510	**(81 750 490)**	Note 53
Other income - (rollup)	179 339 000	-	**179 339 000**	4 916 318	**(174 422 682)**	Note 53
Interest received - investment	188 727 000	8 000 000	**196 727 000**	147 112 120	**(49 614 880)**	Note 53
Gain or loss on disposal of assets and liabilities	3 482 000	-	**3 482 000**	-	**(3 482 000)**	Note 53
Total revenue from exchange transactions	**871 748 000**	**41 406 000**	**913 154 000**	**603 883 948**	**(309 270 052)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 347 888 000	(48 474 000)	**1 299 414 000**	1 300 219 688	**805 688**	Note 53
Total revenue	**2 219 636 000**	**(7 068 000)**	**2 212 568 000**	**1 904 103 636**	**(308 464 364)**	
Expenditure						
Employee related costs	(452 000 831)	683 000	**(451 317 831)**	(453 836 898)	**(2 519 067)**	Note 53
Remuneration of councillors	(13 871 000)	(662 000)	**(14 533 000)**	(14 200 568)	**332 432**	Note 53
Depreciation and amortisation	(197 027 000)	17 027 000	**(180 000 000)**	(189 565 072)	**(9 565 072)**	Note 53
Impairment loss/ Reversal of impairments	-	-	**-**	(5 329 746)	**(5 329 746)**	
Inventory Consumed - Water	(61 497 000)	978 000	**(60 519 000)**	(156 232 860)	**(95 713 860)**	Note 53
Finance costs	(500 000)	-	**(500 000)**	(1 017 707)	**(517 707)**	Note 53
Debt Impairment	(120 000 000)	10 000 000	**(110 000 000)**	(408 265 007)	**(298 265 007)**	Note 53
Bad debts written off	-	-	**-**	(368 411 829)	**(368 411 829)**	Note 53
Contracted Services	(323 132 111)	32 809 111	**(290 323 000)**	(269 624 929)	**20 698 071**	Note 53
Transfers and Subsidies	(77 798 498)	15 665 498	**(62 133 000)**	(56 884 946)	**5 248 054**	Note 53
Operational Cost	(144 406 000)	(9 004 000)	**(153 410 000)**	(103 938 635)	**49 471 365**	Note 53
Total expenditure	**(1 390 232 440)**	**67 496 609**	**(1 322 735 831)**	**(2 027 308 197)**	**(704 572 366)**	
Operating deficit	**829 403 560**	**60 428 609**	**889 832 169**	**(123 204 561)**	**(1 013 036 730)**	
Loss on disposal of assets and liabilities	-	-	**-**	(3 445 900)	**(3 445 900)**	Note 53
Actuarial gains/losses	-	-	**-**	9 705 211	**9 705 211**	Note 53
	-	**-**	**-**	**6 259 311**	**6 259 311**	
Deficit before taxation	**829 403 560**	**60 428 609**	**889 832 169**	**(116 945 250)**	**(1 006 777 419)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**829 403 560**	**60 428 609**	**889 832 169**	**(116 945 250)**	**(1 006 777 419)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts as at 30 June 2025

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	14 111 000	-	**14 111 000**	15 537 062	**1 426 062**	53
Operating lease asset	-	-	**-**	202 903	**202 903**	53
Receivables from non-exchange transactions	-	-	**-**	30 403 101	**30 403 101**	
VAT receivable	876 398 000	-	**876 398 000**	-	**(876 398 000)**	53
Prepayments	-	-	**-**	976 024	**976 024**	53
Receivables from exchange transactions	649 672 000	-	**649 672 000**	197 280 059	**(452 391 941)**	53
Cash and cash equivalents	351 412 930	(48 441 847)	**302 971 083**	18 009 921	**(284 961 162)**	53
	1 891 593 930	**(48 441 847)**	**1 843 152 083**	**262 409 070**	**(1 580 743 013)**	
Non-Current Assets						
Property, plant and equipment	6 183 253 000	54 087 000	**6 237 340 000**	5 941 491 706	**(295 848 294)**	53
Intangible assets	3 728 000	-	**3 728 000**	1 897 633	**(1 830 367)**	53
Heritage assets	1 010 000	-	**1 010 000**	962 961	**(47 039)**	53
Investments in controlled entities	1 574 000	-	**1 574 000**	1 500 000	**(74 000)**	53
	6 189 565 000	**54 087 000**	**6 243 652 000**	**5 945 852 300**	**(297 799 700)**	
Total Assets	**8 081 158 930**	**5 645 153**	**8 086 804 083**	**6 208 261 370**	**(1 878 542 713)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(365 260 500)	-	**(365 260 500)**	470 349 603	**835 610 103**	53
VAT payable	(425 135 000)	-	**(425 135 000)**	42 293 939	**467 428 939**	53
Consumer deposits	(949 000)	-	**(949 000)**	1 270 167	**2 219 167**	53
Employee benefit obligation	(187 000)	-	**(187 000)**	6 174 503	**6 361 503**	53
Unspent conditional grants and receipts	-	-	**-**	37	**37**	53
Provisions	(88 457 000)	-	**(88 457 000)**	-	**88 457 000**	53
	(879 988 500)	**-**	**(879 988 500)**	**520 088 249**	**1 400 076 749**	
Non-Current Liabilities						
Employee benefit obligation	20 000 000	(20 000 000)	**-**	95 989 705	**95 989 705**	53
Total Liabilities	**(859 988 500)**	**(20 000 000)**	**(879 988 500)**	**616 077 954**	**1 496 066 454**	
Net Assets	**8 941 147 430**	**25 645 153**	**8 966 792 583**	**5 592 183 416**	**(3 374 609 167)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	**-**	5 592 183 416	**5 592 183 416**	53

Chris Hani District Municipality
Annual Financial Statements for the period ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts as at 30 June 2025

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	246 381 000	30 612 000	**276 993 000**	133 985 945	**(143 007 055)**	53
Grants	1 297 151 000	(3 350 000)	**1 293 801 000**	1 300 193 210	**6 392 210**	53
Interest income	139 138 000	-	**139 138 000**	18 153 590	**(120 984 410)**	53
Other receipts	137 505 000	(136 950 000)	**555 000**	-	**(555 000)**	53
	1 820 175 000	**(109 688 000)**	**1 710 487 000**	**1 452 332 745**	**(258 154 255)**	
Payments						
Employee costs	-	-	**-**	(468 957 868)	**(468 957 868)**	53
Suppliers	(1 077 175 000)	65 211 000	**(1 011 964 000)**	(450 956 542)	**561 007 458**	53
Finance costs	(500 000)	-	**(500 000)**	(1 017 707)	**(517 707)**	53
Transfers and Subsidies	(65 298 000)	(12 500 000)	**(77 798 000)**	(56 884 946)	**20 913 054**	53
	(1 142 973 000)	**52 711 000**	**(1 090 262 000)**	**(977 817 063)**	**112 444 937**	
Net cash flows from operating activities	**677 202 000**	**(56 977 000)**	**620 225 000**	**474 515 682**	**(145 709 318)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(478 942 449)	**(478 942 449)**	53
Proceeds from sale of property, plant and equipment	3 482 000	-	**3 482 000**	1 994 331	**(1 487 669)**	53
Capital assets	(499 271 000)	8 536 000	**(490 735 000)**	-	**490 735 000**	53
Net cash flows from investing activities	**(495 789 000)**	**8 536 000**	**(487 253 000)**	**(476 948 118)**	**10 304 882**	
Net increase/(decrease) in cash and cash equivalents	181 413 000	(48 441 000)	**132 972 000**	(2 432 436)	**(135 404 436)**	53
Cash and cash equivalents at the beginning of the year	170 000 000	-	**170 000 000**	20 442 357	**(149 557 643)**	53
Cash and cash equivalents at the end of the year	**351 413 000**	**(48 441 000)**	**302 972 000**	**18 009 921**	**(284 962 079)**	
Reconciliation						

Significant Accounting Policies

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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. 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.

Summary of significant accounting policies

These standards are summarised as follows

Significant Accounting Policies

Reference	Description
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowings
GRAP 6	Consolidated and Separated Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Conntracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equiptment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contigent Liabilities and Contigent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions(Taxes and Transfers)
GRAP 24	Presentation of Budget information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Services Concession Arragements: Grontor
GRAP 100	Discontinued Operatios
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Recievables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources
IFRS 4	Insurance Contracts
IAS12	Income Taxes
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2	Changes in Existing Decomission Restorationing and Similar Liabilities
IGRAP 3	Determining Whether an Arragement Contains a Lease
IGRAP 16	Intangible Assets - Website Costs
IGRAP 20	Accounting for Adjustments to Revenue
Directive	GRAP Reporting Framework
Guideline	The Application of Materiality to Financial Statements

Significant Accounting Policies

1.1 Presentation currency

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

All figures have been rounded off to the nearest rand.

1.2 Going concern assumption

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

1.3 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.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Comparative figures

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

Where material accounting errors, which relate to prior periods, 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.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect theamounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include.

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

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note..

Impairment testing

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 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. 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 tangible assets are inherently uncertain and could materially change over time..

Provisions

The municipality recognises provision in terms of GRAP 19 paragraph 21 that states,
A provision shall be recognise when:
(a) an entity has a present obligation (legal or constructive) as a result of a past event
(b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle theobligation; and
(c) a reliable estimate can be made of the amount of the obligation.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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 at the end of each 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 ndenominated 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 pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

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

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**.**

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.
An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or

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

1.6 Intangible assets (continued)

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

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

Initial recognition.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent Measurement

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation and impairment

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

Item	Depreciation method	Average useful life
Licenses	Straight-line	2-5 years
Computer software, other	Straight-line	2-5 years

Derecognition.

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 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 lease back.)

Significant Accounting Policies

1.7 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial recognition and measurement.

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.

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

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

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

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

Subsequent measurement- Cost model

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

Depreciation

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinity
Buildings	Straight-line	5-100 years
Plant and machinery	Straight-line	2-17 years
Furniture and fixtures	Straight-line	3-18 years

1.7 Property, plant and equipment (continued)

Transport Assets	Straight-line	4-20 years
Office equipment	Straight-line	3-18 years
IT equipment	Straight-line	3-13 years
Infrastructure Roads	Straight-line	3-100 years
Infrastructure Sewerage	Straight-line	7-100 years
Infrastructure Water	Straight-line	5-100 years
Communication facillities	Straight-line	5-30 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

Derecognition

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 depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset

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

Repairs and Maintanance

The municipality separately discloses expenditure to repair and maintainance of property, plant and equipment in the notes to the financial statements (see note 3.)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3)

1.8 Heritage assets

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.

1.8 Heritage assets (continued)

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6)

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

The municipality derecognises heritage asset 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 a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non - exchange transaction	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange	Financial liability measured at amortised cost

Significant Accounting Policies

1.9 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument

The entity recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

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.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
-Financial instruments at fair value.
- Financial instruments at amortised cost

All financial assets measured at amortised cost, or cost, are subject to an impairment review

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, theentity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
. combined instrument that is required to be measured at fair value; or
. an investment in a residual interest that meets the requirements for reclassification

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

1.9 Financial instruments (continued)
Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
. the contractual rights to the cash flows from the financial asset expire, are settled or waived;
. the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or.
. the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
- recognise separately any rights and obligations created or retained in the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised asrevenue or expense in surplus or deficit

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or

1.9 Financial instruments (continued)
expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Policies relating to specific financial instruments

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method

All trade and other receivables are assessed at least annually for possible impairment. Impairment adjustments are made through the use of an allowance account. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from reporting date and are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade and other payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Cash and Cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short term highly liquid investments 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.

1.10 Leases

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

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

Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

Operating leases - lessee

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

Significant Accounting Policies

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

1.11 Inventories (continued)

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

Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed roperty, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful ife of that asset.

Water Inventory

Water is regargded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc). However, water in dams, that are filled by natural resources and that has not yet been treated and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discount and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end

Recognition and measurement of Water Inventory

Inventories shall be measured at the lower of cost and net realisable value, except where paragraph .18 applies.

Inventories shall be measured at the lower of cost and current replacement cost where they are held for:
(a) distribution through a non-exchange transaction; or
(b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Aquisition of water stock should include the following

-Bulk purchases -supply from bulk or other water service
-Providers recognised by the amount paid water purified- Portable supply from water treatment works .
-Natural sources-Supply from boreholes,springs,fountain if not supplied through the water treatment plant.
-Water stock at year end also includes any water purification costs incurred for non-purchased water.The cost of water purchased and not yet sold at reporting coporting comprises the purchase price, import duties and other taxes(other than those subsequently recoverable by the municicality from the taxing authorities,such as VAT) and transport, handling and other costs directly attributable to the acquisition of finished goods,materials and services. Importantly, trade discounts, rebates and other similar items are deducted in determing the costs of purchase.

1.12 Impairment of cash-generating assets

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Significant Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Share capital / contributed capital

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

1.15 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

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

Short-term employee benefits

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

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

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

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

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

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

Post-employment benefits: Defined benefit plans

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

Significant Accounting Policies

1.15 Employee benefits (continued)

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

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
. the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or
. the reporting entity; or
. the assets are returned to the reporting entity to reimburse it for employee benefits already paid

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:
. the present value of the defined benefit obligation at the reporting date;
. minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
. plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
. the amount determined above; and
. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

1.15 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
. current service cost;
. interest cost;
. he expected return on any plan assets and on any reimbursement rights;
. actuarial gains and losses;
. past service cost;
. the effect of any curtailments or settlements; and
. the effect of applying the limit on a defined benefit asset (negative defined benefit liability)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
. the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
. the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
. any resulting change in the present value of the defined benefit obligation; and
. any resulting change in the fair value of the plan assets.

