Waterberg District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended June 30, 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Nature of business and principal activities	organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government Municipal Demarcation Act, 1998 and operates principally in South Africa.
Members of Council	
Executive Mayor	M.J. Maeko
Speaker	M.J. Gumede
Chief Whip	M.B Monare
Mayoral Committee member	N.S. Morumudi
Mayoral Committee member	M.J. Ngobeni
Mayoral Committee member	R.M. Moatshe
Mayoral Committee member	M.S. Taueatsoala
Mayoral Committee member	S.R. Masipa
Mayoral Committee member	K.B. Mangakeng
Councillor	L.S. Marakalala
Councillor	R.A. Matsemela
Councillor	M.M. Kekana
Councillor	M.R. Kekana
Councillor	M.S. Meteleni
Councillor	E. Seepe
Councillor	M.M. Mothabela
Councillor	K.A. Sesoma
Councillor	R.P. Sebajane
Councillor	P.S. Mabe
Councillor	D.S. Motshwene
Councillor	C.J. Du Toit
Councillor	E.L. Setho
Councillor	M.V. Mahlare
Councillor	R.H. Kgotlhang
Councillor	L.J. Molefe
Councillor	K.H. Niewenhuis
Councillor	D.A. Mongalo
Councillor	R.T. Modise
Councillor	V.N. Mahlangu
Councillor	M.S. Lelaka
Councillor	M.L. Matlala
Councillor	H.E. Matlebyane
Councillor	D.M. Mphaho
Councillor	M.P. Moshidi
Councillor	M.D. Senosha
Councillor	J.M. Mogapi
Councillor	F.J. Erasmus
Councillor	M.J. Kekana
Councillor	M.J. Ledwaba
Councillor	M.L. Ndiweni

General Information

Grading of local authority	Grade 4
Accounting Officer	P. Raputsoa
Chief Finance Officer (CFO)	T. Tebjani
Registered office	44 Harry Gwala Street Modimolle Limpopo 0510
Business address	44 Harry Gwala Street Modimolle Limpopo 0510
Postal address	Private Bag X1018 Modimolle Limpopo 0510
Bankers	ABSA Bank Modimolle
Auditors	Auditor General (SA)
Legislation governing the municipality's operations	Constitution of the republic of South Africa act 108 of 1996. Division of Revenue Act. Municipal Finance Management Act 56 of 2003. Municipal Structure Act 117 of 1998. Municipal Structure Act 117 of 1998.
Jurisdiction	Waterberg District Municipality Area includes - Modimolle - Mookgophong Mokopane Bela Bela Lephalale Thabazimbi

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Abbreviations used:

IFRIC	International Financial Reporting Interpretations Committee
GRAP	Generally Recognised Accounting Practice
IASB	International Accounting Standard Board
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
ASB	Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
IFRS	International Financial Reporting Standard

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.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to June 30, 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 municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's senior management team, internal auditors and oversight governance structures of Council.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 7 - 77 , which have been prepared on the going concern basis, were approved by the accounting officer on August 29, 2025 and were signed on its behalf by:

P. Raputsoa
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2025.

1. Review of activities

Main business and operations

The financial performance is negative R16 million, despite budget cut, municipality in illiquid position.

2. Going concern

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus (deficit) of 5 853 873 and that the municipality's total assets exceed its liabilities by 5 853 873.

The current year deficit of R24 358 662, and the municipality's current liabilities exceed its current assets by R28 881 677, and there is a negative cash flow from operations.Despite this, the municipality is in a positive net assets position and the liquidity issues are being managed.

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 ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

3. Subsequent events

The municipality requested financial assistance from Provincial Treasury and Intervention through allocation of R33 Million and envisaged Financial Recovery Plan by National Treasury, the Municipality will table and approve adjustments to its 2025/26 Budget to recognize the allocated amount during February 2026.

4. Corporate governance

The Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

4.1 Remuneration

The remuneration of the accounting officer and section 56 managers are determined by the upper limits for senior managers.

4.2 Audit committee

Mr R. Tshimomola was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the audit committee. National Treasury policy requires that municipalities should appoint further members of the municipality’s audit committee who are not councillors of the municipality onto the audit committee.

3 Members serve on the Audit Committee. The members are paid an allowance per day and are reimbursed for travel expenses. The minimum of four meetings are held every year and the chairperson also attended council meetings.

An extention of 06 months term membership was made after their term has expired on 31 May 2025

Accounting Officer's Report

4. Corporate governance (continued)

4.3 Internal audit

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

5. Bankers

The municipality has its primary bank account with ABSA Bank Limited and Nedbank Limited.

6. Auditors

The municipality is audited by the Auditor-General of South Africa.

The annual financial statements set out on page 7 - 77, which have been prepared on the going concern basis, were approved by the accounting officer on August 29, 2025 and were signed on its behalf by:

P. Raputsoa
Accounting Officer

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024
Assets			
Current Assets			
Cash and cash equivalents	3	201 005	5 388 383
Receivables from non-exchange transactions	4	55 859	914 986
Trade and other receivables from exchange transactions	5	51 436	82 870
VAT receivable - accrual	6	746 839	177 134
VAT receivable - control	6	129 553	122 990
		1 184 692	**6 686 363**
Non-Current Assets			
Intangible assets	7	675 422	720 496
Non-current receivables	8	22 027	22 027
Property, plant and equipment	9	65 725 673	72 205 092
		66 423 122	**72 947 615**
Total Assets		**67 607 814**	**79 633 978**
Liabilities			
Current Liabilities			
Consumer deposits	10	2 000	2 000
Employee benefit obligation	11	1 024 498	530 601
Operating lease liability	12	65 735	54 990
Long service award liability	13	970 668	101 579
Payables from exchange transactions	14	16 652 952	3 824 342
Payables from non-exchange transactions	15	20 010 147	19 423 388
Unspent conditional grants and receipts	16	137	135
		38 726 137	**23 937 035**
Non-Current Liabilities			
Employee benefit obligation	11	17 268 916	18 766 038
Long service award liability	13	5 758 888	6 718 372
		23 027 804	**25 484 410**
Total Liabilities		**61 753 941**	**49 421 445**
Net Assets		**5 853 873**	**30 212 533**
Accumulated surplus		5 853 873	30 212 533
Total Net Assets		**5 853 873**	**30 212 533**

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Actuarial gain / (loss)	17	4 661 761	659 359
Interest received - investment	18	2 283 813	3 270 771
Interest earned - Receivables	18	1	854
Gain on disposal of assets and liabilities		-	212 437
Service charges		1 389 033	1 261 418
Other income	19	1 371 800	786 248
Total revenue from exchange transactions		**9 706 408**	**6 191 087**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	20	160 287 615	154 295 242
Total revenue	21	**169 994 023**	**160 486 329**
Expenditure			
Depreciation and amortisation	22	(6 731 087)	(5 895 183)
Employee related costs	23	(129 321 478)	(122 622 128)
General Expenses	24	(42 566 419)	(39 505 379)
Finance costs	25	(475 659)	-
Project expenditure	26	(5 884 314)	(4 309 967)
Remuneration of councillors	27	(9 373 728)	(9 348 144)
Total expenditure		**(194 352 685)**	**(181 680 801)**
Deficit for the year		**(24 358 662)**	**(21 194 472)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at July 1, 2023	**51 407 005**	**51 407 005**
As previously reported	51 086 813	51 086 813
Prior period error	320 192	320 192
	-	-
Net surplus / (Deficit) for the year	**(21 194 472)**	**(21 194 472)**
Balance at 30 June 2024	**30 212 535**	**30 212 535**
Net Surplus / (Deficit) for the year	(24 358 662)	(24 358 662)
	(24 358 662)	(24 358 662)
Balance at June 30, 2025	**5 853 873**	**5 853 873**
Note(s)		

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 400 104	1 261 418
Grants		160 287 615	154 295 242
Interest income		2 304 177	3 271 625
Dividends or similar distributions received		1	-
Other receipts		2 094 161	493 616
		166 086 058	159 321 901
Payments			
Employee costs		(138 108 447)	(129 360 270)
Suppliers		(32 529 912)	(38 044 553)
Taxes paid		-	-
Taxes paid		(582 831)	-
		(171 221 190)	(167 404 823)
Net cash flows from operating activities	28	**(5 135 132)**	**(8 082 922)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(60 540)	(132 500)
Proceeds from sale of property, plant and equipment		-	822 896
Net cash flows from investing activities		**(60 540)**	**690 469**
Cash flows from financing activities			
Advance of operating lease		10 745	12 030
Net cash flows from financing activities		**10 745**	**(12 030)**
Net increase/(decrease) in cash and cash equivalents		**(5 187 378)**	**(7 382 945)**
Cash and cash equivalents at the beginning of the year		5 388 383	12 771 328
Cash and cash equivalents at the end of the year	3	**201 005**	**5 388 383**

The accounting policies on pages 15 to 44 and the notes on pages 45 to 77 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

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	1 805 580	-	**1 805 580**	1 389 033	**(416 547)**	Note 36 -N1
Other income	492 172	-	**492 172**	1 371 800	**879 628**	Note 36 -N2
Interest received - investment	3 424 786	-	**3 424 786**	2 283 813	**(1 140 973)**	
Interest earned - receivables	-	-	**-**	1	**1**	Note 36 -N3
Total revenue from exchange transactions	**5 722 538**	**-**	**5 722 538**	**5 044 647**	**(677 891)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	159 354 000	619 000	**159 973 000**	160 287 615	**314 615**	
Total revenue	**165 076 538**	**619 000**	**165 695 538**	**165 332 262**	**(363 276)**	
Expenditure						
Employee related costs	(132 235 476)	-	**(132 235 476)**	(129 321 478)	**2 913 998**	Note 36 -N4
Remuneration of councillors	(10 464 329)	-	**(10 464 329)**	(9 373 728)	**1 090 601**	Note 36 -N5
Depreciation and amortisation	(6 261 705)	-	**(6 261 705)**	(6 731 087)	**(469 382)**	Note 36 -N6
Finance costs	-	-	**-**	(475 659)	**(475 659)**	Note 36 -N6.1
Project expenditure	(5 749 900)	(619 000)	**(6 368 900)**	(5 884 314)	**484 586**	Note 36 -N7
General Expenses	(41 464 046)	80 000	**(41 384 046)**	(42 566 419)	**(1 182 373)**	Note 36 -N8
Total expenditure	**(196 175 456)**	**(539 000)**	**(196 714 456)**	**(194 352 685)**	**2 361 771**	
Operating deficit	**(31 098 918)**	**80 000**	**(31 018 918)**	**(29 020 423)**	**1 998 495**	
Actuarial gains	-	-	**-**	4 661 761	**4 661 761**	Note 36 -N10
Deficit before taxation	**(31 098 918)**	**80 000**	**(31 018 918)**	**(24 358 662)**	**6 660 256**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(31 098 918)**	**80 000**	**(31 018 918)**	**(24 358 662)**	**6 660 256**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

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						
Receivables from non-exchange transactions	100 000	-	**100 000**	55 859	**(44 141)**	Note 36 -N11
VAT receivable	450 000	-	**450 000**	876 392	**426 392**	Note 36 -N12
Trade and other receivable from exchange transactions	36 000	-	**36 000**	51 436	**15 436**	Note 36 -N13
Cash and cash equivalents	300 000	(80 000)	**220 000**	201 005	**(18 995)**	Note 36 -N14
	886 000	**(80 000)**	**806 000**	**1 184 692**	**378 692**	
Non-Current Assets						
Property, plant and equipment	69 000 000	80 000	**69 080 000**	65 725 673	**(3 354 327)**	Note 36 -N15
Intangible assets	700 000	-	**700 000**	675 422	**(24 578)**	Note 36 -N16
Other non-current assets	22 027	-	**22 027**	22 027	**-**	Note 36 -N17
	69 722 027	**80 000**	**69 802 027**	**66 423 122**	**(3 378 905)**	
Total Assets	**70 608 027**	**-**	**70 608 027**	**67 607 814**	**(3 000 213)**	
Liabilities						
Current Liabilities						
Operating lease liability	50 000	-	**50 000**	65 735	**15 735**	Note 36 -N18
Payables from exchange transactions	4 900 000	-	**4 900 000**	16 652 952	**11 752 952**	Note 36 -N19
Payables from non-exchange transactions	21 000 000	-	**21 000 000**	20 010 147	**(989 853)**	Note 36 -N20
Consumer deposits	2 000	-	**2 000**	2 000	**-**	
Employee benefit obligation	650 000	-	**650 000**	1 024 498	**374 498**	Note 36 -N21
Unspent conditional grants and receipts	-	-	**-**	137	**137**	
Long service award liability	130 000	-	**130 000**	970 668	**840 668**	Note 36 -N22
	26 732 000	**-**	**26 732 000**	**38 726 137**	**11 994 137**	
Non-Current Liabilities						
Employee benefit obligation	18 900 000	-	**18 900 000**	17 268 916	**(1 631 084)**	Note 36 -N21
Long service award liability	6 800 000	-	**6 800 000**	5 758 888	**(1 041 112)**	Note 36 -N22
	25 700 000	**-**	**25 700 000**	**23 027 804**	**(2 672 196)**	
Total Liabilities	**52 432 000**	**-**	**52 432 000**	**61 753 941**	**9 321 941**	
Net Assets	**18 176 027**	**-**	**18 176 027**	**5 853 873**	**(12 322 154)**	
Net Assets						
Reserves						
Accumulated surplus	18 176 027	-	**18 176 027**	5 853 855	**(12 322 172)**	

Statement of Comparison of Budget and Actual Amounts

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	1 805 580	-	**1 805 580**	1 400 104	**(405 476)**	Note 36 -N1
Grants	159 354 000	619 000	**159 973 000**	160 287 615	**314 615**	
Other receipts	3 916 958	-	**3 916 958**	4 398 338	**481 380**	
	165 076 538	**619 000**	**165 695 538**	**166 086 057**	**390 519**	
Payments						
Employee costs	(142 699 805)	-	**(142 699 805)**	(138 108 447)	**4 591 358**	Note 36 -N4
Taxes paid	-	-	**-**	(582 831)	**(582 831)**	
Other payments	(47 213 946)	(539 000)	**(47 752 946)**	(32 529 639)	**15 223 307**	Note 36 -N23
	(189 913 751)	**(539 000)**	**(190 452 751)**	**(171 220 917)**	**19 231 834**	
Net cash flows from operating activities	**(24 837 213)**	**80 000**	**(24 757 213)**	**(5 134 860)**	**19 622 353**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(700 000)	(80 000)	**(780 000)**	(60 540)	**719 460**	Note 36 -N23
Proceeds from sale of PPE	600 000	-	**600 000**	-	**(600 000)**	Note 36 -N24
Net cash flows from investing activities	**(100 000)**	**(80 000)**	**(180 000)**	**(60 540)**	**119 460**	
Cash flows from financing activities						
Advance operating lease	-	-	**-**	10 745	**10 745**	Note 36 -N18
Net increase/(decrease) in cash and cash equivalents	(24 937 213)	-	**(24 937 213)**	(5 184 651)	**19 741 813**	
Cash and cash equivalents at the beginning of the year	25 237 213	-	**25 237 213**	5 388 383	**(19 848 830)**	
Cash and cash equivalents at the end of the year	**300 000**	**-**	**300 000**	**203 732**	**(107 017)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Investment revenue	3 424 786	-	3 424 786	-		3 424 786	2 283 814		(1 140 972)	67 %	67 %
Transfers recognised - operational	159 354 000	619 000	159 973 000	-		159 973 000	160 287 615		314 615	100 %	101 %
Other own revenue	2 297 752	-	2 297 752	-		2 297 752	7 422 594		5 124 842	323 %	323 %
Total revenue (excluding capital transfers and contributions)	**165 076 538**	**619 000**	**165 695 538**	**-**		**165 695 538**	**169 994 023**		**4 298 485**	**103 %**	**103 %**
Employee costs	(132 235 476)	-	(132 235 476)	-	-	(132 235 476)	(129 321 478)	-	2 913 998	98 %	98 %
Remuneration of councillors	(10 464 329)	-	(10 464 329)	-	-	(10 464 329)	(9 373 728)	-	1 090 601	90 %	90 %
Depreciation and asset impairment	(6 261 705)	-	(6 261 705)			(6 261 705)	(6 731 087)	-	(469 382)	107 %	107 %
Finance charges	-	-	-	-	-	-	(475 659)	-	(475 659)	DIV/0 %	DIV/0 %
Project expenditure	(5 749 900)	-	(5 749 900)	-	-	(5 749 900)	(5 884 314)	-	(134 414)	102 %	102 %
Other expenditure	(41 464 046)	(539 000)	(42 003 046)	-	-	(42 003 046)	(42 566 419)	-	(563 373)	101 %	103 %
Total expenditure	**(196 175 456)**	**(539 000)**	**(196 714 456)**	**-**	**-**	**(196 714 456)**	**(194 352 685)**	**-**	**2 361 771**	**99 %**	**99 %**
Surplus/(Deficit)	**(31 098 918)**	**80 000**	**(31 018 918)**	**-**		**(31 018 918)**	**(24 358 662)**		**6 660 256**	**79 %**	**78 %**
Surplus/(Deficit) for the year	**(31 098 918)**	**80 000**	**(31 018 918)**	**-**		**(31 018 918)**	**(24 358 662)**		**6 660 256**	**79 %**	**78 %**

1. Significant accounting policies

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

1.1 Presentation currency

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

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

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.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.4 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables

The municipality assesses its trade 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 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.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

If there are indications that impairment may have occurred, estimates are prepared of the expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property plant and equipment. 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 denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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.