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

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

1.15 Employee benefits (continued)

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

A Contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits wiil be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent assets represent possible assets that arise from past events and whose exixtence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable

Significant Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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

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

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

The municipality decided to disclose Department of Labour matter as the Contingent Liability as the dispute involves the Department of Labour and CHDM is still in progress and not yet resolved. This is a liability of uncertain timing or amount. Additional disclosures of these estimates of contingent liability is included under the note 34 - Contingent Liability.

The municipality decided to disclose the matter between SARS and CHDM for 2024/2025 financial year on the penalty and interest charge. This matter is pending as the municipality filed the objection.

1.17 Revenue from exchange transactions

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

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 excluding indirect taxes, +rebates and discounts.

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- 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;
- 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.

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.

Significant Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

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

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

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.

Service Charges - Water

Service charges relating to water are based on consumption. Meters are read on a monthly basis and revenue is recognised providing that the benefits can be measured reliably. Provisional estimates of consumption are made monthly when meter readings have not been performed for whatever reason. The provisional amounts are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period

Service Charges - Sanitation

Revenue relating to waste water management services are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage and are levied monthly.

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

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

Interest is recognised, 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.

Significant Accounting Policies

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment are brought into use. Where the contributions have been received but the conditions have not been met, a liability is recognised.

1.19 Conditional grants and reciepts

Revenue received from conditional grants and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Value Added Tax

Revenue and expenses are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the South African Revenue Services is included as part of receivables or payables in the Statement of Financial Position. However, the municipality has registered with SARS, for Value Added Tax purposes on the payments basis. This means that VAT is declared or claimed to / from SARS when the payment has been made in respect of VAT Input and when the funds have been received in respect of VAT Output. The difference resulting from timing of declarations to SARS are recognised as an asset or liability depending on the net balance.

1.23 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements..

1.24 Unauthorised expenditure

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

Also included is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003) .

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

1.25 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..

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government..

Irregular expenditure that was incurred and identified during the current financial and which was written-off 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 write-off 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 written-off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written-off.

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

1.27 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are sgnificant to the financial statements are disclosed in the relevant sections of the financial statements. Although these etimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results, ultimately may differ from those estimates.

1.28 Segment information

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

1.28 Segment information (continued)

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

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

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

1.29 Budget information

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

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

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

The approved budget covers the fiscal period from 01 Jul 2024 to 30 Jun 2025.

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.30 Related parties

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

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

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

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

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

1.30 Related parties (continued)

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

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

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

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

1.31 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

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

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality’s objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Significant Accounting Policies

1.31 Transfer of functions between entities under common control (continued)

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Significant Accounting Policies

1.31 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjusts the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Significant Accounting Policies

1.31 Transfer of functions between entities under common control (continued)

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.33 Investment in controlled entities

In the municipality’s separate annual financial statements, investments in controlled entities are carried in accordance with the Standard of GRAP on Financial instruments .

The municipality applies the same accounting for each category of investmenty.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial in struments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity’s separate annual financial statements.

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.

Significant Accounting Policies

1.34 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with the council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer

1.35 Unspent conditional grants and receipts

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidied and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. The revenue is driven by legislation..

Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered a financial instrument.

The liability must always be cash-backed.

Unspent conditional grants are recognised as a liability when the grant is received.

When grant conditions are met, an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

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: Years beginning on or after	Expected impact:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 on Financial Instruments	April 1, 2025	New Standard has been aligned and replace the current standard
IGRAP 22 Foreign Currency Translation and Advance Consideration	April 1, 2025	Interpretation addresses how to determine the date of transaction for the purpose of determing the exchange rate

2.2 Standards and Interpretations issued but not yet effective

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations::

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

Standard/ Interpretation:	Effective date: Years beginning on or after
GRAP 1 - Presentation of Financial Statements	Not yet effective
GRAP 103 - Heritage Assets	Not yet effective
GRAP 105 - Transfer of functions between entrities under common control	Not yet effective
GRAP 106 - Transfer of functions between entrities not under common control	Not yet effective
GRAP 107 - Mergers	Not yet effective

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30 345 900	-	30 345 900	30 345 900	-	30 345 900
Buildings	94 547 758	(24 941 886)	69 605 872	85 447 826	(22 496 265)	62 951 561
Machinery and Equipment	22 380 429	(15 920 527)	6 459 902	22 380 429	(14 365 545)	8 014 884
Furniture and office equipment	24 528 950	(21 501 063)	3 027 887	24 499 450	(19 812 011)	4 687 439
Transport assets	85 537 738	(43 678 665)	41 859 073	88 578 872	(40 035 777)	48 543 095
Computer equipment	21 268 776	(13 672 225)	7 596 551	21 121 247	(11 501 143)	9 620 104
Infrastructure: Water	6 368 437 458	(1 969 873 504)	4 398 563 954	5 928 305 664	(1 780 212 389)	4 148 093 275
Infrastructure: Sanitation	550 034 703	(264 459 863)	285 574 840	542 574 140	(248 818 713)	293 755 427
Community assets	16 165 013	(1 731 938)	14 433 075	16 165 013	(1 010 284)	15 154 729
Infrastructure: Roads	26 833 018	(5 200 616)	21 632 402	13 684 165	(4 645 655)	9 038 510
WIP - Building	8 276 046	-	8 276 046	8 272 046	-	8 272 046
WIP - Sanitation	296 079 919	-	296 079 919	255 604 367	-	255 604 367
WIP - Water	756 114 574	-	756 114 574	799 394 628	-	799 394 628
WIP - Roads	1 921 711	-	1 921 711	-	-	-
Total	**8 302 471 993**	**(2 360 980 287)**	**5 941 491 706**	**7 836 373 747**	**(2 142 897 782)**	**5 693 475 965**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	30 345 900	-	-	-	-	-	-	30 345 900
Buildings	62 951 561	9 099 932	-	-	-	(2 445 621)	-	69 605 872
Machinery and Equipment	8 014 884	-	-	-	-	(1 554 982)	-	6 459 902
Furniture and office equipment	4 687 439	29 500	-	-	-	(1 689 052)	-	3 027 887
Transport assets	48 543 095	-	(1 597 794)	-	-	(5 086 228)	-	41 859 073
Computer equipment	9 620 104	218 649	(33 732)	-	-	(2 208 470)	-	7 596 551
Infrastructure: Water	4 148 093 274	26 001 164	(2 712 757)	401 979 371	-	(169 467 352)	(5 329 746)	4 398 563 954
Infrastructure: Sanitation	293 755 427	9 953 174	(1 095 948)	-	-	(17 037 813)	-	285 574 840
Community assets	15 154 729	-	-	-	-	(721 654)	-	14 433 075
Infrastructure: Roads	9 038 510	13 148 852	-	-	-	(554 960)	-	21 632 402
WIP - Building	8 276 046	-	-	-	-	-	-	8 276 046
WIP - Sanitation	255 604 367	40 475 552	-	-	-	-	-	296 079 919
WIP - Water	799 394 628	358 699 317	-	-	(401 979 371)	-	-	756 114 574
WIP - Roads	-	1 921 711	-	-	-	-	-	1 921 711
	5 693 479 964	**459 547 851**	**(5 440 231)**	**401 979 371**	**(401 979 371)**	**(200 766 132)**	**(5 329 746)**	**5 941 491 706**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	30 345 900	-	-	-	-	-	-	30 345 900
Buildings	65 338 308	-	-	-	-	(2 331 959)	(54 788)	62 951 561
Machinery and Equipment	9 119 033	989 363	-	-	-	(2 093 512)	-	8 014 884
Furniture and office equipment	6 336 886	77 756	-	-	-	(1 727 203)	-	4 687 439
Transport assets	54 610 125	688 778	(112 392)	-	-	(6 019 455)	(623 961)	48 543 095
Computer equipment	7 912 737	3 870 668	(159 441)	-	-	(2 003 860)	-	9 620 104
Infrastructure: Water	3 249 266 569	21 010 529	-	1 029 798 108	-	(151 981 932)	-	4 148 093 274
Infrastructure: Sanitation	241 982 862	62 991 028	-	-	-	(12 463 446)	1 244 983	293 755 427
Community assets	15 876 382	-	-	-	-	(721 653)	-	15 154 729
Infrastructure: Roads	9 469 114	-	-	-	-	(430 604)	-	9 038 510
WIP - Building	8 276 046	-	-	-	-	-	-	8 276 046
WIP - Sanitation	206 187 152	49 417 215	-	-	-	-	-	255 604 367
WIP - Water	1 445 050 139	384 142 597	-	-	(1 029 798 108)	-	-	799 394 628
	5 349 771 253	**523 187 934**	**(271 833)**	**1 029 798 108**	**(1 029 798 108)**	**(179 773 624)**	**566 234**	**5 693 479 964**

During 2025 the property, plant and equipment depreciation is R200,766,132 (2024 R179,773,624).as per the asset registers in note 3. On the statement of financial performance, the depreciation is less because of water inventory consumed calculated as per GRAP 12 relating to water infrastructure assets amounting to R12,848,131, (2024 R12,876,260) which reduced the depreciation on the face of the statement of financial perfomanceditional.

Pledged as security

There are no assets that have been pledged as security during the current year:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	83 776 182	99 956 189

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Property, plant and equipment (continued)

Contract Number	Project description	Amount per WIP Register 24/25	Expected Completion date before extension	Reasons
07/2018-2019/MD(TN)	ENGCOBO NEW 2MI/ DAY WASTE WATER TREATMENT WORKS PHASE 1 AND OUTFALL SEWER	92 860 078,18	03/06/2021	The project was affected by Covid 19, and the contractor had financial challenges causing delays. The municipality intervened and the contractor decided to cede the project to Tyeks, a revised scope of work, earthworks, standing open for a longtime, community issues,and heavy rains. The anticipated completion date is 30 November 2025.
15/2018-2019/MD(BN)	WATER SUPPLY BACKLOG IN CHDM CLUSTER 1: CONSTRUCTION OF BULK WATER SUPPLY: MHLANGA AND MGWALANE	105 722 054.32	30/10/2022	The contractor was liquidated and it led to further delays. CHDM is in the process of procuring for Professional engineering services in the existing panel (consultant) for the project have commenced and will completed in due course.
27/2019-2020/LG(BN)	CALA BULK SANITATION SERVICES: COMPLETION OF CALA WASTE WATER TREATMENT WORKS INCLUDING BULK PUMP STATIONS AND ASSOCIATED RISING MAINS PHASE 1	102 445 932.09	17/12/2022	The contractor was unable to work due to perpetual community unrest hence the envisaged completion date was not adhered to by the contractor. The unrests caused massive delays. There is currently a legal dispute between the Contractor and the Municipality. .
42/2016/BM(NM)	CONSTRUCTION OF NEW CHRIS HANI VILLAGE OFFICE PARK PHASE 1	8 276 045.94	12/02/2023	The consultant (Element Consulting Engineers) was liquidated through Court processes and this has caused further delays. Phase one was completed. The Municipality was exploring ways of terminating the contractor through legal

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Property, plant and equipment (continued)

				teams of the contractor and the municipality.
11/2019-2020/MS(BN)	GUBENXA AND MAXONGOSHOEK VILLAGES RURAL WATER SUPPLY SCHEME	25 716 200.59	31/03/2021	The Service Provider was terminated and the project is being completed as a turnkey and will finished by November 2025.
21/2019-2020/LG(BN)	DORDRECHT WATER AND SANITATION SERVICES: UPGRADING OF BULK WATER SUPPLY PHASE 4: CONSTRUCTION OF DAMS, PUMPSTATIONS AND PUMPLINES	73 324 613.65	26/01/2024	The Municipality terminated the old contract to due poor performance.The municipalty readvertised the project and appointed a new service provider Dodrecht 5/3/9-2024/2025.
29/2016/MD(TN)	UPGRADE OF TSOMO WATER WASTE TREATMENT WORKS: CIVIL MECHANICAL AND INSTRUMENTATION WORK	101 612 702.12	30/05/2019	Bicacon was terminated due to poor perfomance. CHDM appointed PK Valves to complete the works.Currently the site is closed by SMME's who claim that they are being owed Bicacon.
8/3/2-2021/22	HEWU RA60 REGIONAL WATER SUPPLY SCHEME PHASE 10:6.0ML FOR SADA WHITTLESEA ZONE 3	31 761 443.90	07/03/2023	There is currently a legal dispute between the Municipality and the service provider after the extension of time was approved. The matter is currently under mediation between the two parties.
8/3/3-2021/22	HEWU RA60 REGIONAL WATER SUPPLY SCHEME PHASE 11: SADA WATER TREATMENT WORKS ZONE 1 RISING MAIN, 12ML RESERVOIR & GRAVITY MAINS TO ZONE 1 AND SADA PRISON	53 553 494.77	30/06/2023	There is currently a legal dispute between the Municipality and the service provider after the extension of time was approved. The matter is currently under mediation between the two parties.
8/3/4-2021/22	CLUSTER 5 WATER SUPPLY BACKLOG PROJECT: BULK LINES PHASE 1A	28 830 169.89	16/04/2023	The Service Provider is penalised on the payment certificates as per the GCC 2015 for not completing the project on stipulated dates
8/3/13-2021/22	CLUSTER 4 WATER SUPPLY BACKLOG	18 183 961.48	26/06/2023	The Service Provider is penalised on the

Notes to the Annual Financial Statements

Figures in Rand				2025	2024

3. Property, plant and equipment (continued)

	ERADICATION PROJECT (QOLWENI -A AND HALA BB WATER SUPPLY VILLAGE RETICULATION)			payment certificates as per the GCC 2015 for not completing the project on stipulated dates.
51/2016/MD(BL)	UPGRADING OF THE WATER RETICULATION AT POLAR PARK ELLIOT PHASE 4	15 532 487.63	20/07/2018	The Service Provider was terminated. Gibb consulting is not part of the new panel of consulting engineers. A new consulting engineer has been appointed for Khowa bulk servicer and is awaiting DAC approval.

The above projects have been considered for impairment and there were no indicators in terms of GRAP standards.

Figures in Rand

4. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	13 609 366	(11 711 733)	1 897 633	13 609 366	(10 064 662)	3 544 704

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	3 544 704	(1 647 071)	1 897 633

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	3 554 159	1 468 000	(1 477 455)	3 544 704

Pledged as security

Carrying value of intangible assets pledged as security:

5. Interests in other entities

Investments in controlled entities

Name	Jurisdiction	Determination of ownership interest	% ownership interest 2025	% ownership interest 2024	Carrying amount 2025	Carrying amount 2024
Chris Hani Development Agency			100,00 %	100,00 %	1 500 000	1 500 000
					1 500 000	1 500 000
					1 500 000	1 500 000

The carrying amounts of controlled entities are shown net of impairment losses.

Chris Hani Development Agency

The district municipality has a 100% shareholding in Chris Hani Development Agency. The purpose of the municipal entity is to carry out the promotion and implementation of the local economic development initiatives and investment promotion in Chris Hani District. Transfers and Subsidies paid, refer to Note 29

6. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	962 961	-	962 961	962 961	-	962 961

Reconciliation of heritage assets 2025

	Opening balance	Total
Historical buildings	962 961	962 961

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical buildings	962 961	962 961

7. Operating lease asset (liability)

Current assets	202 903	14 178

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Inventories

Inventory stores	15 200 369	22 376 654
Water for distribution	336 693	204 693
	15 537 062	**22 581 347**

8.1 Inventory reconciliation

Stationery	246 357	216 932
Cleaning Material	55 466	58 257
Water & Fittings	14 898 546	22 101 465
Water Inventory	336 693	204 693
	15 537 062	**22 581 347**

The municipality is applying weighted average formula to value inventory stores.

9. Receivables from non-exchange transactions

Grants Impairment allowance	(90 952 516)	-
Local Municipalities	4	4
Rental and Eskom service deposits	20 314 836	17 446 324
RBIG	31 768 999	31 769 000
Other debtors	823 002	1 499 587
DHS Emergency Housing	1 211 903	1 211 903
WSIG	8 109 965	8 109 965
MIG	51 073 552	51 073 552
Engcobo	8 053 356	5 107 306
	30 403 101	**116 217 641**

Service deposits consists of rental deposits and Eskom service deposits.

Other debtors consists of amounts receivable from Vodacom from previous years and Others.

DHS Emergency - During 2020/21 The department was disclosed as a debtor amounting to R2 287 985 and payment made to reducing the debt by R1 076 082 and have a closing balance of R1 211 903.

Receivables from non-exchange transaction disclose as impaired		
MIG	51 073 552	51 073 552
RBIG	31 768 999	31 769 000
WSIG	8 109 965	8 109 965
Grants Impairment allowance	(90 952 516)	-
	-	**90 952 517**

Receivables from non-exchange transaction disclose as impaired		
MIG	51 073 552	51 073 552
RBIG	31 768 999	31 769 000
WSIG	8 109 965	8 109 965
Grants Impairment allowance	(90 952 516)	-
	-	**90 952 517**
Financial asset receivables included in receivables from non-exchange transactions above	**30 403 101**	**116 217 641**
Total receivables from non-exchange transactions	30 403 101	116 217 641

Figures in Rand	2025	2024

9. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of June 30, 2025, other receivables from non-exchange transactions an amount of R90 952 517 only impaired Grant debtors as they are not recoverable.

10. Receivables from exchange transactions

Gross balances		
Water	1 250 492 292	1 102 526 669
Sewerage	254 115 232	206 210 748
Sundry debtors	239 037	177 475
	1 504 846 561	**1 308 914 892**

Less: Allowance for impairment		
Water	(1 146 704 099)	(795 315 370)
Sewerage	(160 625 120)	(147 332 848)
Sundry debtors	(237 283)	(154 629)
	(1 307 566 502)	**(942 802 847)**

Net balanc		
Water	103 788 193	307 211 299
Sewerage	93 490 112	58 877 900
Sundry debtors	1 754	22 846
	197 280 059	**366 112 045**

Water		
Current (0 -30 days)	142 180 376	324 461 848
31 - 60 days	43 274 623	44 974 598
61 - 90 days	44 451 063	45 217 132
91 - 120 days	45 399 944	51 760 606
120 - 365 days	608 186 696	331 402 865
> 365 days	366 999 590	304 709 620
Impairment allowance	(1 146 704 099)	(795 315 370)
	103 788 193	**307 211 299**

Sewerage		
Current (0 -30 days)	59 827 247	24 903 822
31 - 60 days	6 725 446	7 507 937
61 - 90 days	6 644 318	7 378 729
91 - 120 days	7 493 392	7 514 229
121 - 365 days	54 983 497	63 335 455
> 365 days	118 441 332	95 570 576
Impairment allowance	(160 625 120)	(147 332 848)
	93 490 112	**58 877 900**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Receivables from exchange transactions (continued)

Sundry Debtors		
Current (0 -30 days)	33 892	23 158
31 - 60 days	7 901	7 016
61 - 90 days	6 715	7 016
91 - 120 days	6 715	14 532
121 - 365 days	44 069	23 136
> 365 days	139 745	102 617
Impairment allowance	(237 283)	(154 629)
	1 754	**22 846**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(942 802 847)	(2 194 462 428)
Contributions to allowance	(364 763 655)	1 251 659 581
	(1 307 566 502)	**(942 802 847)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 200	4 200
Bank balances	17 895 569	8 407 786
Short-term deposits	110 152	12 030 371
	18 009 921	**20 442 357**

Short-term deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.50% to 6.70% per annum. Investments are made up of short-term deposits held for unspent conditional grants that are ringfenced until the conditions are met and utilised.

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank - Current Account - 62002510693	18 985 819	9 043 569	5 767 535	17 776 498	8 437 433	4 745 660
First National Bank - Call Account - 62004499481 (Equitable Share)	33 919	316 808	101 635	33 919	316 808	101 635
First National Bank - Call Account - 62190652521 (CRR)	1 000	3 004 424	8 499 950	1 000	3 004 424	8 499 950
First Natonal Bank - Call Account - 62187939784 (MIG)	47 036	49 978	2 854 800	47 036	49 978	2 854 800
First National Bank - Call Account - 62187936532 (WSIG)	21 000	5 682 718	28 623 237	21 000	5 682 718	28 623 237
First National Bank - Call Account - 62187938538 (RRAMS)	1 001	1 562 978	988 841	1 001	1 562 978	988 841
First National Bank - Public Sector - Cheque Account - 62610267602 (Water account)	119 071	21 051	405 901	119 071	(29 646)	24 735
First National Bank - Public Sector - Cheque Account - 62868460363 (EPWP)	1 009	6 075	922 564	1 009	6 075	922 564
First National Bank - Call Account - 62868467418 (RBIG)	4 106	219 587	48 905 606	4 106	219 587	48 905 606
First National Bank - Call Account - 62896975201 (MDRG)	1 081	1 187 801	10 006 501	1 081	1 187 802	10 006 501
Cash on hand	-	-	-	4 200	4 200	4 200
Total	**19 215 042**	**21 094 989**	**107 076 570**	**18 009 921**	**20 442 357**	**105 677 729**

The municipality is reflecting a favourable balance per cashbook of R17 776 497.73, and the bank statement is reflecting a favourable balance of R18 985 819. The variance is caused by debtors' receipts not updated relating to June and updated after year end amounting to R1 216 887 and deposits not linked at year end amounting to R34 444

12. Employee benefit obligations

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	71 183 234	67 530 749
Present value of the defined benefit obligation-partly or wholly funded	30 980 974	29 485 923
	102 164 208	**97 016 672**
Non-current liabilities	(95 989 705)	(91 128 599)
Current liabilities	(6 174 503)	(5 888 073)
	(102 164 208)	**(97 016 672)**

Changes in the present value of the post Medical benefit obligation are as follows:

	2025	2024
Opening balance	67 530 740	56 759 000
Net expense recognised in the statement of financial performance	3 652 485	10 771 749
	71 183 225	**67 530 749**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance are as follows:

Current service cost	5 717 520	3 115 000
Interest cost	8 901 295	6 995 000
Actuarial (gains) losses	(8 614 949)	2 578 817
Benefits paid	(2 351 381)	1 917 068
	3 652 485	**14 605 885**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	9 705 211	(2 674 144)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12,28 %	13,41 %
Expected rate of return on assets	6,23 %	7,32 %
Actual return on reimbursement rights	4,22 %	4,42 %

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Employee benefit obligations (continued)

Long Service Awards Liability

The municipal operates an undefine benefit plan for all its emplyees under the plan, a long service award is payable after 5 years of continuous services, and every 5 years thereafter,to 45 years of continuous service.The provision is an estimate of the long service based on historical staff turnover.

Reconciliation of Long Service Awards - 30 June 2025		**Opening Balance**	**Additions**	**Utilised during the year**	**Total**
Long Service Awards	-	29 485 923	5 202 271	3 707 220	30 980 974

HeadingReconciliation of Long Service Awards -30 June 2024		**Opening Balance**	**Additions**	**Utilised during the year**	**Total**
Long Service Awards	-	26 289 000	5 809 329	(2 612 406)	29 485 923

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by One Pangae Consulting. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Credit Unit Method.

At year end 30 June 2025, 865 (2024, 895) employees were eligible for the Long Service Awards.

The current service cost for the year ending 30 June 2025 was estimated to be R3 410 016 whereas the cost of the ensuing year is estimated to be R3 467 420.

The principle assumptions used for the purpose of the actuarial valuation were as follows:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation. This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation. The expected CPI inflation assumption of 5.85% was
obtained from the differential between market yields on index-linked premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as (1+9.28%-0.5%)/(1+4.97%)-1. Thus, a general earnings inflation rate of 3.63% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.45. It was assumed that the next general earnings increase will take place on 1 July 2025.

	2025	2024
Discount rate	9.28%	
Normal salary increase	4.63%	
Net effective discount rate	4.445%	

Changes in the present value of the long service awards are as follows:		
Opening balance	29 485 923	26 289 000
Current year service cost	3 410 016	2 938 000
Interest cost	2 882 517	2 776 000
Benefits paid	(3 707 220)	(2 612 406)
Actuarial losses	(1 090 262)	95 329
	30 980 974	**29 485 923**

The amount recognised in the statement of financial position are as follows:		
Present value of the long service awards wholly unfunded	30 980 974	29 485 923

Net expense recognised in the statement of financial performance		
Current service cost	3 410 016	2 938 000

Figures in Rand	2025	2024

12. Employee benefit obligations (continued)

Interest cost	2 882 517	2 776 000
Actuarial losses	(1 090 262)	95 329
	5 202 271	**5 809 329**

Long Service Awards liability

Medical contribution subsidies	2 351 381	1 917 068
Current portion of long service awards	3 707 220	2 612 406
	6 058 601	**4 529 474**

13. Consumer deposits

Water	1 270 167	1 079 583

14. Payables from exchange transactions

Trade payables	258 647 224	214 142 673
Payments received in advanced	57 648 725	46 680 347
Retentions	103 823 188	123 217 786
Bonus Provisions	10 745 568	11 149 741
Accrued leave pay	30 100 523	26 059 077
Deposits received	8 335	8 335
Other Payables	9 376 040	11 174 593
	470 349 603	**432 432 552**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Disaster Grant	(127)	19 873
National: Department of Transport - Rural Road Asset Mgt Grant	165	6 644
National: MWIG	(1)	(1)
	37	**26 516**

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

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

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

16. Accumulated surplus

Accumulated surplus - 30 June 2025

	Accumulated Surplus	Total
Opening balance	5 669 219 428	5 669 219 428
Deficit	(116 945 250)	(116 945 250)
Net income(losses) recognised	39 909 238	39 909 238
	5 592 183 416	**5 592 183 416**

Figures in Rand	2025	2024

16. Accumulated surplus (continued)

Accumulated surplus - 30 June 2024

	Accumulated Surplus	Total
Opening balance	5 252 196 785	5 252 196 785
Surplus	413 012 110	413 012 110
Prior period adjustment	4 010 533	4 010 533
	5 669 219 428	**5 669 219 428**

17. Revenue

Service charges	451 855 510	333 871 702
Other income	4 916 318	24 362 534
Interest received - investment	147 112 120	204 380 754
Government grants & subsidies	1 300 219 688	1 389 270 554
	1 904 103 636	**1 951 885 544**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	451 855 510	333 871 702
Other income	4 916 318	24 362 534
Interest received - investment	147 112 120	204 380 754
	603 883 948	**562 614 990**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 300 219 688	1 389 270 554

18. Service charges

Service charges	136 462	226 383
Sale of water	389 762 044	260 360 365
Sewerage and sanitation charges	61 957 004	73 284 954
	451 855 510	**333 871 702**

19. Other income

Refund received	3 217 562	-
Tender Documents	576 219	273 319
Own Revenue- Unallocated Deposits	-	23 696 054
CHDM Rentals	448 388	-
Sundry Receipts	674 149	393 161
	4 916 318	**24 362 534**

Sundry receipts consists of Handling fees of R324 025.49.