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	10 to 60 years
Art work		Indefinite
Plant and machinery	Straight-line	5 to 37 years
Furniture and fixtures	Straight-line	5 to 37 years
Motor vehicles	Straight-line	3 to 18 years
Office equipment	Straight-line	4 to 36 years
IT equipment	Straight-line	4 to 10 years

1.5 Property, plant and equipment (continued)

Emergency equipment	Straight-line	5 to 10 years
Specialised vehicles	Straight-line	5 to 16 years

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

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

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

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

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Proceeds from sales of assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

1.6 Intangible assets

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

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

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

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

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

1.6 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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
Computer software, other	Straight-line	4 to 40 years

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

1.7 Financial instruments

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

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

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

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

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

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

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

1.7 Financial instruments (continued)

- 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.

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;

Significant Accounting Policies

1.7 Financial instruments (continued)

- 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

1.7 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**
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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**
Payables from exchange transaction	Financial liability measured at amortised cost
Unspent conditional grant and receipts	Financial liability measured at amortised cost

1.7 Financial instruments (continued)

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

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.

Initial measurement of financial assets and financial liabilities

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

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.
- Financial instruments at 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, the entity 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, an 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.

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.

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 :

1.7 Financial instruments (continued)

-derecognise the asset; and
-recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.
If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

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.
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.
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.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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.

1.8 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 - lessee

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

1.9 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

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.

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.

Significant Accounting Policies

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

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.

1.10 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.

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either: (a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or (b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

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

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is 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 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.

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

1.10 Employee benefits (continued)

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that: (a) 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 (b) 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: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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: (a) any costs of managing the plan assets; and (b) any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

1.10 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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:

(a) 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.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

1.10 Employee benefits (continued)

Post-employment benefits: Distinction between defined contribution plans and defined benefit plans

Multi-employer plans

The entity classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). If the entity participates in a multi-employer defined benefit plan, the entity:

(a) accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan; and

(b) disclose the information required. When sufficient information is not available to use defined benefit accounting fora multi-employer defined benefit plan, the entity: (a) accounts for the plan as if it were a defined contribution plan; and (b) disclose the information required.

In determining when to recognise, and how to measure, a liability relating to the wind-up of a multi-employer defined benefit plan, or the entity's withdrawal from a multi-employer defined benefit plan, the entity applies the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

Defined benefit plans that share risks between entities under common control

Participation in such a plan is a related party transaction for each individual entity. The entity therefore, in its separate or individual financial statements, discloses the information required.

State plans

The entity accounts for a state plan in the same way as for a multi-employer plan.

Insured benefits

The entity may pay insurance premiums to fund a post-employment benefit plan. The entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation either to:

(a) pay the employee benefits directly when they fall due; or

(b) pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods. If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

Significant Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Accounting for the constructive obligation

The entity accounts 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.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Asset recognition ceiling: When a minimum funding requirement may give rise to a liability

If the entity has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the entity determines whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan. To the extent that the contributions payable will not be available after they are paid into the plan, the entity recognises a liability when the obligation arises. The liability reduces the defined benefit asset or increases the defined benefit liability so that no gain or loss is expected to result when the contributions are paid.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

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.

Attributing benefit to periods of service

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity attributes 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, the entity attributes benefit on a straight-line basis from:

(a) 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

(b) 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 assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

1.10 Employee benefits (continued)

The entity determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer’s share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) 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:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, 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 takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Recognition and measurement: Plan assets

Fair value of plan assets

The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the deficit or surplus.

1.10 Employee benefits (continued)

Reimbursements

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity:

(a) Recognises its right to reimbursement as a separate asset. The entity measures the asset at fair value.

(b) Disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised as below (see section on Components of defined benefit cost), may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

(a) actuarial gains and losses;

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Presentation

1.10 Employee benefits (continued)

Offset

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) 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.

Current/non-current distinction

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) 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.

Components of defined benefit cost

The entity recognises service cost, net interest on the net defined benefit liability (asset) and remeasurements in surplus or deficit.

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, 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:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

Significant Accounting Policies

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

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

1.11 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.

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

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Significant Accounting Policies

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

1.15 Investment income

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

1.16 Comparative figures

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

1.17 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.

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

1.20 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2024 to 6/30/2025.

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.

1.21 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).

Significant Accounting Policies

1.21 Related parties (continued)

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.

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.

1.22 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.

Significant Accounting Policies

1.23 Prepayments

Collateral held includes financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over assets.

The entity recognises assets relating to collateral held if it meets the recognition criteria in other accounting policies.

The entity disclose the nature and amounts of collateral recognised or held, in the notes to the financial statements.

1.23 Prepayments (continued)

1.24 Statutory receivables

Identification

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

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 a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.
The municipality has VAT receivable under the ambit of statutory receivables:

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business

1.23 Prepayments (continued)

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

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

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

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

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios,qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

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 through the Statement of financial performance to the extent that the carrying amount of the statutory receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

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

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

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:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2025 or later periods:

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

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

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 723	5 200
Bank balances	194 282	3 383 183
Short-term deposits	5 000	2 000 000
	201 005	**5 388 383**

Short-term deposits

Call Deposits	5 000	2 000 000

Figures in Rand	2025	2024

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
ABSA Bank - Current account: 4086264236	131 744	3 303 916	1 785 757	133 023	3 320 819	1 802 664
ABSA Bank - Call account: 4089054729	-	-	899 125	-	-	899 125
Absa - Growbus 40-9881-8724	60 444	62 364	64 339	60 444	62 364	64 339
Nedbank - 32 Days 03/7497571214/000285	-	-	10 000 000	-	-	10 000 000
ABSA Bank - Call account: 9385858975	5 000	2 000 000	-	5 000	2 000 000	-
Petty cash	-	-	-	1 723	5 200	5 200
Nedbank - Primary account:1313444278	815	-	-	815	-	-
Total	**198 003**	**5 366 280**	**12 749 221**	**201 005**	**5 388 383**	**12 771 328**

4. Receivables from non-exchange transactions

	2025	2024
Gross balances		
Sundry debtors	55 859	914 986
Less: Allowance for impairment		
Sundry debtors	-	-
Net balance		
Sundry debtors	55 859	914 986

	2025	2024
Sundry debtors		
Current (0 -30 days)	-	850 358
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 - 365 days	-	-
> 365 days	55 859	64 628
	55 859	**914 986**

	2025	2024
Reconciliation of allowance for impairment		
Balance at beginning of the year	-	-
Contributions to allowance	-	-
Debt impairment written off against allowance	-	-
Reversal of allowance	-	-
	-	**-**

All receivables are due within 30 days, therefore there is no impairment and no VAT related to impairment

5. Trade and other receivables from exchange transactions

	2025	2024
Gross balances		
Accrued interest - bank	29 940	50 303
Abattoir	21 496	32 567
	51 436	**82 870**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Trade and other receivables from exchange transactions (continued)

Less: Allowance for impairment		
Accrued interest - bank	-	-
Abattoir	-	-
	-	**-**

Net balance		
Accrued interest - bank	29 940	50 303
Abattoir	21 496	32 567
	51 436	**82 870**

Accrued interest - bank		
Current (0 -30 days)	29 940	50 303

Abattoir		
Current (0 -30 days)	21 496	19 206
91 - 120 days	-	40
121 - 365 days	-	10 437
> 365 days	-	2 884
	21 496	**32 567**

Summary of debtors by customer classification

Reconciliation of allowance for impairment		
Balance at beginning of the year	-	-
Contributions to allowance	-	-
Debt impairment written off against allowance	-	-
	-	**-**

Other receivables pledged as security

No other receivables were pledged as security.