Health Certificates R44 090.90

Clearance Certificate R27 510.73

Trading R278 522.04

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Interest Income

Interest revenue		
Bank	228 612	232 458
Interest - investments	12 192 346	20 147 928
Interest - debtors	134 691 162	184 000 368
	147 112 120	**204 380 754**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Government grants & subsidies

Operating grants		
Equitable share	736 966 000	695 711 000
Finance Management Grant	2 300 000	1 000 000
Municipal Infrustructure Grant Operational	35 018 507	18 488 485
EPWP	2 118 000	2 384 000
Rural Road Asset Management Grant	4 236 479	3 861 529
LG SETA	806 209	704 837
Municipal Disaster Grant	20 742 000	38 730 127
WSIG Operational	-	48 473 214
	802 187 195	**809 353 192**
Capital grants		
Municipal Infrustructure Grant	292 610 493	321 538 950
Water Service Infrustructure Grant	88 600 000	24 610 503
Regional Bulk Infrustructure Grant	116 822 000	233 767 909
	498 032 493	**579 917 362**
	1 300 219 688	**1 389 270 554**

Equitable Share

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

National: Municipal Infrustructrure Grant

Current-year receipts	327 629 000	322 848 000
Conditions met - transferred to revenue	(327 629 000)	(340 027 434)
Transfer to debtor	-	17 179 434
	-	-

Conditions still to be met - remain liabilities (see note 15).

LG SETA

Current-year receipts	806 209	704 837
Conditions met - transferred to revenue	(806 209)	(704 837)
	-	-

Conditions still to be met - remain liabilities (see note 15).

National: EPWP

Current-year receipts	2 118 000	2 384 000
Conditions met - transferred to revenue	(2 118 000)	(2 384 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

National: Finance Management Grant

Current-year receipts	2 300 000	1 000 000
Conditions met - transferred to revenue	(2 300 000)	(1 000 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

National: DOT-Rural Road Asset Managent Grant

	2025	2024
Balance unspent at beginning of year	6 644	400 172
Current-year receipts	4 237 000	3 468 000
Conditions met - transferred to revenue	(4 236 479)	(3 861 528)
Re-payment of unspent	(7 000)	-
	165	**6 644**

Conditions still to be met - remain liabilities (see note 15).

National: Regional Bulk Infrustructure Grant

	2025	2024
Balance unspent at beginning of year	-	21 047 542
Current-year receipts	116 822 000	184 000 000
Conditions met - transferred to revenue	(116 822 000)	(233 732 258)
Transfer to debtor	-	28 684 716
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Water Service Infrustructure

	2025	2024
Current-year receipts	88 600 000	71 517 000
Conditions met - transferred to revenue	(88 600 000)	(73 083 716)
Transfer to debtor	-	1 566 716
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Municipal Disaster Grant

	2025	2024
Balance unspent at beginning of year	19 873	11 055 000
Current-year receipts	20 742 000	27 695 000
Conditions met - transferred to revenue	(20 742 000)	(38 730 127)
Re-payment of unspent	(20 000)	-
	(127)	**19 873**

Conditions still to be met - remain liabilities (see note 15).

Figures in Rand	2025	2024

22. Employee related costs

Basic	266 497 603	251 459 730
Bonus	23 111 902	21 832 160
Medical aid - company contributions	37 500 214	28 873 711
UIF	1 882 670	1 816 317
Leave pay provision charge	6 209 725	7 512 623
Industrail Council Levies	1 414 512	1 412 802
Travel, motor car, accommodation, subsistence and other allowances	32 274 091	31 516 725
Overtime payments	10 401 089	11 371 432
Long-service awards	6 292 533	5 730 486
Housing benefits and allowances	1 663 044	1 602 284
Pension Fund Contributions	52 330 029	45 190 892
Group Life Insurance	1 644 966	1 581 874
	441 222 378	**409 901 036**

Remuneration of Municipal Manager - G. Mashiyi

Annual Remuneration	1 646 128	1 491 279
Car and other allowances	628 386	608 185
Service Bonus	130 425	186 409
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Other (Grouplife, Special allowance and Bargaining Council)	324 476	314 108
	2 731 540	**2 602 106**

Remuneration of Chief Finance Officer - C. Mapeyi

Annual Remuneration	1 128 220	1 115 472
Car and other allowances	532 719	562 094
Service Bonus	49 546	139 433
Contributions to UIF, Medical and Pension Funds	50 529	51 503
Other (Grouplife, Special allowance and Bargaining Council)	195 962	207 867
	1 956 976	**2 076 369**

Remuneration of Director: Corporate Services- T. Skefile-Jaxa

Annual Remuneration	1 034 199	745 597
Car and other allowances	436 416	233 539
Service Bonus	106 109	77 666
Contributions to UIF, Medical and Pension Funds	242 800	202 117
Other (Grouplife, Special allowance and Bargaining Council)	9 896	7 533
	1 829 420	**1 266 452**

Remuneration of Director: Health Services - N. Mnyengeza

Annual Remuneration	1 224 295	1 115 472
Car and other allowances	623 632	569 366
Service Bonus	97 557	139 434
Contributions to UIF, Medical and Pension Funds	232 403	240 649
Other (Grouplife, Special allowance and Bargaining Council)	143	137
	2 178 030	**2 065 058**

Remuneration of Director; Integrated Planning and Development - Z.M. Duze

Annual Remuneration	1 173 200	1 086 882
Car and other allowances	568 108	541 599

Figures in Rand	2025	2024

22. Employee related costs (continued)

Service Bonus	92 911	132 794
Contributions to UIF, Medical and Pension Funds	259 842	260 175
Other (Grouplife, Special allowance and Bargaining Council)	143	36 518
	2 094 204	**2 057 968**

Remuneration of Director; Technical Services - M. Shasha

Annual Remuneration	1 034 199	717 482
Car and other allowances	452 186	233 539
Service Bonus	106 109	77 666
Contributions to UIF, Medical and Pension Funds	221 959	185 326
Other (Grouplife, Special allowance and Bargaining Council)	9 896	7 533
	1 824 349	**1 221 546**

23. Remuneration of councillors

Executive Major	1 189 382	1 214 960
Deputy Executive Mayor	960 143	973 893
Mayoral Committee Members	5 339 035	5 016 204
Speaker	960 143	973 893
Councillors	4 147 465	3 857 321
Chief Whip	902 835	915 874
Sec 79 Chair	701 565	890 346
	14 200 568	**13 842 491**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Deputy Mayor and Speaker utilises separate Council owned vehicles for official duties.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

24. Depreciation and amortisation

Property, plant and equipment	187 918 001	166 975 275
Intangible assets	1 647 071	1 477 454
	189 565 072	**168 452 729**

25. Finance costs

Interest paid and penalty	1 017 707	4 716 652

Interest paid for Eskom and penalty charge by SARS

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Debt impairment

Debt impairment	(317 312 491)	939 857 426
Impairment allowance for grants	(90 952 516)	-
	(408 265 007)	**939 857 426**

27. Bad debts written off

Debt written off	(368 411 829)	(1 226 732 051)

28. Inventory consumed - Water

Water	156 232 860	151 632 702

Inventory purchased/input costs		
Bulk Purchase	30 210 932	25 834 562
Electricity	53 194 079	54 944 515
Employee cost - WTW	47 688 999	41 455 656
Chemicals	12 339 645	16 383 596
Depreciation	12 848 131	12 876 260
	156 281 786	**151 494 589**

Water reconciliation represents the input costs capitalised to the inventory control account.

29. Contracted services

Presented previously		
Outsaurced Services	41 085 088	52 840 188
Repairs and Maintenance	83 776 182	99 956 189
Consultants and Professional Fees	39 072 174	41 362 399
Other Contractors	105 691 485	98 867 369
	269 624 929	**293 026 145**

30. Transfer and subsidies

Other subsidies		
Irrigation Scheme - Products	1 743 775	1 205 991
Komani Industrial Subsidy Park	869 565	-
Intsika Yethu Municipality Nursery	-	316 200
Chris Hani Sports Confederation	122 000	140 000
VIP Toilets	15 860 503	43 370 646
Chris Hani Development Agency	38 289 103	38 795 922
	56 884 946	**83 828 759**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. General expenses

Advertising	1 088 379	1 183 970
Auditors remuneration	9 296 614	9 723 209
Bank charges	2 115 677	2 151 461
Computer expenses	14 950 456	19 715 089
Consumables	3 039 447	5 559 722
Entertainment	141 698	535 820
Insurance	2 314 555	2 531 850
Community development and training	56 610	79 100
Motor vehicle expenses	1 636 649	1 426 678
Fuel and oil	22 212 833	29 886 266
Postage and courier	-	145
Printing and stationery	1 263 797	1 179 402
Protective clothing	2 363 467	2 126 641
Staff welfare	253 029	578 435
Subscriptions and membership fees	4 614 977	4 350 774
Telephone and fax	55 029	2 776 954
Travel - local	6 189 294	8 234 809
Assets expensed	2 327 817	1 601 846
Electricity	145 722	173 653
Water	8 266	16 037
Refuse	53 242	4 473
Sewerage	258	562
Tourism development	4 250	6 417
Third party charges	174 963	-
Communication	139 824	151 900
Intercompany/Parent - Subsidiary Trans	621 688	-
Indigent Subsidy	18 581 855	11 687 504
Skills Development Levy	4 010 385	3 744 028
Operating Leases	6 277 854	6 305 808
	103 938 635	**115 732 553**

32. Cash generated from operations

(Deficit) surplus	(116 945 250)	413 012 110
Adjustments for:		
Depreciation and amortisation	189 565 072	168 452 729
Depreciation of PPE and Amortisation of intangible assets	3 445 900	(2 531 669)
Impairment loss (reversal)	5 329 746	(566 234)
Debt impairment	317 312 491	(939 857 426)
Bad debts written off	368 411 829	1 226 732 051
Debt impairment of grants	90 952 516	-
Inventory Depreciation	12 848 131	12 876 260
Other Income (own revenue)	-	(23 696 054)
Interest on debtors	(128 958 530)	(178 716 405)
Increase in provision relating to employee cost	(9 705 211)	2 674 146
Changes in working capital:		
Inventories	7 044 285	(8 944 647)
Receivables from exchange transactions	(322 787 742)	(226 561 781)
Movement in employee benefit	14 852 747	11 286 526
Prepayments	28 051	703 721
Payables from exchange transactions	43 146 266	46 905 400
Unspent conditional grants and receipts	(26 478)	(72 748 524)
Consumer deposits	190 584	175 166
Operating lease	(188 725)	(14 178)
	474 515 682	**429 181 191**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	856 419 152	529 734 940
• Building	158 424 331	158 424 331
	1 014 843 483	**688 159 271**

Total capital commitments		
Already contracted for but not provided for	1 014 843 483	688 159 271

Total commitments

Total commitments		
Authorised capital expenditure	1 014 843 483	688 159 271

This committed expenditure relates to property, plant and equipment and will be financed by Infrastructure Grants (Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant and Water Infrastructure Grant)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Contingencies

Contingent Liabilities

The municipality is party to the following litigation matters.

Litigations		
Telkom SA SOC Limited case. The Defendant has defended the action. Telkom still needs to substantiate claim. Matter is ready for trial. A special plea for failure to adhere with the Inter governmental Relations Framework Act. The matters might be combined if the Court allows such an application. Pleadings have closed. Plea trial proceedings have commenced.	110 000	110 000
Sally MacKenzie case. The Municipality as the 1st Defendant in the matter relating to a motor vehicle accident that occurred between a CHDM employee and the Plaintiff. The Plea has been filed and the pleadings have closed. Pre-trial proceedings have begun in preparation for the hearing of the matter. Pre-trial minute was filed. The Plaintiff's Attorneys have not filed further papers. However, the Defendant's discovery will need to be supplemented and consultation is required with the 2nd Defendant to strengthen the defence. In the interim, the Attorneys have requested an Accident Report from the Queenstown Police Station and have been following up on same,	80 000	80 000
Mr Mvelo claims for damages against the Municipality for the repair costs of his vehicle that was involved in an accident after it hit a pothole and apparently overturned. The Municipality has defended on the basis that the roads function is that of either SANRAL or Local municipality. Pleadings closed in August 2021. No further steps taken by the Plaintiff. 2nd defendant recently filed special plea and plea.	170 000	170 000
Mr Miggels claims for damages against the Municipality for personal injuries suffered as a result of falling into an unmarked deep trench, which allegedly was left exposed by the Water Services employee. The matter has not only been defended but has also been referred to the Municipality's insurance for confirmation of cover. The Assets Management Unit is still liaising with the Municipality's brokers and also the Water Services Team. Plea is still to be amended. Consultation is to take place. The draft plea has been prepared. However, a consultation is required with the Municipality. A notice of bar has not been filed by Mr Miggels. It is advisable for CHDM not to contact the plaintiff as the plaintiff has not pursued the matter.	320 000	320 000
Telkom lodged 5 (five) claims in a single summons that relate to the re-imbursement for repair damages to their infrastructure in both the Komani and Cradock area. The incidents apparently happened between 10 July 2017 and 25 July 2019. The matter has been defended, and a plea has been filed. Pleadings have closed and Pre-trial proceedings have commenced.	250 000	250 000
Inyathi Construction Case. The applicant issued summons against the Municipality seeking for an order of the decision of municipality to award the tender of Cluster 8 Water Supply Backlog and all administration actions and contracts concluded to such award be reviewed and set aside. The matter has been set down for hearing 20/06/2024.	600 000	600 000
Mr Jonas claims for damages against the Municipality for the repair costs of his vehicle that was involved in an accident with a vehicle driven by a Municipality's employee. An instruction has been given toattorneys to accordingly defend the matter, and a plea has been filed. The Notice of withdrawal as attorneys record for the 2nd Defendant has been filed. Due to the fact that the Plaintiff has been silent the attorneys have proceeded with requesting the discovery from the plaintiff, The plaintiff has not discovered. The Attorneys are preparing a final compel application to discover. However, the Attorneys are to consult with CHDM concerning the appointment of Counsel to move the application.	80 000	80 000

Figures in Rand	2025	2024
34. Contingencies (continued)		
Department of Water & Sanitation sued the Intsika Yethu Local Municipality for water use charges for a period between April 2002 and June 2016. The Municipality has noted appearance to defend but also intend to activate the intergovernmental relations processes, which have been neglected by both the Plaintiff and Defendant. In the meantime, the Municipality has engaged with the Intsika Yethu Local Municipality with the view to better understand the claim and initiate alternative dispute resolution processes with the Department of Water & Sanitation. Unfortunately, the DWS has continued with the litigation process against Intsika Yethu Municipality, an action that makes litigation to subsist.	9 000 000	9 000 000
Zanamazi Services (Pty) Ltd instituted a claim against the Municipality for a material amount. CHDM defended the matter and has filed both on the matter and technical grounds. Pleadings have closed. Defendant has filed Discovery affidavit. No further action taken by Plaintiff. Applicant has filed Rule 37 on 19/04/2024	25 000 000	25 000 000
Agric EC Case. The applicant seeks an order for specific performance that relates to the urgent repairs and maintenance to the Cradock Wastewater Works and/ or the sewerage reticulation system and/ or infrastructure connected thereto within the 14 (fourteen) days from the date of the service of the order. Though the Municipality opposed the application, the Water Service Unit conceded most of the issues and is to draw a plan to remedy the situation. There’s an Order against the municipality requiring to remedy within a certain period. The Court monitors the compliance with court order. Affidavit received from applicant on 14/04/2023 regarding the status of the project. Parties will meet on 8 August 2023 to discuss possible settlement of the matter. Both parties went to site for inspection in February 2024. CHDM has filed a further report.	120 000	120 000
The Auditor-general of South Africa (Tsakani Maluleke hereby instituted action against defendants in the plaintiff claim the relief on the grounds that the defendant has to pay/refuse/neglect to make payment of the outstanding audit fees. The plaintiff also filed a notice agreement or opposition to mediation, the plaintiff does want to litigate they only claim the amount due to them while the parties appear to have made settlement arrangements, the Auditor General has yet to withdraw claim.	20 000	20 000
Mfuraa Projects and General Case. The Plaintiff filed an action against the defendant claim payment on the services rendered in the amount of R 27,137 559.92. The matter has been defended. Municipality has filed both the plea to claim and the counterclaim. The defendant has filed the Discovery Affidavit as required by Plaintiff. Settlement negotiations to follow once discovered documentation is considered. On the request of the applicant (Mfuraa Projects), the matter was removed from the roll on 11/03/2024.	28 000 000	28 000 000
SRK Consulting claims for amount of R223 992.30 from the CHDM for the additional services rendered. The Municipality entered an appearance to defend. The Plaintiff has filed its discovery notices. The matter is still on discovery stage. The parties will proceed with the pre trial on notice from the applicant. The Applicant is yet to fie the pre-trial notice.	243 922	243 922
Element Consulting Engineers (Pty/LTD is suing the Municipality capital claim for amounts of R3 481 997,42 in total 1st claim is R1 456 841,29 Rathwick Project (2010); 2nd R1 827 115,47 Molteno Project and 3rd claim R198 040,73, for Emergency Housing Project (2017) The Municipality has filed a notice of intention to oppose. Part A of the application is to have the contract between the Municipality and Element Consulting Engineers reviewed and set aside on the grounds that it is not in compliance with legal prescripts, the contract is open ended, and the contract is beyond its validity date. Part B is an application to have the claim against the Municipality for services rendered put on hold pending the finalisation of part A of the Application. The matter is still on pleadings stage. The Applicants went under business rescue.	4 000 000	4 000 000

Figures in Rand	2025	2024

34. Contingencies (continued)

Lukhozi Construction Engineers entered into a contract with the Municipality for Professional services. The scope of works was extended but no new agreement was entered into. The contracts were terminated in 2021 and the Plaintiff did not oppose termination, however claimed a 10% of the outstanding contract amount as per extension of scope. The Municiplaity is defending the matter on the grounds that the Plaintiff has been paid all the amount due and payable to them as per the contract. And any extension of scope, if any is invalid as it does not fall within the legal prescripts. The application for review of that decision has been made. The matter is on pleadings stage. Plea filed and the matter has progressed to discovery stage.	1 000 000	1 000 000
Sanele Sisusa Case. The municipality is the 1st Defendant in the matter relating to a motor vehicle accident that occurred between CHDM employee (2nd Respondent and the plaintiff. He is claiming for damages that were the result of the collision. The municipality is defending the matter on the grounds that the Applicant was the one negligent and caused the accident. The matter is on Pleadings stage. CHDM discovery affidavit was filed on 16/02/2024. On 16/04/2024 the plaintiff tabled settlement proposal by CHDM.	75 000	75 000
T. Mtsewu Case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants' communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants' communal taps. The matter is defended and on pleadings stage. A consolidation court order was endorsed. Matters have been consolidated under case no: 2187/23. The matter to be heard in Court on 28 November 2024.	1 000 000	-
Idalette Foto's Case. Plaintiff is suing the CHDM for vacurious liability as one of its Councilors was involved in a motor vehicle collision belonging to the plaintiff. A plea and special plea of non compliance has been served.	45 000	45 000
Openserve (Pty) Ltd Case. The Applicant institutes action against the Municipality, in which the Plaintiff claims relief on the Electronic Communication facilities that were damaged while carrying out work on the site by the Defendant. The matter is on pleadings.	332 981	332 981
The Auditor General claims for outstanding fees. The matter is mediated out of court. It appears that there is misunderstanding between the office of the auditor on interest that were previously waived by same office.	505 049	505 049
Egxeni Engineering entered a contract with the defendant for professional services. The plaintiff claims the municipality for an amount of R829 718,38 for services rendered. we are still to consult and establish liability in this matter. A counter claim has been filed. The Attorneys are waiting for applicant plea on counter claim in order to apply for trial date. CHDM received plea to the counter claim and replication to CHDM plea. The matter is on pleading stage.	1 329 718	1 329 718
Diphatse Trading case. Dihatse Trading brought an application in High Vourt for an Order that the contract between it and CHDM be declared valid, that the penalties imposed by the municipality be declared unlawful, that the municipality to pay Diphatse outstanding invoices, totalling R1 654 441.47 and costs. The municipality is opposing the matter. There was an order issued by the High Court on 3 November 2022 and in terms of which the matter was postponed sine die and directing the Registrar to convene a pre-trial conference before the Judge. We are awaiting a for the pre-trial conference. The matter is pending.	200 000	-
Hatch Goba Case. The plaintiff entered a contract with the defendant for professional services in relation to the design and construction of the Caca dam. The funding department has called for planning of construction of the dam and has picked up that the professional service provider dealing with the project is registered under MIG and the project will proceed on RBIG. The Municipality had advised the Hatch that they will be using services of another service provider. Hatch Goba interdicted the Municipality on appointing another service provider. The Municipality is defending the matter and has applied the review of the contract against Hatch be expedited.	1 100 000	1 100 000
Xhentu Local Residents Case. CHDM has served and filed answering affidavit. On 7th May 2024, CHDM has mediation.	100 000	100 000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
34. Contingencies (continued)		
Kuza-Ngcete Local Residents Case. The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Kuza-Ngcete locality to be declared Constitutional and Valid in terms of section 24 of the Constitution. CHDM has received plaintiff's replying affidavit. CHDM is preparing for heads of argument.	100 000	100 000
Chibi Local Residents. The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Chibi locality to be declared Constitutional and Valid in terms of section 24 of the Constitution. CHDM has received plaintiff's replying affidavit. CHDM is preparing for heads of argument.	100 000	100 000
Ncalukeni Local Residents. The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Ncalukeni locality to be declared Constitutional and Valid in terms of section 24 of the Constitution. A court order to consolidate the application was granted on 20/02/2024., under case number: 4956/23.	800 000	800 000
Betram (Pty) Ltd. The Municipality published a tender with the description that they want 5 panel of service providers to do the work that was advertised on the tender, the applicant submitted all the requirements. The applicant was far from the lowest priced tender and had to be awarded the most points in terms of the preference point system. The Municipality appointed 6 service providers. The Applicant claims that if the tenderers were scored correctly, they could have obtained the highest points. The applicant now issued summons in essence to review and set aside the decision of the municipality to award the tender to 5 highest scoring tenderers (from the second to the seventh respondents). The Municipality is defending the matter. The defendant filed notice of opposition. Court order by agreement between the parties was granted on 23/02/2024. In terms of the court order, the decision was reviewed and set aside.	-	250 000
Asanda Makonza Case. The applicant seeks for an order on a award handed down by second respondent (Commissioner Thobela Ncetezo) on the 15 of January 2024 under case number EDC 062313 to be reviewed, set aside and corrected in terms of section 145 of the Labour Relations Act 66 0f 1995. Applicant has taken up the matter on appeal and subsequently resigned.	350 000	350 000
BVI Border Case. Urgent interdict to render the cancellation of the joint venture agreement by the Municipality unlawful.	-	300 000
Vuyiseka Hukwe Case. On 27 June 2022, the Plaintiff slipped and fell in overflowing drain water due to a malfunctioning sewage drain that was overflowing, as a result, the Plaintiff suffered serious injuries which include dislocated patella and soft tissue and is unable to work. The Plaintiff seeks compensation amounting to R400 000.	600 000	600 000
Absa Vehicle Management Solutions (Pty) . The Government of South Africa, acting through the Department of Transport awarded Transit Solutions the RT46 Contract to provide fleet management services for the period of 1 April 2014 to 31 March 2019 which was later extended on two occasions. The Municipality is 47th Defendant and being claimed R204 664.23.	604 664	-
Minister of water and sanitation case. The Applicant is the Minister of Water and Sanitation suing in her executive capacity of the Department. CHDM is the 2nd Respondent in this matter. This is an Application for Joinder in terms of Rule 10 of the Uniform Rules of Court in the proceedings that have been instituted by the Applicant. In June 2019, the Applicant issued summons against the 1st Respondent wherein the Applicant is claiming R2 108 662.08 for water use charges and water use research. The 1st Respondent (Inxuba Yethemba LM) filed appearance to defend on 23 February 2021 and subsequently filed its plea on 13 April 2021. The 1st Respondent requested CoGTA MEC's intervention in its letter dated 31 March 2021 alleging that it was a Service Provider on behalf of the 2nd Respondent (CHDM) for a period of 2011 - 2016.	3 000 000	-
Rolfe Laboratories (Pty) Ltd. The Municipality (1st Respondent) is interdicted and restrained from its implementation of its intended interruption if water supply. To the Applicant. The 1st Respondent has given an undertaking to desist from disconnecting the Applicant's water supply until such time the matter is finalised. The case has been postponed to 14th January 2025.	400 000	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Contingencies (continued)