Credit quality of receivables from exchange transactions

Abattoir debtors are payable within 30 days. The credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if applicable).The municipality's historical experience in collection of receivables transactions falls within recorded allowances. Accordingly management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

All receivables are due within 30 days, therefore there is no impairment and no VAT related to impairment

Fair value of trade and other receivables

Abattoir debtors	21 496	32 567
Accrued interest	29 940	50 303
	51 436	**82 870**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Trade and other receivables from exchange transactions (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At June 30, 2025, were past due but not impaired.

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

1 month past due	51 436	69 509
2 months past due	-	13 361
Total	51 436	82 870

6. VAT receivable

VAT Accrual	746 839	177 134
VAT Control (statutory receivable)	129 553	122 990
	876 392	**300 124**

VAT receivable and VAT payable are exchange transactions.

Statutory receivables

Transaction(s) arising from statute

VAT receivable and VAT Payable are statutory arrangements.

Determintation of transaction amount.

The VAT control amount was determined by using the VAT 201 reconciliation>

SARS refunds the municipality frequently and from that the VAT receivable amount is not impaired. SARS refunded the municipality RR24 452.72 on 17 July 2025 for May 2025 and R105 100.31 on 20 October 2025 for June 2025.

7. 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	1 350 706	(675 284)	675 422	1 350 706	(630 210)	720 496

Reconciliation of intangible assets - 2025

	Opening balance	**Amortisation**	**Total**
Computer software, other	720 496	(45 074)	675 422

Reconciliation of intangible assets - 2024

	Opening balance	**Amortisation**	**Total**
Computer software, other	762 884	(42 388)	720 496

Pledged as security

There are no items of intangible assets pledged as security.

8. Non-current receivables

Description		
Water and electricity	2 027	2 027
Telephone	20 000	20 000
	22 027	**22 027**

Notes to the Annual Financial Statements

Figures in Rand

9. 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	1 365 500	-	1 365 500	1 365 500	-	1 365 500
Buildings	38 574 417	(19 356 025)	19 218 392	38 574 417	(18 405 487)	20 168 930
Plant and machinery	5 856 475	(4 711 960)	1 144 515	5 779 230	(4 417 270)	1 361 960
Motor vehicles	78 134 978	(37 848 121)	40 286 857	78 134 978	(33 331 908)	44 803 070
Office equipment	14 099 564	(10 389 155)	3 710 409	13 970 216	(9 464 584)	4 505 632
Total	**138 030 934**	**(72 305 261)**	**65 725 673**	**137 824 341**	**(65 619 249)**	**72 205 092**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Change in estimate	Depreciation	Total
Land	1 365 500	-	-	-	1 365 500
Buildings	20 168 930	-	187 237	(1 137 775)	19 218 392
Plant and machinery	1 361 960	77 245	215 855	(510 547)	1 144 515
Motor vehicles	44 803 070	-	319 484	(4 835 697)	40 286 857
Office equipment	4 505 632	129 348	185 754	(1 110 325)	3 710 409
	72 205 092	**206 593**	**908 330**	**(7 594 344)**	**65 725 673**

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Change in estimate	Derecognition - cost	Derecognition - accumulated depreciation	Depreciation	Prior period error	Total
Land	1 365 500	-	-	-	-	-	-	1 365 500
Buildings	21 233 861	-	28 446	-	-	(1 093 377)	-	20 168 930
Plant and machinery	1 529 416	-	221 700	-	-	(403 869)	14 713	1 361 960
Motor vehicles	49 384 199	-	-	(3 526 245)	2 918 236	(4 171 680)	198 560	44 803 070
Office equipment	4 382 830	449 900	490 903	-	-	(924 918)	106 917	4 505 632
	77 895 806	**449 900**	**741 049**	**(3 526 245)**	**2 918 236**	**(6 593 844)**	**320 190**	**72 205 092**

Pledged as security

There are no items of property plant and equipment pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment 2025

	Contracted services	Other expenditure	Total	
Buildings	4 100 808	-	4 100 808	
Motor vehicles	1 274 712	80 415	1 355 128	
Plant and machinery	1 058 262	-	1 058 262	1
	6 433 782	**80 415**	**6 514 198**	

Expenditure incurred to repair and maintain property, plant and equipment 2024

	Contracted services	Other expenditure	Total	
Buildings	2 017 215	-	2 017 215	
Motor vehicles	1 778 805	132 285	1 911 090	
Office equipment	-	71 887	71 887	
Plant and machinery	1 425 053	-	1 425 053	1
	5 221 073	**204 172**	**5 425 245**	

10. Consumer deposits

	2025	2024
Abattoir	2 000	2 000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Employee benefit obligations

Defined benefit plans - General information

Defined benefit plan

The municipality contributes to a number of defined contribution schemes for pension of all permanent employees and councillors. The funds are governed by the Pension Funds Act of 1956.
The following are defined contribution plans:
- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipal Councillors Pension Fund

The municipality also provides certain post-retirement medical benefits to qualifying pensioners. All post-retirement medical benefits are unfunded.

The following are defined benefit plans:
- LA Health
- SAMWU Med
- Bonitas Medical Fund
- Key Health Medical Scheme
- Hosmed

In accordance with prevailing legislation, the defined benefit funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. 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 D.T. Mureruwa and T.G. Mhonde on behalf of One Pangaea expertise and Solutions.
The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions. The municipality intends to continue to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

The accumulated defined benefit obligation in respect of the post-retirement medical contributions are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

Movement in the employee healthcare benefit liability:

Carrying value		
Opening balance	(19 296 639)	(17 063 750)
Medical contributions subsidy for continuation pensioners	353 626	535 687
Current service cost	(456 863)	(708 646)
Current interest costs	(2 327 533)	(2 225 450)
Actuarial (gain) loss over the financia year	3 433 995	165 520
	(18 293 414)	**(19 296 639)**
Non-current liabilities	(17 268 916)	(18 766 038)
Current liabilities	(1 024 498)	(530 601)
	(18 293 414)	**(19 296 639)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Employee benefit obligations (continued)

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

Service cost	**456 863**	**708 646**
- Current service cost	456 863	708 646
Net interest on the net defined benefit liability (asset)	**2 327 533**	**2 225 450**
Remeasurements of the net defined benefit liability (asset)	**(3 433 995)**	**(165 520)**
- Actuarial gains and losses arising from:	(3 433 995)	(165 520)
- Changes in financial assumptions	(3 433 995)	(165 520)
Medical contributions for pensioners	**(353 655)**	**(535 658)**
	(1 003 254)	**2 232 918**

Key assumptions used

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases

Discount rates used	12.09 %	12.23 %
Expected rate of return on assets	6.02 %	6.25 %
Medical cost trend rates	7.52 %	7.75 %
Expected increase in salaries	4.25 %	4.16 %

The discount rate is a composture of all government bonds.The discount rate was determined from yield curves from the current market rates after the market closed at reporting date.

11. Employee benefit obligations (continued)

Sensitivity analysis

Healthcare cost trends

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

2025	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	1 002 971	682 399
Effect on interest cost	2 461 042	2 083 867
Effect on defined benefit obligation	20 870 637	16 160 331

2024	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	560 788	375 143
Effect on interest cost	2 687 980	2 033 540
Effect on defined benefit obligation	22 246 340	16 890 311

As per the table above, a 1% increase in the healthcare cost inflation rate results in a 14.09% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 11.66% decrease in the accrued liability. Increasing healthcare cost inflation leads to greater subsidies being paid by the entity in respect of continuation members. This, in turn, increases the size of the accrued liability.

Discount rate

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

2025	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	694 936	987 390
Effect on interest cost	2 066 805	2 241 704
Effect on defined benefit obligation	16 301 438	20 725 992

2024	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	382 164	551 976
Effect on interest cost	2 219 423	2 450 940
Effect on defined benefit obligation	17 040 986	22 090 236

Inversely, a 1% increase in the discount rate results in a 10.89% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 13.30% increase in the accrued liability. The discount rate is inversely related to the accrued liability.An increase in the discount rate increases the accrued liability and vice-versa

Maturity analysis of the defined benefit obligations

The following table presents examines the maturity profile of the benefit obligation.

11. Employee benefit obligations (continued)

	Accrued liability	Expected benefit payment
30 June 2025	18 293 414	1 024 498
30 June 2026	20 242 706	1 022 491
30 June 2027	22 399 710	1 020 303
30 June 2028	24 786 557	1 017 918
30 June 2029	27 427 740	1 024 498
30 June 2030	30 350 359	1 117 167
	143 500 486	**6 226 875**

The entity participates in a multi-employer defined benefit plan.