Odwa and Slie Enterprise Case. The Plaintiff's Attorneys have instituted an action against CHDM, over alleged unpaid work done. CHDM strongly rejects the Plaintiffs claim, in that they give reason as to why they have not been paid is because they did not finish the project without reasons.	450 000	-
Makhumeni Locality & Others. The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Makhumeni locality, Mgudu Administrative Area in terms of Section 27 of the Constitution be declared unconstitutional.	100 000	-
Makhumeni Locality & Others. . The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Makhumeni locality, Mgudu Administrative Area in terms of Section 27 of the Constitution be declared unconstitutional.	100 000	-
Kwa-Sindi Localty & Others. The applicant issued summons against the municipality seeking declaration order for failure to provide drinkable water to the communal taps at Kwa-Sindi locality. The Respondent's failure to provide the afore-mentioned, compels Applicant's to consume unpurified water from Springs and dongas, thus inconsistent and in violation of Section 27 of the Constitution	100 000	-
Kwa-Sindi Localty & Others. The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Kwa-Sindi locality in terms of Section 27 of the Constitution be declared unconstitutional.	100 000	-
Kwa-Hala Locality case. Applicants filed an application against CDHM seeking an order to erect, install, repair functional water taps to ensure clean water and healthy environment. CHDM has filed its answering affidavit and the Applicant has filed its reply.	300 000	-
Kwa-Hala Locality case. Applicants filed an application against CDHM seeking an order to erect, install, repair functional water taps to ensure clean water and healthy environment. CHDM has filed its answering affidavit and the Applicant has filed its reply.	300 000	-
Taloc Projects (Pty) Ltd. This is an interdict instituted by the Municipality against Taloc, entered into an agreement to install smart meters on behalf of the Municipality. Within the same time, Taloc increased their pipeline amounts exoribitantly and not within the national regulations set. Their request for variation and invoices were not paid and were advised to revise same. Taloc, therefore advised that they will no longer proceedings as mandated, thus having to default as per agreement. We hereby, further demand CHDM monies held unlawfully as lien by Taloc within same application.	6 000 000	-
Auditor General MI case. The municipality seeks to challenge auditor general findings in a review application. As things stand, all necessary consultations and material have been provided and we await court processes to unfold. To file Notice of Motion and Founding Affidavit.	800 000	-
Gohela Construction case. The Municipality published a tender for works to be done at Ngcobo Resevoir which was awarded to Batabile Construction Services. Batabile Construction subsequently appointed Gohela Construction Projects as their sub-contractor on the contract to carry put the works at the Ngcobo Reservoir. The contract is identified as Cluster 4 Water Bag Log-Ngximza to Ndum-Ndum Resevoir with contract number: 5/2020-2021/LG(BN) and subcontract number: bcs-ngxumza-sub-wp No.12/01. The Plaintiff claims against the Municipality payment to the amount of R588 052,27 for works completed. A further payment amounting to R222 408,24 in respect of retention amounts being for work completed and retained until final completion. Interest in the afore-mentioned amounts computed at a prime overdraft rate as charged by the Plaintiff's bank, compounded monthly from 13 July 2022 to the date when payment is effected, alternatively, interest to be charged at a prescribed rate from the date of demand to the date of final payment. Furthermore, the Plaintiff prays for the costs of suit and a further alternative relief.	1 310 461	-

Figures in Rand	2025	2024
34. Contingencies (continued)		
Arbitrator at SALGBC awarded in favour of Dr AM Sambumbu to be re-instated at work with effect from 2019. A further order is that he should be paid an amount of R512,017.40 which represent an equivalent of monthly salary of R56,890.83 for a period of 9(nine) months. The Municipality has approached the Labour Court in view to review the decision. Matter has been argued in the third quarter (March 2022). Judgement has been reserved. The Municipality has approached the Labour Court in view to review the decision. The attorney is instructed to follow up. Judgment was handed down on 15 February 2023 and the order is in favour of the Municipality stating that the dismissal of Dr Sambumbu was substantively and procedurally fair. On 18 April 2023, attorneys for Municipality received a notice of application of leave to appeal to the Labour Appeal court and the condonation application thereto. The application was forwarded to Municipality for further instructions and the Municipality requested a Memo on merits of the application and the Municipal's prospects of success. The Memo was filed by Adv Kroon SC. The Municipality instructed the attorneys to file opposing papers and answering affidavit. We are currently awaiting for a directive from the Judge. The Registrar contacted the Judge to enquire about same. The Judge directed that CHDM file submissions on the merits of the matter as well as before a directive can be issued on the appellant's application for leave to appeal and condonation application thereto. Adv Kroon SC has finalised the submissions and the same has been forwarded to CHDM for commentary before service and filing can be effected,	-	1 365 380
N. . Fumbeza case. An employee is dismissed for gross dereliction of duty and gross negligence. The matter is referred to arbitration for the alleged Unfair/ Unlawful Dismissal. The matter proceeded on the 08th and the 09th of March 2022. The parties agreed on the 6th of April 2023 that the matter convene, and it is still pending. The attorneys for the Municipality have requested that the matter be set down for hearing and awaiting date from Labour Court. The matter was then postponed to 14 June 2023 for the final witness of the applicant to testify. After conclusion of the evidence, arguments will be presented. The arbitration took place on 15 August 2023. The matter was to be heard on 22 February 2024. On arrival and on request of the Applicant, the matter was postponed to 29 April 2024. What remains is for the applicant's final witness to testify after which closing argument will be delivered and the award handed down	-	80 000
S. Ngxenye case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended and pleadings not yet closed. The Municiplaty will apply that the matters be consolidated when the time comes. Matters have been consolidated under case no: 2187/23. The matter has been set down for hearing on 01/08/2024. CHDM filed its heads of arguments 17/04/2024.	-	1 000 000
Arbitrator at SALGBC awarded in favour of Ms Ngwendu & Mr Pambaniso in Nov 2021, in terms of which CHDM was ordered to reinstate the employees with effect from Dec 2021. CHDM is challenging the award in the Labour Court on various grounds. Security for costs in the amount of R 3,603,557.28 has already been paid to Court. Review application was served on the parties in Dec 2021. The employees have delivered a notice to oppose the application. Awaiting notification from the registrar that the record has been received from the SALGBC. The complete transcribed records were received. Awaiting the respondents answering affidavit. The applicant is supplementing its papers. The applicants served the supplemented affidavit and received the respondents' s answering affidavit thereto. The applicant further filed its replying affidavit . The request for a trial date has been filed. The court file has been indexed and paginated awaiting a date. The Attorneys received a notice of setdown of the matter for 21 February 2024. The Advocate's files have been indexed and paginated and the Advocate is preparing a practice note. The trial took place on 21/02/2024. On 27/02/2024 acting Judge Makhura issued a ruling in favour of the 3rd and 4th respondents. The Municipality is proceeding with the appeal	-	3 700 000

Figures in Rand	2025	2024
34. Contingencies (continued)		
Mac Mkhunyana Investments (Pty) Ltd case. The Applicant filed application against respondents that applications non-complaint with the court relating to and time period condoned, that the respondent is interdicted from intention to interrupt water supply to applicant. Application granted In favour of the Applicant with no order for specific performance . The matter remains dormant as there is no action taken by applicant.	-	50 000
The matter between Department of Labour and CHDM municipality started in 2018/19 financial on the liability for workmen’s compensation which was an error in the submission of EMP 201. This matter is still on engagement between two parties.	81 475 475	-
The matter between SARS and CHDM municipality for 2024/2025 financial on the penalty and interest charge. This matter is pending as the municipality filed the objection.	37 758 099	-
Rolfe Industrial Holdings. The Applicant filled application against respondents that applications non-compliant with the court relating to and time period condoned, that the respondent is u=interdicted to interrupt water supply to Applicant. Application granted in favour of the Applicant with no order for specific performance.	-	80 000
	208 430 369	**81 257 050**

Contingent assets

The Tsomo Magistrates Court dismissed an application for rescission that was brought by the Municipality against Mawethu Magida. A judgment was granted by default against the Municipality in the amount of R 300,000.00 for a claim for damages allegedly caused by blasting while the Municipality implemented an infrastructure project. An appeal was brought at Mthatha High Court and was decided in favour of the Municipality. The bill was taxed however the attorneys are trying to trace Mr Magida as his attorneys of record withdrew .	80 000	80 000

Figures in Rand	2025	2024

34. Contingencies (continued)

VW Shumi case. The plaintiff brings summons against the CHDM and the Enoch Mgijima Local Municipality but only claims R 5 million against Enoch Mgijima Local Municipality. In the same claim, the plaintiff prays that the CHDM not to be allowed to claim services from him. The plaintiff's claim is bad in law, and attorneys have been requested to defend the matter with costs. Both defendants have raised exceptions to the particulars of claim. The CHDM's exception has been upheld, and the plaintiff is still to amend its particulars of claim. An application was brought to have the respondents dismissed with costs as they have not filed amended particulars within the stipulated time frame. The matter was heard on 27 September 2022; however, the matter was postponed sine die on account of respondent's notice of opposition being received. The respondents were to file their answering affidavits on 7 October 2022 and applicants were to file their replying papers on 21 October 2023. The respondents were to pay the wasted costs on a party and party scale. The plaintiff filed the answering affidavits and subsequently filed their notice of intention to amend their particulars of claim on 14 October 2022. The attorneys filed replying affidavit and subsequently filed Rule 30(2)(b). Application in response to plaintiff's irregular step of filing a notice of intention to amend. The matter was set down on the unopposed motion court roll on 14 March 2023. Closer to the date the attorneys were served with the notice of oppositeion causing the matter to be removed from unopposed roll and allowing the attorneys to file their answering papers. On 16 April 2023, the attorneys received a letter from the Plaintiff's new attorneys requesting indulgence while they withdraw their notice of intention to amend, withdraw their notice of opposition and tender costs for Rule 30(2)(b) application. The attorneys informed the plaintiff's attorneys that the Municipality is not in a position to condone the non- compliance with the Court order upholding the exception and the attorneys are proceeding with the application to dismiss. The plaintiff served the attorney with the withdrawals however there's no mention of costs. The attorneys have enquired about costs and awaiting reply. The Municipality is proceeding with the application to dismiss. However, the Attorneys are to consult with the Municipality in proper preparation of the application. The Attorneys briefly consulted with the Advocate this year in order to discuss dates to move the application in the interim. The Advocate will revert with dates. The Attorneys consulted with Counsel concerning the matter. Counsel advised that his diary for this year is open to file an application to dismiss the matter. Counsel will have to peruse the file to revert with the dates, in the interim the attorneys requested the correspondence to peruse the court file for further pleading filed by the plaintiff. The correspondent Attorneys confirmed that they have not received pleadings from the plaintiff.	60 000	60 000
After the termination of the contract with Diphatse Trading, the Municipality noticed that the site was left unattended, and informed Diphatse Trading that they would deploy security personnel for the purposes of protecting the Municipality's assets. Upon the deployment of the personnel, Diphatse Trading approached the Court on the basis that they have been dispossessed of the site, and that they would require it to be restored to them. The Court granted the order, but the Municipality subsequently filed an application for leave to appeal, which has been decided in the Municipality's favour. The appeal is still to be prosecuted upon receiving the date of the appeal. Matter joined for hearing.	-	200 000
Applicant seeks an order interdicting and restraining CHDM and 2nd Respondent from taking any further steps in the implementation of tender with tender number 8/3/25 2021/2022 bid cluster 4 water supply Backlog Northern Scheme. Matter opposed hearing date 5 July 2022. On 5 July 2022, application withdrawn. The Municipality bill of costs has been drafted and awaits taxation by correspondent attorney. No objections have been received and awaiting taxation date from taxing master.	-	200 000
Veolia Water Solutions & Technologies SA case. The Xonxa Dam Transfer Scheme and Bulk Water Supply projects comprises the augmentation of the Queenstown bulk Water supply through the inter-regional transfer of raw water from the Xonxa Dam to the Queenstown Water Treatment Works. The main purpose for this project is to augment the current water supply shortfall within the municipality and to open the urgently needed supply of bulk potable water to indigent areas within and surrounding Queenstown.	2 500 000	-
	2 640 000	**540 000**

Figures in Rand	2025	2024

35. Related parties

Relationships	
Associates	Refer to note
Shareholder with joint control	Name (Proprietary) Limited
Gcobani Mashiyi	Owner in Lathiloez and Emerging Farmer.
Mziwamadoda Moses Shasha	100% in Safika Rural Dev Consultant
COUNCILLORS	REFER TO LIST OF COUNCILLORS DISCLOSED UNDER GENERAL INFORMATION. COUNCILLORS OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
Siyabulela Nxozi	Owner in Residential Flat N77 Ekuthuleni Khowa
Kenneth Klark	Shares in Johannesburg Stock Exchange. Side member in Twizza. Side member in Crickley Dairy. FamilyTrust in Clifton Trust
Bongeka Nobuntu	Member in Nice Flower Trading 39. Director BBAO Sopitsho Construction and Lady Million Incorporated

The remuneration of key management is disclosed in note 22 and Councillors in note 23 of the Annual Financial Statements.

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip, Portfolio Chairperson, MPAC and Mayoral Committee Members are full-time. Each is provided with an office and secretary or administrator support at the cost of the council.

The Executive Mayor, Deputy Executive Mayor and Speaker have use of a council owned vehicle for official duties.

Related party transactions

	2025	2024
Interest paid to (received from) related parties		
Chris Hani Development Agency	38 289 103	95 547 772

36. Unauthorised expenditure

	2025	2024
Unauthorised expenditure - Opening balance	2 750 773	346 827 281
Current year	764 243 713	98 733 378
Less: Amount written-off: current	-	(98 733 378)
Less: Amount written-off: prior period	-	(344 076 508)
Closing balance	**766 994 486**	**2 750 773**

The opening balance amount of **R 2,750,773** from the previous financial year and the current year unauthorised expenditure amounting to **R 764,243,713** was as a result of Post Retirement benefits, Debt write offs and Debt Impairment. Grants expenditure and Water Inventory Consumed costs that were not adequately budgeted for .