The entity accounted for the multi-employer plan as a defined contribution plan, seeing as sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

The entity participates in a defined benefit plan that shares risks between entities under common control.

Defined contribution plans

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

12. Operating lease asset (liability)

Current liabilities	65 735	54 990

Refer to note 29 commitment for additional disclosure relating to operating lease accrual.

13. Long service award liability

The municipality provides long-service awards to its permanent employees.

The benefit of long-service award is provided in the form of annual leave and a gift to a certain monetary value.

In accordance with prevailing legislation, the provision is actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. 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 D.T. Mureruwa and T.G. Mhonde on behalf of One Pangaea expertise and Solutions.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

Movement in the long-service award liability:		
Liability as at 01 July	(6 819 951)	(6 653 447)
Benefits paid	24 150	597 093
Current service costs	(429 306)	(523 388)
Interest	(732 215)	(734 048)
Actuarial losses / (gains) recognised in Statement of Financial Performance	1 227 766	493 839
Accrued liability as at 30 June	**(6 729 556)**	**(6 819 951)**
Current portion of liability as at 30 June	(970 668)	(101 579)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Long service award liability (continued)

Non-current portion of liability as at 30 June	(5 758 888)	(6 718 372)
	(6 729 556)	**(6 819 951)**

Expense recognised in (profit) or loss:		
Current service cost	429 306	523 388
Interest cost	732 215	734 048
Actuarial losses / gains	(1 227 766)	(493 839)
	(66 245)	**763 597**

14. Payables from exchange transactions

Trade payables	16 423 400	3 585 503
Payments received in advanced	27 267	27 267
Retentions	202 285	211 572
	16 652 952	**3 824 342**

15. Payables from non-exchange transactions

Accruals for leave	16 847 080	16 690 310
Accruals for bonuses	3 163 067	2 733 078
	20 010 147	**19 423 388**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	3	1
Rural Road Asset Management Systems Grant	134	134
	137	**135**

Movement during the year

Balance at the beginning of the year	134	134
Additions during the year	5 526 615	3 636 980
Income recognition during the year	(5 526 612)	(3 636 979)
	137	**135**

See note 20 for reconciliation of grants from National/Provincial Government.

17. Actuarial gain / (loss)

Gains or losses arising from employee benefit obligation	3 433 995	165 520
Gain or loss arising from long service awards	1 227 766	493 839
	4 661 761	**659 359**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Interest earned

Abattoir services	1	854
Interest revenue		
Bank	193 865	466 603
Short-term investments	2 089 948	2 804 168
	2 283 813	**3 270 771**
	2 283 814	**3 271 625**

19. Other income

Commision income	1 478	30 156
Air quality licencing	25 000	5 000
Fire income	212 020	74 356
Municipal health income	996 536	359 336
Donations-in-kind	136 766	317 400
	1 371 800	**786 248**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Government grants & subsidies

Operating grants

Equitable share	154 761 000	150 598 000
LG SETA Grant	314 617	407 243
Rural Road Asset Management Grant	3 012 000	2 290 000
EPWP Incentive	1 200 000	-
Finance Management Grant	999 998	999 999
	160 287 615	**154 295 242**

Equitable Share

The equitable share is an unconditional grant and is utilised to fund disaster management services, environmental health services, projects and operating expenditure.

Finance Management Grant

Balance unspent at beginning of year	1	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(999 998)	(999 999)
	3	**1**

Finance Management Grant is a conditional Grant allocated to municipalities to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA..

Expanded Public Works Incentive Grant

Current-year receipts	1 200 000	-
Conditions met - transferred to revenue	(1 200 000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

LG SETA Grant

Current-year receipts	314 617	407 243
Conditions met - transferred to revenue	(314 617)	(407 243)
	-	**-**

The aim of these grants is to encourage stakeholders and employers to contribute to skills development, address critical and scarce skills shortages, and create jobs and employment opportunities.

Rural Road Asset Management Grant

Balance unspent at beginning of year	134	134
Current-year receipts	3 012 000	2 290 000
Conditions met - transferred to revenue	(3 012 000)	(2 290 000)
	134	**134**

The grant is utilised to set up a district Road Asset Management System and to collect rural data in line with the Road Infrastructure Strategic Framework for South Africa.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Revenue

Actuarial gain / (loss)	4 661 761	659 359
Service charges	1 389 033	1 261 418
Gain or loss on disposal of assets and liabilities	-	212 437
Other income	1 371 800	786 248
Interest received - investment	2 283 813	3 270 771
Interest received - receivables	1	854
Government grants & subsidies	160 287 615	154 295 242
	169 994 023	**160 486 329**

The amount included in revenue arising from exchanges of goods or services are as follows:

Actuarial gain / (loss)	4 661 761	659 359
Rendering of services	1 389 033	1 261 418
Gain or loss on disposal of assets and liabilities	-	212 437
Other income	1 371 800	786 248
Interest received - investment	2 283 813	3 270 771
Interest received - receivables	1	854
	9 706 408	**6 191 087**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	160 287 615	154 295 242

22. Depreciation and amortisation

Property, plant and equipment	6 686 012	5 852 795
Intangible assets	45 075	42 388
	6 731 087	**5 895 183**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Employee related costs

Basic	80 107 059	76 079 366
Travel and other allowances	18 138 273	18 032 030
Overtime payments	1 891 066	1 908 138
Housing benefits and allowances	3 169 769	3 063 801
Contributions to UIF, pension and medical aid and other statutory contributions	26 015 311	23 538 793
	129 321 478	**122 622 128**

Remuneration of municipal manager - P. Raputsoa

Annual Remuneration	1 018 684	987 743
Car Allowance	232 539	220 735
Contributions to UIF, Medical and Pension Funds	254 482	253 666
Other	76 996	71 143
	1 582 701	**1 533 287**

The municipal manager was employed for the year under review.

Remuneration of municipal manager - M. Tsebe

Acting allowance	3 415	-

The acting municipal manager was appointed for the month of December 2024.

Remuneration of chief finance officer - T. Tebjani

Annual Remuneration	851 675	646 033
Car Allowance	185 625	132 468
Contributions to UIF, Medical and Pension Funds	186 779	117 797
Other	53 815	9 000
	1 277 894	**905 298**

The chief financial officer was employed for the year under review.

Remuneration of chief finance officer - T. Muelelwa

Car Allowance	-	6 884
Contributions to UIF, Medical and Pension Funds	-	494
Other	-	26 165
	-	**33 543**

Salary corrections were made during the prior year for the former chief financial officer.

Remuneration of manager: infrastructure development - G.M. Matlala

Annual Remuneration	-	475 176
Car Allowance	-	109 622
Contributions to UIF, Medical and Pension Funds	-	119 097
Other	-	270 629
	-	**974 524**

The manager infrastructure development contract has come to an end 31 January 2024.

Remuneration of manager: infrastructure development - B.F. Mthombene

Figures in Rand	2025	2024

23. Employee related costs (continued)

Annual Remuneration	7 413	1 955

The acting manager was appointed for the month of July 2024 till October 2024.

Remuneration of manager: infrastructure development - T.P. Mothokwa

Annual Remuneration	90 559	-

The acting manager was appointed for the month of November 2024 till February 2024.

Remuneration of manager: infrastructure development - T.M. Lelaka

Annual Remuneration	242 912	-
Car Allowance	43 707	-
Contributions to UIF, Medical and Pension Funds	31 901	-
Other	4 000	-
	322 520	**-**

The manager infrastructure development was appointed 01 March 2025.

Remuneration of manager: planning & economic development - D.L.M.T. Sehlapelo

Annual Remuneration	165 903	-
Car Allowance	30 375	10 638
Contributions to UIF, Medical and Pension Funds	37 293	142
Other	3 000	5 730
	236 571	**16 510**

The manager planning & economic development was appointed 01 April 2025.

Remuneration of manager: planning & economic development - K.B. Molekwa

Annual Remuneration	-	442

The acting manager was appointed for the month of July and August 2023..

Remuneration of manager: planning & economic development - P. Siebe

Annual Remuneration	10 887	16 296

The acting manager was appointed for the month of July 2024 till March 2025.

Remuneration of manager: corporate support and shared services - M. Tsebe

Annual Remuneration	729 646	692 898
Car Allowance	313 015	310 876
Contributions to UIF, Medical and Pension Funds	187 190	196 375
Other	73 352	49 736
	1 303 203	**1 249 885**

The manager corporate support and shared services was employed for the year under review.

Remuneration of manager: social development and community services - M.Z. Namate

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Employee related costs (continued)

Annual Remuneration	79 433	944 528
Car Allowance	23 330	175 447
Contributions to UIF, Medical and Pension Funds	3 511	68 478
Other	256 950	75 707
	363 224	**1 264 160**

The manager social development and community services contract has come to an end 31 July 2024.

Remuneration of manager: social development and community services - D.M. Sithole

Acting allowance	10 009	-

The acting manager social development and community services was appointed for the month of August 2024 till February 2025.

Remuneration of manager: social development and community services - M.M. Cocquyt

Annual Remuneration	229 335	-
Car Allowance	39 748	-
Contributions to UIF, Medical and Pension Funds	33 793	-
Other	4 000	-
	306 876	**-**

The manager social development and community services was appointed 01 March 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. General expenses

Operating lease expenses	91 542	112 087
Advertising	328 582	262 470
By-laws	8 772	-
Auditors remuneration	3 129 747	2 759 944
Bank charges	76 810	27 816
Cleaning	151 731	136 779
Municipal account - water, rates & electricity	2 773 106	2 645 778
Consulting and professional fees	874 688	1 008 469
Discretionery Bursary Fund	135 615	368 859
Rental of buildings / offices	53 722	55 228
Conferences and seminars- delegations	37 932	16 900
Discount allowed	32 916	48 560
Audit committee	170 059	293 423
Entertainment	88 582	173 054
Bursaries	186 415	194 918
Employee assistance program	266 686	305 884
Operating lease payments	1 856 505	2 133 324
Long service award expenditure	1 137 400	660 343
Motor vehicle expenses	1 727 507	1 574 505
Post-retirement health care expenditure	2 430 741	2 398 438
Postage and courier	2 357	-
Printing and stationery	472 167	434 952
Protective clothing	760 058	981 584
Repairs and maintenance	6 514 198	5 425 246
Programming	3 490 950	2 970 732
Subscriptions and membership fees	3 093 339	2 203 099
Telephone and fax	630 110	363 296
Training	828 390	593 089
Travel - local	4 683 058	5 189 816
Security costs	4 491 900	4 071 238
Miscellaneous expenditure	4 328	2 214
Insurance	1 777 326	1 617 617
Meat inspection	224 979	235 830
Environmental health - awareness & sampling	34 201	239 887
	42 566 419	**39 505 379**

25. Taxes paid

Interest incurred on late payments	475 659	-

The municipality was faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services. The interest was incurred on late payments made to third parties.

26. Project expenditure

FMG - expenditure	816 547	756 144
Strategic planning	17 687	243 034
District IDP Public Participation Programme	980 570	1 008 685
Rural Road Assets Management System	3 012 000	2 290 000
Expanded Public Works Program	1 048 141	-
Spluma	9 369	12 104
	5 884 314	**4 309 967**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Remuneration of councillors

Executive Mayor	1 080 218	1 038 159
Mayoral Committee Members	5 063 244	4 107 370
Speaker	509 863	837 746
Councillors	2 720 403	3 364 869
	9 373 728	**9 348 144**

27. Remuneration of councillors (continued)

Reconciliation of remuneration of Councillors -2025

		Annual remuneration	Travel allowance	Cellphone allowance	Pension contributions	Medical contributions	Backpay	SDL	Total
Executive Mayor - M.J. Maeko	-	843 466	5 458	40 800	130 846	-	28 840	7 771	1 057 181
Executive Mayor - S.M. Mataboge	-	-	8 133	-	-	-	14 693	212	23 038
Speaker - M.J. Gumede	-	469 022	-	-	-	-	19 093	4 901	493 016
Speaker - K.R. Molokomme	-	-	5 734	-	-	-	10 958	156	16 848
Chief Whip - M.B. Monare	-	264 681	105 959	40 800	41 462	-	11 734	4 061	468 697
Mayoral committee member - N.S. Morumudi	-	468 434	190 101	40 800	73 469	-	21 358	6 402	800 564
Mayoral committee member - M.S. Taueatsoala	-	257 951	105 959	40 800	48 490	-	11 436	3 650	468 286
Mayoral committee member - M.H. Ledwaba	-	35 456	-	-	-	-	14 139	496	50 091
Mayoral committee member - H.S. Mathebula	-	353 641	146 352	37 400	53 046	19 991	-	4 625	615 055
Mayoral committee member - R.T. Modise	-	13 258	-	-	-	-	-	160	13 418
Mayoral committee member - S.R. Masipa	-	474 557	190 101	40 800	74 387	-	21 358	6 044	807 247
Mayoral committee member - K.B. Mangakeng	-	441 508	191 390	40 800	82 628	27 418	17 536	6 341	807 621
Mayoral committee member - M.J. Ngobeni	-	396 568	-	-	-	-	5 460	4 113	406 141
Mayoral committee member - R.M. Moatshe	-	358 758	146 352	37 400	54 392	20 169	3 856	5 197	626 124
Councillor - L.S Marakalala	-	32 130	-	-	-	-	-	412	32 542
Councillor - M.M. Mothabela	-	13 187	-	-	-	-	-	182	13 369
Councillor - R.A. Matsemela	-	200 194	80 144	40 800	31 361	-	8 876	3 151	364 526
Councillor - M.M. Kekana	-	16 761	-	-	-	-	-	179	16 940
Councillor - M.R. Kekana	-	17 976	-	-	-	-	-	472	18 448
Councillor - M.S. Meteleni	-	13 187	-	-	-	-	-	253	13 440
Councillor - E. Seepe	-	16 761	-	-	-	-	-	168	16 929
Councillor - K.A. Sesoma	-	7 499	-	-	-	-	-	104	7 603
Councillor - R.P. Sebajane	-	17 976	-	-	-	-	-	485	18 461
Councillor - P.S. Mabe	-	271 018	-	-	-	-	1 966	3 031	276 015
Councillor - D.S. Motshwene	-	15 581	-	-	-	-	-	168	15 749
Councillor - C.J. Du Toit	-	200 194	80 144	40 800	31 361	-	8 876	2 691	364 066

Notes to the Annual Financial Statements

Figures in Rand

27. Remuneration of councillors (continued)

Councillor - E.L. Setho	-	15 546	-	-	-	-	-	155	15 701
Councillor - M.V. Mahlare	-	200 194	80 144	40 800	31 361	-	8 876	2 648	364 023
Councillor - R.H. Kgotlhang	-	7 499	-	-	-	-	230	86	7 815
Councillor - L.J. Molefe	-	14 402	-	-	-	-	-	181	14 583
Councillor - D.A. Mongalo	-	28 662	-	-	-	-	-	385	29 047
Councillor - M.S. Lelaka	-	149 406	60 675	30 600	23 742	-	8 876	2 222	275 521
Councillor - K.H. Niewenhuis	-	230 223	80 144	40 800	-	-	10 207	3 272	364 646
Councillor - M.L. Matlala	-	7 499	-	-	-	-	-	77	7 576
Councillor - V.N. Mahlangu	-	8 257	-	-	-	-	-	135	8 392
Councillor - D.M. Mphaho	-	15 581	-	-	-	-	-	402	15 983
Councillor - M.P. Moshidi	-	200 194	80 144	40 800	31 361	-	8 876	2 648	364 023
Councillor - M.D. Senosha	-	21 054	-	-	-	-	230	-	21 284
Councillor - J.M. Mogapi	-	6 435	-	-	-	-	-	64	6 499
Councillor - F.J. Erasmus	-	8 865	-	-	-	-	-	89	8 954
Councillor - M.J. Kekana	-	19 469	3 115	1 632	2 920	-	-	201	27 337
Councillor - M.J.Ledwaba	-	14 159	8 982	4 706	-	-	-	261	28 108
Councillor - M.L. Ndiweni	-	2 791	-	-	-	-	-	28	2 819
	-	**6 150 000**	**1 569 031**	**560 538**	**710 826**	**67 578**	**237 474**	**78 279**	**9 373 726**

Reconciliation of remuneration of Councillors -2024

		Annual remuneration	Travel allowance	Cellphone allowance	Pension contributions	Medical contributions	Backpay	SDL	Total
Executive Mayor - S.M. Mataboge	-	527 895	264 928	40 800	80 923	104 004	11 592	8 017	1 038 159
Speaker - K.R. Molokomme	-	494 035	193 639	40 800	77 756	-	24 337	7 179	837 746
Chief Whip - M.B. Monare	-	258 383	101 274	40 800	40 667	-	12 729	3 702	457 555
Mayoral committee member - N.S. Morumudi	-	463 210	196 442	40 800	72 864	-	45 096	6 742	825 154
Mayoral committee member - M.S. Taueatsoala	-	251 813	101 032	40 800	47 559	-	12 405	3 556	457 165
Mayoral committee member - M.H. Ledwaba	-	421 655	-	-	-	-	19 084	4 522	445 261
Mayoral committee member - M.J. Maeko	-	532 692	184 046	40 800	-	-	25 930	7 610	791 078