37. Fruitless and wasteful expenditure

	2025	2024
Fruitless and wasteful expenditure - Opening balance	441 606	86 693
Current year	1 017 707	473 442
Amount UIFWE incurred- prior period (UIFWE identified in the current year incurred in prior years	4 243 209	1 768 003
Less: Amount written off - current	(1 730 050)	(385 437)
Less: Amount written off - prior period	(3 624 012)	(1 501 095)
Closing balance	**348 460**	**441 606**

The fruitless and wasteful expenditure opening balance, quarter 1,2,3 and 4 were submitted to council and referred to MPAC investigation and report back to council. The outcome of the investigation was that the expenditure must be written off.

Notes to the Annual Financial Statements

Figures in Rand

37. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

The interest has been incurred due to late payment of invoices for Eskom , ,and SARS Penalty	1 017 707	473 442
The amount is interest incurred due to a court case which was finalised in the current financial year	-	1 768 003
	1 017 707	**2 241 445**

38. Irregular expenditure

Opening balance as previously reported	2 416 773	87 369 434
Add: Prior year irregular expenditure	-	75 830 703
Add: Irregular expenditure - current year	5 057 391	76 636 563
Less: Amount written off	(7 474 164)	(237 419 927)
Closing balance	**-**	**2 416 773**

Analysis of expenditure investigated

Current year	5 057 391	76 636 563
Prior years	2 416 773	163 200 137
	7 474 164	**239 836 700**

Details of irregular expenditure – current year

1. Contract exceeded its duration and the scope of work was extended without following proper processes of section 116 of the MFMA	2 883 803	74 929 358
2.The Municipality did not ensure that remuneration to senior managers is in line with the approve Government Gazette.	2 173 588	1 707 205
	5 057 391	**76 636 563**

Detailds of irregular expenditure - prior year

1. The contract was not appointed in line with MCCR.	-	75 240 870
2. Contract exceeded its duration and the scope of work was extended without following proper processes of section 116 of the MFMA	2 416 773	87 789 321
4, The requirements for local content and production were not stipulated in all bid document.	-	199 946
	2 416 773	**163 230 137**

39. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	1 070 431	-
Current year subscription / fee	4 593 479	4 281 723
Amount paid - current year	(4 515 540)	(3 211 292)
	1 148 370	**1 070 431**

Audit fees (AG)

Opening balance	275 580	304 648
Current year subscription / fee	10 691 106	11 181 691
Amount paid - current year	(10 202 480)	(11 210 759)
	764 206	**275 580**

PAYE and UIF

Opening balance	6 454 196	-
Current year subscription / fee	75 338 574	76 625 292
Amount paid - current year	(75 476 094)	(70 171 096)
	6 316 676	**6 454 196**

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

Current year subscription / fee	71 856 924	67 484 554
Amount paid - current year	(69 661 102)	(67 484 554)
	2 195 822	**-**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor RW Venske	-	59 842	59 842

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

40. 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 Council and includes a note to the annual financial statements..There were no deviations during 2023/2024 financial year.

There were no deviations for 2024/2025 financial year.

41. Water Distribution Losses

Water Losses	47 265 239	41 327 109

The municipality incurred water distribution losses in the current year 2025 is 7 373 672 kilolitres @ R6,41 amounting to R47 265 238.99 estimated @ 30% and previous year 2024 estimated @ 26% of 9 183 820 kilolitres @ R4.95 amounting to R41 327 109.00

42. Risk management

Financial risk management

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

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Risk manager, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

42. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settles by delivering cash or another financial asset.

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 by maintaining adequate reserves and banking facilities. The budget and treasury office monitors the cashflow requirements on a regular basis.

The municipality's cashflows consist of short term deposits and current accounts with notice periods of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the municipality's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such , the municipality is not able to select only credit worthy counterparts.

Credit risk consists mainly of cash deposits, cash equivalents, investments 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 evaluateS credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The existing trade receivables portfolio has historically been significantly impaired as a result of a number of contributing factors . Trade receivables are thus presented net of an allowance for impairment.

Except for trade and other receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

Financial instrument	2025	2024
Cash and cash equivalents	18 009 920	20 442 358
Receivables from exchange transactions	197 096 869	358 402 332

43. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	197 096 869	197 096 869
Other receivables from non-exchange transactions	-	30 403 101	30 403 101
Cash and cash equivalents	18 009 921	-	18 009 921
	18 009 921	**227 499 970**	**245 509 891**

Financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other payables from exchange transactions	429 503 512	429 503 512

2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	366 112 045	366 112 045
Other receivables from non-exchange transactions	-	116 217 641	116 217 641
Cash and cash equivalents	20 442 357	-	20 442 357
	20 442 357	**482 329 686**	**502 772 043**

Figures in Rand	2025	2024

43. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	395 223 734	395 223 734

44. Events after the reporting date

Subsequent to the reporting date, management prepared and tabled a report before Council on 28 August 2025 for the disposal of municipal assets. Council approved the disposal, and the transaction was finalised on 23 October 2025. The total carrying Amount as at 30 June 2024 presented on the council R 2,564,200.66.

45. Accounting by principals and agents

The entity is a party to a principal-agent arrangement. CHDM is a principal to CHDA up until 30 June 2024.

Details of the arrangment(s) is|are as follows:

The municipality is disclosing the function performed by the entity outside the activity of the entity to fast track some of the infrastructure projects of the municipality. In terms of GRAP(109) it requires that the munucipality to disclose that binding agreement as it affects the financial health of the municipality. During 2020/2021 financial year, CHDM made an agreement with CHDA for implementation of identified infrastructure projects on behalf of CHDM. There is a Memorandum of Agreement signed by both parties where it detailed the obligation of the CHDM and the obligation of the CHDA

Subject to the value created on each project, the CHDA shall submit an invoice that contains a payment certificate from a professional engineer, which shows work that has been measured in line with the bills of quantities

The parties agree that the CHDA's invoices shall be inclusive of the 10% (ten) percent management fee, which the CHDM has already provided for in its budget. In the event there are projects at risk or not being implemented and funds withhold, CHDA be utilised.

The municipality have an agreement with Taloc (Pty) LTD from 2023 for the project of installing Smart meters to improve the revenue collection of the municipality. Taloc (Pty) LTD is rendering as an agent. The parties agreed to 10% service fee.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised by the municipality in its financial statements.

Fee paid

	2025	2024
Fee paid as compensation to the agent (30 June 2025)	621 688	3 407 499

These agency are as per the Memorandum of Understanding that states 10% to be paid in each invoice claimed by the agent and move from operating cost or general expense to WIP. **R145 151** is a restated amount for smart meter management service fee.

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

The parties may renew this MOU for a further period of three(3) years, provided that written agreement to that effect is achieved prior to the expiry thereof. The MOU can be terminated by either party upon the provision of 90 days' written notice to the other party with no cost implications.

46. Going concern

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for atleast the next 12 months..

46. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.The municipality do have a stable and growing revenue base although it was slower than projected five years ago.

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of **R 5 592 183 416** and that the municipality's total assets exceed its liabilities by **R 6 208 078 180**.

No.mmmmm	**Adverse events and condition**	**Management's plans to mitigate the adverse conditions or events**
1.	Decrease in current ratio from 1.05 to 0.55 in the current year	The municipality to improve the current ratio have implemented smart meter that will increase the revenue collection. Implementation of the credit control policy, by enforcing the disconnection clause to all customers that are not paying more than 90 days and resolving billing issues.
2.	Significant impairment of debtors	The municipality approves the revised indigent policy where the qualifying criteria as indigent has been amended to identify poverty threshold, unemployment and combined two state pension grant. Water management device will be installed in the properties of qualifying indigent consumers so as to reduce consumption to affordable levels. This will ensure that consumers will not accumulate service debt that they will not be able to pay. To all consumers that afford the credit control policy is implemented. This will reduce the significant impapirment of debtors as our debt book is contributed by households that are indigent.
3.	Inability to deliver core services as a result of poor infrastructure	The municipality developed Asset Management Plan and Operational Maintenance Plan to accomodate vandalism of infrastructure and budgeting for maitnaing poor infrastructure. Funding from Capital conditional grant assist municipality to upgrade the infrastructure.
4.	Creditors number of days	The municipality monitor all CHDM top ten creditor that all above R100,000 and made payment arrangement to those suppliers. The council also took a resolution to participate on the debt relief program relating to the debt of Department of Water and Sanitation.
5.	Debtors number of days	The municipality is reducing the debtor's number of days by implementing the smart meter project where the customer will buy water and pay basic sanitation to the vendor. The credit control policy implementation – disconnection clause also will reduce the number of days.

47. VAT payable

	2025	2024
VAT Control	-	60 706 416
Output VAT	1 687 307 900	1 673 449 760
Input VAT	(1 645 013 961)	(1 708 075 654)
	42 293 939	**26 080 522**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Prepayments

Prepayments	976 024	1 004 075

49. Impairment loss

Impairments		
Property, plant and equipment	5 329 746	566 234

The impairment loss is evaluated at reporting date which in this instance is the 30 June 2025. The impairment was calculated based on the condition of the asset at year end during the physical verification. Based on the physical condition assessment done in the current financial year an amount of R5 329 746 (2024 June: R566 234) was recognised as impairment loss. The recoverable amount of these assets was based on their value in use. This includes vehicle and other assets

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Segment information

General information

Identification of segments

A segment is an activity of an entity:

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

The report will not be aggregated except for the Governance and Administration.

The municipality manages its assets and liability as a whole. Only capital expenditure is reviewed based on the location. All other asset and liability management techniques are focused on the asset base as a whole rather than the asset and liability management for a specific area. Service delivery staff are organised in such a manner that service delivery takes place timeously in each town, but it’s not a strategic principle to organise assets and liabilities in such a manner that each town is its own small economic/service delivery unit that can operate separately from the rest of the organisation. Segment reporting per geographic area is therefore not deemed relevant.

The segmental report surplus or deficit reviewed by management in the monthly section 71 report does not comprise all of the details as indicated by the standard and are thus not presented. Management reviews the performance on an aggregated basis of total revenue and total expenditure. The assets and liabilities are not reviewed at all on a segregated basis.

The reporting measurement basis for the management reports is the same as that of the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information has not been presented in terms of the transitional provisions contained in Directive 3.

Aggregated segments

The municipality operates throughout the district (Chris Hani) in a number of geographical areas (i.e. wards), the geographical information is not considered to be relevant to management for decision making. The segment were aggregated based on services delivered as management considered that the economic characteristics of the segments throughout Eastern cape were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Segment 1	Water
Segment 2	Sanitation

Notes to the Annual Financial Statements

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Water	Sanitstion	Total
Revenue			
Revenue from exchange transactions	389 898 506	61 957 004	451 855 510
Revenue from non-exchange transactions	523 010 972	35 018 507	558 029 479
Interest revenue-on Debtors	116 916 585	17 774 576	134 691 161
Total segment revenue	**1 029 826 063**	**114 750 087**	**1 144 576 150**
Entity's revenue			**1 144 576 150**
Expenditure			
Depreciation and Amortisation	170 022 312	17 037 813	187 060 125
Impairment Loss	5 329 746	-	5 329 746
Employee Related Cost	174 524 280	-	174 524 280
Debt Impairment	388 518 837	19 746 710	408 265 547
Bad Debts	304 934 573	63 477 256	368 411 829
Inventory Consumed - Water	156 232 860	-	156 232 860
Other Expense	85 801 129	36 336 494	122 137 623
Total segment expenditure	**1 285 363 737**	**136 598 273**	**1 421 962 010**
Total segmental surplus/(deficit)	**(255 537 674)**	**(21 848 186)**	**(277 385 860)**
Assets			
Inventories	15 235 239	-	15 235 239
Receivables from exchange transactions	103 789 947	93 490 112	197 280 059
Receivables from non-exchange transactions	28 365 191	-	28 365 191
Property,Plant and Equipment	5 178 232 641	581 654 759	5 759 887 400
Total segment assets	**5 325 623 018**	**675 144 871**	**6 000 767 889**
Total assets as per Statement of financial Position			**6 000 767 889**

50. Segment information (continued)

	Water	Sanitstion	Total
Liabilities			
Payables from exchange transactions	149 591 821	-	149 591 821
Consumer deposit	1 270 167	-	1 270 167
Total segment liabilities	**150 861 988**	**-**	**150 861 988**
Total liabilities as per Statement of financial Position			**150 861 988**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2024

	Water	Sanitation	Total
Revenue			
Revenue from exchange transactions	260 586 748	73 284 954	333 871 702
Revenue from non-exchange transactions	616 387 000	73 083 717	689 470 717
Interest revenue on debtors	153 553 217	30 447 150	184 000 367
Total segment revenue	**1 030 526 965**	**176 815 821**	**1 207 342 786**
Entity's revenue			**1 207 342 786**
Expenditure			
Depreciation & Amortisation	152 412 536	12 463 446	164 875 982
Impairment Loss	-	1 244 983	1 244 983
Debt Impairment	809 319 601	130 537 825	939 857 426
Bad debts	(941 008 408)	(285 723 643)	(1 226 732 051)
Inventory Consumed - Water	151 632 702	-	151 632 702
Employee related cocsts	163 989 436	24 746 273	188 735 709
Other Expense	146 360 412	24 149 526	170 509 938
Total segment expenditure	**482 706 279**	**(92 581 590)**	**390 124 689**
Total segmental surplus/(deficit)	**547 820 686**	**269 397 411**	**817 218 097**

50. Segment information (continued)

Assets			
Inventories	22 306 158	-	22 306 158
Receivables from exchange transaction	307 234 145	58 877 900	366 112 045
Receivables from non-exchange transactions	105 396 182	8 109 965	113 506 147
Property, Plant and Equipment	4 956 526 412	549 359 794	5 505 886 206
Total segment assets	**5 391 462 897**	**616 347 659**	**6 007 810 556**
Total assets as per Statement of financial Position			**6 007 810 556**
Liabilities			
Payables from exchange transactions	115 885 205	-	115 885 205
Consumer deposits	1 079 583	-	1 079 583
Unspent Conditional Grants	26 516	-	26 516
Total segment liabilities	**116 991 304**	**-**	**116 991 304**
Total liabilities as per Statement of financial Position			**116 991 304**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

51. Prior period errors

Financial Position

1. 1. Receivable from exchange transactions

The municipality conducted revenue and receivable from exchange transaction from 2022/2023 and 2023/2024 financial year considering the billing report (BP651), general valuation and billing reports from six local municipalities to confirm the correct tariff. The following were done in full population;

. Indigent

. Basic Water

. Basic Sanitation

51. Prior period errors (continued)

. Water Conventional

. Duplicate meters

The changes for 2022/2023 increase revenue and receivables from exchange transaction by **R6 735 996.70** basic sanitation and decrease water by **R140 488 412.5**6. In 2023/2024 basic sanitation correction increase by amounting to **R16 094 643.00** and water decrease by **R25 516 743.52**.