Notes to the Annual Financial Statements

Figures in Rand

27. Remuneration of councillors (continued)

Mayoral committee member - R.T. Modise	-	9 306	-	-	-	-	13 010	230	22 546
Mayoral committee member - S.R. Masipa	-	463 210	181 510	40 800	72 864	-	22 548	5 886	786 818
Mayoral committee member - K.B. Mangakeng	-	436 515	211 165	40 800	77 754	20 849	(4 548)	6 219	788 754
Councillor - L.S Marakalala	-	13 981	-	-	-	-	-	202	14 183
Councillor - M.J. Gumede	-	410 595	-	-	-	-	38 383	4 646	453 624
Councillor - R.A. Matsemela	-	195 430	76 600	40 800	30 759	-	9 628	2 872	356 089
Councillor - M.M. Kekana	-	16 340	-	-	-	-	-	195	16 535
Councillor - M.R. Kekana	-	12 759	-	-	-	-	-	194	12 953
Councillor - M.S. Meteleni	-	11 622	-	-	-	-	-	189	11 811
Councillor - E. Seepe	-	16 340	-	-	-	-	-	163	16 503
Councillor - K.A. Sesoma	-	11 060	-	-	-	-	511	156	11 727
Councillor - R.P. Sebajane	-	12 802	-	-	-	-	-	290	13 092
Councillor - P.S. Mabe	-	84 904	-	-	-	-	4 181	1 207	90 292
Councillor - D.S. Motshwene	-	12 802	-	-	-	-	-	139	12 941
Councillor - C.J. Du Toit	-	195 430	76 600	40 800	30 759	-	9 628	2 617	355 834
Councillor - E.L. Setho	-	17 477	-	-	-	-	-	197	17 674
Councillor - M.V. Mahlare	-	195 430	76 600	40 800	30 759	-	9 628	2 585	355 802
Councillor - R.H. Kgotlhang	-	11 060	-	-	-	-	511	172	11 743
Councillor - L.J. Molefe	-	12 802	-	-	-	-	-	155	12 957
Councillor - D.A. Mongalo	-	18 657	-	-	-	-	-	307	18 964
Councillor - S.C. Majoko	-	-	11 078	-	-	-	(1 976)	69	9 171
Councillor - H.E. Matlebyane	-	3 452	-	-	-	-	-	36	3 488
Councillor - M.S. Lelaka	-	195 430	76 600	40 800	30 759	-	9 628	2 755	355 972
Councillor - K.H. Niewenhuis	-	224 745	78 606	40 800	-	-	11 072	3 199	358 422
Councillor - M.L. Matlala	-	11 060	-	-	-	-	511	132	11 703
Councillor - M.D. Senosha	-	8 372	-	-	-	-	-	-	8 372
Councillor - V.N. Mahlangu	-	11 709	-	-	-	-	-	177	11 886
Councillor - D.M. Mphaho	-	10 529	-	-	-	-	-	170	10 699
Councillor - M.P. Moshidi	-	195 430	74 915	40 800	29 676	-	2 140	2 510	345 471
	-	**5 768 932**	**1 905 035**	**571 200**	**623 099**	**124 853**	**276 028**	**78 997**	**9 348 144**

Notes to the Annual Financial Statements

Figures in Rand

27. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and 3 other Mayoral Committee members are full time councillors. Each is provided with an office, tools of trade and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties and has a driver.

28. Cash used in operations

Deficit	(24 358 662)	(21 194 472)
Adjustments for:		
Depreciation and amortisation	6 731 087	5 895 183
Loss on sale of assets and liabilities	-	(212 437)
Increase in leave and bonus accrual	586 759	2 610 002
Donations	(143 601)	(317 400)
Increase in leave and bonus accrual	-	27 903
Actuarial gain / losses - employee benefit obligation	(4 661 761)	(165 520)
Movement in long service award liability	1 137 371	660 343
Actuarial gain / loss - long service award	-	(493 839)
Movement in employee beneifit liability	2 430 770	2 398 409
Changes in working capital:		
Receivables from non-exchange transactions	859 127	(837 015)
Decrease / (Increase) in receivables from exchange transactions	31 434	24 768
Decrease / (Increase) in prepayments	-	1 389 888
Payables from exchange transactions	12 828 610	2 016 013
VAT	(576 268)	115 251
Unspent conditional grants and receipts	2	1
	(5 135 132)	**(8 082 922)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Insurance - General Expenses	2 239 104	4 274 652
• Operating lease	2 404 661	4 604 370
• Security Services - General expenses	6 396 922	11 562 607
• Software - Intangible assets	3 262 477	3 559 762
	14 303 164	**24 001 391**

The municipality has entered into a 5 year contract with Nedbank for the provision of banking services commencing on 1 April 2025. Normal banking charges will be incurred under the contract and does not include an overdraft facility.

.The operating lease commitments is already disclosed in the figures above, however disclosed seperatly below to comply with GRAP 13.

Operating lease

Minimum lease payments due		
- within one year	1 912 199	1 850 314
- in second to fifth year inclusive	286 536	2 198 736
	2 198 735	**4 049 050**

Operating lease payments represent rentals payable by the municipality for photocopiers, buildings and telephone exchange server.The lease period range between 24 and 36 months.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Contingencies

The following are legal cases pending at year end and the potential liability thereof:contingent liabilities

Contingent liabilities

	2025	2024
Mohale Incorporated - defend action against breach of contract Alleged contract breach with Limpopo Business Support Agency (LIBSA) due to not meeting reporting requirement. An application for exception was granted in our favour.We await the applicant with the matter in this regard. The applicant has not taken any action since.	1 800 000	1 800 000
Khomotso Ledwaba (Case no:4150/20) - Serviced with combined summons for negligence Plaintiff claiming damages.	10 000 000	10 000 000
Walkons Slaghuis Mokopane (Pty) Ltd V The Modimolle Mookgopong Local Municipality and Waterberg District Municipality Planning Tribunal (Case no:3095/2021) - Exchanging pleadings - Waterberg District Municipality is joined to the application as their chair of the District Tribunal. Currently exchanging pleadings		1 800 000
Mariri & 2 others (Case no:LPD 032009) - Three applicants matter's referred to the Labour Court for review.The commisioner issued an award that was not implementable and instructed that they be reinstated	39 600	39 600
Edeling Van Niekerk obo Mr D Van Niekerk - (Case no: 4877/2021). Instruction to defend the case was issued -currently still exchanging pleadings.Matter relate to motor vehicle accident due to poor road condition.	4 700 000	4 700 000
State vs MM, Manager Abattoir, Manager ID and Manager Planning (Case no: 2/12/2021). The matter relates to charges of contravening the National Environment Management Act no: 107 of 1997	450 000	450 000
SAWMU obo J Mashamaite & others - unfair labour practice, awaiting court date	350 000	350 000
Mphela & 2 others - unfair labour practice, parties to fill pleadings accordingly.	100 000	100 000
M2M Projects - Civil case.,Plaintiff was appointed by the District Municipality for provision of maintenance of the building for 36 months. Claim against municipality for payment of R4473 1241 plus interest	4 473 125	100 000

31. Related parties

The district municipality provides support to the local municipalities in the district. Fire fighting is a funded mandate of Waterberg District Municipality which is performed by local municipalities.

Key management personnel (refer to note 23) :
- Municipal Manager,
- Chief Financial Officer
- Manager: Infrastructure Development
- Manager: Planning & Economic Development
- Manager: Corporate Support & Share Services
- Manager: Social Development & Community Services &

Municipal Councillors (refer to note 27):
- Executive Mayor
- Speaker
- Mayoral Committee Members &
- Councillors

The district municipality provides support to the local municipalities in the district.

SCM Awards to close family members of persons in service of the state Regulation 45

No awards were made during the year to suppliers who have close family members in service of the state.

32. Risk management

Financial risk management

Liquidity risk

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

At June 30, 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	16 652 951	-	-	-
Consumer debtors	-	-	-	2 000
Unspent conditional grant	-	-	-	137

At June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	3 824 342	-	-	-
Consumer debtors	-	-	-	2 000
Unspent conditional grant	-	-	-	134

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

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

Financial instrument	2025	2024
Trade and other receivables from exchange transactions	51 436	82 870
Cash and cash equivalent	201 005	5 388 383

Market risk

Interest rate risk

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Going concern

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus (deficit) of R 5 853 873 and that the municipality's total assets exceed its liabilities by R5 853 873.

The current year deficit of R24 358 662, and the municipality's current liabilities exceed its current assets by R28 881 677, and there is a negative cash flow from operations.Despite this, the municipality is in a positive net assets position and the liquidity issues are being managed.

The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services

The challenges faced regarding financial issues manifest in cash flow constraints. During the current financial year, the municipality experienced serious cash flow challenges. While the municipality had taken reasonable steps to ensure that all creditors were paid within 30 days,it was not able to meet this criterion.

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 ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

The municipality has adopted an unfunded budget for the 2025/26 financial year, however with the Provincial Intervention through allocation of R33 Million and envisaged Financial Recovery Plan by National Treasury, the Municipality will table and approve adjustments to its 2025/26 Budget to recognize the allocated amount during February 2026.

34. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 449 688	-
Current year subscription / fee	1 489 788	1 449 688
Amount paid - previous years	(1 449 688)	-
	1 489 788	**1 449 688**

Audit fees

Current year subscription	3 129 747	2 759 944
Amount paid - current year	(3 129 747)	(2 759 944)
	-	**-**

UIF

Current year subscription / fee	772 932	740 031
Amount paid - current year	(639 033)	(740 031)
	133 899	**-**

PAYE

Opening balance	1 758 407	-
Current year subscription / fee	19 521 387	21 259 365
Amount paid - current year	(15 674 229)	(19 500 958)
Amount paid - previous years	(1 758 407)	-
	3 847 158	**1 758 407**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

Current year subscription / fee	33 360 433	33 732 723
Amount paid - current year	(27 317 091)	(33 732 723)
	6 043 342	**-**

VAT

VAT accrual	746 839	177 134
VAT control (statutory receivable)	129 553	122 990
	876 392	**300 124**

VAT output payables and VAT input receivables are shown in note 6.

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

Deviation from supply chain management regulations

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

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

The municipality has procured goods and services to an amount of R191 268 (2024 - R191 268) during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

These expenses incurred, approved by the Municipal Manager and reported to Council, are listed below:

Incident		
Deviation on goods and services less than R30 000	139 443	37 854
Deviation on goods and services between R30 000 and R200 000	129 462	153 414
	268 905	**191 268**

Incident		
Limited bidding procurement - single source procurement	58 623	14 796
Organ of state	210 282	176 472
	268 905	**191 268**

35. Budget differences

Material differences between budget and actual amounts

35. Budget differences (continued)

1.Statement of financial performance

N1 - Service charges relates to the abattoir services. Revenue realized from abattoir services reported for the period ending 30 June 2025 is below than what was anticipated.

N2 - Gain on sale of assets and actuarial gain and losses disclose seperately.

N3 - Consumerst pay within 30 days and therefore the reduction.

N4 - Resignations and vacancies main contributing factor.

N5 - Resignations and vacancies main contributing factor.

N6 - Change in estimate calculations performed at year end reduce the actual depreciation.

N6.1 Cash flow challenges and incurred interest on late payments.

N7 - Cost containment measures were applied due to reduction in cash and cash equivalent.

N8 -Increase is mainly due to expert reports on employee benefit obligation and long service award.

N9 - Budget is part of other income.

N10 - Budget is part of other income

2.Statement of financial position

N11 - SALGA subscription fee was not paid by 30 June 2025 therefore the significant variance.

N12 - Cost containment measures applied therefore savings on approved budget reduce the VAT receivable.

N13 - Reduction in investments cripled the accrued interest and Abatoir was more then 90% cash purchases.

N14 - Cash and cash equivalent was lower than anticipated as at 30 June 2025. The municipality is grant dependent and are in the process to developed revenue enhancement strategy in order to increase the revenue base.

N15 - The municipality received additional donations that was not budgeted for
N16 - The Munsoft upgrade was not procured in the current year due to cost constraints

N17 - Rental contracts were renewed and no deposit was required.

N18 - Due to straight-line payment more operating lease liability were redeemed than budgeted for.

N19 - Third party payments (PAYE) were only paid after year end and increased payables.

N20 - Increase in due to non-payment of leave encashment.

N21 - Variance is due to expert report presented at year end

N22 - Variance is due to expert report presented at year end

3. Cash flow statement

N23 - Cost containment measures were applied

N24 - Monies received on auction were more then anticipated.

36. Change in estimate

In terms of GRAP 17, an entity is required to assess the useful lives, residual values and depreciation methods of assets at every reporting date. This is done by assessing at each reporting date whether there is any indication that the entity's expectations about the useful lives and residual values of an asset have changed since the preceding reporting date.

In assessing whether there is any indication that the expected useful life of an asset has changed, an entity considers the following indications - par 57 (c) The asset is approaching the end of its previously expected useful life.
The useful lives was re-assed as follows.|

5 years added for servers
3 years added for tools
4 years added for laptops
5 years added for desks
6 years added for tables
5 years added for couches
5 years added for aircons
8 years added for wall units
4 years added for printers
3 years added for port switches
5 years added for chairs
6 years added for book cases
7 years added to drawer pedestals
3 years added for monitors
10 years added for coat racks
6 years added for letter trays
4 years added for chart board
5 years added for work station
4 years added for vaccuum
5 years added for fan
6 years added for maching machine
3 years added for kvm switches
3 years added for projectors
3 years added for paper bins
4 years added for skid units
4 years added for scanners
4 years added for computer stands
4 years added for cameras
5 years added for beds
5 years added for dehider
15 years added for buildings

37. Prior period errors

Error on depreciation for property plant and equipment was discovered and corrected.
During the financial year management perform an assessment on the useful lives of property plant and equipment.Upon inspection it was detected that assets had zero values from prior year. We did a prior year error as follows:

Prior period error:

The assets fully depreciated as at 30 June 2024 were treated as a prior year error. This is because some of the assets already reached the end of their useful lives some time ago but were still in use in 2025. · Per GRAP 3.43 the error in useful lives for these assets arose due to management not revisiting those assets' useful lives on a prospective basis and continuing to use the assets while fully depreciated. This resulted in a measurement error for depreciation as the assets clearly can still be used but the economic benefit of using the asset was not recognised in the depreciation per year.

For the assets treated as a prior year error, the carrying value as of 30 June 2024 was determined based on cost divided by the reassessed total useful life to determine what the carrying value would have been on 30 June 2025. The reason why this method was followed and not the method as per the accounting policy is that management should have reassessed the useful life of the asset when an indicator as per GRAP 17.57 presented itself. · Unfortunately, professional judgement cannot be used in hindsight and to now determine at what specific year-end this judgement should have been exercised was not possible. · The fact that the municipality still used the fully depreciated assets in 2025 indicated to management that the original useful lives were incorrectly determined. · The useful life of the assets was extended between 1-15 years. The date that the useful life should have been extended could have been on day 1 or day 1 601. This cannot be determined in 2024. · As a result, the comparative amounts were restated in terms of GRAP 3. 33(a) to the earliest period in which the error occurred. As mentioned the error date could not be determined as some of these assets reached the end of their useful lives in 2017 but are still used in 2025. · The municipality chose to follow a conservative approach by calculating the carrying value and disclosing the prior period error to the users with reasons. · In calculating the prior period error, management applied GRAP 3.44(b) as the error occurred before the earliest period presented and as a result, restated the opening balance.

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

	2024
Increase/(decrease) in PPE	320 192
(Increase)/decrease in net assets	320 192

Presented by:	**2024**
Increase)/decrease in Accumulated Surplus	-
(Increase)/ decrease in revenues	-
Increase/ (decrease) in Expenses	(320 192)
Effect on opening reserves	320 192

38. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	-	-
Add: Unauthorised expenditure - current	-	-
Closing balance	**-**	**-**

No unauthorized expenditure incurred for the year under review.

39. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	-	-
Add: Fruitless and wasteful expenditure identified - current	475 659	-
Less: Amount written off - current	(475 659)	-
Closing balance	**-**	**-**

Fruitless and wasteful expenditure is presented inclusive of VAT

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure incurred during the financial year under review relates to third party payments not honored by the municipality due financial constraints.

40. Irregular expenditure

Opening balance as previously reported	-	-
Add: Irregular expenditure - current	-	-
Closing balance	**-**	**-**

No irregular expenditure has been incurred by the municipality during the financial year under review.