2.Inventories
The municipality restated the inventories because of water distribution reduce **R40 031.61** that change when correcting inventory water - consumed employee related cost reduced by **R9 121 225.0**0

3. Receivable from non-exchange transaction

The municipality conducted the review of retention register. Upon the review it was identified that an amount relating to **MIG R3 380 598.00** , **RBIG R3 813 593.00** and reclassification of other debtors amounting to **R715 063.00** bringing a net balance of **R6 479 128.00**

4. Property Plant and Equipment

4.1. Cluster 5: Water Supply Backlog Western Distribution Lines Phase 3: The project was completed on 25 June 2024 but was previously omitted. Adjustment ensures correct recognition of expenditure, amounting to **R10,272,345.00**

4.2. Multiple Projects: Projects were completed in **2022/2023**. However, additional expenditure was incurred and recorded in 2023/2024. Adjustment ensures proper recognition, amounting to **R2,908,440.15**

4.3. Refurbishment of Elliot WWTW: initially classified as capital. Upon review, identified as repair and maintenance. Adjustment reclassified to operational expenditure, amounting t**o R687,717.4**8.

4.4. Construction of Molteno Sewer Pump Station: Project completed in **2022/2023**, but expenditure incurred in **2023/2024.** Adjustment ensures proper recognition, amounting to **R397,646.20.**

Impact on Property, Plant and Equipment (PPE):
. Water Infrastructure will be increased by **R13,180,785.15** (items 1 and 2).
. Sanitation Infrastructure will be increased by **R397,646.20** (item 4).

5. Payables from exchange transaction

The municipality conducted the cut – off on payment vouchers and identified there are payment related to previous year on the interest paid amounting to **R4 243 208.64**, CSPS amounting **to R1 330 020.00**, Smart meter amounting to **R 2 605 794.44**, maintenance of building & facilities amounting to **R2 128.99** and Ext com serve - prov – information serv **R1 056 860.08.** This contributed to net increase balance of payables of **R 9 780 345**.

6. Retention

The municipality conducted the review of retention register upon the review it was identified that an amount of **R3 885 815.00** was overstating the retention.

7. Vat Payable

In the analyses of cut off the vat payable was affected by decrease **of R137 852.00** for 2023/2024 financial year.

8**. Provisions**

The municipality restated the Provision as Contingent Liability reason being that the process is delaying. This provision was disclosed since 2018/2019 financial year. Therefore current liabilities reduced by **R81,475,474,75**

Financial Performance

Figures in Rand	2025	2024

51. Prior period errors (continued)

1. Service Charge

The analyses of the receivable from exchange transaction affect the revenue service charge with the decrease amounting to **R 9 422 744.0**0or 2023/2024 financial year.

2. Employee related cost
The municipality restated the employee related cost beacuse of the changes in the inventory consumed - employee listing that was overstated by **R9 121 225.00** hence there is an increase on the employee related cost 2023/2024.

3. Interest paid

The cut off payment relating to interest charge by department of water affairs for previous year affect the interest paid as increase by **R 4 243 209.00** for 2023/2024 financial year.

4**. Debt Impairment**

The municipality restated revenue and receivables from exchange transaction which resulted to reduction of Debt Impairment by **R93 361 537.00.**

5. Contracted services

The municipality conducted the cut – off on payment vouchers and identified there are payment related to previous year on CSPS amounting **to R1 330 020.00**, Smart meter amounting to **R 2 605 794.44**, maintenance of building & facilities amounting to **R2 128.99**. An amount of **R687 717**.00 was restated from the WIP to repairs and maintenance under contracted services. The increase of **R 4 625 660.00** for 2023/2024 financial year**.**

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6.Inventory Consumed

The municipality restated the inventory consumed - water which resulted by overstatement of employee cost listing disclose on the inventory consumed - water reduce by **R9 121 225.00**

7. Transfer and Subsidies

There was a classification identified amounting to **R14 300.00** from entertainment and reclassify to transfer and subsidies and **R145 151 t**hat is smart meter management service fee as we use the same vote that was used to **CHDA**

8. Losses on disposal

The analyses of losses and disposal an amount of **R109 440.00** is identified as increase on 2023/2024 that increases.

9**. General expenses**

There was a reclassifiaction identified amounting to **(R14 300.00)** and increase and ext com serv prov - information serv by **R919 008.77** for 2023/2024

Statement of Changes in Net Assets

The Net Changes balance as at 01 July 2023 has been restated due to the correction of revenue and receivable, provisions and other components that affect 2022/2023 financial year with an increase of **R112 774 860.00**

Water Losses

The municipality restated water loses from **R12.40** to **R 4.95** due to the change in the unit cost as in the previous year tarrif cost for selling was used. The amount changed from **R113 879 145** to **R41 327 109**

51. Prior period errors (continued)

Statement of Financial Position	Previously reported	Adjustments	Restated
Inventories	22 621 379	(40 032)	22 581 347
Receivables from non-exchange transactions	122 696 769	(6 479 128)	116 217 641
Prepayments	1 004 075	-	1 004 075
Receivables from exchange transactions	440 998 348	(74 886 303)	366 112 045
Cash and cash equivalent	20 442 357	-	20 442 357
Property, plant and equipment	5 694 925 942	(1 449 977)	5 693 475 965
Intangible assets	3 544 704	-	3 544 704
Heritage assets	962 961	-	962 961
Investment in controlled entities	1 500 000	-	1 500 000
Operating lease asset	14 178	-	14 178
Payables from exchnage transactions	(426 897 188)	(5 535 364)	(432 432 552)
VAT payable	(37 006 384)	10 925 862	(26 080 522)
Unspent conditional grants	(26 516)	-	(26 516)
Consumer deposits	(1 079 583)	-	(1 079 583)
Eamployee benefit obligation	(5 888 073)	-	(5 888 073)
Provision	(81 475 475)	81 475 475	-
Employee benefit obligation	(91 128 599)	-	(91 128 599)
	5 665 208 895	**4 010 533**	**5 669 219 428**

Statement of Financial Performance	Previously reported	Adjustments	Total
Service charges	343 294 446	(9 422 744)	333 871 702
Other income	24 362 534	-	24 362 534
Interest received	204 380 754	-	204 380 754
Government grants & subisidies	1 389 270 554	-	1 389 270 554
Employee related costs	(412 069 313)	(9 121 255)	(421 190 568)
Remuneration of councillors	(13 842 491)	-	(13 842 491)
Depreciation and amortisation	(168 280 136)	(172 593)	(168 452 729)
Debt impairment	1 033 218 963	(93 361 537)	939 857 426
Bad Debt written off	(1 226 732 051)	-	(1 226 732 051)
Interest paid	(473 443)	(4 243 209)	(4 716 652)
Contracted services	(288 406 085)	(4 620 060)	(293 026 145)
Inventory - Water Consumed	(160 753 927)	9 121 225	(151 632 702)
Transfers and subsidies	(83 669 308)	(159 451)	(83 828 759)
General expenses	(114 827 844)	(904 709)	(115 732 553)
Losses on disposal	2 422 229	109 440	2 531 669
Actuarial gains /lossess	(2 674 146)	-	(2 674 146)
Reversal of impairmnet (Impairment loss)	566 234	-	566 234
	525 786 970	**(112 774 893)**	**413 012 077**

Statement of Changes in Net Assets	Previously reported	Adjustments	Total
Balance at 01 July 2023	- 5 139 421 925	112 774 860	- 5 252 196 785

52. Budget differences

Classification

Statement of Financial Perfomance	
Revenue	
Revenue from exchange transaction	
Service charges	The decrease between budget and actual is due to the billing corrections that were made during the current financial year where incorrect data was corrected. The analysis of data cleansing included the following: • Comparing the property usage category to the tariffs charged to ensure that the tariffs match the category as per valuation roll. • There were accounts that were not billed for the correct number of periods, a significant number of them are incorrectly identified. • Further reperformed revenue for current and previous financial years based on the corrected customer data, and it was identified that there were lot of duplications that had to be removed from custmer data, and this resulted to a major decrease in budgeted revenue.
Other Income	The undeperfomance by other income is due to receiveing lesser income than anticipated.
Interest received	The decrease between budget and actual is due to the billing corrections that were made during the current financial year where incorrect data was corrected.The correction of duplications, approved write offs and implementation of credit control and debt collection policy resulted in decrease to outstanding balances, which in turn resulted to low interest earned from debtors, interest from debtors accouunts for 76% of the total interest budget. Declining investment levels also had a negative impact on investment interest earned. The decrease was also due to decrease in Prime lending rate as a result of decrease in Repo rate.
Gain or loss on disposal of asset and liabilities	No provision made in the budget.
Government grants and subsidies	The overperfomance by government grants and subsidies is due top additional funding received for LG Seta refunds.
Expendiiture	

52. Budget differences (continued)

Employee cost	The actual employee costs for the current financial year amount to R495 428 406 (R58 660 848 accounted under water inventory due to inventory method used) against a budget of R451 317 363. The overspending was due to new employments that were made during the current financial year. It was also due to approved increase in salaries.
Remuneration of Councillors	Not material
Depreciation and amortisation	There were more assets that were completed in the previous financial year, that were depreaciated for the full financial year in the current financial year. There were also additions made to completed assets that contributed to depreciation in the current financial year.
Finance costs	The overperformance was due to financial constraints by the municipality, that made it difficult for the municipality to pay creditors within 30 days, which resulted to major suppliers such as Eskom and DWS, charging interest for late payments.
Debt impairment	The overperformance was due to more debt write offs than anticipated due to the radical data cleansing exercise that was implemented during the financial year, where a number of old debts with no prospect of recovery were identified.
Bad debt written off	The overperformance was due to more debt write offs than anticipated due to the radical data cleansing exercise that was implemented during the financial year, where a number of old debts with no prospect of recovery were identified.
Inventory consumed - water	This is due to the inventory cost methodology, where all the related input costs are charged to the inventory cost and realised to this account, actual expenditure is influenced by all the revelant costs items, that were not included on inventory consumed during budgeting.
Contracted services	The underspending is due to cost containment regulations adopted by the municipality, that require the municipality to monitor certain categories of expenditure. These costs include monitoring use of consultants, other contractors and outsourced services.
Transfer & Subsidies	The underperformance was due to financial constraints by the municipality. The municipality could not transfer all the budgeted funds in the current financial year.
General expense	The underspending is due to cost containment regulations adopted by the municipality, that require the monitoring of certain categories of expenditure with the objective of containing costs. These costs include monitoring of travelling and subsistence, sponsoring, catering and events, communication and maeketing and fuel costs.

52. Budget differences (continued)

Acturial gains/ losses	The overperfomance on actuarial gains is due to experience adjustment made and the effect of changes in actuarial assumption in line with GRAP 25.
Reversal of Impairment	No provision made in the budget.

53. Changes in accounting policy

Inventory Stores

During 2024/25 financial year the municipality changed its accounting policy for inventory stores accounting from first-in, first-out (FIFO) method to weighted average inline with GRAP 12, INVENTORIES. Management is of the view that the change will results in financial statements that are more reliable and relevant, providing a more accurate depiction of the entity's financial position based on the nature of inventory stores.

Paragraph 21 (b) of GRAP states that when an entity changes an accounting policy upon initial application of a Standard of GRAP that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively.

In line with GRAP 3, 29 management determined that it was impracticable for the municipality to apply the change retrospectively, because it cannot determine the cumulative effect of applying the policy to all prior periods, the municipality, in accordance with paragraph .25, has applied the change in policy prospectively from the start of the earliest period practicable, which is 2024/25 financial year. Therefore management disregarded the portion of the cumulative adjustment to assets and net assets arising before that date.

Inability to gather or recreate data m

The municipality is unable to separate between opening balance, purchases and closing balances in terms of units and rand values for financial years before 2024/25 financial years, and therefore it is impossible to determine the effect of the change of policy for all prior periods. This is due to how the previous registers were compiled versus how the new registered for weighted average is compiled. Therefore the municipality has applied the change prospectively.